



CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2024)

**HABITAT FOR HUMANITY OF WASHINGTON, D.C.
AND NORTHERN VIRGINIA, INC. AND SUBSIDIARY**

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CBIZ CPAs P.C.

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Independent Auditors' Report

The Board of Directors of
**Habitat for Humanity of Washington, D.C. and
Northern Virginia, Inc. and Subsidiary**

Opinion

We have audited the consolidated financial statements of Habitat for Humanity of Washington, D.C. and Northern Virginia, Inc. 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 (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization 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 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 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 for one year after the date that the consolidated financial statements are available to be issued.

Auditors' 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 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 consolidated 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 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

The financial statements of the Organization as of and for the year ended June 30, 2024, were audited by Marcum LLP, whose report dated December 19, 2024, expressed an unmodified opinion on those statements. 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 financial statements from which it has been derived.

CBIZ CPAs P.C.

Washington, DC
January 7, 2026

**HABITAT FOR HUMANITY OF WASHINGTON, D.C.
AND NORTHERN VIRGINIA, INC.**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2025	2024
Assets		
Current assets		
Cash and cash equivalents – unrestricted	\$ 2,480,726	\$ 1,874,701
Cash and cash equivalents – restricted	3,384,497	345,881
Accounts receivable and other current assets	423,669	196,242
Grants and pledges receivable	711,987	717,559
Investments	1,504,871	1,516,213
Mortgages receivable, current portion	472,474	353,049
Accrued interest on note receivable	--	287,591
Donated inventory	101,666	103,231
Construction in progress	<u>8,789,484</u>	<u>10,296,141</u>
Total Current Assets	17,869,374	15,690,608
Mortgages receivable, net of current portion	4,269,397	2,754,457
Note receivable	--	593,000
Property and equipment, net	596,924	306,376
Right of use asset – operating	8,645,028	6,642,333
Investment in joint venture	<u>2,438,772</u>	<u>320,796</u>
Total Assets	<u>\$ 33,819,495</u>	<u>\$ 26,307,570</u>
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 618,743	\$ 477,752
Line of credit	728,909	595,350
Deposits and escrows payable	275,864	247,719
Other current liabilities	105,309	3,741
Operating lease liability, current portion	1,005,828	756,768
Notes payable, current portion	<u>576,199</u>	<u>4,838,140</u>
Total Current Liabilities	3,310,852	6,919,470
Operating lease liability, net of current portion	8,613,832	6,232,368
Refundable advances	2,924,667	--
Notes payable, net of current portion	<u>6,999,606</u>	<u>2,095,933</u>
Total Liabilities	<u>21,848,957</u>	<u>15,247,771</u>
Net Assets		
Net assets without donor restrictions	9,181,804	10,282,120
Net assets with donor restrictions	<u>2,788,734</u>	<u>777,679</u>
Total Net Assets	<u>11,970,538</u>	<u>11,059,799</u>
Total Liabilities and Net Assets	<u>\$ 33,819,495</u>	<u>\$ 26,307,570</u>

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

**HABITAT FOR HUMANITY OF WASHINGTON, D.C.
AND NORTHERN VIRGINIA, INC.**

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	Total	
Revenue and Support					
Sale of homes	\$ 4,195,000	\$ --	\$ 4,195,000	\$ 872,500	
Mortgage discount	224,394	--	224,394	262,885	
ReStore income	2,643,640	--	2,643,640	2,683,983	
Gain on home buyback	--	--	--	365,240	
Home repair programs	83,375	--	83,375	40,461	
Grants and contributions	3,063,470	3,314,908	6,378,378	2,676,657	
Special events, net	76	--	76	91,559	
Contributed nonfinancial assets	438,178	--	438,178	311,167	
Other income	295,355	--	295,355	149,469	
Net assets released from restrictions:					
Satisfaction of program restrictions	<u>1,303,853</u>	<u>(1,303,853)</u>	<u>--</u>	<u>--</u>	
Total Revenue and Support	<u>12,247,341</u>	<u>2,011,055</u>	<u>14,258,396</u>	<u>7,453,921</u>	
Expenses					
Program Services:					
Construction	7,518,831	--	7,518,831	2,770,533	
Non-construction	<u>5,614,785</u>	<u>--</u>	<u>5,614,785</u>	<u>2,853,586</u>	
Total Program Services	<u>13,133,616</u>	<u>--</u>	<u>13,133,616</u>	<u>5,624,119</u>	
Supporting Services:					
Fundraising	920,041	--	920,041	740,995	
General and administrative	<u>1,218,559</u>	<u>--</u>	<u>1,218,559</u>	<u>939,416</u>	
Total Supporting Services	<u>2,138,600</u>	<u>--</u>	<u>2,138,600</u>	<u>1,680,411</u>	
Total Expenses	<u>15,272,216</u>	<u>--</u>	<u>15,272,216</u>	<u>7,304,530</u>	
Change in Net Assets from Operations	(3,024,875)	2,011,055	(1,013,820)	149,391	
Nonoperating Activity:					
Gain on New Market Tax Credit unwind	1,284,559	--	1,284,559	--	
Loan forgiveness	<u>640,000</u>	<u>--</u>	<u>640,000</u>	<u>--</u>	
Change in Net Assets	<u>(1,100,316)</u>	<u>2,011,055</u>	<u>910,739</u>	<u>149,391</u>	
Net Assets – Beginning	<u>10,282,120</u>	<u>777,679</u>	<u>11,059,799</u>	<u>10,910,408</u>	
Net Assets – Ending	<u>\$ 9,181,804</u>	<u>\$ 2,788,734</u>	<u>\$ 11,970,538</u>	<u>\$ 11,059,799</u>	

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

**HABITAT FOR HUMANITY OF WASHINGTON, D.C.
AND NORTHERN VIRGINIA, INC.**

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 Total	
	Program Services			Supporting Services								
	Construction	Non-Construction	Total	Fundraising	General and Administrative		Total	Total	Total	Total		
Salaries and employee benefits	\$ 492,732	\$ 1,585,630	\$ 2,078,362	\$ 488,154	\$ 654,539	\$ 1,142,693	\$ 3,221,055	\$ 3,221,055	\$ 2,651,655	\$ 2,651,655		
Cost of home sales – construction costs	6,414,384	--	6,414,384	--	--	--	--	6,414,384	6,414,384	2,036,297		
Contract services	18,010	2,012,416	2,030,426	44,140	9,674	53,814	2,084,240	2,084,240	135,645	135,645		
Office and warehouse rent	211,515	1,271,347	1,482,862	22,042	47,198	69,240	1,552,102	1,552,102	1,320,316	1,320,316		
Professional fees	142,864	167,606	310,470	192,039	194,281	386,320	696,790	696,790	402,700	402,700		
Office	38,668	127,178	165,846	55,842	101,454	157,296	323,142	323,142	285,929	285,929		
Tithe to HFHI and other affiliates	--	255,000	255,000	--	--	--	255,000	255,000	32,500	32,500		
Insurance	63,905	83,774	147,679	22,981	29,096	52,077	199,756	199,756	111,961	111,961		
Interest	78,485	2,987	81,472	--	104,473	104,473	185,945	185,945	115,632	115,632		
Depreciation and amortization	36,661	57,476	94,137	6,577	10,817	17,394	111,531	111,531	73,139	73,139		
Travel and meetings	3,447	9,279	12,726	25,482	65,344	90,826	103,552	103,552	54,484	54,484		
Dues, subscription, printing and publications	2,337	42,092	44,429	11,284	1,683	12,967	57,396	57,396	29,557	29,557		
Bad debt	--	--	--	51,500	--	51,500	51,500	51,500	16,580	16,580		
Amortization of debt issuance costs	15,823	--	15,823	--	--	--	15,823	15,823	38,135	38,135		
Total Expenses	\$ 7,518,831	\$ 5,614,785	\$ 13,133,616	\$ 920,041	\$ 1,218,559	\$ 2,138,600	\$ 15,272,216	\$ 15,272,216	\$ 7,304,530	\$ 7,304,530		

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

**HABITAT FOR HUMANITY OF WASHINGTON, D.C.
AND NORTHERN VIRGINIA, INC.**

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		
Change in net assets	\$ 910,739	\$ 149,391
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Amortization of discount on mortgages receivable	(224,394)	(262,885)
Amortization of right-of-use asset	905,907	811,933
Bad debt	51,500	16,580
Depreciation and amortization	111,531	73,139
Equity in earnings of joint venture	--	22,767
In-kind re-sale contributions- donated goods	(2,641,718)	(2,676,792)
In-kind re-sale distributions- donated goods	2,643,283	2,683,996
Gain on New Market Tax Credit unwind	(1,284,559)	--
Loan forgiveness	(640,000)	--
Discount on note payable	(1,876,891)	--
Changes in assets and liabilities:		
Accounts receivable and other current assets	(227,427)	119,982
Accrued interest on mortgages receivable	(36,328)	(35,171)
Grants and pledges receivable	(45,928)	(238,665)
Mortgages receivable	(1,409,971)	500,512
Construction in progress	1,506,657	(2,080,706)
Accounts payable and accrued expenses	140,991	(97,079)
Deposits and escrows payable	28,145	21,467
Other current liabilities	101,568	(11,103)
Refundable advances	2,924,667	--
Operating lease liability	(278,078)	(817,259)
Total Adjustments	<u>(251,045)</u>	<u>(1,969,284)</u>
Net Cash Provided by (Used in) Operating Activities	<u>659,694</u>	<u>(1,819,893)</u>
Cash Flows From Investing Activities		
Proceeds from sales of investments	11,342	--
Purchases of investments	--	(362,218)
Purchases of investments in joint venture	(2,436,772)	--
Purchases of property and equipment	(402,079)	(54,770)
Net Cash Used in Investing Activities	<u>(2,827,509)</u>	<u>(416,988)</u>
Cash Flows From Financing Activities		
Proceeds from line-of-credit	611,407	--
Payments on line-of-credit	(477,848)	(420,000)
Proceeds from issuance of notes payable	8,655,530	607,000
Principal payments on notes payable	(2,976,633)	(150,947)
Net Cash Provided by Financing Activities	<u>5,812,456</u>	<u>36,053</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>3,644,641</u>	<u>(2,200,828)</u>
Cash and Cash Equivalents – Beginning	<u>2,220,582</u>	<u>4,421,410</u>
Cash and Cash Equivalents – Ending	<u>\$ 5,865,223</u>	<u>\$ 2,220,582</u>

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

**HABITAT FOR HUMANITY OF WASHINGTON, D.C.
AND NORTHERN VIRGINIA, INC.**

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

**FOR THE YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2024)**

	2025	2024
Reconciliation to Cash and Cash Equivalents		
As Presented on the Statement of Financial Position		
Cash and cash equivalents, unrestricted	\$ 2,480,726	\$ 1,874,701
Cash and cash equivalents, restricted	<u>3,384,497</u>	<u>345,881</u>
Total	<u>\$ 5,865,223</u>	<u>\$ 2,220,582</u>
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 142,467</u>	<u>\$ 115,632</u>
Noncash Investing Activities		
Right-of-use asset obtained in exchange for operating lease liability	<u>\$ 1,830,005</u>	<u>\$ 631,928</u>
Change in right-of-use assets and operating lease liabilities due to change in lease terms	<u>\$ 1,078,597</u>	<u>\$ --</u>

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

HABITAT FOR HUMANITY OF WASHINGTON, D.C. AND NORTHERN VIRGINIA, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Habitat for Humanity of Washington, D.C. and Northern Virginia, Inc. (Habitat DC-NOVA) builds strength, stability, and community through affordable home ownership. Habitat DC-NOVA does this by building and preserving sustainable, affordable homes, engaging volunteers, and advocating for housing policy solutions. Habitat DC-NOVA sells all the homes it builds to eligible low to moderate income (LMI) households and may finance the home purchase by offering zero-interest mortgages or assist the prospective homebuyer families in obtaining conventional mortgage financing. Prospective homebuyers make a \$500-\$2,000 down payment and may contribute up to 300 hours of sweat equity towards the construction of their future home. Mortgage payments on Habitat DC-NOVA originated loans are reinvested to help finance further construction and the acquisition of additional properties and building materials. In essence, Habitat DC-NOVA is a developer, a construction company, a mortgage company, and a social service agency. Providing decent, affordable housing in the nation's capital requires several partners and generous funding from corporations, foundations, local government agencies, and individuals.

Habitat DC-NOVA is affiliated with, but is not controlled by, Habitat for Humanity International, Inc. (the international affiliate), which is headquartered in Americus, GA. The international affiliate conducts projects worldwide and is a resource center for local affiliates such as Habitat DC-NOVA.

In December 2024, Habitat DC-NOVA formed HFHDCNOVA Funding Company, LLC, (the LLC) a limited liability company created solely to engage in the activity of acquiring and holding mortgage loans originated by Habitat DC-NOVA to comply with the terms of any note purchase agreement between the LLC and any financial institution. Habitat DC-NOVA is the sole member of the LLC.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Habitat DC-NOVA and the LLC (collectively referred to as the Organization) because Habitat DC-NOVA has both control and an economic interest in the LLC. All intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as the Organization.

HABITAT FOR HUMANITY OF WASHINGTON, D.C. AND NORTHERN VIRGINIA, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF ACCOUNTING

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting. Revenue is recognized when earned and expense when incurred.

CASH AND CASH EQUIVALENTS

The Organization classifies all highly liquid investments with original maturities of less than 90 days as cash equivalents. Cash and cash equivalents include demand deposits and money market funds. Restricted cash includes a loan reserve established for payment of the servicing fee in compliance with the note's payable agreements.

ACCOUNTS RECEIVABLE AND OTHER ASSETS

Accounts receivable primarily consist of miscellaneous receivables such as refunds due from vendors and ReStore sales receivable. The Organization's management evaluates the allowance for credit losses for amounts deemed uncollectible. Management determines the allowance for credit losses based on historical loss rate method adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by management. Accounts receivable balances were deemed to be fully collectible as of June 30, 2025.

Other assets primarily consist of security deposits and miscellaneous prepaid expenses.

GRANTS AND PLEDGES RECEIVABLE

Grants and pledges receivable consist of unconditional promises to give to the Organization. Unconditional promises to give are recorded at their present net realizable value. For those due in more than one-year, fair value is estimated by discounting estimated future cash flows at rates approximating the current rate for risk-free returns. Management determines the allowance for doubtful grants and pledges by reviewing all outstanding pledges for possible uncollectibility. Pledges are charged to the allowance account when deemed uncollectible. Grants and pledges receivable are expected to be collected within one year and management believes all grants and pledges receivable are collectible as of June 30, 2025.

DONATED INVENTORY

Donated inventory consists of ReStore (thrift store) inventory. ReStore inventory is carried at fair value and estimated using historical turnover in lieu of a physical count.

HABITAT FOR HUMANITY OF WASHINGTON, D.C. AND NORTHERN VIRGINIA, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS

Investments consist of certificates of deposit that have original maturities of greater than three months. The certificates of deposits are reported at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recognized as earned.

FAIR VALUE MEASUREMENT

In accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, the Organization has measured its applicable financial instruments at fair value on a recurring basis based on the required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument. The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

As of June 30, 2025, the Organization's investments, as described in Note 3 of the financial statements, were measured at fair value on a recurring basis.

PROPERTY AND EQUIPMENT AND RELATED DEPRECIATION AND AMORTIZATION

Acquisitions of property and equipment greater than \$2,500 and with estimated useful life greater than one year and all expenditures for repairs, maintenance and betterments that materially prolong the useful lives of assets are capitalized. Donated property is valued at fair value at the date of the gift. Depreciation is calculated using the straight-line method

HABITAT FOR HUMANITY OF WASHINGTON, D.C. AND NORTHERN VIRGINIA, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY AND EQUIPMENT AND RELATED DEPRECIATION AND AMORTIZATION (CONTINUED)

over the following estimated useful lives of the assets: furniture and equipment – 3 to 5 years; software – 5 years; and vehicles – 3 to 7 years. Amortization of leasehold improvements is calculated using the straight-line method over the lesser of the remaining term of the lease or the estimated useful life of the improvements.

IMPAIRMENT OF LONG-LIVED ASSETS

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There were no impairment losses recognized for the year ended June 30, 2025.

RIGHT OF USE ASSET AND LEASE LIABILITY

At the inception of an agreement, the Organization evaluates whether the agreement meets the criteria for a lease. The right of use asset and lease liability are recognized at the commencement date of the lease agreement based on the present value of lease payments over the lease term using a risk free rate of return that coincides with the date and term of the lease and is adjusted for lease incentives. The asset is amortized over the lease term and is reflected as rent expense in the accompanying consolidated financial statements. The lease liability is reduced as cash payments are made under the terms of the lease. Short-term operating leases, which have an initial term of 12 months or less, are not recorded on the consolidated statement of financial position. Instead, the lease payments of those leases are reported as rent expense on a straight-line basis over the lease term. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments.

HOME SALES AND COST OF HOME SALES

When home sales occur, the revenue is recorded and the related previously capitalized construction in progress is recognized as cost of home sales expense in the year of the sale. In general, home sales revenue is lower than cost of home sales expense and, therefore, the Organization subsidizes this difference through grants and contributions. Home sales revenue also includes the proceeds from the sale of homes if a home buyer has a mortgage with the Organization. Cost of home sales consists mostly of capitalized home construction costs, including certain costs related to the sale of homes.

HABITAT FOR HUMANITY OF WASHINGTON, D.C. AND NORTHERN VIRGINIA, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION

Unconditional contributions and grants are recognized when promised to or received by the Organization. Unconditional contributions and grants are recorded as with or without donor restrictions depending upon the existence and/or nature of any donor restrictions. Specifically, unconditional gifts of cash for the acquisition of long-lived assets are recorded as with donor restrictions and unconditional promises to give are recorded as with donor restrictions due to implied time restrictions. Within net assets with donor restrictions, amounts are reclassified to net assets without donor restrictions when the time restrictions expire or when the purpose restrictions are met.

The Organization also receives revenue from conditional grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has met the specified conditions. Amounts received prior to meeting the conditions are reported as refundable advances in the consolidated statement of financial position. Amounts recognized under the agreements but not received are included in grants and pledges receivables in the accompanying consolidated statement of financial position.

The Organization also received a long-term loan with below-market interest rate and the difference between the present value of future payments discounted at the market rate of interest for a similar loan and the proceeds received is recognized as unconditional contribution with time restriction.

NONFINANCIAL CONTRIBUTIONS

Nonfinancial contributions (gifts-in-kind) are recognized as both support and revenue and expenses in the accompanying statement of activities at the estimated fair value at the date of donation. There are also nonfinancial contributions that are capitalized as part of construction in progress. Donated services are recognized if the services received create or enhance nonfinancial assets, or if the services require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

CLASSIFICATION OF NET ASSETS

The Organization's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of the Organization at the discretion of the Organization's management and the Board of Directors.

HABITAT FOR HUMANITY OF WASHINGTON, D.C. AND NORTHERN VIRGINIA, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CLASSIFICATION OF NET ASSETS (CONTINUED)

- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for a specific period of time. These donor restrictions can be temporary in nature in that they will be met by actions of the Organization or by the passage of time.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Expenses directly attributed to a specific functional area of the Organization are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas, such as salaries and employee benefits, rent and depreciation and amortization, have been allocated among the various functional areas based on direct salaries and other equitable basis such as square footage used, and direct costs for certain activities.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from estimates.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following as of June 30, 2025:

Cash – undesignated	\$ 2,480,726
Cash – restricted for New Market Tax Credit (NMTC) programs	3,106,838
Certificates of deposit – required balance of line of credit	<u>277,659</u>
 Total Cash and Cash Equivalents	 <u>\$ 5,865,223</u>

HABITAT FOR HUMANITY OF WASHINGTON, D.C. AND NORTHERN VIRGINIA, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENT

The following table summarizes the Organization's fair value hierarchy for financial assets that were measured at fair value on a recurring basis as of June 30, 2025:

	Quoted Prices in Active Markets for Identical Assets/ Unobservable	Significant Other Observable	Significant	
	Total <u>Fair Value</u>	Liabilities <u>(Level 1)</u>	Inputs <u>(Level 2)</u>	Inputs <u>(Level 3)</u>
Assets:				
Investments:				
Certificates of deposit	\$ 1,504,871	\$ _____ --	\$ 1,504,871	\$ _____ --

The fair value of the Organization's certificates of deposit was determined using contractual cash flows and current interest rates for certificates of deposit with similar remaining time to maturity.

NOTE 4 – CONDITIONAL CONTRIBUTIONS

The Organization received several grants totaling approximately \$5,350,000 to support the Organization's various programs. These grants are subject to certain performance requirements and/or the incurrence of allowable qualifying expenses. The Organization recognized approximately \$766,000 for the year ended June 30, 2025. As of June 30, 2025, the remaining amounts yet to be recognized totaled approximately \$4,584,000. Refundable advances related to these conditional contributions amounted to approximately \$2,925,000 as of June 30, 2025.

NOTE 5 – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Organization leases property and office space under noncancelable operating leases, which are scheduled to expire on various dates through July 2040. The Organization evaluated current contracts to determine which ones met the criteria of a lease.

During the year ended June 30, 2025, the Organization entered into a new lease agreement, which is scheduled to expire in July 2040. The Organization recognized a right-of-use asset of \$1,830,005 in exchange for operating lease liability related to the new lease. In addition, during the year ended June 30, 2025, the Organization amended two of its leases which resulted in total increase in its right of use assets and liabilities of \$1,078,597.

HABITAT FOR HUMANITY OF WASHINGTON, D.C. AND NORTHERN VIRGINIA, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 5 – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

As of June 30, 2025, right-of-use assets, net of accumulated amortization of \$2,788,152, totaled \$8,645,028, and the operating lease liabilities totaled \$9,619,660. Cash paid for amounts included in the measurement of lease liabilities totaled \$935,940 for the year ended June 30, 2025. Rent expense amounted to \$1,132,949 for the year ended June 30, 2025 and included as part of office and warehouse rent in the consolidated statement of functional expenses.

The weighted average lease term and discount rate as of June 30, 2025, were as follows:

Weighted average remaining lease term	9.16 years
Weighted average discount rate	4.07%

The maturities of operating lease liabilities as of June 30, 2025, were as follows:

<u>For the Year Ending December 31,</u>	
2026	\$ 1,370,804
2027	1,375,495
2029	1,419,522
2029	1,411,670
2030	1,243,203
Thereafter	<u>4,923,410</u>
Total Lease Liability Before Discount	11,744,104
Less: Present Value Discount	<u>(2,124,444)</u>
Lease Liability	\$ 9,619,660

NOTE 6 – MORTGAGES RECEIVABLE

Mortgages receivable consists of non-interest-bearing promissory notes ranging in amounts from \$15,000 to \$317,000. The Organization outsources the administration, servicing and collection of its mortgage receivables to a third-party service organization. Monthly mortgage payments range from \$42 to \$1,420, and maturities range from 2024 to 2069.

Mortgages receivable are reported at amortized cost net of allowance for credit losses. Amortized cost is the principal balance outstanding, net of unamortized discounts. The discount on mortgages receivable is determined using imputed interest rates (discount rates

HABITAT FOR HUMANITY OF WASHINGTON, D.C. AND NORTHERN VIRGINIA, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 6 – MORTGAGES RECEIVABLE (CONTINUED)

range from 6% to 9%). Amortization of the discount totaled \$224,394 for the year ended June 30, 2025. The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Management estimates the allowance balance using analysis of historical collectibility, current conditions and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics, changes in environmental conditions or other relevant factors.

Net mortgages receivable consisted of the following as of June 30, 2025:

Mortgages receivable, current	\$ 472,474
Mortgages receivable, non-current	<u>7,314,228</u>
Mortgages receivable	7,786,702
Less: Allowance for credit losses on mortgages	(48,850)
Less: Unamortized discount to net present value	<u>(2,995,981)</u>
Net Present Value of Mortgage Receivable	<u>\$ 4,741,871</u>

The Organization entered into agreements in which it used mortgage receivable as security to obtain an operating loan. The details of these loans are shown in Note 10. The mortgage receivable used as security remains as assets in the consolidated statement of financial position with a corresponding liability in the form of secured obligations. The terms and payment schedules of the secured obligations are coincident with those of the underlying mortgage receivable. At June 30, 2025, the book value of these secured obligations were \$419,242 for the international affiliate loans and \$1,733,069 for the Northern Trust Company loan.

Collections of payments on mortgages receivable are expected to be as follows:

For the Year Ending	
June 30,	
2026	\$ 472,474
2027	466,356
2028	454,865
2029	447,319
2030	432,991
Thereafter	<u>5,512,697</u>
	<u>\$ 7,786,702</u>

HABITAT FOR HUMANITY OF WASHINGTON, D.C. AND NORTHERN VIRGINIA, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 7 – CONSTRUCTION IN PROGRESS AND PROPERTY AND EQUIPMENT

CONSTRUCTION IN PROGRESS

Costs associated with the acquisition, development and construction of a project are capitalized. Such costs may include (1) pre-acquisition costs such as land acquisition or improvement; (2) infrastructure development or construction costs such as equipment rental, construction materials, or subcontractors; and (3) other costs such as interest, insurance, or construction benefits. While construction projects may span several years, most of the individual units included in a project within construction-in-progress are expected to be completed and sold in future years.

Construction in progress consisted of the following at June 30, 2025:

55 th Place	\$ 3,841,808
Reeves Farmhouse	1,930,042
Constitution Ave	1,749,255
Fairfax Presbyterian Church	708,442
Morrisons	456,566
Others	<u>103,371</u>
	 <u>\$ 8,789,484</u>

PROPERTY AND EQUIPMENT

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

Leasehold improvements	\$ 697,249
Furniture and equipment	212,139
Software	174,400
Vehicles	<u>88,088</u>
Total Property and Equipment	1,171,877
Less: Accumulated Depreciation and Amortization	<u>(574,953)</u>
Property and Equipment, Net	\$ 596,924

Depreciation and amortization expense was \$111,531 for the year ended June 30, 2025.

HABITAT FOR HUMANITY OF WASHINGTON, D.C. AND NORTHERN VIRGINIA, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 8 – INVESTMENT IN JOINT VENTURES

The Organization participates in New Markets Tax Credit (NMTC) programs. NMTC programs were originally established as part of the Community Renewal Tax Relief Act of 2000 and the law covering NMTC programs was most recently extended until December 2025. The goal of NMTC programs is to spur revitalization efforts of low-income and impoverished communities across the United States and its Territories by providing tax credit incentives to investors in certified community development entities. The tax credit for investors equals 39% of the investment, and investors receive the tax credit over a seven-year period. A community development entity (CDE) is required to participate and has the primary mission of providing financing for revitalization projects in low-income communities. NMTC financing allows organizations to receive low-interest loans or investment capital from CDEs, primarily financial institutions, which will allow their investors to receive tax credits. As a result of participation in NMTC programs, the Organization obtained the low-interest loans described in Note 10.

MANNITAT LEVERAGE LENDER, LLC (MANNITAT)

During the year ended June 30, 2017, Habitat DC-NOVA and Manna, Inc. formed Mannitat Leverage Lender, LLC (Mannitat). As part of the agreement, the Organization contributed cash of \$500 such that the Organization owns 50% of Mannitat. The Organization recorded its investment in Mannitat using the equity method. On June 30, 2025, as part of the unwinding of the NMTC arrangements, the Organization withdrew its investments in Mannitat. As a result, the Organization's investment in Mannitat was reduced to zero as of June 30, 2025.

INVESTMENT IN HFHI NMTC LEVERAGE LENDER 2024-2, LLC

In October 2024, as part of the NMTC arrangement, the Organization, along with four other organizations, created HFHI NMTC Leverage Lender 2024-2, LLC (HFHI NMTC). As part of the agreement, the Organization contributed \$2,438,772 such that the Organization owns 24.14% of HFHI NMTC. These investments are accounted for using the equity method.

NOTE 9 – NOTE RECEIVABLE

In conjunction with the New Markets Tax Credits (NMTC) loans described in Note 8, the Organization provided cash of \$593,000 to Mannitat in return for a promissory note in the same amount. The promissory note matured in June 2025. The note receivable accrued interest at an annual rate of 6.13%. In accordance with the terms of the promissory note, no principal payments are due until maturity. On June 30, 2025, the note receivable and related accrued interest were forgiven as part of the unwinding of the NMTC arrangements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 10 – NOTES PAYABLE

The Organization has financed the acquisition or construction of various housing properties through several notes payable from various lenders such as financial institutions, the international affiliate, and local government.

NEW MARKETS TAX CREDITS (NMTC) LOANS – JUBILEE MANNA

The Organization had four NMTC loans totaling \$6,000,000 from Jubilee Manna Sub-CDE I, LLC, which is a certified community development entity. The loan proceeds were to be used solely for the purpose of constructing and selling qualified housing properties to low-income residents. In accordance with the original terms of the loans, monthly payments of principal and interest were required for the first seven years. During the year ended June 30, 2018, the Organization paid the outstanding balance due on two of the four NMTC loans (Note A and Note B). In addition, the Organization amended the terms of the remaining two (Note C and Note D), such that payments of interest only are required until June 15, 2025. Interest on the loans accrues at an annual rate of 5.13%. The Organization was in compliance with the financial loan covenants of the NMTC loans. On June 30, 2025, after the completion of the required seven-year NMTC period, the issuer of the NMTC loans exercised its put option and liquidated its interest in the CDEs, which allows for the settlement of the NMTC loans in full.

NMTC LOANS – HFHI NMTC SUB-CDE VII, LLC AND HARBOR COMMUNITY FUND XLIII LLC

On October 22, 2024, the Organization entered into loan agreements with HFHI NMTC SUB-CDE VII, LLC (Habitat Lender) for \$1,862,000 and Harbor Community Fund XLIII LLC (Harbor Lender) for \$1,575,268. The maturity date of the loans is the earlier of 30 years from the date of the loan, or the date on which the lender exercises its right to accelerate the debt upon occurrence of an event of default and the expiration of any applicable cure period. The loan from Habitat Lender has an interest rate of 0.72% and requires an interest-only payment through October 22, 2031. The loan from Harbor lender has an interest rate of 1.39% and requires an interest-only payment through October 22, 2031. Thereafter, the Organization will make semi-annual payments in an amount sufficient to fully amortize the remaining principal balance of the loan over 23 years. The loans are secured by the various deposit, reserve and disbursing accounts held at a financial institution. Debt issuance costs, net of accumulated amortization, totaled \$455,765 at June 30, 2025, and have been presented as a reduction of notes payable.

HABITAT FOR HUMANITY OF WASHINGTON, D.C. AND NORTHERN VIRGINIA, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 10 – NOTES PAYABLE (CONTINUED)

DOUGLASS COMMUNITY LAND TRUST

The Organization has a forgivable loan from The Douglass Community Land Trust in the amount of \$640,000. The loan was used to finance the construction of homes for families in Washington, D.C. As homes sales occur, portions of the loan will be forgiven through a prorated assumption of the loan by the buyers of the completed homes. Home buyers will assume portions of the loan in accordance with the terms of their home sale. During the year ended June 30, 2025, home sales occurred and resulted in the forgiveness of the original balance.

INTERNATIONAL AFFILIATE

The Organization had two loans from the international affiliate (one loan accrued interest at an annual rate of 4.75% and the other loan was a zero-interest loan). The maturity dates of the two loans were December 31, 2024 and September 30, 2025, respectively and both of the loans were secured by mortgages receivable. On June 8, 2018, the loans were refinanced, and the Organization obtained a new loan totaling \$1,054,861 which matures June 8, 2028. In accordance with the terms of the refinanced loan, interest accrues at 4.75% for the first 5 years and then 4.5% for the remaining 5 years. In accordance with the terms of the refinanced loan, the Organization is required to prepay at least \$300,000 of the principal balance due on the note within 24 months of closing, unless the international affiliate agrees to release the Organization from the pre-payment requirement. In September 2020, the loan was amended to remove this requirement. The Organization was in compliance with the international affiliate loan financial covenants at June 30, 2025. The outstanding balance due on the international affiliate loans was \$419,242 at June 30, 2025.

ECONOMIC INJURY DISASTER LOAN – HFHNV

In May 2020, the Organization entered into an Economic Injury Disaster Loan (EIDL) with the SBA in the amount of \$150,000 for financial liquidity purposes after the onset of COVID-19. The balance of principal and interest will be payable for thirty (30) years from the date of the Promissory Note with a fixed interest rate of 2.75% per annum. Installment payments, including principal and interest will begin twelve (12) months from the date of the Promissory Note. The outstanding balance due on the EIDL loan was \$150,000 at June 30, 2025.

HABITAT FOR HUMANITY OF WASHINGTON, D.C. AND NORTHERN VIRGINIA, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 10 – NOTES PAYABLE (CONTINUED)

ECONOMIC INJURY DISASTER LOAN – HFH WDC

In June 2020, the Organization entered into a SBA loan with its financial institution under the Economic Injury Disaster Loan program funding for the amount of \$150,000, which came with a \$10,000 grant. The balance of principal and interest will be payable for thirty (30) years from the date of the Promissory Note with a fixed interest rate of 2.75% per annum. Installment payments, including principal and interest will begin twelve (12) months from the date of the Promissory Note. The outstanding balance due on the loan was \$139,951 at June 30, 2025.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY LOANS

The Organization entered into two notes payable with Virginia Housing Development Authority (VHDA) in November 2008 and December 2012, respectively. The notes are payable over 180 months in equal installments including interest at 3%. The notes are to be repaid fully in December 2027. The outstanding balance due on the VHDA loans was \$53,777 at June 30, 2025.

NATIONAL HOUSING TRUST COMMUNITY DEVELOPMENT FUND

The Organization has a \$500,000 loan from The National Housing Trust Community Development Fund. The loan, used to finance home construction for families in Washington, D.C., carries a 5% interest rate with monthly interest and principal payments. The note is due in full on May 15, 2027. As of June 30, 2025, the outstanding loan balance is \$500,000.

NATIONAL HOUSING TRUST AHI LLC

The Organization has a \$655,000 loan from The National Housing Trust AHI LLC. The loan, used to finance home construction for families in Washington, D.C., carries a 3.75% interest rate with monthly interest and principal payments. The note is due in full on November 9, 2026. The loan is secured by the property located at Prosperity Drive in Washington DC. As of June 30, 2025, the outstanding loan balance is \$655,000.

LOCAL INITIATIVES SUPPORT CORPORATION (LISC) PROGRAM

In November 2024, the Organization entered into a secured construction loan for up to \$5,149,260, with interest rate of 7.63%. The loan term is 30 months, with a six-month extension option at the lender's discretion. Interest-only payments are due on a monthly basis during the loan term. The loan is secured by a first priority deed of trust and lien upon the properties located at 55th Street NE and Prosperity Drive NE in Washington DC. Upon sale of an individual home to a homebuyer, the Organization is required to make a

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 10 – NOTES PAYABLE (CONTINUED)

LOCAL INITIATIVES SUPPORT CORPORATION (LISC) PROGRAM (CONTINUED)

mandatory payment to LISC equal to accrued and unpaid interest on the home. Any remaining outstanding principal and interest payments will be due at the earlier of (a) the end of the loan term, (b) sale of the last home or (c) loan refinancing. The outstanding balance due on the LISC loans was \$943,262 at June 30, 2025.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY

The Organization has a \$107,000 loan from the Fairfax County Redevelopment and Housing Authority, used to finance the construction of a home in Alexandria, Virginia. The loan accrues interest at 8.54% and scheduled to mature on April 30, 2025. In November 2024, the loan was paid in full.

THE NORTHERN TRUST COMPANY

The Organization entered into a note payable agreement with The Northern Trust Company in January 2025 for \$3,620,000. The note is payable over 360 months in equal installments. The notes are to be repaid fully in January 2055. The note payable is secured by the mortgages receivable from the sales of the Skyland properties. The note provided for a below market interest rate of 0% and as a result, interest was imputed on the loan at a rate of 6%, resulting in a discount of \$1,876,891. The discount was recognized as a part of contribution revenue in the accompanying consolidated statement of activities. The outstanding balance due on this note payable was \$1,733,069, net of unamortized discount of \$1,833,413, at June 30, 2025.

Notes payable, grouped by lender, consisted of the following at June 30, 2025:

The Northern Trust Company	\$ 3,566,483
New Markets Tax Credits (NMTC) loans	3,437,268
Local Initiatives Support Corporation (LISC)	943,262
National Housing Trust AHI LLC	655,000
National housing Trust Community Development Fund	500,000
International Affiliate	419,242
Economic Injury Disaster loan – HFHN	150,000
Economic Injury Disaster loan – HFH WDC	139,951
Virginia Housing Development Authority loans	<u>53,777</u>
Total Notes Payable	9,864,983
Less: Unamortized discount	(1,833,413)
Less: Unamortized debt issue costs	<u>(455,765)</u>
Notes Payable, Net	\$ 7,575,805

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 10 – NOTES PAYABLE (CONTINUED)

Future maturities of notes payable are as follows:

Year Ending June 30,

2026	\$ 270,908
2027	2,376,064
2028	269,251
2029	198,997
2030	136,809
Thereafter	<u>6,612,954</u>
	<u>\$ 9,864,983</u>

NOTE 11 – LINE-OF-CREDIT

The Organization has a \$1,000,000 line-of-credit available from Sandy Spring Bank. Under the line-of-credit, the Organization is required to maintain a \$250,000 certificate of deposit as partial collateral for the outstanding balance. As described in the terms of the line-of-credit agreement, certain other assets of the Organization have also been identified as collateral. As of June 30, 2025, the interest rate was 8.25%. Payments on the line-of-credit totaled \$215,000 during the year ended June 30, 2025. The balance due on the line-of-credit was \$380,350 at June 30, 2025.

The Organization secured a line of credit with John Marshall bank up to \$1,500,000. Under the line-of-credit, the Organization is required to maintain a \$1,500,000 certificate of deposit as partial collateral for the outstanding balance. As described in the terms of the line-of-credit agreement, certain other assets of the Organization have also been identified as collateral. As of June 30, 2025, the interest rate was 6.00%. Payments on the line-of-credit totaled \$304,360 during the year ended June 30, 2025. Drawdowns on the line-of-credit totaled \$652,919. The balance due on the line-of-credit was \$348,559 at June 30, 2025.

HABITAT FOR HUMANITY OF WASHINGTON, D.C. AND NORTHERN VIRGINIA, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2025, the Organization's net assets with donor restrictions were restricted for specific purposes or time periods as follows:

Subject to expenditure for specified purpose:

Time restriction	\$ 2,133,513
Development Projects	551,824
Vans and Related Repairs	35,000
Home Repair	25,332
Build Days	28,000
Women's Giving Circle	<u>15,065</u>
Total Net Assets With Donor Restrictions	<u>\$ 2,788,734</u>

NOTE 13 – CONTRIBUTED NONFINANCIAL ASSETS

RECORDED AMOUNTS

Donated services are recognized as contributions and expense in accordance with generally accepted accounting principles, if the services (a) create or enhance non-financial assets; or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated services consisted of legal services of \$420,167 for the year ended June 30, 2025. There were no donor-imposed restrictions associated with the contributed services. Donated professional services are recorded at the estimated fair value, with corresponding expense recorded in general and administrative in the accompanying statement of activities. The estimated fair value is valued based on rates for similar services. The Organization also received various donated equipment and supplies totaling \$18,011 for the year ended June 30, 2025. There were no donor-imposed restrictions associated with the donated equipment and supplies. Donated equipment and supplies are recorded at the estimated fair value based on current quoted prices for similar equipment and supplies.

The Organization receives support in the form of in-kind donations of building materials and household items. It operates ReStores in three locations in order to liquidate these items. These contributions are valued at the amount of cash received for the items less all costs associated with their sale. The in-kind contributions are recorded as revenue once their fair market values can be determined (i.e. when the items are sold). There were no donor-imposed restrictions associated with the donated goods.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 13 – CONTRIBUTED NONFINANCIAL ASSETS (CONTINUED)

UNRECORDED AMOUNTS

The Organization relies on contributions of both time and expertise from its pool of volunteers who donate thousands of hours of service, the total value of which cannot be easily calculated or estimated, yet these volunteers contribute significantly to the work, impact, and success of the Organization. These volunteer services have not been reflected in the accompanying consolidated financial statements because the volunteer services provided do not meet the criteria necessary for recognition under generally accepted accounting principles.

NOTE 14 – RETIREMENT PLAN

The Organization sponsors a defined contribution 401(k) plan for participants who meet age and length of service requirements. The Plan allows for elective deferrals which may be limited by the Internal Revenue Code. The Organization contributes a matching amount to the Plan, which is up to 6% of participant salary deferrals. The Organization's contributions to the Plan totaled \$104,924 for the year ended June 30, 2025.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

CONCENTRATION OF CREDIT RISK

The Organization maintains its cash and cash equivalents with certain commercial financial institutions, which aggregate balances may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of June 30, 2025, the Organization had approximately \$7,438,000 of demand deposits, which exceeded the maximum limit insured by the FDIC by approximately \$6,503,000. The Organization monitors the creditworthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents.

CONSTRUCTION CONTRACTS

The Organization has committed to several construction contracts relating to various home building projects. The estimated combined commitment under the construction contracts totaled approximately \$2,727,000. In relation to these construction contracts, the Organization has already paid approximately \$883,000 at June 30, 2025, and the amount had been included in construction in progress. The remaining unpaid commitment on the construction contracts was approximately \$1,844,000 at June 30, 2025.

HABITAT FOR HUMANITY OF WASHINGTON, D.C. AND NORTHERN VIRGINIA, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 16 – AVAILABILITY OF RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. The Organization's financial assets available within one year of the consolidated statement of financial position date for general expenditures at June 30, 2025, were as follows:

Cash and cash equivalents – unrestricted	\$ 2,480,726
Accounts receivable (included in accounts receivable and other assets)	421,669
Grants and pledges receivable	711,987
Mortgages receivable, current portion	<u>472,474</u>
Total Financial Assets Available Within One Year	4,086,856
Less: Amounts unavailable for general expenditures within one year due to donors' restrictions	<u>(2,788,734)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 1,298,122</u>

The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of the Organization throughout the year. This is done through monitoring and reviewing the Organization's cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of the Organization's cash flow related to the Organization's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. To help manage unanticipated liquidity needs, the Organization has two committed lines of credit totaling \$2,500,000, of which approximately \$1,771,000 was unused and available to draw upon as of June 30, 2025. The Organization's used line of credit is secured by the Organization's certificates of deposit and property.

NOTE 17 – INCOME TAXES

Under Section 501(c)(3) of the IRC, Habitat DC-NOVA is exempt from the payment of taxes on income other than net unrelated business income. The LLC was set up as a limited liability company and any taxable income is passed on to the member. No provision for federal or state income taxes was required as of June 30, 2025, as the Organization had no taxable net unrelated business income.

The Organization reviews and assesses all activities annually to identify any changes in the scope of the activities and revenue sources and the tax treatment thereof to identify any uncertainty in income taxes. For the year ended June 30, 2025, no provision for income

HABITAT FOR HUMANITY OF WASHINGTON, D.C. AND NORTHERN VIRGINIA, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 17 – INCOME TAXES (CONTINUED)

taxes was made, as the Organization had no net unrelated business income and did not identify any uncertainty in income taxes requiring recognition or disclosure in these consolidated financial statements. The Organization's tax returns are subject to possible examination by the taxing authorities. For federal purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns. There are currently no examinations pending or in progress regarding the Organization's tax returns. It is the Organization's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense.

NOTE 18 – PRIOR YEAR SUMMARIZED FINANCIAL INFORMATION

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 GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2024, from which the summarized information was derived.

NOTE 19 – SUBSEQUENT EVENTS

In preparing these consolidated financial statements, management has evaluated events and transactions for potential recognition or disclosure through January 7, 2026, the date the financial statements were available to be issued.

In July 2025, Habitat DC-NOVA formed Habitat Glebe View, LLC, (Habitat Glebe View) a limited liability company created for the purpose of acquiring by ground lease, developing, constructing, financing, sub-ground leasing and administering an affordable housing project in the City of Fairfax on real property owned by or to be acquired by Glebe View, Inc., to be known as Glebe View Townhomes at Fairfax Presbyterian Church, and engaging in any activity permitted to a limited liability company organized in the Commonwealth of Virginia.

On December 4, 2025, Habitat DC-NOVA entered into a loan agreement with United Bank for \$800,000, with interest rate at the higher of prime rate or federal funds rate plus 1%, and 6% per annum. The loan will mature on December 4, 2026 and secured by the deed of trust on the property located in Washington, DC.

HABITAT FOR HUMANITY OF WASHINGTON, D.C. AND NORTHERN VIRGINIA, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2025

NOTE 19 – SUBSEQUENT EVENTS (CONTINUED)

On December 8, 2025, Habitat Glebe View entered into a loan agreement with Virginia Department of Housing and Community Development (VDHCD) for \$700,000, with 0% interest rate. The loan is secured by deeds of trust on the property located in Fairfax, Virginia. The loan terms were in effect for the affordability period of 15 years, after which time, assuming there were no defaults on the loan terms, the loan would be forgiven.

On December 12, 2025, Habitat Glebe View entered into two secured loans with Local Initiatives Support Corporation. The first loan is for \$3,294,223, with interest rate of 7.35% per annum. The second loan was for \$1,000,000, with interest rate of 4% per annum. The loan is guaranteed by Habitat DC-NOVA. The loan term is 30 months, with six month extension option at the lender's discretion. Interest-only payments are due on a monthly basis during the 29 month interest-only period. A mandatory prepayment is required at the time a townhome is sold. Any remaining outstanding principal and interest payments will be due at the earlier of (a) the end of the loan term, or (b) sale of the last townhome. The loan is secured by a first-priority lien on the Organization's 125-year leasehold interest on the project located in Fairfax, Virginia.

Other than the items above, there were no subsequent events that require recognition or disclosure in these consolidated financial statements.