

**HABITAT FOR HUMANITY OF MONTGOMERY AND
DELAWARE COUNTIES, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2025

**(WITH COMPARATIVE TOTALS AS OF AND
FOR THE YEAR ENDED JUNE 30, 2024)**



**HABITAT FOR HUMANITY OF MONTGOMERY
AND DELAWARE COUNTIES, INC.
FINANCIAL STATEMENTS
JUNE 30, 2025
(WITH COMPARATIVE TOTALS AS OF AND
FOR THE YEAR ENDED JUNE 30, 2024)**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Habitat for Humanity of Montgomery and Delaware Counties, Inc.
West Norriton, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.** (a non-profit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.** as of June 30, 2025, and the changes in 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 and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. 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 MONTGOMERY AND DELAWARE COUNTIES, 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.**'s ability to continue as a going concern within 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, 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 MONTGOMERY AND DELAWARE COUNTIES, 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 MONTGOMERY AND DELAWARE COUNTIES, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2025, on our consideration of **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.**'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.**'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.**'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.**'s financial statements as of June 30, 2024 and for the year then ended, and we expressed an unmodified opinion on those audited financial statements in our report dated November 12, 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.

Haefele, Flanagan & Co., p.c.

Maple Shade, New Jersey
December 18, 2025

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2025
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2024)

ASSETS

	2025	2024
Current assets		
Cash and cash equivalents, without donor restrictions	\$ 1,184,712	\$ 382,511
Cash and cash equivalents, with donor restrictions	1,210,332	1,548,516
Current portion of mortgage notes receivable	234,890	236,255
Contributions receivable	4,432	468,692
Other receivables, net	90,251	22,823
ReStore inventory	56,700	40,863
Marketable securities	302,276	492,311
Prepaid expenses	17,964	43,041
Total current assets	3,101,557	3,235,012
Property and equipment		
Land and building	-0-	1,577,596
Vehicles and equipment	102,062	96,233
Leasehold improvements	-0-	116,848
	102,062	1,790,677
Less accumulated depreciation	(83,130)	(521,471)
Property and equipment, net	18,932	1,269,206
Other assets		
Mortgage notes receivable, net	1,434,788	1,503,815
Construction in progress	567,809	356,200
Deposits	5,868	-0-
Security deposits, ReStore	-0-	29,975
Finance lease right-of-use asset	122,467	70,912
Operating lease right-of-use asset	2,460,195	101,976
Total other assets	4,591,127	2,062,878
Total Assets	\$ 7,711,616	\$ 6,567,096

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

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2025
(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2024)

LIABILITIES AND NET ASSETS

	2025	2024
Current liabilities		
Line of credit	\$ 372,000	\$ -0-
Current portion of loans payable	-0-	99,009
Current portion of finance lease liability	30,218	18,372
Current portion of operating lease liability	205,619	79,871
Accounts payable	87,415	154,765
Accrued expenses and other current liabilities	149,500	130,432
Deferred revenue	1,153,120	1,543,516
Mortgage escrow liability	286	6,976
Total current liabilities	1,998,158	2,032,941
Other liabilities		
Loans payable, net	-0-	610,740
Contingent liability	254,574	-0-
Finance lease liability, net	95,028	53,606
Operating lease liability, net	2,281,505	-0-
Total other liabilities	2,631,107	664,346
Total liabilities	4,629,265	2,697,287
Net assets		
Without donor restrictions	1,872,019	2,321,294
With donor restrictions	1,210,332	1,548,515
Total net assets	3,082,351	3,869,809
Total Liabilities and Net Assets	\$ 7,711,616	\$ 6,567,096

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2024)

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and Support				
Contributions	\$ 830,667	\$ 111,600	\$ 942,267	\$ 1,939,143
In-kind contributions	123,369	-0-	123,369	7,120
Non-cash inventory contributions	686,931	-0-	686,931	783,125
Home sales	153,526	-0-	153,526	709,727
ReStore sales	728,711	-0-	728,711	808,445
Special events, net of direct benefits to donors of \$-0- and \$23,359 in 2025 and 2024	-0-	-0-	-0-	46,973
Critical home repair revenues	1,613,239	-0-	1,613,239	518,075
Other income	-0-	-0-	-0-	1,899
Investment income	12,097	51,610	63,707	42,866
Net realized and unrealized gain on marketable securities	32,081	-0-	32,081	33,523
Credit loss recovery	3,148	-0-	3,148	55,039
Gain on sale of assets	695,295	-0-	695,295	1,768
Amortization of mortgage notes receivable discounts	186,330	-0-	186,330	184,066
Net assets released from restrictions	501,393	(501,393)	-0-	-0-
Total revenue and support	<u>5,566,787</u>	<u>(338,183)</u>	<u>5,228,604</u>	<u>5,131,769</u>
Expenses				
Program services				
Program services	2,859,012	-0-	2,859,012	2,711,256
ReStore program	1,517,558	-0-	1,517,558	1,993,938
Total program services	<u>4,376,570</u>	<u>-0-</u>	<u>4,376,570</u>	<u>4,705,194</u>
Supporting services				
Administrative	1,025,267	-0-	1,025,267	736,419
Resource development	614,225	-0-	614,225	397,424
Total supporting services	<u>1,639,492</u>	<u>-0-</u>	<u>1,639,492</u>	<u>1,133,843</u>
Total expenses	<u>6,016,062</u>	<u>-0-</u>	<u>6,016,062</u>	<u>5,839,037</u>
Change in net assets	(449,275)	(338,183)	(787,458)	(707,268)
Net assets, beginning of year	<u>2,321,294</u>	<u>1,548,515</u>	<u>3,869,809</u>	<u>4,577,077</u>
Net assets, end of year	<u>\$ 1,872,019</u>	<u>\$ 1,210,332</u>	<u>\$ 3,082,351</u>	<u>\$ 3,869,809</u>

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025
(WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2024)

	2025					2024	
	Program Services	ReStore Program	Total Program	Administrative	Resource Development	Total	Total
Salaries	\$ 660,568	\$ 323,755	\$ 984,323	\$ 462,566	\$ 347,971	\$ 1,794,860	\$ 1,473,385
Payroll taxes	60,259	38,871	99,130	22,927	35,972	158,029	141,353
Employee benefits	73,977	42,885	116,862	23,227	16,455	156,544	165,654
Advertising	-0-	4,532	4,532	120	124,375	129,027	27,580
Amortization	-0-	23,911	23,911	-0-	-0-	23,911	10,910
Auto and truck	3,870	16,690	20,560	2,362	-0-	22,922	28,490
Construction costs of homes	402,108	-0-	402,108	-0-	-0-	402,108	1,397,200
Cost of goods sold, in-kind contributions	-0-	671,094	671,094	-0-	-0-	671,094	863,900
Cost of goods sold, purchased goods for resale	-0-	41,780	41,780	-0-	-0-	41,780	35,820
Depreciation	12,469	19,143	31,612	8,215	1,594	41,421	42,771
Dues, fees, and subscriptions	70	17,617	17,687	88,406	4,660	110,753	97,192
Fundraising	-0-	-0-	-0-	1,701	3,259	4,960	38,621
Facility	2,237	116,060	118,297	27,686	1,101	147,084	110,821
Homeowner services	1,443,897	5,837	1,449,734	4,457	6,257	1,460,448	387,845
Information technology	28,023	11,919	39,942	18,328	63,150	121,420	91,160
Insurance	30,368	24,608	54,976	21,832	541	77,349	68,585
Interest expense	25,268	19,964	45,232	3,863	3,878	52,973	33,996
Lease expense	-0-	135,230	135,230	100,748	-0-	235,978	292,053
Miscellaneous expense	-0-	-0-	-0-	55,408	-0-	55,408	-0-
Mortgage discount	87,572	-0-	87,572	-0-	-0-	87,572	319,954
Office	2,491	931	3,422	11,564	3,550	18,536	16,797
Professional fees	18,645	1,750	20,395	41,423	-0-	61,818	182,321
Travel and seminars	7,190	981	8,171	7,065	1,462	16,698	21,993
Vista	-0-	-0-	-0-	-0-	-0-	-0-	6,875
Total expenses	2,859,012	1,517,558	4,376,570	901,898	614,225	5,892,693	5,855,276
Less expenses included with revenues on the Statement of Activities	-0-	-0-	-0-	-0-	-0-	-0-	(23,359)
Total expenses before in-kinds	2,859,012	1,517,558	4,376,570	901,898	614,225	5,892,693	5,831,917
Facility	-0-	-0-	-0-	-0-	-0-	-0-	300
Professional fees	-0-	-0-	-0-	123,369	-0-	123,369	6,820
Total in-kinds	-0-	-0-	-0-	123,369	-0-	123,369	7,120
Total expenses by function	\$ 2,859,012	\$ 1,517,558	\$ 4,376,570	\$ 1,025,267	\$ 614,225	\$ 6,016,062	\$ 5,839,037

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

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2024)

	2025	2024
Cash Flows from Operating Activities		
Change in net assets	\$ (787,458)	\$ (601,418)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Amortization of debt issuance costs	12,213	-0-
Depreciation	41,421	42,771
Amortization of finance right-of-use asset	23,911	10,910
Mortgage notes receivable issued	(153,526)	(554,571)
Mortgage notes receivable discounts issued	87,572	319,954
Mortgage notes receivable discount amortization	(186,330)	(184,066)
Credit loss recovery	(3,148)	(55,039)
Realized gain on marketable securities	(61,063)	(139,034)
Unrealized loss on marketable securities	28,982	105,511
Stock contribution	(17,217)	-0-
Gain on sale of assets	(695,295)	-0-
Loss of security deposit	29,975	-0-
Reduction in carrying amount of operating lease right-of-use asset	146,300	243,213
(Increase) decrease in:		
Mortgages notes receivable, net	338,689	348,364
Contributions receivable	464,260	(317,883)
Other receivables, net	(72,086)	111,426
ReStore inventory	(15,837)	80,775
Prepaid expenses	25,077	(36,446)
Construction in progress	(211,418)	324,316
Deposits	(5,868)	-0-
Increase (decrease) in:		
Accounts payable	(67,350)	(64,391)
Accrued expenses and other current liabilities	19,068	(17,063)
Deferred revenue	(390,396)	1,222,255
Mortgage escrow liability	(6,690)	(15,612)
Operating lease liability	(97,266)	(190,160)
	(1,553,480)	633,812
Net cash (used in) provided by operating activities		
Cash Flows from Investing Activities		
Proceeds from sale of marketable securities	269,791	796,910
Purchases of marketable securities	(30,458)	(460,065)
Proceeds from sale of property and equipment	1,900,000	-0-
Purchases of property and equipment	(11,530)	(2,371)
	2,127,803	334,474
Net cash provided by investing activities		
Cash Flows from Financing Activities		
Proceeds from line of credit	372,000	-0-
Repayments of loans payable	(721,962)	(95,258)
Proceeds from sale of mortgage notes receivable (contingent liability)	261,854	-0-
Repayments on finance lease liabilities	(22,198)	(9,844)
	(110,306)	(105,102)
Net cash used in financing activities		
Net increase in cash and cash equivalents	464,017	863,184
Cash and cash equivalents, beginning of year	1,931,027	1,067,843
Cash and cash equivalents, end of year	\$ 2,395,044	\$ 1,931,027
Cash and Cash Equivalents Reconciliation		
Cash and cash equivalents, without donor restrictions	1,184,712	382,511
Cash and cash equivalents, with donor restrictions	1,210,332	1,548,516
	\$ 2,395,044	\$ 1,931,027

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

**HABITAT FOR HUMANITY OF MONTGOMERY AND
DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

Note 1 – Nature of Activities

Habitat for Humanity of Montgomery County, Inc. was incorporated in January 1989 under the laws of the Commonwealth of Pennsylvania as a nonprofit social service organization. In 2017, Habitat for Humanity of Montgomery County, Inc. merged in Habitat for Humanity – Delaware County, Pennsylvania, Inc., forming Habitat for Humanity of Montgomery and Delaware Counties, Inc. (the “Organization”).

The Organization is a Pennsylvania nonprofit social service organization that strives to end poverty housing in its community by providing an array of programs geared toward homeownership, home repair, and home preservation for low-income county residents. The Organization works with individuals, organizations, and faith communities to build simple, basic, decent housing and provides no-interest low payment mortgages. In addition, the Organization provides critical repairs to low-income owner-occupied homes, as well as outside preservation to improve families, neighborhoods and our county’s quality of life. In addition, the Organization provides critical repairs to low-income owner-occupied homes, hosts free financial literacy and home-buying readiness courses for adults (Almost Home) and facilitates a Neighborhood Revitalization program that mentors two grassroots community action organizations located in Pottstown, Pennsylvania and Norristown, Pennsylvania. Its programs combine to build new, improve existing housing, create a pathway to homeownership for low and moderate income families, and improve the quality of life in our counties, by empowering citizens. The Organization is an affiliate of Habitat for Humanity International, Inc. (“HFHI”), a nondenominational Christian non-profit organization whose purpose is to create decent, affordable housing for those in need and to make decent shelter a matter of conscience with people everywhere. Although HFHI assists the Organization with information, resources, training, publications, prayer support, and in other ways, the Organization is primarily and directly responsible for its own operations.

The Organization has a thrift-style retail outlet called a ReStore which offers new and gently used household goods and building materials at deeply discounted prices while providing volunteer and recycling opportunities.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting, and accordingly, reflects all significant receivables, payables, and other liabilities. Consequently, revenue is recognized as described below in the section entitled Revenue and Revenue Recognition and expenses are recognized when the obligations are incurred.

**HABITAT FOR HUMANITY OF MONTGOMERY AND
DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The financial statement preparation follows the recommendations of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Subtopic 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC Subtopic 958-205, to ensure the observance of limitations and restrictions placed on the use of resources available to the Organization, its net assets and revenues have been reported according to the following classifications:

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 the Organization. These net assets may be used at the discretion of the Organization’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 Organization or by the passage of time. Specifically, grants specified for home projects are considered net assets with donor restrictions. See Note 11 to the Financial Statements for additional information on net assets with donor restrictions.

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 the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although management believes the estimates that have been used are reasonable, as events continue to evolve and additional information becomes available, actual results could vary from the estimates that were used.

Revenue and Revenue Recognition

Contributions

Contributions are recognized when cash, donated investments or other assets, unconditional promises to give, or other various notifications of a beneficial interest is received. Conditional contributions, including those received as conditional promises to give, that is, those with a measurable performance or other barrier, and right of return or release of assets, are not recognized until the conditions on which they depend have been substantially met. As of June 30, 2025, the Organization had no conditional grants.

**HABITAT FOR HUMANITY OF MONTGOMERY AND
DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

Note 2 – Summary of Significant Accounting Policies (continued)

Revenue and Revenue Recognition (continued)

Contributions (continued)

Unconditional contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Program Income

Program income, including home sales as well as ReStore sales, is recognized as an exchange transaction by the Organization. Home sales are considered exchange transactions. Revenues are recognized from the home sales when ownership of the home is transferred to the purchaser, thus, at a point in time. See Home Sales and Mortgage Notes Receivable section below for further detail.

Program income also includes ReStore sales, which are considered exchange transactions. Revenues are recognized from the sale of items in the ReStore when the products are transferred to the customer in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those products. ReStore revenues are recognized at the time of sale, thus, at a point in time. The Organization collects sales tax from customers on these sales and remits the entire amount to the state. All items are sold as-is and are non-refundable. There is no variable consideration or significant financing components connected with ReStore sales.

Contributions - In-kind

Volunteers contribute significant amounts of time to program and support services; however, the financial statements do not reflect the value of these contributed services because they do not meet the necessary criteria for recognition under GAAP. Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. In addition, the Organization recognizes contributed professional services if the services received (1) create or enhance non-financial assets or (2) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. Contributions - in-kind received during the year ended June 30, 2025 included professional fees, including pro-bono legal services. See Note 13 to the Financial Statements for further detail. Contributions - in-kind are

**HABITAT FOR HUMANITY OF MONTGOMERY AND
DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

Note 2 – Summary of Significant Accounting Policies (continued)

Revenue and Revenue Recognition (continued)

Contributions - In-kind (continued)

recorded as both revenue and support and program services, and therefore, there is no effect on the change in net assets.

Home Sales and Mortgage Notes Receivable

Sales to homeowners are recorded at the gross amount with the sales price determined by comparable home sales in similar markets. The Organization has financed mortgage notes to homeowners, collateralized by first mortgages recorded as liens against the properties sold to the homeowner by the Organization. These non-interest-bearing mortgages have been discounted using a discount rate established by HFHI, based on the Internal Revenue Service (“IRS”) Index of Applicable Federal Rates Rulings for low income housing tax credits. Utilizing the straight-line basis, these discounts are recognized as income over the term of the mortgage note. The Organization has implemented a formal collection policy. A provision for credit losses has been recognized based upon management’s review of existing receivables.

In addition, the Organization provides and has provided second and third silent mortgages in connection with the sales of certain homes. These mortgages are non-interest bearing and are fully forgiven provided certain factors are met including that the first mortgage does not go into default. If the first mortgage goes into default, then the silent mortgages are to be paid. Silent mortgage forgiveness is also contingent on how long the homeowner lives in the home. The time period ranges from 5 to 15 years for this requirement. These amounts are not recorded in the Statements of Financial Position as the conditions under which they may be collectible are uncertain. This is in accordance with the GAAP rule of conservatism and non-recognition of contingent assets.

Allowance for Credit Losses

Other receivables and mortgage notes receivable are stated at the amount management expects to collect from outstanding balances. The allowance for credit losses reduces the other receivables and mortgage notes receivable balances to the estimated net realizable value which is the amount that is expected to be collected. The allowance is established using assessments of current creditworthiness of customers, historical collection experience, and the aging of receivables, which are adjusted using currently available evidence and expected future trends to prepare reasonable and supportable forecasts. Other receivables and mortgage notes receivable balances are written off against the allowance if a final determination of uncollectibility is made after management has used reasonable collection efforts.

**HABITAT FOR HUMANITY OF MONTGOMERY AND
DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

Note 2 – Summary of Significant Accounting Policies (continued)

Allowance for Credit Losses (continued)

Actual collections of other receivable and mortgage notes receivable could differ from estimates due to changes in future economic or industry conditions or a specific customer's financial condition.

The other receivable balance is presented net of an allowance for credit losses. Other receivables for the years ended June 30, 2025, 2024, and 2023 were:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Other receivables	\$ 93,375	\$ 39,675	\$ 134,249
Less: allowance for credit losses	<u>(3,124)</u>	<u>(16,852)</u>	<u>-0-</u>
Total	<u>\$ 90,251</u>	<u>\$ 22,823</u>	<u>\$ 134,249</u>

The mortgage notes receivable balance is presented net of an allowance for credit losses. Mortgage notes receivable for the years ended June 30, 2025, 2024, and 2023 was:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Mortgage notes receivable	\$ 4,303,588	\$ 4,480,544	\$ 4,253,374
Less: unamortized discount	(2,629,750)	(2,728,508)	(2,592,619)
Less: allowance for credit losses	<u>(4,160)</u>	<u>(11,966)</u>	<u>(375,837)</u>
Total	<u>\$ 1,669,678</u>	<u>\$ 1,740,070</u>	<u>\$ 1,284,918</u>

ReStore Inventory

ReStore inventory consists of purchased and donated items and supplies. Inventory is stated at the lower of cost or net realizable value. Cost is determined by the specific identification method if purchased, or fair value if donated. Net realizable value is equal to the sales price determined as half of retail selling price and subsequently adjusted for slow moving items.

The Organization receives significant donations of goods during the year in addition to the items that are purchased. The donated goods have been recorded as both a contribution and increase in inventory. When sold, the Organization recognizes a program expense at a value equal to the donated value. The value of donated goods sold, included as non-cash contributions in the accompanying financial statements, are included in the corresponding cost of goods sold expense accounts on the Statement of Activities. See Note 13 to the Financial Statements for further detail.

**HABITAT FOR HUMANITY OF MONTGOMERY AND
DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

Note 2 – Summary of Significant Accounting Policies (continued)

Fair Value and Marketable Securities

The Organization's investments include investments in exchange traded and mutual funds with readily determinable fair values that are reported at fair value in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the Statement of Activities. Investment income, including realized and unrealized gains or losses, is reported as an increase or decrease in net assets without donor restrictions in the reporting period in which the income or loss is recognized and is used to support operations.

Accounting standards for fair value measurements establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price the Organization would receive to sell marketable securities in an orderly transaction between market participants. For those marketable securities recorded or disclosed at fair value, the Organization determines the fair value based upon the quoted market price, if available. If a quoted market price is not available for identical marketable securities, the fair value is based upon the quoted price of similar marketable securities. The fair values are assigned a level within the fair value hierarchy as defined below:

Level 1 Inputs: Observable inputs such as quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Inputs: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3 Inputs: Unobservable inputs that reflect the reporting entity's own assumptions.

The fair value of the Organization's marketable securities, held within exchange traded funds and mutual funds, have been measured on a recurring basis using Level 1 inputs. There have been no changes in valuation techniques and related inputs. The Organization's marketable securities are detailed in Note 6 to the Financial Statements.

Property and Equipment and Depreciation

Property and equipment are recorded at cost if purchased or at fair value if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of assets for financial reporting purposes are as follows: building, 25 years; leasehold improvements, 10 years; and vehicles and equipment, range from 5 to 10 years. The Organization capitalizes all property and equipment purchased with a cost of \$1,000 or more. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

**HABITAT FOR HUMANITY OF MONTGOMERY AND
DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

Note 2 – Summary of Significant Accounting Policies (continued)

Property and Equipment and Depreciation (continued)

The Organization reviews the carrying value of its property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. Based on these reviews, there were no adjustments to the carrying value of long-lived assets for the year ended June 30, 2025.

Depreciation expense for the year ended June 30, 2025 was \$41,421.

Sale-leaseback Transactions

The Organization accounts for sale-leaseback transactions in accordance with FASB ASC Topic 842, “Leases.” A sale is recognized when control of the asset transfers to the buyer in accordance with FASB ASC Topic 606, “Revenue from Contracts with Customers.” Once control is transferred, the Organization derecognizes the asset and recognizes any resulting gain or loss in the Statement of Activities. The subsequent lease is accounted for as either an operating or finance lease based on the criteria in FASB ASC Topic 842. Lease payments under an operating lease are recognized as expense on a straight-line basis over the lease term. See Note 12 to the financial statements for further detail.

Construction in Progress

The amounts included in construction in progress consist of capitalized costs associated with the renovation of properties that the Organization holds with future plans to sell. Costs associated with the renovation of properties, including labor costs, are capitalized. When the property is sold, the related costs are offset against the sale price and the excess revenue or expense is reflected in the Statement of Activities. Any excess revenue from the sale of a property is used to offset overhead costs and to provide for the continuation of the Organization’s mission.

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs is reported as interest expense and is computed using the straight-line method over the term of the related debt. Amortization of debt issuance costs for the year ended June 30, 2025 was \$12,213. In 2021, the Organization modified a mortgage agreement with a financial institution and paid \$7,500 in fees. The fees are reported as interest expense and are amortized using the straight-line method over the term of the mortgage. The mortgage was paid off early during the fiscal year ended June 30, 2025 and as a result, the remaining balance of debt issuance costs was expensed during the year.

**HABITAT FOR HUMANITY OF MONTGOMERY AND
DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

Note 2 – Summary of Significant Accounting Policies (continued)

Compensated Absences

The Organization accrues accumulated paid time off when earned by the employee. An employee can carry forward 40 hours to the next calendar year. Eligible employees who end their employment with the Organization are reimbursed for their accumulated paid time off. The accrued accumulated paid time off was \$53,268 as of June 30, 2025 and included in accrued expenses and other current liabilities on the Statement of Financial Position.

Transfers of Financial Assets

The Organization accounts for transfers of financial assets in accordance with FASB ASC 860, “*Transfers and Servicing*.” A transfer is accounted for as a sale only when control over the financial assets has been surrendered, which requires that the assets are legally isolated from the Organization, the transferee has the right to pledge or exchange the assets, and the Organization does not maintain effective control over the assets. If these criteria are not met, the transfer is accounted for as a secured borrowing. In such cases, the asset remains on the Organization’s Statement of Financial Position and a corresponding liability is recognized. See Note 10 to the financial statements for further detail.

Advertising

Advertising costs are expensed when incurred. Advertising expense for the year ended June 30, 2025 was \$129,027.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs, administrative, and resource development categories benefited. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses may be attributable to more than one program or supporting function, but are charged directly to that function as their usage is directly identifiable. Salaries and benefits related costs are allocated on the basis of time and effort. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

**HABITAT FOR HUMANITY OF MONTGOMERY AND
DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

Note 2 – Summary of Significant Accounting Policies (continued)

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (“IRC” or the “Code”). The Organization is also exempt from state income taxes under the provisions of the Pennsylvania Nonprofit Corporation Law. The Organization follows the accounting guidance for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognition, interest, penalties, and disclosures required. The Organization believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization’s Federal Exempt Organization informational returns (Form 990) for 2024, 2023, and 2022 are subject to examination by the IRS, generally for three years after filing.

Cash and Cash Equivalents

For financial statement purposes, the Organization considers all highly liquid financial instruments with an original maturity of three months or less to be cash equivalents.

Recent Accounting Pronouncements

The Organization has evaluated all recent accounting pronouncements that were required to be adopted or are required to be adopted in the near future and believes that none of them will have a material effect on the Organization’s Statement of Financial Position, Statement of Activities, Statement of Functional Expenses, or Statement of Cash Flows.

Reclassification

Certain items in the summarized comparative Statement of Activities for the year ended June 30, 2024 were reclassified to conform with the June 30, 2025 financial statement presentation. Total revenue and support and expenses remain unchanged.

Note 3 – Concentration of Credit Risk

The Organization maintains cash and cash equivalents at various financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per depositor. At various times during the year, the Organization’s bank balances may have been in excess of federally insured limits. At June 30, 2025, the Organization’s amounts in excess of insured limits totaled \$1,798,403.

**HABITAT FOR HUMANITY OF MONTGOMERY AND
DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

Note 4 – Availability and Liquidity

The following represents the Organization’s financial assets at June 30, 2025:

Financial assets at year end:	
Cash and cash equivalents without restriction	\$ 1,184,712
Cash and cash equivalents with restrictions	1,210,332
Current portion of mortgage notes receivable	234,890
Contributions receivable	4,432
Other receivables	90,251
Marketable securities	<u>302,276</u>
 Financial assets at year end	 3,026,893
 Less net assets with purpose and/or time restrictions not available to be used within one year	 <u>-0-</u>
 Financial assets available to meet general expenditures over the next twelve months	 <u>\$ 3,026,893</u>

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds.

The Organization typically maintains its financial assets other than the various receivables in cash accounts or marketable securities investments available for sale with a goal of having funds available when needed. The above calculation of financial assets available to meet general expenditures over the next twelve months does not consider amounts necessary to satisfy current liabilities, such as accounts payable and accrued expenses as well as accrued payroll and liabilities, as these are considered general expenditures though the expense has been incurred in the current year and payment will occur in the subsequent year.

Financial assets above include cash and cash equivalents with donor restrictions which are restricted based on liquidity considerations, however, their usage is only permitted only for specified properties that are under construction. Usage of these funds typically occurs within a year.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor restricted resources.

**HABITAT FOR HUMANITY OF MONTGOMERY AND
DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

Note 5 – Building Sale

On June 6, 2025, the Organization sold the building owned and occupied by the Organization for a sales price of \$1,900,000. As part of the sale, the mortgage loan payable, along with fees, was repaid in the amount of \$622,351 (see Note 9 to the Financial Statements). A gain on the sale of the building in the amount of \$682,182 was included in gain on sale of assets on the Statement of Activities for the year ended June 30, 2025.

Following the sale, the Organization entered into a lease agreement, maintaining the same space utilized previously. See Note 12 to the Financial Statements for detail regarding the lease. As such, the sale and subsequent lease qualify as a sale-leaseback transaction. The transaction qualified as a sale under FASB ASC Topic 606 as control of the asset was transferred.

Note 6 – Marketable Securities

The Organization maintains an investment account that can be used for various programs when needed. The Organization’s investment policy is focused on maximizing total return consistent with an acceptable level of risk. Investment assets are invested in a diversified asset mix, which includes exchange traded funds, closed end funds, mutual funds, and individual stocks as well as a money market account, all of which are intended to result in a consistent rate of return that also has sufficient liquidity to make expense withdrawals as needed. The money market account is considered a cash equivalent and is presented as such within the Statement of Financial Position. Investments contain various types of liquid assets and are classified as current assets within the Statement of Financial Position.

Summary information about the investments at June 30, 2025 is as follows:

	<u>Cost</u>	Unrealized Holding <u>Gains</u>	Fair <u>Value</u>
Exchange traded funds	\$ 189,665	\$ 63,475	\$ 253,140
Mutual funds	<u>48,756</u>	<u>380</u>	<u>49,136</u>
Total	<u>\$ 238,421</u>	<u>\$ 63,855</u>	<u>\$ 302,276</u>

Unrealized loss in the fair market value of marketable securities included in the Statement of Cash Flows for the year ended June 30, 2025 was \$28,982. Proceeds from sales of marketable securities during the year ended June 30, 2025 was \$269,791. Realized gain on sales of marketable securities for the year ended June 30, 2025 was \$61,063.

**HABITAT FOR HUMANITY OF MONTGOMERY AND
DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

Note 7 – Mortgage Notes Receivable

At June 30, 2025, mortgage notes receivable consists of loans on properties that were developed by the Organization. These loans are noninterest bearing, with maturities ranging from 20 to 30 years, and are secured by the related properties. At June 30, 2025, the balance of mortgage notes receivable was \$1,669,678.

The Organization accounts for its mortgage notes in accordance with the HFHI's U.S. Affiliate Accounting Policy Manual. Under this guide, the non-interest bearing mortgage notes are discounted to their present value at the time the mortgage note is issued, using an imputed interest rate, averaging approximately 8% (see Note 2 to the Financial Statements, *Home Sales and Mortgage Notes Receivable*, for discussion on rate). The discounted amount is amortized over the term of the mortgage note on the straight-line method.

The balance of mortgage notes receivable on a net basis at June 30, 2025 is as follows:

Mortgage notes receivable, gross	\$ 4,303,588
Current portion of mortgage notes receivable	<u>(234,890)</u>
	4,068,698
Unamortized discount	(2,629,750)
Allowance for credit losses	<u>(4,160)</u>
Mortgage notes receivable, net	<u>\$ 1,434,788</u>

Future undiscounted long-term principal maturities of mortgage notes receivable at June 30, 2025 are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2027	\$ 234,890
2028	230,756
2029	220,253
2030	212,503
2031	205,472
Thereafter	<u>2,964,824</u>
	<u>\$ 4,068,698</u>

Mortgage discount amortization totaled \$186,330 for the year ended June 30, 2025.

Currently, the Organization services a portion of the mortgage notes in its portfolio. The Organization collects all principal and escrow payments on the mortgage notes. The escrow payments are collected from the homeowners and paid out for real estate taxes and insurance. At June 30, 2025, the mortgage escrow liability was \$286.

**HABITAT FOR HUMANITY OF MONTGOMERY AND
DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

Note 8 – Line of Credit

The Organization has a line of credit with a financial institution under a \$200,000 agreement that is automatically renewable on an annual basis. Interest is due monthly at the Wall Street Journal (“WSJ”) prime rate which was 7.50% at June 30, 2025. The agreement is secured by a blanket lien of all assets. At June 30, 2025, the Organization had no amounts outstanding under the line of credit.

The Organization entered into a second line of credit with a different financial institution during the year ended June 30, 2025. The line of credit is provided under a \$500,000 agreement that is automatically renewable on an annual basis renewing September 27, 2025. Interest is due monthly at the WSJ prime rate less one basis point (6.50% at June 30, 2025). The agreement is secured by a blanket lien of all assets. At June 30, 2025, the Organization had \$372,000 outstanding under the line of credit.

Note 9 – Loans Payable

Mortgage Loan Payable

The Organization had a mortgage loan payable to a financial institution due in monthly installments of principal and interest at 3.75% in the amount of \$6,359 with an original maturity of March 2035. The loan was secured by the Organization’s real estate, buildings, improvements, fixtures, machinery, equipment, and materials.

On June 6, 2025, the Organization sold the building that was owned and the mortgage loan was paid in full as part of the sale. See Note 5 to the financial statements.

Business Loan Payable

The Organization had a business loan payable to a financial institution due in monthly installments of principal and interest at a variable rate equal to the WSJ Prime Rate plus 1 percent (8.50% at June 30, 2025) with an original maturity date in May 2025. The loan payable was repaid in full in September 2024.

Note 10 – Contingent Liability

The Organization entered into an agreement with a financial institution on September 25, 2024 to sell six mortgage loans valued at \$267,198 previously held by the Organization for total proceeds of \$261,854. The loss of \$5,344 was included in gain on sale of assets in the Statement of Activities. Under the terms of the agreement, the Organization retains an obligation to substitute or repay any of the sold mortgages if they become delinquent. The Organization remains the administrator of the mortgages and the financial institution does not have the ability to repackage or resell the mortgages. Due to this recourse provision and terms of control, under FASB Topic ASC 860, “*Transfers and Servicing*,” the mortgage notes receivable remains recorded as assets on the

**HABITAT FOR HUMANITY OF MONTGOMERY AND
DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

Note 10 – Contingent Liability (continued)

Organization’s Statement of Financial Position, with a corresponding liability recorded on the Statement of Financial Position that is lowered as principal payments on the underlying mortgages are collected. The contingent liability balance as of June 30, 2025 was \$254,574.

Note 11 – Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following programs or purposes at June 30, 2025:

Restrictions related to purpose:	
Construction	\$ 210,767
Critical home repair	<u>999,565</u>
Total	<u>\$ 1,210,332</u>

Net assets were released from restrictions by incurring expenses to satisfy the specified restriction in the following amounts for the year ended June 30, 2025:

Purpose restrictions:	
Construction	\$ 250,000
Critical home repair	<u>251,393</u>
Total	<u>\$ 501,393</u>

Note 12 – Leases

Sale-leaseback Transaction

During the year ended June 30, 2025, the Organization sold its building, as discussed in Note 5 to the financial statements. The Organization simultaneously entered into an operating lease agreement with the purchaser to lease back the property for a term of 10 years with two five year renewal options.

Operating Leases

The Organization leases ReStore space, as previously mentioned under the Sale-leaseback Transaction section above and an administrative office space under two separate long-term operating lease agreements that expire in June 2030 and October 2034, respectively, which are classified and accounted for as operating leases. Both leases were entered into during the June 30, 2025 fiscal year. The office space lease includes two options to renew, at the Organization’s sole discretion, with renewal terms that can extend the lease term upon each renewal. The Organization considers renewal options to be reasonably certain to be exercised, therefore the renewal options are recognized as part of the right-of-use (“ROU”) asset and lease liability. The store space lease includes an option to terminate early, at the Organization’s sole

**HABITAT FOR HUMANITY OF MONTGOMERY AND
DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

Note 12 – Leases

Operating Leases (continued)

discretion. The Organization considers the option to be reasonable certain to be exercised, therefore the termination option is considered within the calculation as part of the ROU asset and lease liability.

The Organization has made an accounting policy election not to recognize ROU assets and lease liabilities for leases with a term of twelve months or less, and with no purchase option that the Organization is reasonably certain to exercise. ROU assets and lease liabilities are recognized based on the present value of the fixed and in-substance fixed lease payments over the lease term at the commencement date.

The Organization elected to use the risk-free interest rate (U.S. daily treasury par yield curve) for a period approximating the lease term for the lease as the lease does not have a readily determinable implicit interest rate and the relevant incremental borrowing rate could not be determined.

Operating lease cost is recognized on the straight-line method over the lease term. The depreciable life of the ROU asset is typically limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. The lease agreement does not contain any significant residual value guarantees or material restrictive covenants.

The Organization's lease agreement for real estate includes payments based on actual common area maintenance expenses. These additional lease payments are recognized as other operating expenses but are not included in the ROU asset or lease liability balance. Operating lease expense, including amounts for short-term leases, common area maintenance expenses, and additional rent expense, for the year ended June 30, 2025 was \$235,978. Short term lease and additional expense totaled \$28,552 for the year ended June 30, 2025. During the year ended June 30, 2025, actual cash payments for operating leases totaled \$142,392.

At June 30, 2025, the weighted-average remaining lease term for operating leases was approximately 189 months and the weighted-average discount rate used for operating leases was 4.59%. At June 30, 2025, the balances of the right-of-use assets and operating lease liabilities were \$2,460,195 and \$2,487,124 (\$205,619 of which was classified as current), respectively.

**HABITAT FOR HUMANITY OF MONTGOMERY AND
DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

Note 12 – Leases (continued)

Operating Lease (continued)

Future undiscounted cash flows and reconciliation to the operating lease liabilities at June 30, 2025 are as follows:

<u>Year ending June 30,</u>	
2026 (current)	\$ 314,940
2027	318,538
2028	322,244
2029	131,061
2030	134,993
Thereafter	<u>2,444,459</u>
Total lease payments	3,666,235
Less imputed interest	<u>(1,179,111)</u>
Total present value of operating lease liabilities	<u>\$ 2,487,124</u>

There were no subleases during the year ended June 30, 2025. Further, there are no leases that have not yet commenced, which would create significant rights and obligations.

Finance Lease

The Organization entered into a finance lease agreement during the year ended June 30, 2025 that expires December 2029 for a vehicle. The Organization also has a finance lease agreement that expires October 2028 for an additional vehicle. The present value of total lease payments for each of these vehicles is substantially all of the leased asset's fair value. As such, the leases are classified as finance lease obligations.

Included in the cost of the vehicles at June 30, 2025 is \$157,288, representing the ROU assets under the finance lease. Accumulated amortization at June 30, 2025 for the ROU assets was \$34,821. Amortization expense for the year ended June 30, 2025 for the ROU asset was \$23,911.

The monthly payments under the finance leases at June 30, 2025 totaled \$2,929, which includes principal and interest. The total amount due for the finance leases at June 30, 2025 was \$125,246, which includes the current portion of \$30,218. Imputed interest expense paid on the finance lease for the year ended June 30, 2025 was \$4,562.

**HABITAT FOR HUMANITY OF MONTGOMERY AND
DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

Note 12 – Leases (continued)

Finance Lease (continued)

At June 30, 2025, the weighted-average remaining lease term under the finance lease was 48 months. At June 30, 2025, the weighted-average implicit interest rate on the finance leases was 4.42%.

The following is a schedule by years of future minimum payments required under the finance lease together with the present value as of June 30, 2025:

<u>Year ending June 30,</u>	
2026 (current)	\$ 35,148
2027	35,148
2028	35,148
2029	22,900
2030	<u>8,388</u>
Total lease payments	136,732
Less: imputed interest	<u>(11,486)</u>
Present value of finance leases	<u>\$ 125,246</u>

Note 13 – Contributed Materials and Services

The value of contributed services and materials included as in-kind contributions, in the accompanying Statement of Activities for the year ended June 30, 2025 is as follows:

Professional fees	\$ 123,369
Non-cash inventory contributions	<u>686,931</u>
Total in-kind revenues	<u>\$ 810,300</u>

Contributed professional fees include legal services provided to the Organization. Contributed professional fees are recorded at the fair value of the donated time that would ordinarily be charged for their services. Non-cash inventory contributions consist of donated items to the Restore locations that have been recorded as both a contribution and increase in inventory. The contributions are recorded at the value at the time of donation, which is typically equivalent to initial estimated selling price. For the majority of items, the initial estimated selling price is approximately half of the retail value. Non-cash inventory contributions are reported as program expenses when sold as cost of goods sold on the accompanying Statement of Functional Expenses.

**HABITAT FOR HUMANITY OF MONTGOMERY AND
DELAWARE COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

Note 14 – Related Party Transactions

The Organization had the following transactions with HFHI for the year ended June 30, 2025 including the following payments:

Tithes	\$ 4,000
Fees	<u>547</u>
Total payments	<u>\$ 4,547</u>

The Organization had the following transactions with HFHI for the year ended June 30, 2025 including the following receipts:

Contributions	\$ 286,391
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Note 15 – Supplementary Disclosure of Cash Flow Information

For the year ended June 30, 2025, cash paid for interest was \$42,782.

During the year ended June 30, 2025, the Company recorded operating lease right-of-use assets and corresponding operating lease liabilities of \$2,504,519 which are non-cash financing and investing activities.

During the year ended June 30, 2025, the Company recorded finance lease right-of-use assets and corresponding finance lease liabilities of \$75,466 which are non-cash financing and investing activities.

Note 16 – Subsequent Events

The Organization evaluated subsequent events through December 18, 2025, the date these financial statements were available to be issued. The Organization entered into an operating lease agreement commencing subsequent to year end for a new Restore. As of the date of the financial statements the exact commencement date is unknown. Other than the operating lease mentioned, there were no material subsequent events that required recognition in these financial statements.

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

Federal Grantor Pass-Through Grantor Program Title	Federal Assistance Listing Number	Grant Period	Total Received for the Year	Accrued (Deferred) Revenue at July 1, 2024	Revenue Recognized	Total Federal Expenditures	Adjustments	Accrued (Deferred) Revenue at June 30, 2025
U.S. Department of Treasury								
Pass-through:								
Pennsylvania Department of Community and Economic Development								
Whole Home Repairs Program	21.027	8/2/2023-6/30/2026	1,167,311	(951,429)	1,353,782	1,353,782	-0-	(764,958)
American Rescue Plan Act - Dudley Ave.	21.027	9/13/2022-9/13/2026	43,730	119,463	-0-	-0-	(75,733)	-0-
Total U.S. Department of Treasury			<u>1,211,041</u>	<u>(831,966)</u>	<u>1,353,782</u>	<u>1,353,782</u>	<u>(75,733)</u>	<u>(764,958)</u>
U.S. Department of Housing and Urban Development								
Pass-through:								
County of Delaware, Pennsylvania								
Community Development Block Grant	14.218	7/1/2022-4/30/2025	51,454	43,121	8,333	8,333	-0-	-0-
Habitat for Humanity International								
Veterans Housing Rehabilitation and Modification	14.278	9/30/2022-9/30/2025	40,147	-0-	40,627	40,627	-0-	480
Total U.S. Department of Housing and Urban Development			<u>91,601</u>	<u>43,121</u>	<u>48,960</u>	<u>48,960</u>	<u>-0-</u>	<u>480</u>
Total Expenditures of Federal Awards			<u>\$ 1,302,642</u>	<u>\$ (788,845)</u>	<u>\$ 1,402,742</u>	<u>\$ 1,402,742</u>	<u>\$ (75,733)</u>	<u>\$ (764,478)</u>

**HABITAT FOR HUMANITY OF MONTGOMERY AND
DELAWARE COUNTIES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025**

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.**, it is not intended to and does not present the financial position, change in net assets, or cash flows of **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.** The financial activity of the aforementioned awards is reported in the Organization’s Statement of Activities.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the applicable cost principles, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

The Organization has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 – Reconciliation of Accrued (Deferred) Revenue Amounts per the Schedule of Expenditures of Federal Awards to the Statement of Net Position

	<u>At June 30, 2025</u>
Deferred revenue	\$ 1,153,120
Less: State and local deferred revenue	(388,162)
Less: Contributions receivable	(4,432)
Add: State and local contributions receivable	3,952
Net deferred revenue	\$ 764,478

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Habitat for Humanity of Montgomery and Delaware Counties, Inc.
West Norriton, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.** (a nonprofit organization), which comprise the Statement of financial position as of June 30, 2025, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.**’s internal control over financial reporting (“internal control”) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.**’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.**'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Haefele, Flanagan & Co., p.c.

Maple Shade, New Jersey
December 18, 2025

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Habitat for Humanity of Montgomery and Delaware Counties, Inc.
West Norriton, Pennsylvania

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.**'s compliance with the types of compliance requirements as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.**'s major federal program for the year ended June 30, 2025. **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.**'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.** and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.**'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.**'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.**'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.**'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.**'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.**'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.**'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Haefele, Flanagan & Co., p.c.

Maple Shade, New Jersey
December 18, 2025

**HABITAT FOR HUMANITY OF MONTGOMERY AND
DELAWARE COUNTIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2025**

A. SUMMARY OF AUDITOR'S RESULTS

1. The Auditor's Report expresses an unmodified opinion on whether the financial statements of **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.** were prepared in accordance with accounting principles generally accepted in the United States of America.
2. No material weaknesses in internal control were disclosed during the audit of the financial statements.
3. No instances of noncompliance, material to the financial statements of **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.**, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses in internal control over major federal award programs were disclosed during the audit.
5. The Auditor's Report on compliance for the major federal award programs for **HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.** expresses an unmodified opinion.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this schedule.
7. The programs tested as a major program were:
 - Whole Home Repair Program #21.027.
8. The threshold for distinguishing Types A and B programs was \$750,000. Effective for fiscal years beginning on or after October 1, 2024, the threshold for distinguishing Type A and Type B programs will increase to \$1,000,000.

**HABITAT FOR HUMANITY OF MONTGOMERY AND
DELAWARE COUNTIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
JUNE 30, 2025**

**9. HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE
COUNTIES, INC.** was determined not to be a low risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM
AUDIT**

None.