HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2025 AND 2024

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.

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JUNE 30, 2025 AND 2024

Independent Auditor's Report

To the Board of Directors
Habitat for Humanity of New Castle County, Inc.

Opinion

We have audited the accompanying financial statements of Habitat for Humanity of New Castle County, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years 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 New Castle County, Inc. as of June 30, 2025 and 2024, 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 audit in accordance with 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. 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 New Castle County, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility 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.

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To the Board of Directors
Habitat for Humanity of New Castle County, Inc.

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 New Castle County, 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 New Castle County, 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 New Castle County, 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.

To the Board of Directors
Habitat for Humanity of New Castle County, Inc.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2026, on our consideration of Habitat for Humanity of New Castle County, 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 solely 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 New Castle County, 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 New Castle County, Inc.'s internal control over financial reporting and compliance.

Belfint, Lyons & Shuman, P.A.

January 27, 2026
Wilmington, Delaware

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2025 AND 2024

ASSETS

	2025	2024
CURRENT ASSETS		
Cash and Cash Equivalents	$ 222,258	$ 1,670,637
Accounts Receivable	58,921	34,780
Pledges and Grants Receivable	1,404,567	995,422
Prepaid Expenses	47,272	8,540
Inventory	204,902	162,348
Other Investments	1,163,725	1,262,327
Non-Interest-Bearing Mortgages Receivable (Current Portion)	475,386	409,670
TOTAL CURRENT ASSETS	3,577,031	4,543,724
MORTGAGES RECEIVABLE (NET OF CURRENT PORTION)		
Non-Interest-Bearing Mortgages Receivable (Net of Current Portion)	9,092,433	7,863,080
Discount on Non-Interest-Bearing Mortgages Receivable	(4,767,271)	(4,033,789)
TOTAL MORTGAGES RECEIVABLE (NET OF CURRENT PORTION)	4,325,162	3,829,291
OTHER ASSETS		
Restricted Cash	388,506	-
Investments in Endowment Fund	593,940	527,245
Construction in Progress (Net of Accrued Subsidies)	2,351,728	2,394,465
Property and Equipment Used in Operations (Net)	1,023,446	776,438
Right-of-Use Asset - Operating Leases	784,214	1,056,356
Security Deposits	22,874	22,874
Other Receivables	165,620	-
Investment in New Markets Tax Credit LLCs	1,358,745	-
TOTAL OTHER ASSETS	6,689,073	4,777,378
TOTAL ASSETS	$ 14,591,266	$ 13,150,393

LIABILITIES AND NET ASSETS

	2025	2024
CURRENT LIABILITIES		
Accounts Payable	$ 163,970	$ 318,943
Accrued Expenses	61,036	20,716
Deferred Revenue	2,185	103
Refundable Advances	175,189	-
Current Maturities of Operating Lease Liabilities	282,263	272,142
TOTAL CURRENT LIABILITIES	684,643	611,904
OTHER LIABILITIES		
Notes Payable, (Net) - New Markets Tax Credit LLCs	1,687,552	-
Operating Lease Liabilities, Net of Current Maturities	501,951	784,214
TOTAL OTHER LIABILITIES	2,189,503	
TOTAL LIABILITIES	2,874,146	1,396,118
NET ASSETS		
Without Donor Restrictions	11,461,509	10,967,778
With Donor Restrictions	255,611	786,497
TOTAL NET ASSETS	11,717,120	11,754,275
TOTAL LIABILITIES AND NET ASSETS	$ 14,591,266	$ 13,150,393

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

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

	2025		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
SUPPORT AND REVENUE			
Contributions and Grants	$ 5,068,201	$ 332,000	$ 5,400,201
Revenue from Home Sales	2,004,344	-	2,004,344
Contributed Nonfinancial Assets for Sale at ReStore	1,523,840	-	1,523,840
Merchandise and ReStore Revenues	1,641,835	-	1,641,835
Less: Merchandise and Cost of Goods Sold	(1,641,318)	-	(1,641,318)
Contributions of Property for Program Activities	260,646	-	260,646
Contributions of Equipment for Use in Operations	17,045	-	17,045
Event Income	107,795	-	107,795
Less: Event Expenses	(45,806)	-	(45,806)
Other Program Revenue	453,785	-	453,785
Loss on Disposal of Property	(81,796)	-	(81,796)
Mortgage Loan Discount Amortization	304,577	-	304,577
Interest Income	6,624	-	6,624
Investment Income (Net of Fees)	165,683	-	165,683
	9,785,455	332,000	10,117,455
Net Assets Released from Restrictions	862,886	(862,886)	-
TOTAL SUPPORT AND REVENUE	10,648,341	(530,886)	10,117,455
EXPENSES			
Program Services (92%)	9,321,183	-	9,321,183
Supporting Services			
Management and General (5%)	478,519	-	478,519
Fundraising (3%)	354,908	-	354,908
TOTAL EXPENSES	10,154,610	-	10,154,610
CHANGE IN NET ASSETS	493,731	(530,886)	(37,155)
NET ASSETS - Beginning of Year	10,967,778	786,497	11,754,275
NET ASSETS - End of Year	$ 11,461,509	$ 255,611	$ 11,717,120

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

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and Grants	$ 4,248,801	$ 404,456	$ 4,653,257
Revenue from Home Sales	969,648	-	969,648
Contributed Nonfinancial Assets for Sale at ReStore	1,520,487	-	1,520,487
Merchandise and ReStore Revenues	1,539,935	-	1,539,935
Less: Merchandise and Cost of Goods Sold	(1,549,987)	-	(1,549,987)
Event Income	107,194	-	107,194
Less: Event Expenses	(40,750)	-	(40,750)
Other Revenue	15,181	-	15,181
Mortgage Loan Discount Amortization	389,522	-	389,522
Interest Income	20,000	-	20,000
Investment Loss (Net of Fees)	240,777	-	240,777
	7,460,808	404,456	7,865,264
Net Assets Released from Restrictions	775,530	(775,530)	-
TOTAL SUPPORT AND REVENUE	8,236,338	(371,074)	7,865,264
EXPENSES			
Program Services (89%)	6,364,291	-	6,364,291
Supporting Services			
Management and General (5%)	359,073	-	359,073
Fundraising (6%)	423,156	-	423,156
TOTAL EXPENSES	7,146,520	-	7,146,520
CHANGE IN NET ASSETS	1,089,818	(371,074)	718,744
NET ASSETS - Beginning of Year	9,954,549	1,157,571	11,112,120
Cumalitve Adjustment for Adoption of Topic 326	(76,589)	-	(76,589)
NET ASSETS - End of Year	$ 10,967,778	$ 786,497	$ 11,754,275

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

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2025

	Program Services					Supporting Services			
	Construction and Home Ownership	Discounts on Mortgage Originations	Home Repair Program	ReStore	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salary and Related Costs	$ 796,584	$ -	$ 651,765	$ 813,247	$ 2,261,596	$ 242,403	$ 316,092	$ 558,495	$ 2,820,091
Construction Administration	101,247	-	-	-	101,247	22,847	-	22,847	124,094
Advertising	-	-	-	12,171	12,171	-	-	-	12,171
Building Materials and Supplies, Net (Note 16)	3,023,589	-	-	-	3,023,589	-	-	-	3,023,589
Depreciation	36,672	-	8,601	9,703	54,976	8,601	-	8,601	63,577
Fundraising Supplies	-	-	-	-	-	-	37,651	37,651	37,651
HFHI Franchise Fee	-	-	-	-	-	105,000	-	105,000	105,000
Home Repair Program Assistance Provided	-	-	2,100,493	-	2,100,493	-	-	-	2,100,493
Interest Expense	-	-	-	-	-	19,357	-	19,357	19,357
Loan Servicing Fees	-	-	-	-	-	12,467	-	12,467	12,467
Merchandise and Cost of Goods Sold	-	-	-	1,641,318	1,641,318	-	-	-	1,641,318
Mortgage Discounts	-	1,038,059	-	-	1,038,059	-	-	-	1,038,059
Occupancy	-	-	-	389,928	389,928	10,023	-	10,023	399,951
Professional Services	-	-	-	-	-	44,510	1,165	45,675	45,675
New Markets Tax Credit Fees	-	-	-	-	-	11,300	-	11,300	11,300
ReStore Supplies	-	-	-	117,571	117,571	-	-	-	117,571
Events Expense	97,611	-	-	-	97,611	-	45,806	45,806	143,417
Telephone	5,035	-	870	-	5,905	870	-	870	6,775
Tithe to Habitat International	72,517	-	-	25,322	97,839	-	-	-	97,839
Training	19,056	-	1,142	-	20,198	1,141	-	1,141	21,339
	4,152,311	1,038,059	2,762,871	3,009,260	10,962,501	478,519	400,714	879,233	11,841,734
Less: Merchandise and Cost of Goods Sold	-	-	-	(1,641,318)	(1,641,318)	-	-	-	(1,641,318)
Less: Event Expenses Offsetting Revenue	-	-	-	-	-	-	(45,806)	(45,806)	(45,806)
TOTAL FUNCTIONAL EXPENSES	$ 4,152,311	$ 1,038,059	$ 2,762,871	$ 1,367,942	$ 9,321,183	$ 478,519	$ 354,908	$ 833,427	$ 10,154,610

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

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024

	Program Services					Supporting Services			
	Construction and Home Ownership	Discounts on Mortgage Originations	Home Repair Program	ReStore	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Salary and Related Costs	$ 670,316	$ -	$ 670,356	$ 742,040	$ 2,082,712	$ 191,179	$ 360,379	$ 551,558	$ 2,634,270
Construction Administration	81,552	-	-	-	81,552	60,365	-	60,365	141,917
Properties Granted to Other Organizations	216,044	-	-	-	216,044	-	-	-	216,044
Advertising	-	-	-	33,559	33,559	-	-	-	33,559
Building Materials and Supplies, Net (Note 16)	835,908	-	-	-	835,908	-	-	-	835,908
Credit Loss Expense	-	-	-	-	-	8,102	-	8,102	8,102
Depreciation	25,982	-	9,760	8,921	44,663	9,761	-	9,761	54,424
Fundraising Supplies	-	-	-	-	-	-	55,538	55,538	55,538
HFHI Franchise Fee	-	-	-	-	-	15,000	-	15,000	15,000
Home Repair Program Assistance Provided	-	-	1,952,314	-	1,952,314	-	-	-	1,952,314
Loan Servicing Fees	-	-	-	-	-	13,334	-	13,334	13,334
Merchandise and Cost of Goods Sold	-	-	-	1,549,987	1,549,987	-	-	-	1,549,987
Mortgage Discounts	-	260,017	-	-	260,017	-	-	-	260,017
Occupancy	-	-	-	342,820	342,820	1,891	-	1,891	344,711
Professional Services	-	-	-	-	-	56,505	7,239	63,744	63,744
ReStore Supplies	-	-	-	168,043	168,043	-	-	-	168,043
Event Expense	197,735	-	-	-	197,735	-	40,750	40,750	238,485
Telephone	4,473	-	786	-	5,259	787	-	787	6,046
Tithe to Habitat International	80,199	-	-	32,861	113,060	-	-	-	113,060
Training	28,457	-	2,148	-	30,605	2,149	-	2,149	32,754
	2,140,666	260,017	2,635,364	2,878,231	7,914,278	359,073	463,906	822,979	8,737,257
Less: Merchandise and Cost of Goods Sold	-	-	-	(1,549,987)	(1,549,987)	-	-	-	(1,549,987)
Less: Event Expenses Offsetting Revenue	-	-	-	-	-	-	(40,750)	(40,750)	(40,750)
TOTAL FUNCTIONAL EXPENSES	$ 2,140,666	$ 260,017	$ 2,635,364	$ 1,328,244	$ 6,364,291	$ 359,073	$ 423,156	$ 782,229	$ 7,146,520

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

HABITAT FOR HUMANITY OF NEW CASTLE COUNTY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (37,155)	$ 718,744
Adjustments to Reconcile Change in Net Assets		
to Net Cash from Operating Activities		
Credit Loss Expense	-	8,102
Amortization of Debt Issuance Costs to Interest Expense	9,857	-
Loss on Disposal of Property	81,796	-
Depreciation Expense	63,578	54,424
Endowment Fund Gain	(62,026)	(57,104)
Gains on Other Investments	(32,398)	(39,784)
New Mortgage Discounts Issued	1,038,059	260,017
Mortgage Loan Discount Amortization	(304,577)	(389,522)
Mortgages Received from Home Sales	(1,794,444)	(445,842)
Donated Equipment	(17,045)	-
Donated Property for Program Activities	(260,646)	-
Construction in Progress Property Disposed via Grant	-	216,044
Changes in Assets and Liabilities		
Mortgages Receivable	499,375	486,542
Accounts Receivable	(24,141)	(12,896)
Grants Receivable	(409,145)	242,811
Other Receivables	(165,620)	-
Prepaid Expenses	(38,732)	39,638
Inventories	(42,554)	(82,120)
Construction in Progress, Net of Accrued Subsidies	112,207	(1,506,819)
Right-of-Use Asset - Operating Leases	272,142	251,001
Accounts Payable	(154,973)	205,076
Accrued Expenses	40,320	(28,152)
Operating Lease Liabilities	(272,142)	(251,001)
Refundable Advances	175,189	-
Deferred Revenue	2,082	(1,357)
NET CASH FROM OPERATING ACTIVITIES	(1,320,993)	(332,198)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(184,161)	(93,113)
Investment in New Markets Tax Credit LLCs	(1,367,896)	-
Deposits to Other Investments, Includes Reinvested Interest and Dividends	(782,000)	(152,710)
Operating Distribution from New Markets Tax Credit LLCs	9,151	-
Deposits to Endowment Investments	(4,669)	-
Distributions from Endowment Investments	-	26,906
Distributions from Other Investments	913,000	100,000
NET CASH FROM INVESTING ACTIVITIES	(1,416,575)	(118,917)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan Proceeds from New Markets Tax Credit LLCs	1,911,000	-
Disbursement of Debt Issuance Costs Related to New Markets Tax Credit LLCs	(233,305)	-
NET CASH FROM FINANCING ACTIVITIES	1,677,695	-
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(1,059,873)	(451,115)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - Beginning of Year	1,670,637	2,121,752
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - End of Year	$ 610,764	$ 1,670,637

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

NOTE 1: NATURE OF ACTIVITIES

Habitat for Humanity of New Castle County, Inc., a nonprofit organization (Organization), was incorporated in 1986. The Organization is an affiliate of Habitat for Humanity International, Inc. (Habitat International), a nondenominational, Christian, nonprofit organization whose purpose is to build homes, community, and hope through creating and sustaining decent, affordable housing for those in need and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, the Organization is primarily and directly responsible for its own operations.

The Organization also provides its home repair program known as "A Brush with Kindness" (ABWK). ABWK is a nationwide effort to serve low-income homeowners who struggle to maintain their homes. The focus is on helping homes stay safe, warm, and dry. Given the nature of the repairs, most of the work is performed by subcontractors.

The Organization operates two ReStores, with locations in Wilmington and Middletown, Delaware. These ReStores are retail outlets where quality used and surplus building materials, furniture, and appliances are sold at a fraction of normal prices. The materials sold by the ReStores are usually donated from building supply stores, contractors, demolition crews, or from individuals who wish to show their support for the Organization. In addition to raising funds, the ReStores help the environment by rechanneling good, usable materials into use. The proceeds from the ReStores help the Organization fund the construction of houses within the community. The ReStores are a department of the Organization and not a separate legal entity.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Reporting - The financial statement presentation follows the recommendations of the Financial Accounting Standards Board's Accounting Standards Codification (FASB ASC) No. 958, *Not-for-Profit Entities.* Under ASC 958, net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions, although their use may be limited by other factors, such as by contract or board designation. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Financial Statement Reporting - Continued

Net Assets With Donor Restrictions - Net assets subject to donor- or certain grantor- imposed 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 may be perpetual in nature, where the donor stipulates resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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

Revenue Recognition - Contributions and Grants - The Organization recognizes contributions and grants when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received.

Conditional contributions and grants, that is, those with a measurable performance or other barriers, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Unconditional promises to give that are expected to be collected in future periods are recorded as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when the donor-imposed time or purpose restrictions are satisfied. Unconditional promises to give that are subject to donor-imposed stipulations are recognized as increases in net assets with donor restrictions. When donor-imposed restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributions and grants received with donor-imposed restrictions that are satisfied in the same reporting period are initially recorded as net assets with donor restrictions and subsequently reclassified to net assets without donor restrictions to reflect the expiration of those restrictions.

A portion of the Organization’s revenue is derived from cost-reimbursable government grants. These grants are classified as nonexchange transactions, as the primary beneficiary of the funded activities is the general public rather than the governmental resource provider. These government grants are considered conditional contributions because they contain barriers related to allowable costs and other specific performance requirements, as well as a right of return. Revenue is recognized as qualifying expenditures are incurred and the related barriers are overcome.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition - Contributions and Grants - Continued

The Organization has elected the simultaneous release policy for cost-reimbursable government grants only. Under this policy, revenue is recognized as qualifying expenditures are incurred, and the related purpose restrictions are considered satisfied at the same time. Accordingly, revenue from these grants is reported directly as net assets without donor restrictions. Amounts received in advance of qualifying expenditures are recorded as refundable advances on the statements of financial position until the related expenditures are incurred.

The Organization has remaining contract commitments from cost-reimbursable grants of approximately $11,681,000. No amounts have been reflected in these financial statements for these commitments because qualifying expenditures have not yet been incurred and no amounts have been received in advance.

The Organization assesses the collectability of promises to give and grants receivable and records an allowance for doubtful accounts when necessary. Estimated uncollectible amounts are recognized as an expense and a corresponding valuation allowance. Balances that remain outstanding after the Organization has made reasonable collection efforts are written off against the valuation allowance and pledges and grants receivable. As of June 30, 2025 and June 30, 2024, no allowance for doubtful accounts was deemed necessary.

Contributed Services **-** In addition to contributed nonfinancial assets (Note 5), volunteers contribute significant amounts of time to construction program services, and administrative activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Revenue Recognition - Contracts with Customers - Revenue resulting from contracts with customers during the years ended June 30, 2025 and 2024, consisted of the following:

	Services Provided					
	At a Point in Time		Over Time		Total	
	2025	2024	2025	2024	2025	2024
Revenue from Home Sales	$ 2,004,344	$ 969,648	$ -	$ -	$ 2,004,344	$ 969,648
Merchandise and ReStore Revenues	1,641,835	1,539,935	-	-	1,641,835	1,539,935
Construction Revenue	-	-	405,185	-	405,185	-
Rental Income	-	-	34,181	19,475	34,181	19,475
	$ 3,646,179	$ 2,509,583	$ 439,366	$ 19,475	$ 4,085,545	$ 2,529,058

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revenue Recognition - Contracts with Customers - Continued

The Organization hosts fundraising events to support its programs. Most of the revenue from these events is in the form of contributions, which is recognized as donor-restricted or unrestricted support in accordance with the donors' stipulations; however, a portion does represent the exchange of goods or services (such as meals, entertainment, or admission). This portion is immaterial to the financial statements and, accordingly, has not been separately disclosed above.

Accounts receivable derived from exchange transactions (contract receivables), contract assets, and contract liabilities are as follows:

Year Ended June 30:		Contract Receivables	Contract Assets	Contract Liabilities
2025	Beginning of Year	$ 34,780	$ -	$ 103
	End of Year	58,921	-	2,185
2024	Beginning of Year	$ -	$ -	$ 1,460
	End of Year	34,780	-	103

Cash, Cash Equivalents, and Restricted Cash - The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents exclude amounts held in investment accounts.

Restricted cash consists of funds externally restricted for use in connection with the construction, renovation, and related expenses of New Markets Tax Credit eligible projects and is not available for general operating purposes.

Cash, cash equivalents, and restricted cash are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Organization has never experienced any losses related to these balances. Deposit balances in excess of federally insured limits, as of June 30, 2025 and 2024, were $150,047 and $1,387,757, respectively.

Accounts Receivable - Accounts receivable consist primarily of mortgage payments collected by a third-party mortgage servicing company on behalf of the Organization that have not yet been remitted to the Organization as of year-end. The Organization has not recorded an allowance for credit losses, as management believes the receivables are fully collectible due to the short-term nature of the balances and the servicing arrangement in place.

Fair Value of Financial Instruments - FASB ASC 820, *Fair Value Measurement,* provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fair Value of Financial Instruments** - **Continued - used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurement for assets and liabilities required or permitted to be recorded at fair value, the Organization considers the principal or most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2025 and 2024.

Endowment Fund, Pooled Separate Accounts - These investments are valued at net asset value (NAV) of the units held by the Organization at year end, which is used as a practical expedient to estimate fair value. Although the pooled separate accounts are not traded in an active market, the NAV of the units are approximated based on the quoted prices of the underlying investments that are traded in an active market.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fair Value of Financial Instruments - Continued

Other Investments - Valued based on quoted prices of marketable securities traded on active markets.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30:

	2025			
	Level 1	Level 2	Level 3	Total
Investments in Endowment Fund				
Community Investment Pooled				
Separate Accounts	$ -	$ 593,940	$ -	$ 593,940
Other Investments				
Money Market Funds	150,494	-	-	150,494
Fixed Income Certificates of Deposit	599,580	-	-	599,580
Equity Mutual Funds	206,480	-	-	206,480
Fixed Income Mutual Funds	207,171	-	-	207,171
Total Investments, at Fair Value	$ 1,163,725	$ 593,940	$ -	$ 1,757,665

	2024			
	Level 1	Level 2	Level 3	Total
Investments in Endowment Fund				
Community Investment Pooled				
Separate Accounts	$ -	$ 527,245	$ -	$ 527,245
Other Investments				
Money Market Funds	100,613	-	-	100,613
Fixed Income Certificates of Deposit	789,129	-	-	789,129
Equity Mutual Funds	216,283	-	-	216,283
Fixed Income Mutual Funds	156,302	-	-	156,302
Total Investments, at Fair Value	$ 1,262,327	$ 527,245	$ -	$ 1,789,572

Inventories - Inventories are valued at the lower of cost or net realizable value, with cost determined by the first-in, first-out method.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Mortgages Receivable - Mortgages receivable consist of non-interest-bearing mortgages which are secured by real estate and payable in monthly installments over the life of the mortgage. Non-interest-bearing mortgages have been discounted based upon prevailing market rates for low-income housing at the inception of the mortgages. Utilizing a straight-line basis, this discount will be recognized as mortgage loan discount amortization income over the term of the mortgage.

Allowance for Credit Losses on Mortgage Receivables - The allowance for credit losses on mortgage receivables is a valuation account that is deducted from the amortized cost of the mortgage receivable to present the net amount expected to be collected. The allowance is adjusted through the provision for credit losses to the amount of amortized cost basis not expected to be collected at the statement of financial position date. Mortgage losses are charged off against the allowance when the Organization determines the mortgage receivable balance to be uncollectible. Amounts received on previously charged off amounts are recorded as a recovery to the allowance account.

The Organization uses established underwriting criteria to ensure that only families who meet the Organization's financial and credit criteria are approved to be partner families and receive a non-interest-bearing mortgage loan from the Organization. This includes, but is not limited to, a thorough review of each prospective homeowner's credit report, sources of income, and financial history.

To appropriately measure expected credit losses, the Organization disaggregates its loan portfolio into pools of similar risk characteristics based on the collateral type underlying the loan. The Organization's loan portfolio is segmented into the following pool:

- Mortgage loans - collateralized by residential property.

Loans are individually evaluated for estimated credit losses and not included in the collective evaluation when it is determined foreclosure is probable. As a practical expedient, expected credit losses are based on the fair value of the collateral at the reporting date when management determines foreclosure is probable or when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. The expected credit loss is measured based on the fair value of the collateral less costs to sell, as of the reporting date.

The Organization regularly reviews its portfolio of mortgage notes receivable and monitors the accounts for delinquencies. Homeowners whose mortgages are more than 30 days past due are considered in an early stage of default. During the period of delinquency, the Organization contacts the homeowner using collection efforts and establishes a payment plan with the homeowner, if necessary. Homeowners whose mortgages are more than 90 days past due, who have not made satisfactory payment arrangements or reached a deed in lieu of foreclosure agreement, are subject to foreclosure proceedings.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Other Receivables - The Organization participates in a mortgage servicing arrangement under which a third-party mortgage servicing company administers mortgage loans on behalf of borrowers assisted by the Organization. As part of this arrangement, escrow accounts are maintained by the servicer to pay property taxes, insurance, and other escrowed items related to the underlying mortgages.

At times, escrow disbursements made by the mortgage servicing company exceed amounts collected from borrowers. These advances are recovered by the mortgage servicing company through withholding amounts from future remittances to the Organization. The excess disbursements represent amounts that remain due from the borrowers and are ultimately recoverable through borrower payments or, if necessary, from proceeds received upon foreclosure of the related property.

Property and Equipment - Property and equipment acquired by the Organization are considered owned by the Organization and are valued at cost. Donated property and equipment acquired by the Organization are considered owned by the Organization and are valued at fair value at the time of the donation. Depreciation is provided on the straight-line method. Maintenance and minor repairs are charged to operations when incurred. When assets are retired or sold, the related costs and accumulated depreciation are removed from the accounts, and the resulting gain or loss is reflected in current operations.

The estimated useful lives for depreciation are:

Automobiles	5 Years
Buildings and Improvements	7 - 39 Years
Equipment, Furniture, and Software	3 - 7 Years

Long-Lived Assets - As required by FASB ASC 360, *Property, Plant, and Equipment,* long-lived assets are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less the cost to sell. There was no impairment loss as of June 30, 2025 and 2024.

Construction in Progress - Construction in progress is carried at cost less accrued subsidies. Cost includes initial acquisition and all subsequent costs to develop the property. It is not the Organization's intent to earn a profit selling developed property. Generally, sales are at a loss. The Organization considers losses incurred to be a subsidy to the respective buyer. However, in accordance with accounting principles generally accepted in the United States of

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Construction in Progress - ***Continued -*** America, the Organization records a provision of estimated losses on construction in progress in the period such losses are determined. These estimated losses are recorded on the statements of financial position as accrued subsidies included in the cost of construction incurred. As of June 30, 2025 and 2024, accrued subsidies on construction in progress were $553,369 and $209,446, respectively.

Home Sales - Transfers to homeowners are generally financed by the Organization. Home sales are recorded when title is transferred at the gross mortgage amount plus down payment received, if any. Non-interest-bearing mortgages have been discounted based upon prevailing market rates for low-income housing at the inception of the mortgages. Utilizing a straight-line basis, this discount will be recognized as mortgage loan discount amortization income over the term of the mortgage.

Home Construction Costs - Costs incurred in conjunction with home construction are capitalized as construction in progress. Capitalized construction costs are expensed when ownership transfers to the homeowners. Post-settlement costs are expensed as incurred.

Leases - The Organization, as a lessee, classifies its leasing arrangements as operating leases or finance leases.

> Operating Leases - For operating leases, the Organization is required to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments in the statements of financial position. The Organization recognizes a single lease cost, allocated over the lease term on a straight-line basis in the statements of activities. The Organization classifies all cash payments within operating activities in the statements of cash flows.

> Finance Leases - For finance leases, the Organization is required to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments in the statements of financial position. The Organization recognizes interest on the lease liability separately from the amortization of the right-of-use asset in the statements of activities. The Organization classifies repayments of the principal portion of the lease liability within financing activities and payments of interest on the lease liability and variable lease payments within operating activities in the statements of cash flows.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less.

The Organization has elected the practical expedient to not separate lease and non-lease components.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Functional Allocation of Expenses - The costs of providing programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification of expenses by function. Certain costs have been allocated among the programs and supporting services benefited. Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses which are not directly identifiable by program or support service, are allocated based on the best estimates of management. Expenses that are not directly identifiable by program or support services that are allocated based on personnel time spent on the activity include certain professional fees, supplies, and occupancy costs including maintenance and utilities. Depreciation expenses are allocated based on personnel costs specifically related to the utilization of property and equipment assets.

Income Taxes - The Organization is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). However, a Form 990, *Return of Organization Exempt from Income Taxes*, is required to be filed each year. The Organization complies with other Internal Revenue Service reporting requirements regarding contributions received and payments to independent contractors.

The Organization recognizes tax benefits only to the extent that the Organization believes it is “more likely than not” that its tax positions will be sustained upon taxing authorities' examination.

The federal informational returns of the Organization for the years ended June 30, 2022, 2023, and 2024, are subject to examination by the tax authorities, generally for three years after they were filed.

Subsequent Events - The Organization’s policy is to evaluate events and transactions subsequent to year end for potential recognition in the financial statements or disclosure in the notes to the financial statements. Management has evaluated events and transactions through the date of the independent auditor’s report, which is the date the financial statements were available to be issued.

NOTE 3: AVAILABILITY AND LIQUIDITY

The following reflects the Organization’s financial assets as of the date of the statements of financial position, reduced by amounts not available for general use because of contractual, board designation, or donor-imposed restrictions within one year of the statements of financial position dates.

NOTE 3: AVAILABILITY AND LIQUIDITY - CONTINUED

	2025	2024
Financial Assets as of June 30		
Cash and Cash Equivalents	$ 222,258	$ 1,670,637
Restricted Cash	388,506	-
Accounts Receivable	58,921	34,780
Pledges and Grants Receivable	1,404,567	995,422
Other Receivables	165,620	-
Non-Interest-Bearing Mortgages Receivable	4,800,548	4,238,961
Other Investments	1,163,725	1,262,327
Investments in Endowment Fund	593,940	527,245
Financial Assets as of June 30	8,798,085	8,729,372
Less: Amounts Not Available to be Used Within a Year		
Net Assets with Donor Restrictions to be Used for Specific Purposes	(255,611)	(786,497)
Endowment Assets	(593,940)	(527,245)
New Markets Tax Credit Restricted Cash	(388,506)	-
Operating Reserves Held in Cash Equivalents and Investments	(1,166,404)	(2,568,882)
Non-Interest-Bearing Mortgages Receivable (Net of Current Portion)	(4,325,162)	(3,829,291)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 2,068,462	$ 1,017,457

The Organization strives to maintain liquid financial assets sufficient to cover 30 days of general expenses. The Organization regularly monitors the liquidity required to meet its operating needs and other contractual commitments. The Organization has a few sources of liquidity at its disposal, including cash and cash equivalents, invested reserves, and a line of credit (Note 9).

For purposes of analyzing resources available to meet general expenses over a 12-month period, the Organization considers all expenses related to its ongoing program and support activities to be general expenses. If assets are not available to meet current operating needs, then they are not included in the preceding chart. Inventory and properties available for resale are not included in the preceding chart because they require the Organization to sell the assets.

In addition to financial assets available to meet general expenses over the next 12 months, the Organization operates within its budget and anticipates collecting sufficient funding to cover general expenses not covered by donor-restricted resources.

Funds held in the Organization's endowment are subject to contractual spending policies of the Delaware Community Foundation.

NOTE 4: NET ASSETS WITH DONOR RESTRICTIONS

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

	2025	2024
Subject to Expenditure for Specified Purpose		
Construction of Homes	$ 190,000	$ 140,000
Family Services	65,611	646,497
Total Net Assets with Donor Restrictions	$ 255,611	$ 786,497

Net assets released from donor restrictions by incurred expenses satisfying the restricted purposes or by occurrence of other events specified by donors were as follows for the years ended June 30:

	2025	2024
Purpose Restrictions Accomplished		
Construction of Homes	$ 206,317	$ 311,316
Family Services	656,569	464,214
Total Releases from Restrictions	$ 862,886	$ 775,530

NOTE 5: IN-KIND CONTRIBUTIONS

For the years ended June 30, 2025 and 2024, contributed nonfinancial assets recognized within the statements of activities included the following:

	2025	2024
Contributions of Assets for Sale at ReStore	$ 1,523,840	$ 1,520,487
Contributions of Property for Program Activities	260,646	-
Contributions of Equipment for Use in Operations	17,045	-
Total Contributed Nonfinancial Assets	$ 1,801,531	$ 1,520,487

Contributed assets for sale at ReStore are valued based on the estimated net realizable value upon sale. The Organization's estimates these values based on historical experience. Contributions of assets for sale at Restore are recognized as increases in net assets without donor restrictions.

Contributed property for program activities are recorded at their estimated fair market value at the date of contribution, as determined by independent appraisals. Such property is capitalized as construction in progress and is undergoing renovation in preparation for future sales in alignment with the Organization's mission to provide affordable housing. Contributions of property without donor-imposed restrictions are recognized as increases in net assets without donor restrictions. If donor restrictions exist, the property is classified as net assets with donor restrictions.

NOTE 5: IN-KIND CONTRIBUTIONS - CONTINUED

Contributed equipment for use in operations are recognized as contributions at their estimated fair value at the date of donation in accordance with accounting guidance for contributions received. Fair value is generally determined based on recent sales of similar assets, replacement cost, or independent appraisals when appropriate. These contributions are recorded as increases in net assets without donor restrictions unless donor-imposed restrictions exist.

NOTE 6: MORTGAGES RECEIVABLE

Mortgages from home sales represent the sale of houses built by the Organization in exchange for mortgage notes with no interest. These mortgages are payable over 20 to 30 years and discounted for the present-time value of money. The held mortgages receivable are discounted in order to reflect their economic value. The interest rates used to determine the discount range from 7.39% to 8.48%. As of June 30, 2025 and 2024, the Organization had 85 and 78 loans outstanding, respectively.

The following are annual maturities to be received for the years ending June 30:

	2025	2024
Past Due	$ 91,673	$ 153,782
Due in Year 1	475,386	409,670
Due in Year 2	474,792	405,087
Due in Year 3	474,792	405,087
Due in Year 4	469,944	405,087
Due in Year 5	468,031	400,239
Thereafter	7,197,892	6,178,489
	9,652,510	8,357,441
Less: Unamortized Discount	(4,767,271)	(4,033,789)
Less: Allowance for Credit Losses	(84,691)	(84,691)
Non-Interest-Bearing Mortgages Receivable	$ 4,800,548	$ 4,238,961

To account for uncertainty in the timing of cash collections, management has excluded from current assets in the statements of financial position amounts reflected as past due mortgages.

NOTE 6: MORTGAGES RECEIVABLE - CONTINUED

The following is a summary of allowance for credit losses:

	Collectively Evaluated for Impairment	Individually Evaluated for Impairment	Total
Allowance for Credit Losses - July 1, 2023	$ -	$ -	$ -
Adoption of Topic 326	76,589	-	76,589
Provision for Credit Losses	8,102	-	8,102
Mortgages Charged Off	-	-	-
Recoveries	-	-	-
Allowance for Credit Losses - June 30, 2024	84,691	-	84,691
Provision for Credit Losses	-	-	-
Mortgages Charged Off	-	-	-
Recoveries	-	-	-
Allowance for Credit Losses - June 30, 2025	$ 84,691	$ -	$ -
Loan Balances - June 30, 2025	$ 8,872,148	$ 780,362	$ 9,652,510
Loan Balances - June 30, 2024	$ 7,601,602	$ 755,839	$ 8,357,441

The following table shows an aging analysis of mortgages receivable by past due status:

2025				
Current	0-30 Days Past Due	30-89 Days Past Due	90 Days or More Past Due	Total
$ 9,560,837	$ 10,299	$ 69,445	$ 11,929	$ 9,652,510

2024				
Current	0-30 Days Past Due	30-89 Days Past Due	90 Days or More Past Due	Total
$ 8,203,659	$ 10,471	$ 12,514	$ 130,797	$ 8,357,441

NOTE 7: ENDOWMENT FUND

The endowment fund consists of pooled investments managed by the Delaware Community Foundation (DCF). The Organization is the primary income beneficiary. DCF reserves the right to make the final decision regarding distributions to the Organization. Endowment fund activity consisted of the following for the years ended June 30:

	2025	2024
Beginning Balance - July 1	$ 527,245	$ 497,047
Deposits	4,669	-
Withdrawals	-	(26,906)
Investment Income , Net	62,026	57,104
Ending Balance - June 30	$ 593,940	$ 527,245

The Organization does not believe that investments within the DCF endowment fund are within the scope of the FASB ASC, *Not-for-Profit Organizations,* in regard to required disclosures for endowments, because in contrast to donor-restricted endowment funds, no ongoing decisions about the investment or distributions from the fund are within the authority of the Organization. The endowment does not include net assets with donor restrictions as of June 30, 2025 and 2024. Investment income is reported net of fees as increases in net assets without donor restrictions in the statements of activities. Gains from the endowment fund, included in investment income, for the years ended June 30 were as follows:

	2025	2024
Realized and Unrealized Gains	$ 55,862	$ 52,244
Income Earned	13,405	12,212
Administrative and Investment Fees	(7,241)	(7,352)
Endowment Fund Gain	$ 62,026	$ 57,104

NOTE 8: PROPERTY AND EQUIPMENT

Property and equipment as of June 30 were as follows:

	2025	2024
Land	$ 152,523	$ 152,523
Automobiles	147,540	163,200
Building and Improvements	1,545,420	1,263,362
Equipment, Furniture, and Software	244,203	232,720
	2,089,686	1,811,805
Less: Accumulated Depreciation	1,066,240	1,035,367
	$ 1,023,446	$ 776,438

NOTE 9: NOTE PAYABLE - DEMAND

The Organization has a revolving line of credit with a local financial institution in the amount of $300,000. Principal is payable on demand with interest paid monthly at a variable rate (8.50% and 9.00% as of June 30, 2025 and 2024, respectively) on all outstanding balances. The line of credit is considered due on demand; therefore, renewal documentation is not required each year unless changes are made to the original agreement. The line of credit is collateralized by a security interest in the assets of the Organization. No amounts were outstanding on the line of credit as of June 30, 2025 and 2024.

Subsequent to year end the Organization entered into a revolving line of credit (loan) up to $750,000 with a local financial institution. The Organization may request sub-notes under the loan for the purpose of purchasing lots or houses and renovating or building houses for the purpose of reselling in support of the Organization's mission to provide affordable home ownership opportunities in New Castle County, Delaware. Each sub-note will reduce the availability of the revolving loan amount. Each individual sub-note will have a maturity of nine months from closing. The Organization will pay monthly payments of interest only which will commence 30 days from closing. Interest will be computed at a variable rate equal to the prime rate of the financial institution. Each sub-note will be secured by a first mortgage lien and assignment of rents on the lot and/or home being purchased, built and/or renovated.

NOTE 10: NEW MARKETS TAX CREDIT FINANCING

During 2025, the Organization entered into a New Markets Tax Credit (NMTC) financing transaction to raise capital for the construction and/or rehabilitation of single-family and multi-family homes, as applicable, for sale to low-income persons in low-income communities in qualifying census tracts.

Under the NMTC structure, the Organization invested capital into special-purpose LLCs (leveraged entities) created for the NMTC transaction. The leveraged entities, in turn, loaned capital back to the Organization to fund eligible construction and rehabilitation activities.

Investors in the LLCs receive federal New Markets Tax Credits, which may be applied against their federal tax liability. The Organization does not directly receive or monetize these tax credits; its benefit arises from access to low-cost financing through the NMTC structure.

The Organization's investment in the LLCs is accounted for as an investment and recorded at cost, net of any impairments. Management evaluates the investment for impairment annually, or more frequently if events or circumstances indicate that the carrying amount may not be recoverable. No impairment has been recognized as of June 30, 2025.

NOTE 10: NEW MARKETS TAX CREDIT FINANCING - CONTINUED

The NMTC transaction is subject to recapture provisions during the seven-year compliance period if program requirements are not met. Management believes the risk of recapture is remote.

On October 22, 2024, the leveraged entities of Harbor Community Fund XLIII, LLC and HFHI NMTC SUB-CDE VII, LLC loaned $1,029,000 and $882,000, respectively, to the Organization. Both notes have a 30-year maturity and are secured by all assets of the NTMC agreement. Specific repayment terms include the following:

> *Harbor Community Fund XLIII, LLC* - The note accrues interest at a stated annual rate of 1.387889%, with interest-only payments at a rate of 0.718376% per annum through December 31, 2031. Interest is calculated on the outstanding principal balance based on a 360-day year and compounds quarterly.
>
> During the interest-only period, the Organization is required to make semi-annual interest payments on June 5 and December 5 of each year, commencing December 5, 2024. Any unpaid interest is added to the principal. Beginning January 1, 2032, the note requires semi-annual principal and interest payments sufficient to fully amortize the remaining balance through the maturity date of October 22, 2054.
>
> *HFHI NMTC SUB-CDE VII, LLC* - The note bears interest at 0.718376% per annum. From October 22, 2024, through October 22, 2031, the Organization is required to make semi-annual interest payments. Thereafter, the note requires semi-annual principal and interest payments sufficient to fully amortize the remaining balance through the maturity date of October 22, 2054.

Outstanding loan balances as of June 30, 2025, for Harbor Community Fund XLIII, LLC and HFHI NMTC SUB-CDE VII, LLC totaled $1,029,000 and $882,000, respectively

In connection with obtaining the NMTC financing, the Organization incurred debt issuance costs totaling $233,305. Debt issuance costs are presented on the statements of financial position as a direct deduction from the carrying amount of the related debt. These costs are amortized over the respective terms of the related debt and recognized as interest expense in the statements of activities.

For the year ended June 30, 2025, amortization of debt issuance costs totaled $9,857 and is included in interest expense.

The Organization also paid certain compliance and monitoring fees required by the investors and community development entities to maintain compliance with the NMTC program. These fees are recorded as prepaid expenses and are being recognized as over the 84-month NMTC compliance period using the straight-line method. This approach matches the expense recognition with the period over which the Organization receives the benefits of

NOTE 10: NEW MARKETS TAX CREDIT FINANCING - CONTINUED

maintaining compliance under the NMTC program. As of June 30, 2025, $36,674 of prepaid expenses pertain to these costs.

Future maturities of notes payable are as follows:

2026	$ -
2027	-
2028	-
2029	-
2030	-
2031 and Thereafter	1,911,000
Total	1,911,000
Less: Unamortized Debt Issuance Costs	(223,448)
	$ 1,687,552

The Organization must meet an annual solvency ratio of not less than 1.1 to 1.0 of total assets compared to total debt and an annual debt service coverage ratio of not less than 1.10 to 1.00 in connection with the above promissory notes.

NOTE 11: LEASE COMMITMENTS AS LESSEE

The Organization leases various facilities and a copier under noncancelable operating leases which expire in various years through November 30, 2028.

The following are the future minimum lease payments required by these leases for the years ending June 30:

	Operating Leases
2026	$ 306,940
2027	263,814
2028	182,862
2029	76,193
Total Future Minimum Lease Payments	829,809
Less: Amount Representing Imputed Interest	(45,595)
Present Value of Future Minimum Lease Payments	784,214
Less: Current Maturities	(282,263)
Lease Obligations - Net of Current Maturities	$ 501,951

NOTE 11: LEASE COMMITMENTS AS LESSEE - CONTINUED

The following are required lease disclosures as of and for the years ended June 30:

	2025	2024
Cash Paid for Amounts in the Measurement of Lease Liabilities		
Operating Cash Flows for Operating Leases	$ 307,470	$ 286,421
Operating Lease Cost	$ 307,470	$ 286,421
Right-of-Use Asset Obtained in Exchange for Operating Lease Liability	$ -	$ 342,444
Weighted-Average Remaining Lease Term - Operating Leases	2.97 Years	3.89 Years
Weighted-Average Discount Rate - Operating Leases	0.37%	0.41%

The weighted-average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, the Organization utilizes a risk-free rate in lieu of determining an incremental borrowing rate at the commencement date in deciding the present value of lease payments. The Organization has applied the risk-free option to all classes of assets.

NOTE 12: COMMITMENTS AND CONTINGENCIES

The Organization is required to repurchase any mortgage loan that it had previously sold that becomes 120 days past due. The Organization is notified regularly of delinquent mortgages that are at risk of repurchase. During the years ended June 30, 2025 and 2024, the Organization was not required to repurchase delinquent mortgages receivable.

The Organization regularly enters into construction and renovation agreements for the rehabilitation and development of residential properties. These agreements are primarily related to construction services, materials, and related costs.

At times, the Organization may have material outstanding commitments under construction contracts that have not yet been fully performed as of year-end. These commitments are expected to be funded through a combination of contributions, grants, and other available resources and are subject to change based on project timelines, availability of funding, and other factors. Management believes that sufficient resources will be available to satisfy these commitments as they become due.

NOTE 13: RELATED-PARTY TRANSACTIONS

The Organization is an affiliate of Habitat for Humanity International, Inc. (HFHI). Affiliate fees paid to HFHI were $105,000 and $15,000 for the years ended June 30, 2025 and 2024.

HFHI has a suggested 10% tithing based on internal calculations for unrestricted funds; however, there is no penalty for tithing less than this amount. This amount is used for HFHI's worldwide housing programs. For the years ended June 30, 2025 and 2024, contributions to HFHI totaled $97,839 and $113,060, respectively.

NOTE 14: RETIREMENT PLAN

The Organization sponsors a 401(k) plan. Full-time employees with 30 days of service are eligible to participate in the plan. Matching contributions are made on a discretionary basis as approved by the Organization's board of directors. For the years ended June 30, 2025 and 2024, matching contributions of $19,372 and $21,902 respectively, were determined based on 2% eligible compensation.

NOTE 15: RESTORE

Selected operating information for the Organization's ReStore program is as follows:

	Years Ended June 30	
	2025	2024
Contributed Nonfinancial Assets for Sale at ReStore	$ 1,523,840	$ 1,520,487
Merchandise and ReStore Revenues	1,641,835	1,539,935
Less: Merchandise and Cost of Goods Sold	(1,641,318)	(1,549,987)
	1,524,357	1,510,435
Other ReStore Expenses	(1,367,942)	(1,328,244)
Net ReStore Activity	$ 156,415	$ 182,191

NOTE 16: HOME CONSTRUCTION COSTS

Following is a summary of home building activity:

	Years Ended June 30	
	2025	2024
Construction in Progress (Net of Accrued Subsidies) - Beginning	$ 2,394,465	$ 1,103,690
Cost of Homes Transferred to Others	(2,125,984)	(1,125,171)
Cost of Homes Transferred to Fixed Assets for Use in Almost Home Program	(191,176)	-
Properties Granted to Other Organizations	-	(216,044)
Capitalized Home Development Costs	2,618,346	2,213,881
Decrease (Increase) in Accrued Subsidies on Homes Under Construction	(343,923)	418,109
Construction in Progress (Net of Accrued Subsidies) - Ending	$ 2,351,728	$ 2,394,465
Homes Under Construction - Beginning	10	7
Homes Transferred to Homeowners	(8)	(4)
Homes Rented	0	(2)
New Homes Entering Development Stage	11	9
Homes Under Construction - Ending	13	10

Net building materials and supplies expense as reported in the statements of functional expenses consisted of the following:

	Years Ended June 30	
	2025	2024
Cost of Homes Transferred	$ 2,317,160	$ 1,125,171
Decrease (Increase) in Accrued Subsidies on Homes Under Construction	343,923	(418,109)
Partnership Construction Costs	358,742	-
Property Maintenance and Construction Administration	323,764	268,846
Allocation of Construction Overhead to Construction in Progress	(320,000)	(140,000)
Total Building Materials and Supplies (Net)	$ 3,023,589	$ 835,908

NOTE 17: SUPPLEMENTAL CASH FLOW DISCLOSURES

The following are required supplemental cash flow disclosures:

	2025	2024
Noncash Investing and Financing Activities		
Transfer of Construction in Progress to Fixed Assets	$ 191,176	$ -
Donated Equipment	$ 17,045	$ -
New Lease Assets and Lease Liabilities from Leases Entered into During the Year	$ -	$ 342,444

Total interest expense paid during the years ended June 30, 2025 and 2024, totaled $9,500 and $0, respectively.

NOTE 18: CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

Cash, cash equivalents, and restricted cash reported in the statements of cash flows consists of the following amounts reported on the statements of financial position:

	2025	2024
Cash and Cash Equivalents	$ 222,258	$ 1,670,637
Restricted Cash	388,506	-
Total Cash, Cash Equivalents, and Restricted Cash	$ 610,764	$ 1,670,637

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
Habitat For Humanity Of New Castle County, Inc.

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 New Castle County, Inc. (a nonprofit 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, and have issued our report thereon dated January 27, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Habitat For Humanity Of New Castle County, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization'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 entity'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 audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses of significant deficiencies may exist that have not been identified.

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To the Board of Directors
Habitat For Humanity Of New Castle County, Inc.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Habitat For Humanity Of New Castle County, 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.

Belfint, Lyons & Shuman, P.A.

January 27, 2026
Wilmington, Delaware