HABITAT FOR HUMANITY OF EVANSVILLE, INC.
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

Years Ended June 30, 2026 and 2025

(With Independent Auditor's Report Thereon)

C O N T E N T S

	Pages
Independent Auditor's Report	1-2
Consolidated Financial Statements:	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7 – 20

Riney Hancock CPAs
PSC

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Habitat for Humanity of Evansville, Inc. and Subsidiary

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Habitat for Humanity of Evansville, Inc. and Subsidiary ("Organization") (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2026 and 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Evansville, Inc. and Subsidiary as of June 30, 2026 and 2025, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Consolidated Financial Statements section of our report. We are required to be independent of Habitat for Humanity of Evansville, Inc. and Subsidiary, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity of Evansville, Inc. and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

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

Riney Hancock CPAs PSC

Evansville, Indiana
October 22, 2026

HABITAT FOR HUMANITY OF EVANSVILLE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2026 and 2025

	2026	2025
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,517,718	$ 2,867,671
Certificates of deposit	827,853	800,989
Houses available for sale	125,755	197,439
Construction in process	2,182,740	1,250,393
Land held for development	1,546,069	610,533
Mortgages receivable, net	1,069,152	1,036,104
Operating lease right-to-use assets, current	164,731	136,247
Other current assets	313,107	327,113
Total current assets	8,747,125	7,226,489
Other assets:		
Cash restricted for joint venture expenses	95,814	112,836
Cash restricted for endowment	46,118	10,000
Mortgages receivable, net	7,015,319	6,704,821
Investment in joint venture	1,706,614	1,723,214
Beneficial interest in assets held by others	96,847	88,690
Investments restricted for endowment	158,977	95,887
Operating lease right-to-use assets	749,269	401,209
Property and equipment, net	358,877	255,592
Total other assets	10,227,835	9,392,249
Total assets	$ 18,974,960	$ 16,618,738
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 276,360	$ 198,762
Accrued expenses	108,727	96,070
Operating lease liabilities, current	164,731	136,247
Other current liabilities	12,390	12,650
Total current liabilities	562,208	443,729
Operating lease liabilities	749,269	401,209
Long-term debt	2,269,873	2,263,571
Total liabilities	3,581,350	3,108,509
Net assets:		
Without donor restrictions	15,091,668	13,315,652
With donor restrictions	301,942	194,577
Total net assets	15,393,610	13,510,229
Total liabilities and net assets	$ 18,974,960	$ 16,618,738

See Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY OF EVANSVILLE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years Ended June 30, 2026 and 2025

	2026			2025		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Contributions and grants	$ 3,754,758	$ 76,070	$ 3,830,828	$ 4,808,952	$ 30,506	$ 4,839,458
Sales of homes	2,820,711	-	2,820,711	3,432,539	-	3,432,539
Mortgage discount amortization	1,020,902	-	1,020,902	746,575	-	746,575
ReStore income, net	580,431	-	580,431	506,472	-	506,472
Gain on debt cancellation	-	-	-	480,076	-	480,076
Noncash contributions	781,347	-	781,347	59,246	-	59,246
Investment income	89,106	23,138	112,244	127,038	9,017	136,055
Other income	47,258	-	47,258	22,911	-	22,911
Change in beneficial interest in assets held by others	-	8,157	8,157	-	4,200	4,200
Net assets released from restrictions	-	-	-	53,750	(53,750)	-
Total revenue and other support	9,094,513	107,365	9,201,878	10,237,559	(10,027)	10,227,532
Expenses:						
Program services:						
Home building	5,243,779	-	5,243,779	6,633,429	-	6,633,429
Restore	459,156	-	459,156	407,637	-	407,637
Other program costs	513,091	-	513,091	411,250	-	411,250
	6,216,026	-	6,216,026	7,452,316	-	7,452,316
Supporting services:						
General and administrative	479,387	-	479,387	392,594	-	392,594
Fundraising	623,084	-	623,084	494,989	-	494,989
	1,102,471	-	1,102,471	887,583	-	887,583
Total expenses	7,318,497	-	7,318,497	8,339,899	-	8,339,899
Change in net assets	1,776,016	107,365	1,883,381	1,897,660	(10,027)	1,887,633
Net assets, beginning of year	13,315,652	194,577	13,510,229	11,417,992	204,604	11,622,596
Net assets, end of year	$ 15,091,668	$ 301,942	$ 15,393,610	$ 13,315,652	$ 194,577	$ 13,510,229

See Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY OF EVANSVILLE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2026 and 2025

	2026						
	Program Services				Supporting Services		
	Home Building	ReStore	Family Services & Other	Total	General & Admin.	Fund-raising	Total
Cost of homes sold	$ 3,277,831	$ -	$ -	$ 3,277,831	$ -	$ -	$ 3,277,831
Mortgage discount	1,484,589	-	-	1,484,589	-	-	1,484,589
Salaries & related costs	285,345	279,432	255,543	820,320	214,115	419,424	1,453,859
Advertising	-	26,805	-	26,805	-	49,864	76,669
Credit reports	20,208	-	-	20,208	28,443	-	48,651
Depreciation	-	3,600	9,296	12,896	19,447	-	32,343
Insurance	8,315	11,991	-	20,306	5,106	10,000	35,412
Interest	37,905	-	-	37,905	-	-	37,905
Miscellaneous	-	1,012	22,776	23,788	32,710	25,863	82,361
Office	10,584	-	20,684	31,268	52,315	-	83,583
Printing & postage	-	-	15,366	15,366	1,819	50,142	67,327
Professional fees	-	-	37,427	37,427	46,680	18,000	102,107
Rent	21,600	82,548	64,700	168,848	14,800	-	183,648
Repairs & maintenance	2,775	23,332	22,892	48,999	-	-	48,999
Special events	-	-	-	-	-	39,996	39,996
Supplies	-	-	6,276	6,276	-	7,550	13,826
Telephone & utilities	8,754	22,197	21,513	52,464	25,817	-	78,281
Tithe & contributions	77,905	-	-	77,905	-	-	77,905
Travel & education	7,968	8,239	2,428	18,635	31,050	2,245	51,930
Volunteer	-	-	34,190	34,190	7,085	-	41,275
	$ 5,243,779	$ 459,156	$ 513,091	$ 6,216,026	$ 479,387	$ 623,084	$ 7,318,497

	2025						
	Program Services				Supporting Services		
	Home Building	ReStore	Family Services & Other	Total	General & Admin.	Fund-raising	Total
Cost of homes sold	$ 4,415,013	$ -	$ -	$ 4,415,013	$ -	$ -	$ 4,415,013
Mortgage discount	1,795,871	-	-	1,795,871	-	-	1,795,871
Salaries & related costs	254,942	256,634	239,199	750,775	202,369	321,035	1,274,179
Advertising	-	27,741	-	27,741	-	24,787	52,528
Credit reports	10,420	-	-	10,420	39,282	-	49,702
Depreciation	-	150	4,056	4,206	20,376	-	24,582
Insurance	8,883	7,360	-	16,243	4,998	-	21,241
Interest	18,950	-	-	18,950	-	-	18,950
Miscellaneous	-	934	15,054	15,988	5,501	14,006	35,495
Office	10,058	-	27,703	37,761	42,095	-	79,856
Printing & postage	-	-	15,763	15,763	42	55,176	70,981
Professional fees	3,475	-	34,942	38,417	27,849	58,750	125,016
Rent	21,600	63,304	29,900	114,804	10,807	-	125,611
Repairs & maintenance	5,565	18,691	156	24,412	-	-	24,412
Special events	-	-	-	-	-	12,906	12,906
Supplies	-	-	5,076	5,076	-	5,940	11,016
Telephone & utilities	5,083	18,243	11,609	34,935	19,094	-	54,029
Tithe & contributions	77,693	-	-	77,693	-	-	77,693
Travel & education	5,876	14,580	341	20,797	11,974	2,389	35,160
Volunteer	-	-	27,451	27,451	8,207	-	35,658
	$ 6,633,429	$ 407,637	$ 411,250	$ 7,452,316	$ 392,594	$ 494,989	$ 8,339,899

See Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY OF EVANSVILLE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended June 30, 2026 and 2025

	2026	2025
Cash flows from operating activities:		
Change in net assets	$ 1,883,381	$ 1,887,633
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation and amortization	38,645	28,104
Origination of mortgages	(2,584,145)	(3,134,507)
Mortgage discount	1,484,589	1,795,871
Mortgage discount amortization	(1,020,902)	(746,575)
Transfer of homes to Habitat	-	125,755
Gain on debt cancellation	-	(480,076)
Donated land	(740,000)	-
Unrealized (gain) loss on investments	(23,138)	(9,017)
Change in beneficial interest in assets held by others	(8,157)	(4,200)
Decrease (increase) in assets:		
Houses available for sale	71,684	(125,755)
Construction in process	(932,347)	655,536
Land held for development	(195,536)	(43,425)
Promises to give	30,343	(168,711)
Other current assets	(16,337)	(24,175)
Increase (decrease) in liabilities:		
Accounts payable	77,598	(88,742)
Accrued expenses	12,657	14,364
Deferred revenue	-	(1,450,934)
Other current liabilities	(260)	5,442
Net cash used in operating activities	(1,921,925)	(1,763,412)
Cash flows from investing activities:		
Principal collected on mortgages	1,776,912	1,253,945
Purchases of property and equipment	(135,628)	(157,486)
Net sales (purchases) of certificates of deposit	(26,864)	276,771
Investment in joint venture	-	(1,729,577)
Distribution from joint venture investment	16,600	10,528
Purchase of investments	(39,952)	(26,506)
Net cash provided by (used in) investing activities	1,591,068	(372,325)
Cash flows from financing activities:		
Proceeds on debt issuance	-	2,260,946
Net cash provided by financing activities	-	2,260,946
Net change in cash, cash equivalents, and restricted cash	(330,857)	125,209
Cash, cash equivalents, and restricted cash:		
Beginning of year	2,990,507	2,865,298
End of year	$ 2,659,650	$ 2,990,507
Cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	$ 2,517,718	$ 2,867,671
Cash restricted for joint venture expenses	95,814	112,836
Cash restricted for endowment	46,118	10,000
Total cash, cash equivalents, and restricted cash	$ 2,659,650	$ 2,990,507
Supplemental disclosure of cash flow information:		
Interest paid	$ 37,905	$ 18,950

See Notes to Consolidated Financial Statements.

1. Organization and Summary of Significant Accounting Policies

Nature of Organization

Habitat for Humanity of Evansville, Inc. (Habitat) is an Indiana not-for-profit organization founded in 1984 whose mission is to build safe, decent and affordable houses with low-income families in partnership with God's people in need in Vanderburgh and Posey counties in Indiana. Habitat is an affiliate of Habitat for Humanity International, Inc. (HFHI), a Christian not-for-profit organization that seeks to eliminate poverty housing from the world and to make decent shelter a matter of conscience and action. Although HFHI assists with information resources, training, publications, prayer support, and in other ways, Habitat is primarily and directly responsible for its own operations.

Habitat builds houses utilizing volunteer labor and donated materials, in addition to paid services and materials. The houses are sold to qualified homebuyers at no profit with non-interest-bearing mortgages. Prospective homeowners must have a need for housing, the ability to pay the mortgage, and are required to participate in the construction of homes.

Habitat for Humanity of Evansville ReStore LLC (ReStore) is an Indiana limited liability company formed in 2017 that is a wholly owned subsidiary of Habitat for Humanity of Evansville, Inc. ReStore operates a home improvement store in Evansville, Indiana that sells new and used home furnishings, building materials, and home improvement materials to the general public. Donations to the ReStore are made by contractors and other businesses, organizations, and individuals that have surplus or discontinued merchandise. The purpose of the ReStore is to raise funds to support Habitat programs.

Consolidated Financial Statements

The consolidated financial statements include the accounts of Habitat for Humanity of Evansville, Inc. and Habitat for Humanity of Evansville ReStore LLC. Such entities are collectively referred to as "Habitat" in the consolidated financial statements. All material inter-organization transactions have been eliminated.

Cash, Cash Equivalents, and Restricted Cash

Habitat considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to long-term purposes are excluded from this definition. Restricted cash represents 1) cash received as a result of the New Market Tax Credit Program and will be used to pay future program expenses, and 2) uninvested cash restricted for endowment.

1. Organization and Summary of Significant Accounting Policies, Continued

Houses Available for Sale and Land Held for Development

Houses available for sale represent homes that Habitat has acquired through foreclosure. The carrying value is remaining balance on the mortgage plus costs incurred to prepare the home for resale.

Land held for development is stated at cost and includes land under development, developed lots, and capitalized property taxes and other costs incurred for development. Donated land is recorded as a contribution at the estimated value at the date of receipt. If donors stipulate a time period during which the land must be used, the contributions are recorded as support with donor restrictions. In the absence of such stipulations, contributions of land are recorded as support without donor restrictions.

Real estate assets are evaluated for impairment if impairment indicators are present. An impairment write-down to fair value less costs to sell occurs when management believes that events or changes in circumstances indicate that its carrying amount may not be recoverable.

Construction In Process

Costs incurred in conjunction with home construction are capitalized as construction in process. Habitat does not generally write down the value of construction-in-process to estimated sales value, because any excess cost over sales value is a component of program services. Capitalized construction costs are expensed when ownership transfers to the homeowners. Any post-settlement costs are expensed as incurred.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received, net of an allowance for uncollectible amounts. Management utilizes the allowance method of accounting for uncollectible promises to give, based on historical collection experience and current economic conditions. Promises to give are recorded at net realizable value. Promises to give expected to be collected in more than one year are discounted to the present value of future cash flows using a 2.86% discount rate.

Mortgages Receivable and Allowance

Mortgages arise in connection with Habitat's home building initiatives. They are non-interest-bearing, secured by the home sold, and payable in monthly installments over the life of the mortgage, which is usually 20 to 30 years. Mortgages are discounted based on prevailing market rates for low-income housing at the inception of mortgages, as provided by Habitat for Humanity International, Inc., and range from 7.23% to 8.34%. Discounts are amortized using the straight-line method over the term of the mortgages.

1. Organization and Summary of Significant Accounting Policies, Continued

Mortgages Receivable and Allowance, Continued

Management believes that losses resulting from non-payment of mortgages receivable, given its collateral value and discount, are not likely. Accordingly, Habitat has not recorded an allowance for mortgage notes receivable losses. Homeowners whose mortgages are more than 60 days past due, who have not made satisfactory payment arrangements, and who have not attended required counseling sessions, may be subject to foreclosure proceedings.

To ensure homes are affordable to qualifying homeowners, Habitat may issue additional silent mortgages on certain homes, valued as the difference between the homeowner's purchase price and the appraised value of the house at the time of sale. A prorated portion of the silent mortgages is forgiven each year over a specified period of time. Silent mortgages only become due if the homeowners sell their homes before complete forgiveness. These silent mortgages are not included in the consolidated financial statements because the revenue is not expected to be realized.

Investment in Joint Venture

Habitat invests in joint ventures to take advantage of New Market Tax Credit (NMTC) financing. Habitat's investment in joint ventures is accounted for on the cost basis method since the Organization does not have significant influence over the joint venture. Distributions received are reported as a return of the investment. Management has not identified any events or changes in circumstances that might have an adverse effect on value of the investment.

Investments

Investments are stated at fair value. Investment return is reflected in the statements of activities as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions. Investment income that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Unrealized gains and losses are included in the change in net assets. Investment income is reported net of investment expenses.

Property and Equipment

Property and equipment additions over $500 are recorded at cost, or if donated, at fair value on the date of the donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. If donors stipulate a time period during which the assets must be used, the contributions are recorded as support with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions.

1. Organization and Summary of Significant Accounting Policies, Continued

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions: Net assets subject to donor (or certain grantor) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service.

Revenue Recognition

Homes are sold to buyers that meet Habitat's qualification guidelines. The resulting mortgages are non-interest bearing and have been discounted based upon prevailing market rates for low-income housing at the inception of the mortgages. Sales to homeowners in the statement of activities and changes in net assets are presented net of the applicable discount. Habitat recognizes the income from sales to homeowners when the title transfers to the homeowner upon closing.

ReStore revenue is recognized at the point of sale, net of discounts and expected returns. Historically, sales returns have not been significant. Sales taxes collected from customers are excluded from revenue. Revenue reported from the ReStores includes cash receipts plus the fair market value of donated goods sold, net of the cost of inventory sold.

Habitat recognizes special event revenue equal to the fair value of the direct benefits to donors and contribution revenue for the difference when the event takes place.

Debt Issuance Costs

Unamortized costs related to the issuance of long-term debt are amortized to interest expense over the term of the debt using the straight-line method. The unamortized amount is presented in the consolidated statement of financial position as a reduction of the debt.

1. Organization and Summary of Significant Accounting Policies, Continued

Contributions

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

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

A portion of Habitat's revenue is derived from grants which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Habitat has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures or conditions are reported as deferred revenue in the consolidated statement of financial position.

Noncash Contributions

Habitat received noncash contributions as follows for the years ended June 30:

	2026	2025
Construction materials	$ 21,947	$ 18,271
Land for development	740,000	-
Professional services	19,400	40,975
	$ 781,347	$ 59,246

Habitat's policy related to in-kind contributions is to utilize the assets given to carry out its mission. If an asset is provided that does not allow Habitat to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset. Habitat values the noncash contributions at the estimated fair value based upon purchases of similar products and services. In addition, a substantial number of volunteers contribute significant amounts of time to Habitat's program and supporting services. However, the financial statements do not reflect the value of these contributed services because they do not require a specialized skill.

1. Organization and Summary of Significant Accounting Policies, Continued

In-Kind Contributions, Continued

All in-kind contributions received by Habitat were considered without donor restrictions and able to be used by the Organization as determined by the board of directors and management.

Advertising

Advertising costs are expensed as incurred.

Functional Allocation of Expenses

The costs of providing various services and activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy costs, which are allocated on a square footage basis, and salaries and related costs, which are allocated on the basis of estimates of time and effort.

Estimates

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

2. Liquidity and Availability of Financial Assets

Financial assets available within one year of the consolidated statement of financial position date to meet cash needs for general operating expenditures were as follows at June 30:

	2026	2025
Cash and cash equivalents	$ 2,563,836	$ 2,877,671
Less cash restricted for home building	(54,530)	(1,604,886)
Certificates of deposit	827,853	800,989
Promises to give	147,118	177,461
Mortgages receivable	1,069,152	1,036,104
	$ 4,553,429	$ 3,287,339

Habitat's goal is generally to maintain financial assets to meet at least 90 days of operating expenses. As part of its liquidity plan, Habitat invests cash in excess of daily requirements in short-term investments.

3. Mortgages Receivable

Mortgages receivable consisted of the following at June 30:

	2026	2025
Mortgages receivable – current	$ 1,069,152	$ 1,036,104
Mortgages receivable – long-term	17,380,705	16,606,520
Total mortgages receivable	18,449,857	17,642,624
Less discount to net present value	(10,365,386)	(9,901,699)
Mortgages receivable, net	$ 8,084,471	$ 7,740,925

4. Investment in Joint Venture

In 2025, Habitat participated in a New Market Tax Credit (NMTC) program that provides tax credits over a seven-year period to eligible investors for making a qualified low-income community investment. Program compliance requirements include creation of a promissory note and investment in a qualified community development entity (CDE). As a part of the NMTC, Habitat invested $1,729,577 in a joint venture, HFHI NMTC Leverage Lender 2024-4, LLC, for a 25% ownership interest and secured a 30-year loan in the amount of $2,450,000 payable to an affiliate of the joint venture (see Note 10). The loan proceeds are to be used solely for the purpose of constructing qualified homes to low-income residents. Remaining investment in the joint venture was $1,706,614 and $1,723,214 at June 30, 2026 and 2025, respectively.

In 2017, Habitat participated in another New Market Tax Credit program that provided tax credits over a seven-year period to eligible investors for making a qualified low-income community investment. Program compliance requirements included creation of a promissory note and investment in a qualified community development entity (CDE). As a part of the NMTC, Habitat invested $977,844 in a joint venture, HFHI NMTC Leverage Lender 2016-1, LLC, for a 10.5% ownership interest and secured a 30-year loan in the amount of $1,450,557 payable to an affiliate of the joint venture. The loan proceeds were used solely for constructing qualified homes to low-income residents. During the year ended June 30, 2025, a put option was exercised on the loan which extinguished Habitat's ownership in the joint venture and the outstanding debt owed to the affiliate, resulting in a net gain on debt forgiveness of $480,076.

5. Investments Restricted for Endowment

Investments restricted for endowment consisted of the following as of June 30:

	2026		2025	
	Cost	Fair Value	Cost	Fair Value
Cash equivalents	$ 2,505	$ 2,505	$ 1,871	$ 1,871
Mutual funds - stocks	101,752	105,772	79,888	94,016
Exchange-traded funds - stocks	45,740	50,700	-	-
	$ 149,997	$ 158,977	$ 81,759	$ 95,887

Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met in the reporting period in which the income and gains are recognized. For endowment investment return, see Note 12.

6. Beneficial Interest in Assets Held by Others

Habitat contributed donor-restricted funds to the Community Foundation Alliance (CFA) and specified itself as the beneficiary. CFA was granted variance power to modify any restriction or condition of the distribution of the funds for any specified charitable purposes or to specified organizations if such restriction becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community and area served. Income from these funds is distributed to Habitat for unrestricted purposes and the principal must remain intact for perpetuity. The historical cost of the beneficial interest was $73,023 at June 30, 2026 and 2025. The fair value of the beneficial interest was $96,847 and $88,690 at June 30, 2026 and 2025, respectively.

7. Fair Value of Financial Instruments

Generally accepted accounting principles provide a framework for measuring fair value. That framework establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Investments in cash and cash equivalents, mutual funds, and exchange-traded funds have readily determinable fair values and are Level 1 measurements.

7. Fair Value of Financial Instruments, Continued

The fair value of the beneficial interest in assets held by others is measured on a recurring basis using the unadjusted fair value of the assets held in the fund as reported by CFA. Habitat considers the measurement to be a Level 3 input (based on significant unobservable inputs) because Habitat will never receive those assets or have the ability to direct CFA to redeem them.

Habitat's assets measured at fair value on a recurring basis were as follows for the years ended June 30:

	2026			
	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 2,505	$ -	$ -	$ 2,505
Mutual funds - stocks	105,772	-	-	105,772
Exchange-traded funds - stocks	50,700	-	-	50,700
Beneficial interest in assets held by others	-	-	96,847	96,847
	$ 158,977	$ -	$ 96,847	$ 255,824

	2025			
	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 1,871	$ -	$ -	$ 1,871
Mutual funds - stocks	94,016	-	-	94,016
Beneficial interest in assets held by others	-	-	88,690	88,690
	$ 95,887	$ -	$ 88,690	$ 184,577

The table below presents information about the fair value measurements of the beneficial interest in assets held by others for the years ended June 30:

	2026	2025
Beginning of year	$ 88,690	$ 84,490
Total gains recognized in the change in net assets with donor restrictions	8,157	4,200
End of year	$ 96,847	$ 88,690

8. Property and Equipment

Property and equipment consisted of the following at June 30:

	2026	2025
Office equipment	$ 159,498	$ 151,509
Building equipment	85,445	70,795
Vehicles	94,162	97,162
Leasehold improvements	317,068	210,416
	656,173	529,882
Accumulated depreciation	(297,296)	(274,290)
Property and equipment, net	$ 358,877	$ 255,592

9. Leases

Habitat leases facilities under noncancelable operating lease agreements. Leases have remaining terms ranging from 40 to 71 months, including expected renewal options. Habitat is reasonably certain to exercise one five-year renewal and has recognized this in the right-of-use assets and lease liabilities. The weighted average remaining lease term for all operating leases is approximately four years. The lease asset and liability were calculated utilizing the risk-free discount rate, which had a weighted average of 3.74%. Total lease expense was $183,648 and $125,611 for the years ended June 30, 2026 and 2025, respectively. The operating lease right-to-use assets approximate the operating lease liabilities.

Maturities of lease liabilities are as follows for the years ended June 30:

2027	$ 192,427
2028	196,390
2029	198,790
2030	170,390
2031	147,390
Thereafter	122,393
Total lease payments	1,027,780
Less interest	(113,780)
Present value of lease liabilities	914,000
Less current portion	(164,731)
Lease liabilities, noncurrent	$ 749,269

10. Long-Term Debt

Long term debt at June 30, 2026 consisted of a $2,450,000 note payable to HFHI NMTC Sub-CDE IX, LLC, an affiliate of the joint venture discussed in Note 5, in conjunction with Habitat's participation in a NMTC in 2025. This note requires interest only payments until February 2032 at 1.2899112% and matures in February 2055. The loan is secured by substantially all the assets acquired by Habitat from the project loan proceeds. The loan has a put option exercisable in February 2032 that will enable the joint venture to become owner of the affiliate, and effectively extinguish Habitat's ownership in the joint venture and the outstanding debt owed to the affiliate. Unamortized debt issuance costs were $180,127 at June 30, 2026.

11. Retirement Plan

Habitat maintains a Simple IRA defined contribution plan covering substantially all of its employees. Habitat matches employee contributions up to 3% of eligible wages. Plan contributions were $34,608 and $29,587 for the years ended June 30, 2026 and 2025, respectively.

12. Net Assets with Donor Restrictions

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

	2026	2025
Net assets to be maintained in perpetuity:		
Cash restricted for endowment	46,118	10,000
Investments restricted for endowment	158,977	95,887
Beneficial interest in assets held by others	96,847	88,690
	$ 301,942	$ 194,577

Net assets released from restrictions were $- and $53,750 for the years ended June 30, 2026 and 2025, respectively.

Donor-designated Endowments

Habitat's endowments consist of donor-restricted funds, which are included in investments restricted for endowment and beneficial interest in assets held by others on the accompanying statement of financial position. The principal balance of the donor-restricted endowments is reported as net assets with donor restrictions based on the existence of such restrictions. Any earnings not expended at year-end are reported as net assets with donor restrictions.

12. Net Assets with Donor Restrictions, Continued

Donor-designated Endowments, Continued

Absent explicit donor stipulations to the contrary, Habitat has interpreted the State of Indiana's Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, Habitat retains in perpetuity and classifies as net assets with donor restrictions (1) the original value of gifts donated to the perpetual endowment, (2) the original value of subsequent gifts to the perpetual endowment, and (3) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity are subject to appropriation for expenditure by Habitat in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, Habitat considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of Habitat, and (7) Habitat 's investment policies.

Habitat has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions in accordance with the spending policy, while growing the fund. Accordingly, Habitat expects its endowment assets, over time, to produce an average rate of return of approximately 7.5% annually. Actual returns in any given year may vary from this amount. Investments are managed to not expose the fund to unacceptable levels of risk.

Habitat has a spending policy of appropriating for distribution each year, 4.5% of its endowment fund’s average fair value of the prior 12 quarters in the fiscal year in which the distribution is planned. In establishing this policy, Habitat considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. Habitat expects the current spending policy to allow its endowment funds to grow at an average rate of 3% annually. This is consistent with Habitat's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

12. Net Assets with Donor Restrictions, Continued

Donor-designated Endowments, Continued

Changes in endowment net assets were as follows for the years ended June 30:

	2026	2025
Beginning of year	$ 194,577	$ 150,854
Contributions	76,070	29,342
Interest and dividends	1,679	1,445
Unrealized gains	31,682	14,485
Fees	(2,066)	(1,549)
End of year	$ 301,942	$ 194,577

13. Risks and Uncertainties

Financial instruments that potentially subject Habitat to credit risk consist principally of cash on deposit at financial institutions, promises to give, investments, and mortgages receivable. Cash in banks may, at times, exceed federal deposit insurance limits. Habitat attempts to minimize this risk by using high-credit quality financial institutions. Promises to give, which represent unsecured support, are periodically reviewed by management for their collectability and an allowance for doubtful accounts is established, as deemed necessary. Investments are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect reported amounts. Mortgages receivable are secured by the property purchased.

14. Income Taxes

Habitat is exempt from income taxes as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The income derived from ReStore sales is exempt from unrelated business income tax because substantially all sales consist of merchandise that Habitat received as contributions. Habitat believes that it has support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements.

15. Transactions with Affiliate

Habitat remits a portion of its contributions to HFHI annually. These funds are used to construct homes in economically depressed areas around the world. Habitat contributed $56,700 and $62,100 to HFHI for the years ended June 30, 2026 and 2025, respectively. In addition, Habitat paid HFHI $21,205 and $15,593 for operational support for the years ended June 30, 2026 and 2025, respectively.

16. Subsequent Events

Habitat has evaluated subsequent events through October 22, 2026, the date the consolidated financial statements were available to be issued.