

**HABITAT FOR HUMANITY OF GREATER
GREENSBORO, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2025



HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

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Independent Auditor's Report

To the Board of Directors
Habitat for Humanity of Greater Greensboro, Inc.
Greensboro, North Carolina

Opinion

We have audited the financial statements of Habitat for Humanity of Greater Greensboro, Inc., which comprise the statement of financial position as of June 30, 2025, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Habitat for Humanity of Greater Greensboro, Inc., 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 financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Habitat for Humanity of Greater Greensboro, Inc.'s ability to continue as a going concern for one year after the date that the 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 financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity of Greater Greensboro, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity of Greater Greensboro, Inc.'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

We have previously audited Habitat for Humanity of Greater Greensboro, Inc.'s June 30, 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 10, 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 financial statements from which it has been derived.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
December 4, 2025

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.**Statement of Financial Position****June 30, 2025****(With Comparative Totals as of June 30, 2024)**

	<u>Assets</u>	
	<u>2025</u>	<u>2024</u>
Current Assets:		
Cash and cash equivalents	\$ 547,571	\$ 220,533
Cash - escrow for homeowners' taxes, insurance, and maintenance	67,401	114,595
Current portion of pledges receivable	162,000	25,000
Construction-in-process	2,928,681	3,544,958
Current portion of mortgage receivables	594,052	650,156
Other receivables	218,333	98,879
Prepaid expenses	11,575	11,575
Real estate held for sale	1,617,732	-
Total Current Assets	<u>6,147,345</u>	<u>4,665,696</u>
Net Property, Plant, and Equipment	<u>114,616</u>	<u>1,813,557</u>
Noncurrent Assets:		
Pledges receivable, less current portion, net	209,919	-
Real estate held for development or resale, at cost	1,653,424	1,085,555
Long-term mortgages receivable	3,191,237	3,461,342
Endowment fund	252,821	227,248
Total Noncurrent Assets	<u>5,307,401</u>	<u>4,774,145</u>
Total Assets	<u><u>\$ 11,569,362</u></u>	<u><u>\$ 11,253,398</u></u>
<u>Liabilities and Net Assets</u>		
Current Liabilities:		
Line of credit	\$ 1,069,378	\$ -
Current portion of notes payable	282,180	1,031,054
Accounts payable and other liabilities	219,807	176,100
Escrow liability for homeowners' taxes, insurance, and maintenance	45,537	110,117
Total Current Liabilities	<u>1,616,902</u>	<u>1,317,271</u>
Line of credit	2,622,131	1,516,023
Noncurrent portion of notes payable	498,489	527,844
Total Liabilities	<u>4,737,522</u>	<u>3,361,138</u>
Net Assets:		
Without donor restrictions		
Undesignated	4,287,332	6,204,651
Board designated	581,048	581,048
With donor restrictions	1,963,460	1,106,561
Total Net Assets	<u>6,831,840</u>	<u>7,892,260</u>
Total Liabilities and Net Assets	<u><u>\$ 11,569,362</u></u>	<u><u>\$ 11,253,398</u></u>

See Notes to Financial Statements

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2025
(With Comparative Totals for the Year Ended June 30, 2024)

	Without Donor Restrictions	With Donor Restrictions	2025 Total	2024 Total
Support and Revenue:				
Public Support:				
Contributions	\$ 547,330	\$ 1,466,971	\$ 2,014,301	\$ 991,112
In-kind	115,388	-	115,388	58,982
Governmental and housing finance agency revenue	149,343	-	149,343	227,036
Mission trip donations	-	23,200	23,200	5,048
Total public support	812,061	1,490,171	2,302,232	1,282,178
Revenue:				
ReStore revenue	-	-	-	627,938
Home sales	2,294,339	-	2,294,339	3,368,000
Imputed mortgage interest income	432,851	-	432,851	318,388
Other revenue	10,929	-	10,929	15,415
Net assets released from restrictions	667,598	(667,598)	-	-
Total revenue	3,405,717	(667,598)	2,738,119	4,329,741
Total support and revenue	4,217,778	822,573	5,040,351	5,611,919
Expenses:				
Program services	5,024,151	-	5,024,151	5,554,476
Management and general expenses	848,942	-	848,942	522,316
Fundraising expenses	677,164	-	677,164	761,287
Total expenses	6,550,257	-	6,550,257	6,838,079
Other gains and (losses):				
Contribution of assets	425,510	-	425,510	-
Loss on disposal of property	(10,350)	-	(10,350)	(980)
Investment income on endowment funds	-	34,326	34,326	13,562
Total other gains and (losses)	415,160	34,326	449,486	12,582
Changes in net assets	(1,917,319)	856,899	(1,060,420)	(1,213,578)
Net assets, beginning	6,785,699	1,106,561	7,892,260	9,105,838
Net assets, ending	\$ 4,868,380	\$ 1,963,460	\$ 6,831,840	\$ 7,892,260

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.**Statement of Functional Expenses****Year Ended June 30, 2025****(With Comparative Totals for the Year Ended June 30, 2024)**

	Program Services				Support Services		2025	2024
	Construction Services	Homeowner Services	Volunteer Services	Total Program Services	Management and General	Fundraising	Total	Total
Salaries	\$ 501,487	\$ 315,030	\$ 25,768	\$ 842,285	\$ 360,494	\$ 480,399	\$ 1,683,178	\$ 1,715,292
Payroll taxes and employee benefits	115,373	60,873	4,500	180,746	96,600	74,540	351,886	375,192
Professional development	7,314	2,522	164	10,000	18,050	6,137	34,187	35,451
Meetings and conferences	637	887	-	1,524	5,422	8,046	14,992	27,539
Travel	-	1,009	-	1,009	6,274	4,630	11,913	9,461
Contract labor	11,600	-	-	11,600	30,946	1,129	43,675	199,616
Marketing	287	3,448	-	3,735	8,049	16,558	28,342	59,740
Events	-	-	-	-	-	43,761	43,761	39,860
Rental and maintenance	2,065	-	-	2,065	8,779	-	10,844	2,425
Office expenses	2,884	-	123	3,007	14,589	981	18,577	27,431
Utilities	8,498	2,627	-	11,125	19,954	5,388	36,467	61,726
Information technology	5,939	9,961	240	16,140	49,275	33,379	98,794	98,179
Insurance	8,993	-	-	8,993	43,000	-	51,993	48,041
Interest expense	2,619	864	-	3,483	54,015	-	57,498	51,420
Professional services	-	135,409	-	135,409	66,338	1,791	203,538	199,118
Vehicle expense	38,074	1	-	38,075	-	-	38,075	78,660
Depreciation	41,281	-	-	41,281	43,273	-	84,554	83,761
Miscellaneous	2,652	2,023	-	4,675	11,598	425	16,698	32,159
Cost of sales	2,562,150	-	-	2,562,150	-	-	2,562,150	3,337,519
Impairment loss	999,065	-	-	999,065	-	-	999,065	-
Warranty and lot acquisition and maintenance	46,076	-	-	46,076	-	-	46,076	39,116
Habitat for Humanity International Tithe/Stewardship & Organizational Sustainability Initiative & NC Stat Support Organization	66,000	-	-	66,000	12,286	-	78,286	63,873
Mission trips and outreach	25,670	2,639	-	28,309	-	-	28,309	13,600
Education and training	-	-	-	-	-	-	-	39
Volunteer appreciation	1,208	-	6,191	7,399	-	-	7,399	14,111
Cost of inventory	-	-	-	-	-	-	-	224,750
Total expenses	<u>\$ 4,449,872</u>	<u>\$ 537,293</u>	<u>\$ 36,986</u>	<u>\$ 5,024,151</u>	<u>\$ 848,942</u>	<u>\$ 677,164</u>	<u>\$ 6,550,257</u>	<u>\$ 6,838,079</u>

See Notes to Financial Statements

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.**Statement of Cash Flows****Year Ended June 30, 2025****(With Comparative Totals for the Year Ended June 30, 2024)**

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Changes in net assets	\$ (1,060,420)	\$ (1,213,578)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	84,554	83,761
Loss on disposal of property, plant, and equipment	10,350	980
Interest and dividends reinvested	(8,582)	(8,112)
Net realized and unrealized gain reinvested	(25,744)	(5,450)
Change in reserve for uncollectible mortgages	-	(46,654)
(Increase) decrease in:		
Pledges receivable	(346,919)	(22,500)
Construction-in-process	616,277	(959,427)
Mortgages receivable	326,209	469,865
ReStore inventory	-	140,111
Other receivables	(119,454)	174,607
Prepaid expenses	-	(11,575)
Real estate held for development or resale	(567,869)	(798,608)
Increase (decrease) in:		
Accounts payable and other liabilities	43,707	(36,623)
Escrow liability for homeowners' taxes, insurance, and maintenance	(64,580)	49,498
Net cash used in operating activities	<u>(1,112,471)</u>	<u>(2,183,705)</u>
Cash flows from investing activities:		
Purchase of investments	-	(20,000)
Proceeds from sale of investments	8,753	-
Purchase of property, plant, and equipment	(13,695)	(388,398)
Proceeds from sale of property, plant, and equipment	-	3,250
Net cash used in investing activities	<u>(4,942)</u>	<u>(405,148)</u>
Cash flows from financing activities:		
Proceeds from notes payable	250,000	1,000,000
Proceeds on line of credit, net	2,175,486	999,759
Payments on notes payable	(1,028,229)	(202,305)
Net cash provided by financing activities	<u>1,397,257</u>	<u>1,797,454</u>
Increase (decrease) in cash, cash equivalents and restricted cash	279,844	(791,399)
Cash, cash equivalents and restricted cash, beginning	335,128	1,126,527
Cash, cash equivalents and restricted cash, ending	<u>\$ 614,972</u>	<u>\$ 335,128</u>
Reconciliation of cash, cash equivalents and restricted cash reported on the statement of financial position to cash, cash equivalents and restricted cash shown above:		
Cash and cash equivalents	\$ 547,571	\$ 220,533
Cash - escrow for homeowners' taxes, insurance, and maintenance	67,401	114,595
	<u>\$ 614,972</u>	<u>\$ 335,128</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 57,498</u>	<u>\$ 46,777</u>
Supplemental disclosure of non-cash investing and financing activities:		
Real estate held for sale	<u>\$ 1,617,732</u>	<u>\$ -</u>

See Notes to Financial Statements

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

Notes to the Financial Statements

NOTE 1 - NATURE OF OPERATIONS

Organization

Habitat for Humanity of Greater Greensboro, Inc. ("Habitat") was incorporated on October 12, 1987 as a nonprofit organization which works with donors, volunteers, contractors, and homeowners to create affordable housing for those in need in Greensboro, North Carolina. Habitat also promotes self-reliance through home ownership, providing affordable mortgages and preparing its applicant families for home ownership through the provision of family support services, credit counseling, and resource management training.

Program services provided by Habitat are as follows:

Construction Services – This program constructs or rehabilitates modest housing for sale to low-income residents.

Homeowner Services – This program recruits and selects eligible homeowners, and recruits and trains volunteers who provide family support and services. Additionally, it provides affordable mortgage financing for low-income residents.

Volunteer Services – This program recruits and trains volunteers to assist in the construction of homes, retail services, and administrative work.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of Habitat are prepared on the accrual basis of accounting, whereby, revenues are recognized when earned and expenditures are recognized when incurred. This basis of accounting conforms to generally accepted accounting principles in the United States of America ("U.S. GAAP").

Financial Statement Presentation

As required by U.S. GAAP, Habitat reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Basis of Presentation

As required by U.S. GAAP, Habitat is required to report information regarding its financial position and activities according to two classes of net assets:

- *Net Assets Without Donor Restrictions* - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Habitat. These net assets may be used at the discretion of Habitat's management and the Board of Directors.
- *Net Assets With Donor Restrictions* - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Habitat or by passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

Notes to the Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summarized Financial Information

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

Cash, Cash Equivalents and Restricted Cash

Habitat maintains its cash in several North Carolina financial institutions. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. Habitat from time to time may have amounts on deposit in excess of the insured limits. For purposes of reporting cash flows, Habitat considers all cash accounts and all highly liquid investments with a maturity of three months or less to be cash and cash equivalents, other than money market funds included in investment accounts. Restricted cash includes escrow accounts for homeowners' taxes, insurance and maintenance.

Pledges Receivable

Pledges receivable represent valid pledges and are reported at their estimated net realizable value. Pledges receivable due in more than one year are recorded at the present value of estimated future cash flows using current prime interest rates. If amounts are deemed uncollectible after periodic review by management, they will be charged to activities when the determination is made. An allowance for uncollectible pledges is maintained based on a combination of factors, including Habitat's historical loss experience and any anticipated effects related to current economic conditions, as well as management's knowledge of the current composition of receivables. All pledges are considered fully collectible as of June 30, 2025; accordingly, no allowance for uncollectible pledges is required.

Mortgages Receivable

Mortgages receivable are reported at their outstanding principal balances discounted to their present value. Mortgages receivable are generally considered delinquent when payment is 30 days past due; however, delinquency status may be mitigated by other qualitative factors.

Habitat estimates its allowance for credit losses based on a combination of factors, including Habitat's knowledge of the current composition of receivables, historical losses, existing economic conditions and reasonable and supportable forecasts about the future ability to collect on the receivables. Accounts receivable that management believes to be ultimately not collectible are written off upon such determination. Habitat has established an allowance for credit losses of \$62,269 as of June 30, 2025 to cover the principal balance for delinquent monthly payments that are uncollectible.

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost, and if donated, are recorded at the approximate fair market value at the date of donation. Habitat capitalizes all significant expenditures for property and equipment whose life exceeds one year. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method. Maintenance, repair costs, and minor replacements are charged to expense as incurred.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

Notes to the Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Real Estate Held for Development or Resale

Real estate, including acquisition and building materials, are recorded at cost when the assets are acquired. Foreclosed homes purchased by Habitat are recorded at fair market value when the homes are acquired.

Investments

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Unrealized gains and losses due to changes in market valuations are included in the statement of activities and changes in net assets. Realized gains and losses are determined using the specific identification method.

Restricted and Unrestricted Support and Revenue

Donor support, contributions and government grants received are recognized as revenue when received or unconditionally promised. Grants and contributions of cash and other assets are reported as without donor restrictions or with donor restrictions depending on the donors' intent. When a donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, the net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Contributions received with donor restrictions that are satisfied in the same year as received are classified as net assets without donor restrictions in the statement of activities and changes in net assets.

Cost-reimbursement type grant revenues are recorded when the costs are incurred.

Home Sales

A portion of Habitat's revenue is derived from home sales. Due to the nature of the contracts, there is no variable consideration and only one performance obligation. Such revenue is conditioned upon fulfilling a certain performance obligation, and amounts received are recognized as revenue at the point in time the requirement has been met. Once construction is complete on a home and closing procedures have been completed, buyers take possession of the home and the performance obligation is considered to have been met. Each home sold has a defined purchase price based on a third-party appraisal. Contracts are considered to have commercial substance as they all involve a cash down payment and a signed promissory note, which is paid in accordance with the note terms.

In-Kind Donated Materials, Services, and Facilities

A substantial number of volunteers have made significant contributions of their time to Habitat, principally in the areas of house construction, administration, and fundraising. The value of non-professional contributed time is not reflected in the accompanying financial statements. However, donated materials, specialized services, and facilities received by Habitat are reflected as both contributions and expenses in the accompanying statement of activities and changes in net assets at their estimated fair market value at the time of receipt.

Advertising

Advertising costs for the year ended June 30, 2025 was \$1,100.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

Notes to the Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets, and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Tax Status

As Habitat is tax-exempt under Section 501(c)(3) of the Internal Revenue Code, the financial statements contain no provision for federal or state income taxes. Habitat is not classified as a private foundation.

It is Habitat's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a more-likely-than-not threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the financial statements. No material uncertain tax positions were identified during the year ended June 30, 2025.

Use of Estimates

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

Subsequent Events

Habitat has evaluated events and transactions for potential recognition or disclosure through December 4, 2025, which is the date the financial statements were available to be issued.

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures consisting of expenses for program, fundraising, and management and general expenses that are without donor or other restrictions, limiting their use within one year of the statement of financial position date, are comprised of the following as of June 30, 2025:

Financial assets at year-end:	
Cash and cash equivalents	\$ 547,571
Pledges receivable	162,000
Other receivables	218,333
Current portion of mortgage receivables	594,052
Endowment funds	252,821
Total financial assets	<u>1,774,777</u>
Less amounts available to be used within one year:	
Net assets with donor restrictions	<u>1,963,460</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ (188,683)</u>

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

Notes to the Financial Statements

NOTE 3 - LIQUIDITY AND AVAILABILITY (Continued)

As shown above, Habitat has negative availability of \$143,590 as of June 30, 2025. This shortfall is primarily due to significant donor restrictions. To manage liquidity risk, Habitat intends to sell the property held for sale within the next fiscal year.

NOTE 4 - ESCROW FUNDS

Habitat held \$67,401, which had been collected from homebuyers by Habitat for payment of deposits towards closing costs as of June 30, 2025. This amount was held in a separate escrow account by Habitat.

NOTE 5 - CONSTRUCTION-IN-PROCESS

During the year ended June 30, 2025, Habitat had 20 houses under construction which were still in progress at year-end. Houses under construction totaled \$2,928,681 as of June 30, 2025.

NOTE 6 - MORTGAGES RECEIVABLE

It is Habitat's policy to sell homes to selected families through the issuance of noninterest bearing mortgages. Mortgages receivable consists of amounts due from home sales to first time homeowners who complete Habitat's program for home ownership. Mortgages are discounted to their present value and adjusted annually, based on the interest rate applicable in the year of issuance of each mortgage, ranging from 7.23% to 9.00%. Gross mortgages receivable of \$14,938,448 were outstanding as of June 30, 2025. The mortgages receivable are secured by their respective homes.

Habitat participates in a program sponsored by the North Carolina Housing Finance Agency ("NCHFA"), whereby NCHFA provides a co-first to Habitat's homeowners. Habitat also receives grants from the City of Greensboro that provides a second mortgage to homeowners. These programs allow Habitat to recover those funds immediately and Habitat is paid a nominal servicing fee by NCHFA. Habitat has the contingency to continue payments if a homeowner is not paying co-first or second mortgage.

As of June 30, 2025, mortgages receivable consisted of the following:

Gross mortgages receivable	\$14,938,448
Mortgage discount	(2,643,398)
Mortgage allowance	(62,269)
NCHFA mortgage liability	(3,703,898)
Third party liability	(4,629,128)
City of Greensboro mortgage liability	(114,466)
Net mortgages receivable	3,785,289
Less current portion	(594,052)
Noncurrent portion of mortgages receivable	<u>\$ 3,191,237</u>

These mortgages do not earn interest and are secured by deeds of trust on the houses. As of June 30, 2025, the total discount was \$2,643,398.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

Notes to the Financial Statements

NOTE 6 - MORTGAGES RECEIVABLE (Continued)

U.S. GAAP requires receivables that are contractual rights to receive money in the future at a fixed or determinable date be recorded at the present value of the consideration given in the exchange.

Prior to the year ended June 30, 2001, homebuyers purchased houses from Habitat at less than fair value with the equity amount determined as the difference between the purchase price and the fair value. Beginning with the year ended June 30, 2001, homebuyers purchased houses at fair value and Habitat discounts the mortgages receivable. Under both methods, homebuyers pay the equity over the life of their mortgages, typically between 20 and 30 years (not to exceed 40 years) or as the mortgages are repaid. If the homebuyers default on their mortgages, Habitat retains all or a portion of the equity in the house. If homebuyers wish to dispose of their property, Habitat retains the right of first refusal.

At June 30, 2025, the delinquencies in Habitat's mortgages receivables consisted of the following:

<u>Mortgages Receivable</u>	
Current	\$ 3,675,053
Past due (0-29 days)	16,981
Past due (30-59 days)	6,952
Past due (60-89 days)	4,509
Past due (90+ days)	81,794
Total mortgages receivable	<u>\$ 3,785,289</u>

A loan is defined as impaired when, based on current information and events, it is probable a creditor will be unable to collect all amounts due under the contractual terms of the loan agreement. Habitat considers single family mortgage loans and consumer installment loans to be homogeneous and, therefore, does not generally evaluate them for impairment, unless they are considered troubled debt restructurings. All other loans are evaluated for impairment on an individual basis. AmeriNat services all of these mortgages.

Current changes in the mortgages receivable accounts are summarized as follows:

Beginning balance, June 30, 2024	\$ 4,111,498
New loans	1,724,689
New mortgage liabilities	(1,257,975)
Payoffs	(144,173)
Payments received	(648,750)
Ending balance, June 30, 2025	<u>\$ 3,785,289</u>

NOTE 7 - PLEDGES RECEIVABLE

Pledges receivable to be received in future periods are discounted to a present value using an interest rate of 4.44%.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.
Notes to the Financial Statements

NOTE 7 - PLEDGES RECEIVABLE (Continued)

Pledges receivable at June 30, 2025 consist of the following:

Amounts to be received in one year	\$ 162,000
Amounts to be received in two to five years	224,000
Total undiscounted pledges receivable	<u>386,000</u>
Less - discount to present value for future pledges	14,081
Total pledges receivable	<u><u>\$ 371,919</u></u>

NOTE 8 - PROPERTY, PLANT, AND EQUIPMENT

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

Office equipment	\$ 31,392
Vehicles	203,964
Equipment	<u>178,294</u>
Total property, plant, and equipment	413,650
Less accumulated depreciation	<u>(299,034)</u>
Net property, plant, and equipment	<u><u>\$ 114,616</u></u>

NOTE 9 - REAL ESTATE HELD FOR SALE

During the year ended June 30, 2025, Habitat determined that certain assets, specifically the building, land, and related leasehold improvements which are located at 3823 W. Gate City Blvd, Greensboro, NC, 27407, met the criteria to be classified as held for sale in accordance with ASC 360-10.

As a result, the assets were reclassified from property and equipment to assets held for sale and are presented separately in the statement of financial position. The assets are measured at the lower of their carrying amount or fair value less cost to sell. No depreciation was recorded on these assets subsequent to their classification as held for sale.

Habitat reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable. These impairment analyses are conducted in accordance with ASC 360-10, *Impairment or Disposal of Long-Lived Assets Held for Sale*. Based on management's assessment, the fair value less cost to sell exceeded the carrying amount of the assets. Therefore, no impairment loss was recognized during the year.

Management expects the sale to be completed within the next 12 months. As of June 30, 2025, the carrying amount of assets held for sale was \$1,617,732.

NOTE 10 - ENDOWMENT FUND

Habitat follows the Uniform Prudent Management of Institutional Funds Act of 2006 as enacted by the state of North Carolina on March 19, 2009 ("UPMIFA") and its own governing documents.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

Notes to the Financial Statements

NOTE 10 - ENDOWMENT FUND (Continued)

The Board of Directors of Habitat has interpreted the enacted versions of UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, Habitat classifies as permanently or temporarily restricted net assets as (a) the original value of gifts donated to the permanent endowments, (b) the original value of subsequent gifts to the permanent endowments, or (c) accumulations to the permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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

Endowment fund, June 30, 2024	<u>\$ 227,248</u>
Investment returns:	
Interest and dividends	8,582
Net realized and unrealized gain	<u>25,744</u>
Total investment gain	<u>34,326</u>
Distributions	<u>(8,753)</u>
Endowment fund, June 30, 2025	<u><u>\$ 252,821</u></u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires Habitat to retain as a fund of perpetual duration. These deficiencies result primarily from unfavorable market fluctuations that occur during the year.

The value, liquidity, and related income of the securities held by the endowment funds is sensitive to changes in economic conditions and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

NOTE 11 - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair values for assets and liabilities using one of the following valuation measurements:

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

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques as well as instruments for which the determination of fair value requires significant management judgment or estimation.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.**Notes to the Financial Statements**

NOTE 11 - FAIR VALUE MEASUREMENTS (Continued)

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table set forth by level, within the fair value hierarchy, represents Habitat's fair value measurements as of June 30, 2025:

Description	Level 1	Level 2	Level 3
Money market funds	\$ 23,245	\$ -	\$ -
Mutual funds	229,576	-	-
Total assets in the fair value hierarchy	<u>\$ 252,821</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 12 - NOTES PAYABLE

Notes payable consisted of the following:

Note payable to Habitat Mortgage Solutions, LLC to finance the development of 40 for-sale housing units located throughout the service area of Habitat for Humanity of Greater Greensboro, Inc. Accrued interest on the note is payable in monthly installments at a fixed rate of 2.75%. The note is to be paid in full, along with any unpaid interest, on August 31, 2025. \$ 250,000

Note payable to a financial institution in monthly installments of \$3,735 including interest at a fixed rate of 4.25%, secured by the real estate held for sale, with the remaining balance due June 2030. 494,465

Various unsecured non-interest bearing notes payable to Habitat for Humanity International; payable in monthly installments totaling \$920, due in various periods through June 2028. 36,204

	780,669
Less current maturities	282,180
	<u>\$ 498,489</u>

Future maturities of notes payable are as follows:

<u>Year Ending June 30,</u>	
2026	\$ 282,180
2027	36,071
2028	43,043
2029	27,278
2030	392,097
	<u>\$ 780,669</u>

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

Notes to the Financial Statements

NOTE 13 - LINES OF CREDIT

Habitat has a secured line of credit agreement with non-residential real estate as collateral with a borrowing limit of \$3,000,000. The line of credit bears interest at 7% and the principal balance is due at maturity on July 15, 2026. Accrued interest on the outstanding principal balance is due monthly. The outstanding amount on the line at June 30, 2025 was \$2,622,131.

Habitat has a secured line of credit agreement with residential real estate as collateral with a borrowing limit of \$3,000,000. The line of credit bears interest at the WSJ prime rate plus 1% (8.5% as of June 30, 2025), and the principal balance is due at maturity on December 31, 2025. Accrued interest on the outstanding principal balance is due monthly. The outstanding amount on the line at June 30, 2025 was \$1,069,378.

NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2025 consisted of the following:

Net assets with donor restrictions:

Home sponsorship, repairs and assistance	\$ 1,656,259
Mission trips and scholarships	28,978
Endowment funds	252,821
Special events	21,575
Homeowner services	3,827
	<u>\$ 1,963,460</u>

NOTE 15 - BOARD DESIGNATED NET ASSETS

The Board of Directors has designated \$581,048 of net assets without donor restrictions to be set aside to stabilize operations. The Board retains the right to undesignate these funds as they deem appropriate.

NOTE 16 - IN-KIND DONATIONS

For the year ended June 30, 2025, Habitat received in-kind donations totaling \$115,388. The donations are valued using estimated current market values for the items donated and have been included in both revenues and expenses.

NOTE 17 - HOME SALES

During the current year, Habitat sold eleven homes at a net income of the following:

Home sales	\$ 2,294,339
Contributions and in-kind related to home sales	318,284
Cost of construction	<u>(2,562,150)</u>
Net home sales	<u>\$ 50,473</u>

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.

Notes to the Financial Statements

NOTE 18 - IMPAIRMENT LOSS

Habitat carries houses under construction and completed houses intended for sale to partner families at cost, which includes materials, labor, and allocated overhead. In accordance with *ASC 330 - Inventory*, inventory is stated at the lower of cost or net realizable value.

During the year ended June 30, 2025, management identified certain houses included in construction-in-process in the accompanying statement of financial position, where estimated selling prices, based on current agreements and market conditions, were less than carrying amounts. As a result, Habitat recorded an impairment loss of \$999,065 to reduce these houses to their net realizable value. The impairment loss is included in the accompanying statement of functional expenses.

NOTE 19 - RELATED PARTY TRANSACTIONS

Habitat, as an affiliate of Habitat for Humanity International (“International”), made contributions to International of \$81,013 for the year ended June 30, 2025. These contributions represent a portion of unrestricted donations received, plus additional amounts approved by Habitat’s Board of Directors and are used to support International’s programs in Honduras and Kenya.

NOTE 20 - GRANT AUDITS

Habitat receives grant funds at times from various federal, state, and local governments. Such costs are subject to final approval by the grantor agencies and deficiencies, if any, are the responsibility of Habitat.

NOTE 21 - RETIREMENT PLAN

Habitat has an IRSC 403(b) tax deferred annuity plan (the “Plan”) available to qualified employees. Habitat offers their employees the opportunity to make a voluntary contribution and Habitat contributes 2% of compensation after completion of 1,000 hours and a year of service. Habitat contributed \$28,347 for the year ended June 30, 2025 to the Plan.

NOTE 22 - CONTRIBUTION RECEIVED FROM DISSOLVING ORGANIZATION

During the year ended June 30, 2025, Habitat received assets totaling \$425,510 from the Greater Reidsville Habitat for Humanity, Inc., which ceased operations during the year and filed for dissolution on June 20, 2025. The transfer was made in accordance with applicable state laws and the dissolving organization’s governing documents. The assets received included cash, real estate held for development, and mortgages receivable. The transfer was accounted for as a contribution in accordance with ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. There were no donor-imposed restrictions on the assets.

HABITAT FOR HUMANITY OF GREATER GREENSBORO, INC.**Notes to the Financial Statements**

NOTE 23 - PRIOR PERIOD RESTATEMENT

During the year ended June 30, 2025, Habitat determined that certain net assets previously reported as net assets without donor restrictions should have been classified as net assets with donor restrictions based on donor-imposed restrictions identified during a review of donor agreements. In addition, Board designated net assets were not properly segregated within net assets without donor restrictions.

Accordingly, the accompanying financial statements for the prior year have been restated to reflect this correction.

The effect of this restatement on the prior year's financial statements is as follows:

	As <u>Previously</u>	<u>Adjustment</u>	<u>As Restated</u>
Net assets without donor restrictions			
Undesignated	\$ 7,061,458	\$ (856,807)	\$ 6,204,651
Board designated	\$ -	\$ 581,048	\$ 581,048
Net assets with donor restrictions	\$ 830,802	\$ 275,759	\$ 1,106,561

This restatement had no impact on total net assets or changes in net assets for the prior year.