# Raritan Valley Habitat for Humanity, Inc.

Financial Statements

June 30, 2025

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**Raritan Valley Habitat for Humanity, Inc.**
**Table of Contents**
**June 30, 2025**

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Independent Auditors' Report

To the Board of Directors
Raritan Valley Habitat for Humanity, Inc.
Bedminster, New Jersey

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the financial statements of Raritan Valley Habitat for Humanity, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Raritan Valley Habitat for Humanity, Inc. as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' 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 audit. 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.

To the Board of Directors
Raritan Valley Habitat for Humanity, Inc.

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 for one year after the date that the financial statements are issued.

***Auditors' 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 auditors' 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.

Nisivoccia LLP

Mt. Arlington, New Jersey
February 16, 2026

**Raritan Valley Habitat for Humanity, Inc.**
**Statement of Financial Position**
**June 30, 2025**

| | | |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and restricted cash | $ | 1,139,060 |
| Mortgages receivable, current portion | | 140,201 |
| Accounts receivable | | 18,364 |
| ReStore inventory | | 111,355 |
| Prepaid expenses | | 74,530 |
| Total current assets | | 1,483,510 |
| Mortgages receivable, net of current portion and unamortized discount and allowance for credit losses | | 990,745 |
| Property and equipment, net | | 38,907 |
| Inventory of real estate and construction in progress | | 256,761 |
| Operating lease right-of-use asset | | 563,938 |
| Security deposits | | 24,900 |
| Total assets | $ | 3,358,761 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | $ | 100,680 |
| Current portion of notes payable | | 57,162 |
| Operating lease liability | | 176,212 |
| Total current liabilities | | 334,054 |
| Notes payable, net of current portion | | 623,208 |
| Operating lease liability, net of current portion | | 406,751 |
| Total liabilities | | 1,364,013 |
| Net assets: | | |
| Without donor restrictions | | 1,642,373 |
| With donor restrictions | | 352,375 |
| Total net assets | | 1,994,748 |
| Total liabilities and net assets | $ | 3,358,761 |

See Accompanying Notes to the Financial Statements

**Raritan Valley Habitat for Humanity, Inc.**
**Statement of Activities**
**Year Ended June 30, 2025**

| | Without Donor Restriction | With Donor Restriction | Total |
|---|---|---|---|
| Revenue and other support: | | | |
| Contributions | $ 582,105 | $ 268,046 | $ 850,151 |
| Donated real estate, materials, and services | 203,061 | | 203,061 |
| Special event revenue, net | 56,198 | | 56,198 |
| ReStore income, net | 854,435 | | 854,435 |
| Amortization of mortgage discount | 106,617 | | 106,617 |
| Net assets released from donor restrictions | 210,931 | (210,931) | |
| Total public support | 2,013,347 | 57,115 | 2,070,462 |
| Expenses: | | | |
| Program services | 1,483,021 | | 1,483,021 |
| Management and general | 363,416 | | 363,416 |
| Fundraising | 131,382 | | 131,382 |
| Total expenses | 1,977,819 | - | 1,977,819 |
| Change in net assets from operations | 35,528 | 57,115 | 92,643 |
| Non-operating activities: | | | |
| Gain on sale of mortgages | 66,464 | | 66,464 |
| Interest income | 6,755 | | 6,755 |
| Loss on disposal of property and equipment | (873) | | (873) |
| Miscellaneous | 1,264 | | 1,264 |
| Total non-operating activities: | 73,610 | - | 73,610 |
| Change in net assets | 109,138 | 57,115 | 166,253 |
| Net assets, beginning of year | 1,533,235 | 295,260 | 1,828,495 |
| Net assets, end of year | $ 1,642,373 | $ 352,375 | $ 1,994,748 |

**Raritan Valley Habitat for Humanity, Inc.**
**Statement of Functional Expenses**
**Year Ended June 30, 2025**

| | Program Services | | | Supporting Services | | |
|---|---|---|---|---|---|---|
| | ReStore | Home Building/ Repair Program | Total | Management and General | Fundraising | Total |
| Salaries | $ 398,886 | $ 177,647 | $ 576,533 | $ 219,257 | $ 81,289 | $ 877,079 |
| Taxes and employee benefits | 95,741 | 81,027 | 176,768 | 42,422 | 14,063 | 233,253 |
| Total salaries and related benefits | 494,627 | 258,674 | 753,301 | 261,679 | 95,352 | 1,110,332 |
| Construction costs | | 116,866 | 116,866 | | | 116,866 |
| Tithe | | 62,399 | 62,399 | | | 62,399 |
| Professional fees | | 16,493 | 16,493 | 28,033 | | 44,526 |
| Interest expense | 10,729 | 3,813 | 14,542 | | | 14,542 |
| Insurance | 8,624 | 31,288 | 39,912 | | | 39,912 |
| Utilities | 43,404 | | 43,404 | 4,400 | | 47,804 |
| Office supplies | 10,243 | 325 | 10,568 | 6,675 | 185 | 17,428 |
| Repairs and maintenance | 12,442 | | 12,442 | 4,279 | | 16,721 |
| Software | 7,221 | 14,376 | 21,597 | 8,464 | 5,465 | 35,526 |
| Staff training | 618 | 50 | 668 | 1,424 | 50 | 2,142 |
| Telephone and fax | | | | 5,958 | | 5,958 |
| Postage | 22 | 117 | 139 | 1,098 | 83 | 1,320 |
| Travel | 986 | 217 | 1,203 | 1,410 | 403 | 3,016 |
| Vehicle expense | 12,014 | 4,253 | 16,267 | | | 16,267 |
| Rent and occupancy | 318,488 | | 318,488 | 11,400 | | 329,888 |
| Dumpster fees | 10,615 | | 10,615 | | | 10,615 |
| Advertising | 7,666 | 358 | 8,024 | 1,753 | 350 | 10,127 |
| Fundraising costs | | | | | 25,257 | 25,257 |
| Service fees | 19,190 | 467 | 19,657 | 25,740 | 4,237 | 49,634 |
| Miscellaneous | 1,583 | 3,150 | 4,733 | | | 4,733 |
| Total expenses before depreciation | 958,472 | 512,846 | 1,471,318 | 362,313 | 131,382 | 1,965,013 |
| Depreciation expense | 5,266 | 6,437 | 11,703 | 1,103 | | 12,806 |
| Total expenses | $ 963,738 | $ 519,283 | $ 1,483,021 | $ 363,416 | $ 131,382 | $ 1,977,819 |

See Accompanying Notes to the Financial Statements

**Raritan Valley Habitat for Humanity, Inc.**
**Statement of Cash Flows**
**Year Ended June 30, 2025**

| | |
|---|---|
| Cash flows from operating activities: | |
| Change in net assets | $ 166,253 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | |
| Depreciation | 12,806 |
| Change in unamortized mortgage discount | (106,617) |
| Noncash contribution of real estate | (153,200) |
| Loss on disposal of property and equipment | 873 |
| Gain on sale of mortgage | (66,464) |
| Changes in operating assets and liabilities: | |
| Mortgages receivable, net | 179,960 |
| Accounts receivable | 13,586 |
| Restore inventory | (21,483) |
| Prepaid expenses | (11,268) |
| Inventory of real estate and construction in progress | (16,771) |
| Accounts payable and accrued expenses | (32,649) |
| Security deposits | (4,900) |
| Operating lease asset and liability | 3,378 |
| Net cash used in operating activities | (36,496) |
| Cash flows from investing activities: | |
| Proceeds from sale of mortgages receivable | 177,584 |
| Purchase of property and equipment | (5,937) |
| Net cash provided by investing activities | 171,647 |
| Cash flows from financing activities: | |
| Repayments on notes payable | (54,391) |
| Proceeds from notes payable | 500,000 |
| Net cash provided by financing activities | 445,609 |
| Net increase in cash and restricted cash | 580,760 |
| Cash and restricted cash, beginning of year | 558,300 |
| Cash and restricted cash, end of year | $ 1,139,060 |
| Supplementary disclosure of cash activity: | |
| Cash paid during the year for interest | $ 14,542 |
| Supplemental disclosure of noncash activity: | |
| Donated real estate, materials, and services | $ 203,061 |

See Accompanying Notes to the Financial Statements

1. Nature of Activities

Raritan Valley Habitat for Humanity, Inc. (the "Organization"), is a nonprofit organization that builds and preserves affordable homes in Somerset and Hunterdon counties (New Jersey) in partnership with low and moderate income homeowners and the community. The Organization is an affiliate of Habitat for Humanity International, Inc. The Organization operates two habitat for Humanity "ReStore" locations in Manville and Clinton, New Jersey. A ReStore sells new and gently used, donated furniture, appliances, home décor, and building supplies to the public at a fraction of their retail prices. It benefits the community by providing high-quality items at affordable prices, generating proceeds to fund the building and repair of more affordable homes, and keeping items out of landfills.

2. Summary of Significant Accounting Policies

These financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. A summary of the significant accounting policies followed by the Organization in the preparation of the accompanying financial statements is set forth below:

Basis of Presentation

The Organization prepares its financial statements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update No. 2016-14, dated August 2016, *Not-for-Profit Entities* (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities* (FASB Update). In addition, the Organization uses the FASB's *Accounting for Contributions Received and Made*. *Presentation of Financial Statements of Not-for-Profit Entities* requires that resources be classified for accounting and reporting purposes into two net asset categories: net assets with donor restrictions and net assets without donor restrictions. Contributions that are restricted by the donor are reported as increases in assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. *Accounting for Contributions Received and Made* requires that unconditional promises to give be recorded as receivables and revenue and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. The net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions

Net assets without donor restrictions include all funds not restricted by a donor or grantor and assets whose use is not restricted through contractual or regulatory control of a third-party payer or under debt agreements.

Net Assets with Donor Restrictions

Net assets with donor restrictions are net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions reported on the statement of activities as net assets released from restrictions. Net assets with donor restrictions amounted to $352,375 at June 30, 2025.

Net assets with donor restrictions are restricted for the following purposes as of June 30, 2025:

| | Beginning Net Assets with Donor Restrictions | Additions | Net Assets Released from Restriction | Ending Net Assets with Donor Restrictions |
|---|---|---|---|---|
| Construction funding | $ 124,142 | | $ (124,142) | |
| James Street build | | $ 75,790 | | $ 75,790 |
| Franklin Township home build | | 9,685 | | 9,685 |
| Home repair program | 171,118 | 164,928 | (86,789) | 249,257 |
| Construction vehicle | | 17,643 | | 17,643 |
| | $ 295,260 | $ 268,046 | $ (210,931) | $ 352,375 |

Revenue and Support Recognition

The Organization recognizes revenue from building and financing affordable homes when the project is complete and the home is sold, which represents the performance obligation. The Organization records special events revenue equal to the fair value of direct benefits to donors, and then contribution revenue for the excess received when the event takes place. ReStore revenue is recognized at the point of sale.

The Organization recognizes contributions and pledges when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Disaggregation of Revenue

In the following table, revenue is disaggregated by timing of satisfaction of performance obligations for the year ended June 30:

| | |
|---|---|
| Performance obligations satisfied at a point in time | $ 910,633 |

Revenue from performance obligations satisfied at a point in time are related to the ReStore sales revenue and special event revenue.

Liquidity and Availability

The provisions of FASB Update No. 2016-14 require the presentation of qualitative information on how the Organization manages its liquid available resources and liquidity risks. Quantitative information that communicates the availability of a nonprofit's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year is required to be presented on the face of the financial statement and/or in the notes to the financial statements.

Accordingly, the Organization has presented the statement of financial position utilizing a classified format which presents current and noncurrent assets and liabilities.

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

| | |
|---|---|
| Financial assets at year end: | |
| Cash and restricted cash | $ 1,139,060 |
| Accounts receivable | 18,364 |
| Mortgages receivable, current portion | 140,201 |
| ReStore inventory | 111,355 |
| Total financial assets: | 1,408,980 |
| Less those unavailable for general expenditures within one year: | |
| Restricted by donor | (352,375) |
| Construction escrow | (8,312) |
| Total restricted funds: | (360,687) |
| Financial assets available to meet cash needs for general expenditures within one year | $ 1,048,293 |

The Organization has a goal to maintain cash on hand to meet 90 days of normal operating expenses. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition to these available financial assets, a significant portion of the Organization's annual expenditures will be funded by current year operating revenues, contribution revenue, home mortgages, ReStore sales, and special events. The Organization also has a line of credit available to meet short term cash needs.

Cash and Restricted Cash

For purposes of the statement of cash flows, restricted cash consists of a construction escrow.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program and supporting services benefited. The financial statements report certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

Expenses are charged to each program based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated to a program based on estimates made by management, and support costs are allocated to a program based on total program costs. Program expenses are those related to operation of the construction, Habitat ReStore, and community center programs. Support costs relate to administrative expenses associated with those programs. The allocation of indirect costs such as employee's salaries and other costs are based on methods considered by management to be reasonable. Fundraising includes the direct cost of special events and the allocation of employees' salaries, when applicable, as well as other costs involved in fundraising and special events.

Accounts Receivable and Allowance for Credit Loss

The Organization maintains allowances for credit losses for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: customer credit-worthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. Past due balances over 90 days and other higher risk amounts are reviewed individually for collectability. If the financial condition of the Organization's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Organization provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance.

Balances that remain outstanding after the Organization has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The Organization considers accounts receivable at June 30, 2025 to be fully collectible: accordingly, no allowance for credit losses is deemed necessary.

Mortgages Receivable and Allowance for Credit Losses

Mortgages from homeowners do not bear interest and generally have a maximum life of 30 years. Required monthly repayments are calculated on a level payment basis. The Organization discounts the mortgages received each accounting period using an interest rate stipulated by Habitat for Humanity International (HFHI). For 2025, the rate is 8.01%.

Mortgages sold within 12 months from the origination are not discounted. This practice facilitates the combining of all affiliated financial statements by HFHI. Discounting has no effect on the cash flows of the Organization. Mortgage discounts are amortized to income on a straight-line basis over the life of the underlying mortgages.

The Organization reviews mortgages receivable for collectability based on previous experience. Management has elected to record an allowance for credit losses for delinquent mortgage receivables, where no payment has been made for over one year and the client is unreachable. The Organization has the right to foreclose on delinquent mortgages. However, the goal is to allow clients to remain in the homes, therefore management deemed an allowance for credit losses appropriate. There was no change to the allowance for credit losses during the year ended June 30, 2025.

Allowance for Credit Losses

The Organization applies FASB ASC *Credit Losses* when measuring credit losses for most financial assets and certain other instruments that aren't measured at fair value through change in net assets. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC *Credit Losses* were mortgages receivables.

Property and Equipment

Property and equipment are recorded at cost when purchased or at fair value at the date of the gift, when donated. Significant additions, renewals, and betterments are capitalized while replacements, maintenance, and repairs which do not improve or extend the life of an asset are expensed. Depreciation is provided for by the straight-line method over the estimated useful lives of the assets. Gifts of long-lived assets are reported as an increase in net assets without donor restrictions, unless there are explicit restrictions that specify how the assets are to be used. Proceeds from the sale of fixed assets, if not restricted, are transferred to net assets without donor restrictions, or, if restricted, to net assets with donor restrictions for fixed asset acquisitions.

In accordance with *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Organization periodically evaluates property and equipment for impairment, relying on a number of factors including operating results, and future business plans. Recoverability of property is evaluated by a comparison of the carrying amount of an asset or asset group to estimated future recoverability of the carrying amount of the asset or asset group. If these comparisons indicate that an asset is not recoverable, the impairment loss recognized is the amount by which the carrying amount of the asset exceeds the estimated fair value. There were no impairment charges recorded for the year ended June 30, 2025.

Inventory of Real Estate, Construction Materials, and ReStore

Property acquisition and construction costs incurred in connection with the Organization's home building program are capitalized as construction in progress until construction is completed and the property is sold. In the year the property is sold, the total cost is reflected in program service expenses as cost of homes sold. In the event the projects costs exceed the net realizable value of the project, construction in progress will be adjusted accordingly.

While construction activity is relatively constant over the course of each year, the number of properties completed can vary significantly year to year and this can produce variations in the Organization's annual change in net assets. Construction in progress represent homes in progress which are under construction. As of June 30, 2025, inventory of real estate and construction in progress amounted to $256,761.

The Organization follows the provisions of FASB ASU *Inventory* which provides guidance on the simplification to the measurement of inventory. An entity should measure inventory at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Costs that exceed the net realizable value of a project are recognized as expense.

Inventory is valued as follows:

Construction in progress: Inventory is valued at lower of cost or net realizable value and is comprised of construction materials and supplies.

ReStore: Inventory is comprised of donated building materials, furniture, appliances and other household goods. These items are recorded at lower of thrift shop value or net realizable value.

In-Kind Contributions

The Organization follows the provisions of FASB ASU *Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets*, which requires nonprofits to present contributed nonfinancial assets as a separate line in the statement of activities apart from contributions of cash or other financial assets.

Amounts are reported in the financial statements for voluntary donations of services when those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills, and which would be typically purchased if not provided by donation. Donated assets and services are reported at their fair value at the time of donation.

Donated real estate, building materials and professional services have been recorded as contributions at an aggregate estimated fair value of $203,061 for the year ended June 30, 2025 with corresponding amounts being reflected as an asset and included in inventory of real estate and construction in progress.

Numerous volunteers donate their time to the Organization's programs and fundraising activities during the year. The value of this contributed time is not reflected in these financial statements since it does not meet the criteria for recognition under U.S. generally accepted accounting principles. However, this volunteer time is critical to the Organization and these hours are measured and monitored. Volunteers worked approximately 12,195 hours for the year ended June 30, 2025.

Income Taxes

The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Organization is also exempt under Title 15 of the State of New Jersey, *Corporations and Organizations Not-for-Profit Act*. Accordingly, no provision for federal or state income taxes has been presented in the accompanying financial statements.

The Organization follows the provisions of FASB ASC *Income Taxes*. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition as they relate to those tax positions.

The Organization does not expect a significant increase or decrease to the total amounts of unrecognized tax positions during the year ended June 30, 2025. However, the Organization is subject to regular audit by tax authorities, including a review of its nonprofit status which management believes would be upheld upon examination.

The Organization believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year. As required by law, the Organization files informational returns in the United States federal and New Jersey state jurisdictions. The Organization is subject to income tax examinations for returns within the statutory periods established by the respective jurisdictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Advertising

The Organization expenses the costs of advertising as incurred. The Organization incurred $10,127 in advertising expense for the year ended June 30, 2025.

Leases

The Organization applies FASB ASC *Leases* to determine whether an arrangement is or contains a lease at inception. The Organization leases their retail and office space. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statement of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent their obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of their leases do not provide an implicit rate, the Organization uses a risk-free rate for the retail space class of assets, based on the information available at commencement date in determining the present value of lease payments. 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 Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

*Accounting policy election for short-term leases:* The Organization has elected for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less, but greater than 1 month at lease commencement, and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. The Organization recognizes lease cost associated with its short-term leases on a straight-line basis over the lease term.

Subsequent Events

Management has reviewed subsequent events and transactions that occurred after June 30, 2025 through the date of the independent auditors' report and the date the financial statements were available to be issued, February 16, 2026. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no nonrecognized subsequent events that require additional disclosure.

3. Mortgages Receivable and Allowance for Credit Losses

Mortgages receivable are comprised of noninterest-bearing notes which are secured by properties sold through the home building program. These notes have original maturities of thirty years with the latest maturing in January 2053.

Outstanding mortgage receivable notes are as follows:

| | |
|---|---|
| Face value of mortgages | $ 1,846,754 |
| Less: Unamortized discount | (704,392) |
| Less: Allowance for credit losses | (11,416) |
| | $ 1,130,946 |

The Organization sells mortgages receivable to local banks. During the year ended June 30, 2025 mortgages receivable with an aggregate carrying value of $111,120, net of the unamortized discount, were sold for $177,584 resulting in a gain of $66,464.

4. Property and Equipment

Property and equipment and their related estimated useful lives at June 30, 2025 are as follows:

| Assets | Estimated Useful Life (Years) | |
|---|---|---|
| Leasehold improvements | 5 to 10 | $ 42,368 |
| Equipment | 3 to 10 | 54,907 |
| Vehicles | 5 to 7 | 58,617 |
| | | 155,892 |
| Less: accumulated depreciation | | (116,985) |
| | | $ 38,907 |

Depreciation expense for the year ended June 30, 2025 totaled $12,806.

5. Line of Credit

The Organization has a revolving $100,000 line of credit that was issued by PNC Bank. The line of credit is renewed annually. As of June 30, 2025, the Organization had no borrowings under the line. Interest rate changes annually and as of June 30, 2025, calculated at prime plus 1%, was at 7.75%.

6. Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk related to cash. Also, the Organization is subject to credit risk through mortgages receivable due from homeowners. Although the Organization does not currently foresee a credit risk associated with the amounts due, repayment of the amounts is dependent upon the financial stability of the obligors.

7. Leases

The Organization has operating leases for office space and two ReStore locations. The leases have remaining terms of 2 to 5 years.

Other information related to the Organization's operating leases for the year ended June 30, 2025 are as follows:

| | |
|---|---|
| Operating cash flows from operating leases | $ 184,950 |
| ROU assets obtained in exchange for new operating lease liabilities | $ 135,789 |
| Weighted-average remaining lease term in years for operating leases | 3.28 |
| Weighted-average discount rate for operating leases | 3.12% |

The future minimum lease payments under these noncancellable leases as of June 30, 2025 are as follows:

| Year Ended June 30, | | Total |
|---|---|---|
| 2026 | $ | 191,339 |
| 2027 | | 191,938 |
| 2028 | | 163,949 |
| 2029 | | 61,400 |
| 2030 | | 3,800 |
| Total undiscounted cash flows | | 612,426 |
| Less: present value discount | | (29,463) |
| Total lease liabilities | $ | 582,963 |

Lease expense from operating leases was $187,053 for the year ended June 30, 2025.

8. Notes Payable

Notes payable consist of the following as of June 30, 2025:

| | | |
|---|---|---|
| In December 2017 the Organization entered into a loan agreement with Habitat Capital LLC for $510,000. The note accrues interest at a rate of 5%. The note matures in June 2028. The Organization is required to make quarterly principal and interest payments of $16,280. The note is secured by the assignment of mortgage receivables with outstanding balances. | $ | 180,370 |
| The Organization has $500,000 available under an unsecured revolving line of credit agreement with a Habitat Capital LLC. The note accrues interest at the wall street journal prime rate minus 4.5%. The term of the of the loan is thirty-six (36) months. The Organization is required to make monthly interest only payments on the outstanding principal balance of the construction loan and principal payments upon the sale of each unit. | | 500,000 |
| Total notes payable | | 680,370 |
| Less: current portion | | 57,162 |
| Notes payable, net of current portion | $ | 623,208 |

Maturities of long-term debt due within the next five years as of June 30, 2025 are as follows:

| Year ended June 30, | | |
|---|---|---|
| 2026 | $ | 57,162 |
| 2027 | | 60,074 |
| 2028 | | 563,134 |
| Total | $ | 680,370 |

9. Tithe

Habitat for Humanity International, Inc. is a global partnership, and in recognition of that commitment, the Organization covenants with Habitat for Humanity International, Inc. to contribute a certain percentage of its unrestricted cash contributions, including events profits, to this international affiliate. The Tithe for the year ended June 30, 2025 was approximately $62,399.

10. Refundable Advance

The Organization obtained Paycheck Protection Program (PPP) loans under the CARES Act from the United States Small Business Administration (SBA) in April 2020 for $108,161 and February 2021 for $114,465. On June 2, 2021 and September 14, 2021 the Organization received full forgiveness in the amount of $222,626 resulting in the recognition of revenue of $108,161 and $114,465 for the years ended June 30, 2021 and 2022, respectively. The SBA reserves the right to audit PPP funding forgiveness for ten years from the date that forgiveness was awarded.