

GOING
FURTHER

INDIAN RIVER COUNTY HABITAT FOR
HUMANITY, INC. AND SUBSIDIARY

FINANCIAL STATEMENTS

JUNE 30, 2025

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Independent Auditor's Report

**Board of Directors
Indian River County Habitat for Humanity, Inc. and Subsidiary
Vero Beach, Florida**

Opinion

We have audited the accompanying consolidated financial statements of Indian River County Habitat for Humanity, Inc. (a nonprofit organization) and Subsidiary, (the "Organization") which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Indian River County Habitat for Humanity, Inc. and Subsidiary 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Indian River County Habitat for Humanity, Inc. and Subsidiary, 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 the consolidated 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 the 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 the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 consolidated 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.

Report on Summarized Comparative Information

Other auditors have previously audited the Organization's June 30, 2024 financial statements, and they expressed an unmodified audit opinion on those audited consolidated financial statements in their report dated September 24, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Bradenton, Florida
September 30, 2025

Indian River County Habitat for Humanity, Inc. and Subsidiary

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2025 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2024)

	2025	2024
ASSETS		
Cash and cash equivalents	\$ 1,067,456	\$ 1,564,370
Investments	1,531,801	2,543,316
Escrow receivable	-	30,972
Cost of homes under construction	3,358,401	1,957,403
Inventory	584,956	588,365
Other assets	232,002	196,462
Restricted cash	100,143	574,419
Beneficial interest in Community Foundation - Endowment Fund	384,698	339,069
Non-interest bearing mortgage loans, net of discount and allowance	7,512,903	7,077,392
Property and equipment, net	3,796,682	3,888,778
Land held for development	3,227,877	2,392,624
Total assets	\$ 21,796,919	\$ 21,153,170
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 703,773	\$ 670,925
Escrow and warranty reserve	55,691	574,419
Prepaid non-interest bearing mortgage loans	-	40,607
Lines of credit	700,000	-
SHOP notes payable	15,974	40,264
Notes payable, net of discount	2,984,414	3,045,775
Total liabilities	\$ 4,459,852	\$ 4,371,990
Net assets		
Without donor restrictions		
Designated	\$ 2,163,751	\$ 3,428,638
Undesignated	14,526,529	12,832,121
Total net assets without donor restrictions	16,690,280	16,260,759
Net assets with donor restrictions	646,787	520,421
Total net assets	17,337,067	16,781,180
Total liabilities and net assets	\$ 21,796,919	\$ 21,153,170

See Notes to Consolidated Financial Statements.

Indian River County Habitat for Humanity, Inc. and Subsidiary

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2025

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2024)

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	
Public Support and Revenue				
Contributions	\$ 988,349	\$ 1,138,863	\$ 2,127,212	\$ 1,508,399
Grants	593,503	-	593,503	285,602
Transfers to homeowners	3,907,216	-	3,907,216	3,112,144
Mortgage loan discounts	564,288	-	564,288	455,892
Mortgage loan discount on loans sold	-	-	-	1,129,610
In-kind contributions - other	905,186	-	905,186	187,766
In-kind contributions - ReStore	1,980,111	-	1,980,111	2,016,870
ReStore revenue	2,087,261	-	2,087,261	2,146,843
Less cost of goods sold	(1,997,404)	-	(1,997,404)	(2,042,061)
Fundraising event income	923,831	-	923,831	799,256
Interest and other income	489,608	-	489,608	665,753
Gain (loss) on sale of assets	2,298	-	2,298	(69,035)
Net assets released from restriction	1,012,497	(1,012,497)	-	-
Total public support and revenue	11,456,744	126,366	11,583,110	10,197,039
Expenses				
Family support services	8,598,223	-	8,598,223	7,238,401
ReStore	1,572,558	-	1,572,558	1,365,761
Fundraising and development	571,986	-	571,986	520,733
Management and general	284,456	-	284,456	308,025
Total program and supporting services	11,027,223	-	11,027,223	9,432,920
Increase in net assets	429,521	126,366	555,887	764,119
Net assets, beginning of year	16,260,759	520,421	16,781,180	16,017,061
Net assets, end of year	<u>\$ 16,690,280</u>	<u>\$ 646,787</u>	<u>\$ 17,337,067</u>	<u>\$ 16,781,180</u>

See Notes to Consolidated Financial Statements.

Indian River County Habitat for Humanity, Inc. and Subsidiary

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2025 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2024)

	2025						2024	
	Program Services		Supporting Services					
	Family Support, Education and Construction	ReStore	Fundraising	Management and General	Total			
Salaries and wages	\$ 1,455,664	\$ 848,008	\$ 269,908	\$ 211,155	\$ 2,784,735	\$ 2,511,047		
Payroll taxes and benefits	338,342	176,805	59,021	29,169	603,337	579,178		
Total payroll	1,794,006	1,024,813	328,929	240,324	3,388,072	3,090,225		
Advertisings	7,377	71,382	522	-	79,281	58,900		
Cost of homes transferred	3,072,335	-	-	-	3,072,335	2,715,792		
Other constructions costs	1,204,503	-	-	-	1,204,503	876,174		
Depreciation	59,355	133,098	4,207	2,678	199,338	178,651		
Discount on mortgages	1,592,953	-	-	-	1,592,953	1,173,629		
Discount on notes payable	182,950	-	-	-	182,950	102,674		
Insurance	95,497	66,156	11,887	7,575	181,115	148,553		
Interest	2,208	-	-	-	2,208	8,530		
Office expenses and miscellaneous	211,560	76,368	51,906	21,469	361,303	369,132		
Postage and printing	5,310	-	15,774	156	21,240	38,445		
Professional services	128,358	31,778	10,590	4,918	175,644	216,277		
Public relations	-	-	8,560	-	8,560	6,171		
Rent expense	9,139	34,179	2,876	945	47,139	42,605		
Repairs and maintenance	62,046	84,761	5,723	3,627	156,157	102,841		
Telephone	7,553	6,335	849	541	15,278	15,359		
Tithe to International	104,647	-	-	-	104,647	167,299		
Travel	7,992	899	5,339	585	14,815	24,162		
Property taxes	8,089	6,250	1,317	807	16,463	15,369		
Utilities	17,930	34,366	1,306	831	54,433	54,368		
Volunteer recognition	24,415	2,173	1,632	-	28,220	26,265		
Direct fundraising expense	-	-	120,569	-	120,569	1,499		
Total expenses	\$ 8,598,223	\$ 1,572,558	\$ 571,986	\$ 284,456	\$ 11,027,223	\$ 9,432,920		

See Notes to Consolidated Financial Statements.

Indian River County Habitat for Humanity, Inc. and Subsidiary

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2025 (WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2024)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 555,887	\$ 764,119
Adjustments to reconcile increase in net assets to net cash flows provided by (used in) operating activities:		
Depreciation	199,338	178,651
Bad debt expense	11,334	-
Amortization of mortgage loan discount	(564,288)	(455,892)
Face value of mortgages issued	(2,523,400)	(240,595)
Discounts on mortgages issued	1,592,953	1,173,629
Net realized and unrealized gains on investments	(42,345)	-
(Gain) loss on sale of assets	(2,298)	69,035
Inventory	3,409	4,901
(Increase) decrease in:		
Land held for development and cost of homes under construction	(2,236,251)	(3,838,365)
Other assets	(35,540)	15,357
Escrow receivable	30,972	43,051
Accounts payable and accrued expenses	32,848	170,925
Escrow and warranty reserve	(518,728)	136,760
Prepaid non-interest bearing mortgage loans	(40,607)	18,899
Net cash provided by (used in) operating activities	<u>(3,536,716)</u>	<u>(1,959,525)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(4,097,470)	(339,069)
Sale of investments	5,105,701	390,459
Purchase of property and equipment	(111,744)	(112,302)
Proceeds from sale of property and equipment	6,800	-
Mortgage payments received	1,047,890	1,077,038
Net cash provided by investing activities	<u>1,951,177</u>	<u>1,016,126</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	(61,361)	(196,776)
Proceeds from note payable	-	2,022,939
Proceeds from SHOP notes and lines of credit	700,000	-
Payments on SHOP notes and lines of credit	(24,290)	(29,970)
Net cash provided by financing activities	<u>614,349</u>	<u>1,796,193</u>
Net increase (decrease) in cash	(971,190)	852,794
Cash and cash equivalents, beginning of year	<u>2,138,789</u>	<u>1,285,995</u>
Cash and cash equivalents, end of year	<u>\$ 1,167,599</u>	<u>\$ 2,138,789</u>
Cash and cash equivalents		
Cash and cash equivalents	\$ 1,067,456	\$ 1,564,370
Restricted cash	100,143	574,419
	<u>\$ 1,167,599</u>	<u>\$ 2,138,789</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 2,208</u>	<u>\$ 8,530</u>

See Notes to Consolidated Financial Statements.

Notes To Financial Statements

NOTE 1. NATURE OF ORGANIZATION SIGNIFICANT ACCOUNTING POLICIES

Organization

The Indian River County Habitat for Humanity, Inc. (the "Organization") is a Florida nonprofit organization that was incorporated on March 19, 1990. Habitat is an affiliate of Habitat for Humanity International, Inc., an ecumenical Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. Although Habitat for Humanity International, Inc. assists with information resources, training, publications, and in other ways, Indian River County Habitat for Humanity is primarily and directly responsible for its own operations.

On June 21, 2017, the Organization filed articles of organization with the State of Florida to form its own wholly owned subsidiary IRCHFH Funding Company 1, LLC. The Company's purpose is to acquire and hold mortgage loans and documents to comply with the terms of any note purchase agreement between the Company and any financial institution. As a single member LLC, the entity is disregarded for purposes of the Internal Revenue Code.

Principles of Consolidation

The consolidated financial statements include the accounts of the Organization and IRCHFH Funding Company 1, LLC. Habitat and IRCHFH Funding Company 1, LLC, are collectively referred to as Habitat. All significant inter-company balances and transactions are eliminated from the accompanying consolidated financial statements.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared in conformity with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Accordingly, net assets are reported in each of the following two classes:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. The Board has designated \$2,163,751 at June 30, 20252024.

Net assets with donor restriction – Net assets with donor restrictions are created only by donor-imposed stipulations. Some donor-imposed stipulations are temporary in nature, such as those that will be met either by actions of the Organization and/or the passage of time. Other donor-imposed stipulations are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same accounting period are reported as net assets without donor restrictions.

NOTE 1. NATURE OF ORGANIZATION SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents include cash and investments that are readily convertible into cash and have original maturities of three months or less. Amounts held in individual financial institutions exceeded FDIC insured limits by \$238,377 on June 30, 2025. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash.

Inventory

Inventory consists of donated merchandise to the Restore, primarily household items and construction materials, held for sale and valued at estimated sale prices.

Investments

The Organization reports investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Donated investments are recorded at fair market value on the date of the donation. Investment income is reflected in the statement of activities as with or without donor restrictions based on the existence of any donor restrictions.

Property and Equipment

Property and equipment acquisitions greater than \$5,000 are capitalized and are stated at cost. Donated property and equipment is recorded at the fair market value at the date of the gift. Depreciation is provided on a straight-line basis over the estimated useful life of the asset, which ranges from three to 40 years.

Land Held for Development and Houses Under Construction

Land Held for Development

Land purchased for homes and commercial property sites 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 donor's appraised amount or the property appraiser's value. All related carrying costs for these properties such as maintenance, any assessments, real estate taxes, etc. are capitalized into the cost of the properties. The Organization reviews land for impairment during each reporting period on a lot by lot basis. Generally accepted accounting principles 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.

NOTE 1. NATURE OF ORGANIZATION SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land Held for Development and Houses Under Construction (Continued)

Houses Under Construction

Costs of construction in progress consist of a budgeted amount for the land transferred from land inventory to the construction account and direct home construction costs, unless it is determined to be impaired. In which case, the impaired construction in progress is written down to fair value. Construction overhead is expensed as incurred. Homes completed pending closing are classified as construction in progress until delivered. The Organization reviews construction in progress for impairment during each reporting period on a lot by lot basis. Generally accepted accounting principles 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.

The Organization estimates fair values of land and construction inventory evaluated for impairment under generally accepted accounting principles based on market conditions and assumptions made by management at the time they are evaluated, which may differ materially from actual results if market conditions or assumptions change. For example, further market deterioration or changes in assumptions may lead to the Organization incurring additional impairment charges on previously impaired land and construction inventory, as well as on land and construction inventory in progress not currently impaired but for which indicators of impairment may arise if further deterioration occurs.

Impairment Loss

For assets to be held and used, generally accepted accounting principles require 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.

During the year ended June 30, 2025, the Organization did not have any impairment losses related to land held for homesites.

Escrow and Warranty Reserves

The Organization receives regular cash amounts from homebuyers that have been accepted into the homebuying program. These savings are held in reserve for the initial homeowner's insurance premium and other closing costs. In addition, each home carries a one-year warranty and management has established reserves to cover estimated potential warranty costs. Escrow funds and warranty reserves are used to pay costs as they become due. At June 30, 2025, restricted cash of \$100,143 is held to cover these escrows and reserves.

Mortgages Receivable

First mortgages from the sale of houses are interest free amounts due from the home buyer. Additional mortgages on houses represent the difference between the first mortgage and the sales price of the home, less any homeowner assistance grants received. All mortgages are interest free to the homeowner but are discounted to their net present value at an appropriate rate of interest for financial statement presentation purposes. All notes are due and payable between 30 and 50 years from the original closing date.

NOTE 1. NATURE OF ORGANIZATION SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Mortgages Receivable (Continued)

A loan is considered impaired when it is probable, based on current information and events, the Organization will be unable to collect all principal payments due in accordance with the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal payments when due.

Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Impaired loans are measured by the fair value of the collateral. The amount of impairment, if any, and any subsequent changes are included in the allowance for loan losses.

Allowance for Credit Losses - Mortgages Receivable

The allowance for credit losses on mortgages receivable is established through a provision for credit losses charged to expense. Credit losses are charged against the allowance when management believes the collectability of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance.

The allowance is an amount that management believes will be adequate to absorb estimated losses relating to specifically identified loans, as well as probable credit losses inherent in the balance of the loan portfolio, based on an evaluation of the collectability of cash flows, including information about past events, current conditions, and reasonable and supportable forecasts. This evaluation also takes into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, concentrations and current economic conditions that may affect the borrower's ability to pay.

The allowance consists of specific and general components. The specific components relate to loans that are impaired. For such loans that are classified as impaired, an allowance is established when the collateral value of the impaired loan is lower than the carrying value of that loan. The general component covers unimpaired loans and is based on historical experience adjusted for qualitative factors.

This evaluation does not include the effects of expected losses on specific loans or groups of loans that are related to future events or expected changes in economic conditions. While management uses the best information available to make its evaluation, future adjustments to the allowance may be necessary if there are significant changes in economic conditions. For the year ending June 30, 2025, the Organization's allowance for credit loss is \$43,343.

NOTE 1. NATURE OF ORGANIZATION SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

It is the Organization's policy to sell affordable housing with interest free mortgages. In accordance with generally accepted accounting principles, the mortgages receivable have been discounted based upon the prevailing market rates at the inception of the mortgage and the discount recognized in income over the life of the mortgage. Retail store sales are recognized as revenue at the time of purchase. Transfers to homeowners for mortgage loans and application fees are recognized as revenue when the home is sold to the homeowner. Rental income is recognized as revenue over the term of the lease in accordance with the lease terms.

Unconditional Promises to Give

Unconditional promises to give (pledges), e.g., pledged contributions, are recognized as revenue and as assets in the year the pledge is received. Unconditional promises to give that are scheduled to be collected in the succeeding 12 months are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give that are scheduled to be collected beyond the succeeding 12 months are reflected as long-term promises to give and are recorded at the present value of their net realizable value.

Restore

Restore revenue includes the revenue collected on merchandise sold.

Contributed Services

The Organization receives a significant amount of donated services from unpaid volunteers who assist in fund-raising, administration and program services. However, these amounts have not been recognized in the accompanying financial statements because the criteria for recognition of such volunteer effort under ASC 958-605 have not been satisfied.

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The significant expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
President's salary and benefits	Time and effort
Repair and maintenance	Full-time equivalent
Utilities	Full-time equivalent
Office expenses	Full-time equivalent

NOTE 1. NATURE OF ORGANIZATION SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

The Internal Revenue Service has determined that Organization is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes has been made in these financial statements.

Management of the Organization considers the likelihood of changes by taxing authorities in its exempt organization returns and discloses potential significant changes that management believes are more likely than not to occur upon examination by tax authorities. Management has not identified any uncertain tax positions in filed returns that require disclosure in the accompanying financial statements.

The Organization files the Form 990 in the U.S. Federal Jurisdiction.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumption that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Summarized Financial Information for 2024

The consolidated financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements as of and for the year ended June 30, 2024 from which the summarized information was derived.

NOTE 2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's working capital and cash flows have seasonal variations during the year attributable to contributions, grants, retail sales and mortgage loans earned throughout the year. The Organization manages liquidity during the year by utilizing the following strategies: operating within a budget that reflects the Board of Directors strategy, regular analysis of actual operating results versus budget, and drawing upon lines of credit as needed.

Financial assets available for general expenditure of the Organization, that is, without donor or other restrictions limiting their use within one year of June 30, 2025 are:

Cash	\$ 1,067,456
Investments	1,531,801
Accounts receivable	20,450
Beneficial interest in Community Foundation	384,698
Current portion of mortgage loans	784,637
Less:	
Board designated net assets	(2,163,751)
Net assets with donor restrictions	(646,787)
Total financial assets available for expenditure	<u>\$ 978,504</u>

NOTE 3. INVESTMENTS

The Organization invested in treasury bills with five- and six-month maturities, and yield to maturity ranging from 5.20% to 5.33%. Investments, which are stated at fair market value, consist of the following at June 30, 2025:

	Cost	Fair Value	Unrealized Appreciation
Government and agency securities	\$ 1,521,514	\$ 1,531,801	\$ 10,287

NOTE 4. BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

Indian River County Habitat for Humanity, Inc. has a beneficial interest in assets held by the Indian River Community Foundation (IRCF) valued at \$384,698, as of June 30, 2025. The fund's purpose is to perform as a quasi-endowment for the benefit of the Organization. The fund consists of amounts contributed by the Organization and includes earnings thereon, net of any distributions received. The IRCF retains variance power to modify the use or distribution of income and principal of the fund. The beneficial interest in assets held by the IRCF are valued using Level 3 measurements and represent a percentage of pooled investments of the IRCF consisting of cash equivalents, fixed income, and equity pools managed under an aggressive risk-based investment mix.

Future funds contributed may include donor restricted endowment funds (known as true endowment funds) as well as funds designated to function as endowment by the Organization's Board of Directors (known as quasi-endowment funds). At June 30, 2025, all funds maintained in the IRHFH Endowment Fund are quasi-endowment funds. No distributions from the fund have been made and none are currently contemplated.

Changes in endowment for the year ended June 30, 2025 are as follows:

	Board Designated
Endowment net assets	
at June 30, 2024	\$ 339,069
Net investment activity	45,629
	\$ 384,698

NOTE 5. NON-INTEREST BEARING MORTGAGE LOANS, NET OF DISCOUNT

Mortgages receivables consist of non-interest bearing mortgages which are secured by real estate and payable in monthly installments over the life of the mortgage. Mortgages have an original maturity ranging from 15 to 30 years and have been discounted with rates ranging from 7.2% to 8.4%. On June 30, 2025, the face value of non-interest bearing mortgages totaled \$17,479,865 with an allowance for credit losses of \$43,343. Following is a summary of non-interest-bearing mortgage loans at June 30, 2025, which management has estimated to be fully collectible or recoverable through foreclosure or resale:

Non-interest bearing mortgages (net of allowance)	\$ 17,436,522
Unamortized discount on mortgages	(9,923,619)
	<u>\$ 7,512,903</u>
Less than one year	\$ 784,637
One to five years	2,400,361
After five years	<u>14,294,867</u>
	17,479,865
Allowance for credit losses	(43,343)
Unamortized discount	(9,923,619)
	<u>\$ 7,512,903</u>

The following is a summary of information pertaining to impaired and non-impaired loans as of June 30, 2025:

	Greater than			
	Current	30-89 days	90 days	Total
Performing mortgages	\$ 14,715,633	\$ 2,400,361	\$ 320,528	\$ 17,436,522

NOTE 6. PROPERTY AND EQUIPMENT, NET

The following is a summary of property and equipment at June 30, 2025:

Construction equipment	\$ 12,027
Furniture and fixtures	135,006
ReStore and warehouse	4,028,553
Computer equipment	34,973
Other equipment	9,258
ReStore equipment	20,992
Vehicles	383,163
Land - office complex	585,417
Office and training center	<u>1,017,175</u>
	6,226,564
Accumulated depreciation	(2,429,882)
	<u>\$ 3,796,682</u>

NOTE 7. HOME CONSTRUCTION ACTIVITY

Following is a summary of home building activity for the year ended June 30, 2025:

	Number	Costs
New and rehab homes under construction, July 1, 2024	34	\$ 1,957,403
Additional costs incurred on:		
beginning inventory on new homes		2,692,829
beginning inventory of recycled/rehab homes		54,800
New homes started during the year	12	507,904
Recycled homes started during the year	5	1,286,828
Lots sold	(2)	(75,192)
New homes sold	(15)	(2,975,066)
Recycled/rehab homes sold	(1)	(91,105)
Home under construction, June 30, 2025	<u>33</u>	<u>\$ 3,358,401</u>

The homes under construction on June 30, 2025 are detailed as follows:

	Number	Costs
New construction	26	\$ 1,780,889
Recycled/rehab homes	7	1,577,512
Homes under construction, June 30, 2025	<u>33</u>	<u>\$ 3,358,401</u>

NOTE 8. NOTES PAYABLE

On June 29, 2017, IRCHFH Funding Company 1, LLC established a secured promissory note due to Northern Trust in the principal amount of \$1,959,900. The note is non-interest bearing and has been discounted at an imputed interest rate of 3.25% until maturity in January 2047. Monthly principal payments began July 2017 in the amount of \$6,229. Outstanding principal at June 30, 2025 amounts to \$1,368,151 net of discount of \$342,515. The note is collateralized by mortgages.

On May 3, 2019, IRCHFH Funding Company 1, LLC established a second secured promissory note due to Northern Trust in the principal amount of \$2,079,697. The note is non-interest bearing and has been discounted at an imputed interest rate of 4.5% until maturity in February 2048. Monthly principal payments began June 2019 in the amount of \$7,341. Outstanding principal at June 30, 2025 amounts to \$1,536,478 net of discount of \$487,002. The note is collateralized by mortgages.

On March 20, 2024, IRCHFH Funding Company 1, LLC established a third secured promissory note due to Northern Trust in the principal amount of \$2,022,938. The note is non-interest bearing, and has been discounted at an imputed interest rate of 7.75% until maturity in July 2052. Monthly principal payments began April 2024 in the amount of \$6,790. Outstanding principal at June 30, 2025 amounts to \$1,921,094 net of discount of \$1,011,792. The note is collateralized by mortgages.

These transactions did not meet the requirements under ASC 860 to be treated as a sale due to the Organization maintaining effective control and involvement with the mortgage receivables. Accordingly, the mortgages receivable were not derecognized and are recorded as part of the mortgage receivable in the statement of financial position.

NOTE 8. NOTES PAYABLE (CONTINUED)

The Organization receives funding from the United States Department of Housing and Urban Development, under the Self-Help Home Ownership Program (SHOP). The funding is comprised of grant revenue (75% of funding) and a loan (25% of funding). These funds are used for land acquisition and infrastructure improvements for Organization houses.

The loan portion of the SHOP funding is in the form of a non-interest-bearing note. The loan agreements require principal only payments for 48 months. The four SHOP notes payable had a combined balance of \$15,974 at June 30, 2025.

Principle payments on all notes payables are due as follows:

2026	\$ 257,206
2027	247,392
2028	244,312
2029	244,312
2030	244,312
Thereafter	<u>3,604,163</u>
	<u>4,841,697</u>
Less: discount on notes payable	<u>(1,841,309)</u>
	<u><u>\$ 3,000,388</u></u>

NOTE 9. LINES OF CREDIT

In January of 2024, the Organization renewed and modified a secured line of credit in the amount of \$1,000,000 with TD Bank. The line of credit bears interest at a per annum rate equal to 0.75% below the Wall Street Journal Prime Rate. The line is secured by substantially all the accounts and personal property of the Organization and expires May 31, 2026. During the year, draws in the amount of \$350,000 were made. As of June 30, 2025, the outstanding balance is \$350,000.

In May of 2025, the Organization renewed a secured line of credit in the amount of \$1,750,000 with SouthState Bank. The interest rate will be adjusted based on the Wall Street Journal Prime rate minus .50%, with a rate floor of 2.25%. This line of credit is secured by their campus located on U.S. Highway 1 in Indian River County, Florida and expires on September 30, 2025. The line is due on demand. As of June 30, 2025, the outstanding balance is \$350,000.

NOTE 10. FAIR VALUE MEASUREMENT

ASC Topic 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes guidelines for measuring fair value, and expands disclosure regarding fair value measurements. ASC Topic 820 establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three levels. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is available and significant to the fair value measurement. ASC Topic 820 establishes and prioritizes three levels of inputs that may be used to measure fair value. No transfers between the levels or changes in the valuation approach or technique were made during the period ended June 30, 2025.

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2025.

- Investments in treasury bills are valued at the fair value of the treasury bills held at year-end.

The following table presents the Organization's assets measured at fair value on a non-recurring basis at June 30, 2025:

	Level 1	Level 2	Level 3
Investments in Treasury Bills	\$ 1,531,801	\$ -	\$ -
Beneficial interest in Community Foundation	-	-	\$ 384,698
	<u>\$ 1,531,801</u>	<u>\$ -</u>	<u>\$ 384,698</u>

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2025:

Balance July 1, 2024	\$ 339,069
Investment income	45,629
Balance June 30, 2025	<u>\$ 384,698</u>

NOTE 11. BOARD DESIGNATED NET ASSETS

Board designated net assets consist of resources voluntarily set aside by the Organization for the construction of homes that have been awarded to applicants. Additionally, the Board of Directors have designated funds for future projects as detailed below.

Board designated net assets consisted of the following at June 30, 2025:

Future home construction	\$ 497,053
Capital expenditures	225,000
Land acquisition and development	1,057,000
Community Foundation Endowment	384,698
	<hr/>
	\$ 2,163,751

NOTE 12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2025 are restricted by purpose or time for the following:

Scholarships	\$ 362,213
Fellsmere housing programs	46,514
NR repair projects	32,969
NR repair grants	180,505
Samaritan fund	24,586
	<hr/>
	\$ 646,787

During the year ended June 30, 2025, net assets were released from donor restrictions due to the passage of time and usage as follows:

Fellsmere housing programs	\$ 29,430
NR repair projects	387,762
NR veteran repair projects	32,738
NR repair grants	473,697
Samaritan fund	5,414
Scholarships	83,456
	<hr/>
	\$ 1,012,497

NOTE 13. SECURITIZATION OF MORTGAGES AND COMMITMENT

On June 29, 2017, IRCHFH Funding Company 1, LLC acquired, under purchase agreement from the Organization, 25 mortgages receivable with principal balances totaling \$1,959,900. To fund the purchase of these subject mortgages, IRCHFH Funding authorized the issuance of a promissory note secured by the aforementioned mortgages and entered into a note purchase agreement with Northern Trust Bank for the securitized note. See Note 8 for the terms and outstanding balance of the note payable at June 30, 2025. Under the securitization and collateralized loan transaction, if one of the collateralized mortgage loans becomes nonperforming, IRCHFH Funding is obligated to purchase that loan out of the collateral pool or substitute a substantially similar mortgage loan.

On May 3, 2019, IRCHFH Funding Company 1, LLC acquired, under purchase agreement from the Organization, 21 mortgages receivable with principal balances totaling \$2,079,697. To fund the purchase of these subject mortgages, IRCHFH Funding authorized the issuance of a promissory note secured by the aforementioned mortgages and entered into a second note purchase agreement with Northern Trust Bank for the securitized note. See Note 8 for the terms and outstanding balance of the note payable at June 30, 2025. Under the securitization and collateralized loan transaction, if one of the collateralized mortgage loans becomes nonperforming, IRCHFH Funding is obligated to purchase that loan out of the collateral pool or substitute a substantially similar mortgage loan.

On March 20, 2024, IRCHFH Funding Company 1, LLC acquired, under purchase agreement from the Organization, 17 mortgages receivable with principal balances totaling \$2,022,938. To fund the purchase of these subject mortgages, IRCHFH Funding authorized the issuance of a promissory note secured by the aforementioned mortgages and entered into a second note purchase agreement with Northern Trust Bank for the securitized note. See Note 8 for the terms and outstanding balance of the note payable at June 30, 2025. Under the securitization and collateralized loan transaction, if one of the collateralized mortgage loans becomes nonperforming, IRCHFH Funding is obligated to purchase that loan out of the collateral pool or substitute a substantially similar mortgage loan.

NOTE 14. TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL, INC.

By covenant agreement with Habitat for Humanity International, Inc., the Organization remits 10% of its net ReStore revenue and contributions (excluding in-kind, donor restricted contributions, contributions designated for construction in Indian River County, and capital campaign contributions) to construct homes in economically depressed areas around the world. For the year ended June 30, 2025, the Organization contributed \$104,647 toward this effort.

NOTE 15. IN-KIND CONTRIBUTIONS

The Organization receives donated goods and services from a variety of sources. It is the Organization's policy to use contributed non-financial assets for programmatic or other purposes unless the assets have no utility consistent with the Organization's mission. In those instances, the assets will be monetized.

During the year the Organization received contributions of non-financial assets as outlined below:

	2025	Usage in Programs	Direct Benefits to Donors	Valuation Method
ReStore items	\$ 1,980,111	Donated items resold	None	Value received at resale
Professional services	19,866	Construction of homes	None	Retail pricing for similar services
Construction materials	35,423	Construction of homes	None	Retail prices for similar products
Fundraising	2,897	Advertising	None	Retail pricing for similar services
Land	847,000	Construction of homes		Appraised value
	<u>\$ 2,885,297</u>			<u>\$ 2,885,297</u>

NOTE 16. RELATED PARTIES

A member of the Board of Directors of Habitat is a partner in a law firm providing general legal services to the Organization. Payments to the law firm amounted to \$14,708 for the year ended June 30, 2025.

NOTE 17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 30, 2025, the date the financial statements were available to be issued.