



Consolidated Financial Statements

June 30, 2025
(With Comparative Totals as of June 30, 2024)



4401 Dominion Boulevard
Glen Allen, Virginia 23060
Tel: 804.747.0000
www.keitercpa.com

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of
Richmond Metropolitan Habitat for Humanity, Inc. and Subsidiary
Richmond, Virginia

Opinion

We have audited the accompanying consolidated financial statements of Richmond Metropolitan Habitat for Humanity, Inc. and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2025 and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2025, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated 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, 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 the Organization'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 Consolidated 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 generally accepted 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Richmond Metropolitan Habitat for Humanity Inc. and Subsidiary's 2024 consolidated financial statements, and in our report dated January 22 , 2025, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

A handwritten signature in black ink, appearing to read "Keita", with a long, sweeping horizontal stroke extending to the right.

March 5, 2026
Glen Allen, Virginia

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statement of Financial Position
June 30, 2025 with 2024 Comparative Totals

<u>Assets</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>	
			<u>2025</u>	<u>2024</u>
Current assets:				
Cash and cash equivalents	\$ 1,297,516	\$ 365,000	\$ 1,662,516	\$ 2,010,177
Pledges and grants receivable	163,898	70,000	233,898	504,898
Inventory	1,752,218	93,900	1,846,118	1,480,296
Investments	1,453,337	-	1,453,337	2,083,722
Mortgages receivable - current portion	528,953	-	528,953	553,965
Prepaid expenses and other current assets	141,641	-	141,641	16,613
Total current assets	<u>5,337,563</u>	<u>528,900</u>	<u>5,866,463</u>	<u>6,649,671</u>
Property and equipment, net	<u>2,825,731</u>	<u>-</u>	<u>2,825,731</u>	<u>2,741,766</u>
Other assets:				
Beneficial interest in assets held by The Community Foundation	292,003	35,031	327,034	296,167
Right-of-use operating lease assets	256,341	-	256,341	325,353
Escrow funds held by VHDA	57,070	-	57,070	121,047
Mortgages receivable - net of current portion and unamortized discount	<u>3,492,650</u>	<u>-</u>	<u>3,492,650</u>	<u>3,609,441</u>
Total other assets	<u>4,098,064</u>	<u>35,031</u>	<u>4,133,095</u>	<u>4,352,008</u>
	<u>\$ 12,261,358</u>	<u>\$ 563,931</u>	<u>\$ 12,825,289</u>	<u>\$ 13,743,445</u>

See accompanying notes to consolidated financial statements.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statement of Financial Position, Continued
June 30, 2025, with 2024 Comparative Totals

<u>Liabilities and Net Assets</u>	Without Donor Restrictions	With Donor Restrictions	<u>Totals</u>	
			2025	2024
Current liabilities:				
Line of credit	\$ 549,744	\$ -	\$ 549,744	\$ 549,744
Notes payable - current portion	175,982	-	175,982	166,701
Accounts payable	143,552	-	143,552	255,488
Accrued expenses	155,535	-	155,535	145,514
Operating lease liabilities - current portion	118,918	-	118,918	106,819
Escrow fund liability	63,810	-	63,810	121,899
Total current liabilities	1,207,541	-	1,207,541	1,346,165
Notes payable	2,400,199	-	2,400,199	2,591,349
Operating lease liabilities	152,018	-	152,018	234,492
Total liabilities	3,759,758	-	3,759,758	4,172,006
Net assets:				
Without donor restrictions	8,501,600	-	8,501,600	8,897,004
With donor restrictions	-	563,931	563,931	674,435
Total net assets	8,501,600	563,931	9,065,531	9,571,439
	<u>\$ 12,261,358</u>	<u>\$ 563,931</u>	<u>\$ 12,825,289</u>	<u>\$ 13,743,445</u>

See accompanying notes to consolidated financial statements.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statement of Activities
Year Ended June 30, 2025, with 2024 Comparative Totals

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2025	2024
Support and revenue				
Support:				
Contributions:				
Corporations	\$ 62,189	\$ 381,450	\$ 443,639	\$ 348,115
Government grants	740,876	-	740,876	1,184,779
Civic groups	304,882	36,258	341,140	440,905
Congregations and individuals	413,649	-	413,649	547,072
In-kind	2,201,945	-	2,201,945	1,772,962
Total support	<u>3,723,541</u>	<u>417,708</u>	<u>4,141,249</u>	<u>4,293,833</u>
Revenue:				
House and lot revenue	1,044,310	-	1,044,310	2,675,500
Interest-mortgage loan discount amortization	482,157	-	482,157	496,607
ReStore income	448,711	-	448,711	678,542
Other income	90,862	-	90,862	101,405
Special events, net	88,143	-	88,143	109,947
Investment income, net	179,430	3,504	182,934	232,486
Total revenue	<u>2,333,613</u>	<u>3,504</u>	<u>2,337,117</u>	<u>4,294,487</u>
Proceeds from employee retention credit	<u>530,122</u>	<u>-</u>	<u>530,122</u>	<u>-</u>
Total support and revenue	<u>6,587,276</u>	<u>421,212</u>	<u>7,008,488</u>	<u>8,588,320</u>
Net assets released from restrictions	\$ <u>531,716</u>	\$ <u>(531,716)</u>	\$ <u>-</u>	\$ <u>-</u>

See accompanying notes to consolidated financial statements.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statement of Activities, Continued
Year Ended June 30, 2025 with 2024 Comparative Totals

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2025	2024
Expenses:				
Program services	\$ 6,238,533	\$ -	\$ 6,238,533	\$ 8,675,743
Supporting services:				
General and administrative	851,333	-	851,333	1,260,613
Fundraising	<u>424,530</u>	<u>-</u>	<u>424,530</u>	<u>474,759</u>
Total expenses	<u>7,514,396</u>	<u>-</u>	<u>7,514,396</u>	<u>10,411,115</u>
 Change in net assets	 (395,404)	 (110,504)	 (505,908)	 (1,822,795)
	<u>8,897,004</u>	<u>674,435</u>	<u>9,571,439</u>	<u>11,394,234</u>
 Net assets at end of year	 <u>\$ 8,501,600</u>	 <u>\$ 563,931</u>	 <u>\$ 9,065,531</u>	 <u>\$ 9,571,439</u>

See accompanying notes to consolidated financial statements.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses
Year Ended June 30, 2025 with 2024 Comparative Totals

	Program Services	General and Administrative	Fundraising	Totals	
				2025	2024
Salaries and benefits	\$ 2,972,641	\$ 386,526	\$ 388,122	\$ 3,747,289	\$ 3,422,937
Building materials, supplies and land	1,847,846	-	-	1,847,846	4,103,150
Professional fees	148,276	194,841	12,216	355,333	402,693
Mortgage discounts	351,014	-	-	351,014	1,233,672
Rent and occupancy	236,772	22,425	1,300	260,497	253,219
Interest	101,764	55,125	-	156,889	131,866
Insurance	114,228	34,381	-	148,609	165,447
Miscellaneous	57,947	86,815	3,647	148,409	128,945
Depreciation	116,634	1,888	-	118,522	120,748
Repairs and maintenance	87,178	23,195	-	110,373	143,872
Fleet	93,267	16	-	93,283	97,490
Credit card and bank fees	56,207	6,285	6,565	69,057	71,199
Travel and conferences	37,265	11,218	1,859	50,342	70,227
Printing, postage and advertising	5,363	17,120	10,039	32,522	38,207
Supplies	12,131	11,498	782	24,411	27,443
Total	\$ 6,238,533	\$ 851,333	\$ 424,530	\$ 7,514,396	\$ 10,411,115

See accompanying notes to consolidated financial statements.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statement of Cash Flows
Year Ended June 30, 2025, with Comparative Totals

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in net assets	\$ (505,908)	\$ (1,822,795)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	118,522	120,748
Investment gain, net	(182,934)	(232,486)
Donated inventory	(284,200)	-
Mortgage loan discount amortization	(482,157)	(496,607)
Net value of mortgages issued	(213,504)	(749,236)
Noncash lease expense	125,147	156,083
Changes in operating assets and liabilities:		
Pledges and grants receivable	271,000	32,085
Mortgages receivable, net	837,464	916,424
Inventory	(81,622)	1,891,530
Prepaid expenses and other current assets	(125,028)	(6,525)
Escrow funds held by VHDA	63,977	(10,892)
Accounts payable	(111,936)	38,579
Accrued expenses	10,021	28,743
Escrow fund liability	(58,089)	6,953
Operating lease liability	<u>(126,510)</u>	<u>(153,143)</u>
Net cash used in operating activities	<u>(745,757)</u>	<u>(280,539)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(202,487)	-
Proceeds from investments	<u>782,452</u>	<u>1,012,163</u>
Net cash provided by investing activities	<u>579,965</u>	<u>1,012,163</u>
Cash flows from financing activities:		
Net activity on line of credit	-	500,000
Payments on notes payable	<u>(181,869)</u>	<u>(160,159)</u>
Net cash (used in) provided by by financing activities	<u>(181,869)</u>	<u>339,841</u>
Net change in cash and cash equivalents	(347,661)	1,071,465
Cash and cash equivalents, beginning of year	<u>2,010,177</u>	<u>938,712</u>
Cash and cash equivalents, end of year	<u>\$ 1,662,516</u>	<u>\$ 2,010,177</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 156,889</u>	<u>\$ 131,866</u>

See accompanying notes to consolidated financial statements.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements

1. Organization and Nature of Activities:

Richmond Metropolitan Habitat for Humanity, Inc., (“Habitat”) is a non-profit, non-stock, tax-exempt corporation dedicated to providing affordable home ownership opportunities to low-income families on a non-discriminatory basis. Incorporated in Virginia in 1986, Habitat is an affiliate of Habitat for Humanity International, Inc. (“HFHI”), a non-denominational Christian non-profit organization. Although HFHI assists with information resources, training, publications, and in many other ways, Habitat is primarily and directly responsible for its own operations, which are conducted in the metropolitan area of Richmond, Virginia. The consolidated financial statements include the accounts and transactions of Habitat and its wholly-owned subsidiary, Habitat Commonwealth, LLC (“HCL”), (collectively, the “Organization”). HCL was established in February 2019 to own and manage real estate. The Organization has two ReStore operations. The ReStores operate like a thrift store, selling primarily donated goods, which diverts usable goods out of the waste stream and raises funds to build additional Habitat homes.

2. Summary of Significant Accounting Policies:

Basis of Accounting: The consolidated financial statements of the Organization have been prepared using the accrual basis in accordance with accounting principles generally accepted in the United States. All significant intercompany transactions and balances have been eliminated in consolidation.

Cash and Cash Equivalents: The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Pledges and Grants Receivable: Pledges and grants receivable are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Donor-restricted contributions and grants are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Grants receivable that are due in more than one year are recorded at their net realizable value. All receivables are expected to be collected in the next fiscal year.

The Organization uses the allowance method for estimates of uncollectible receivables. The allowance is based on historical collection rates and an analysis of individual receivables. Based on this analysis, there is no provision for uncollectible amounts for 2025.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Mortgages Receivable: Mortgages receivable consist of non-interest bearing first mortgages which are collateralized by real estate and which have been discounted based upon prevailing market interest rates for low-income housing at the time of issuance. These discounts are amortized and recognized as interest-mortgage loan discount amortization over the term of the mortgages. The unamortized discount on mortgage receivables is \$6,111,721 as of June 30, 2025. Payable in monthly installments, the mortgages have an original maturity of 15 to 30 years, and arose in connection with the Organization's projects in Richmond, Virginia and the surrounding counties.

If a mortgagor fails to pay, the Organization may foreclose on the property to prevent further losses. The property will then be either sold at auction on the open market, or revert back to the Organization. The Organization believes that losses from non-payment of mortgages receivable, given their collateral value, are not likely. Accordingly, no allowance for credit losses has been recorded as of June 30, 2025. The following schedule summarizes the payment status of the undiscounted mortgage loans at June 30, 2025:

	Current	Past Due			Total Past Due	Total Financing Receivables
		30-59 Days	60-89 Days	≥ 90 Days		
Mortgage loans	<u>\$ 10,076,340</u>	<u>\$ 9,960</u>	<u>\$ 9,267</u>	<u>\$ 37,757</u>	<u>\$ 56,984</u>	<u>\$ 10,133,324</u>

Inventory: Purchased inventory is carried at cost and is relieved on a specific identification basis. Donated inventory used in home construction is recorded at estimated net realizable value. For ReStore operations, contributed inventory is recorded at the estimated fair value based on a computation using ReStore sales and inventory turnover rates.

Property and Equipment: Property and equipment are stated at cost, or as in the case of donations, at fair market value as of the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets ranging from 3 to 30 years. Expenditures for maintenance and repairs are expensed, while expenditures for major additions and betterments greater than \$1,000 are capitalized. Upon retirement or sale of an asset, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Contributions: The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give - 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 met.

A portion of the Organization's revenue is derived from cost-reimbursable government contracts and grants, which are conditioned upon certain performance requirements and or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. The Organization received cost-reimbursable grants of \$575,291 that have not been recognized at June 30, 2025 because qualifying expenditures have not yet been incurred.

Revenue Recognition: The Organization recognizes revenue from exchange transactions in accordance with Financial Accounting Standards Board ("FASB") guidance contained in Revenue from Contracts with Customers (Topic 606).

The Organization recognizes a majority of its revenue, including ReStore revenue, at a point in time upon the transfer of control of products or services to its customers. Economic factors may impact the nature, amount, and timing of revenue recognition.

House and Lot Revenue: The Organization recognizes revenue from all homebuilding activities at the closing of the sale using the deposit method. During construction, all direct material and labor costs and those indirect costs related to acquisition and construction are capitalized as inventory, and all customer deposits are treated as liabilities. House sale prices to Habitat homeowners (partner families) are derived based on 0.5% below appraisal value. The costs of the houses are reflected in program services expenses as "building materials, supplies, and land" in the year the mortgage is closed. The sales prices are concurrently reflected in the consolidated financial statements as "house and lot revenue."

As described in Note 8 and Note 9, when the Organization sells houses, at least one non-interest bearing mortgage is extended to the buyer. The Organization has determined these transactions meet the criteria of a significant financing component under Topic 606 and a mortgage receivable is recorded at its net present value at the time of sale.

A contract asset is the Organization's right to consideration in exchange for goods or services the Organization has transferred to a customer. Contract liabilities represent consideration received from a customer before the Organization has transferred a good or service to the customer. There were no contract receivables, assets or contract liabilities as of June 30, 2025 or 2024.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Leases: Leases are classified as either finance or operating, with classification affecting expense recognition in the Organization's operations. Lease liabilities are initially measured at the present value of future lease payments, measured on a discounted basis, as of the lease commencement date or the adoption date, whichever is later. The right-of-use assets are initially measured at the value of the lease liability, adjusted for initial direct lease costs, lease incentives, and prepaid or deferred rent. The right-of-use assets and lease liabilities are calculated to include options to extend or terminate the lease when the Organization determines that it is reasonably certain it will exercise those options. In making those determinations, the Organization considers various existing economic and market factors, business strategies as well as the nature, length, and terms of the lease agreements. The Organization does not record a lease liability and corresponding right-of-use asset for leases with terms of 12 months or less, and accounts for lease and non-lease components as a single lease component.

Investments: Investments are in certificates of deposit issued by federally insured financial institutions that bear interest between 4.25% to 4.35% and are set to mature between July and November 2025.

Classes of Net Assets: The consolidated financial statements report amounts separately by class of net assets as follows:

Net assets without donor restrictions are those currently available at the discretion of the Board of Directors for use in the Organization's operations and those resources invested in property and equipment.

Net assets with donor restrictions include those which are stipulated by donors for specific operating purposes or for the acquisition of property or equipment. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. At June 30, 2025, \$528,900 of net assets with donor restrictions were restricted for the purpose of building, selling, and repairing homes. Net assets with donor restrictions also include funds subject to donor-imposed stipulations that they be maintained permanently by the Organization to use all or part of the income earned on any related investments for general or specific purposes, in accordance with the conditions of each specific donation. At June 30, 2025, \$35,031 of net assets with donor restrictions of this type were held by the Organization.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

In-Kind Contributions: The Organization recognizes gifts in-kind as revenue and corresponding expenses (or assets) in the period in which the donated goods or services are received and measurable. In-kind contributions consist of non-cash contributions, including donated land, materials, and professional services. Donated goods are recorded at their estimated fair value at the date of donation, based on market data, vendor price lists, or other observable inputs. Donated services are recognized when they create or enhance nonfinancial assets, or when they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Organization's policy related to gifts-in-kind is to utilize the assets given to carry out the mission of the Organization. If an asset is provided that does not allow the Organization 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.

A substantial number of unpaid volunteers have made significant contributions of their time in the Organization's administrative and operating activities. The value of this contributed time is not reflected in these consolidated financial statements because the criteria for recognition under guidance provided by the FASB related to accounting for contributions received and contributions made, has not been satisfied.

Functional Allocation of Expenses: The consolidated statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. A portion of general and administrative costs that benefit multiple functional areas have been allocated across programs and management and general based on time and effort incurred.

Income Taxes: Habitat is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. HCL is as a single member LLC and has elected to be taxed as a partnership. In lieu of corporate income taxes, the Organization is taxed on their proportionate share of the HCL's taxable income or loss (none in 2025). Accordingly, no provision or liability for income taxes has been included in the accompanying consolidated financial statements. For income tax purposes, HCL operates on a calendar year.

Management has evaluated the effect of guidance surrounding uncertain income tax positions and concluded that the Organization has no significant financial statement exposure to uncertain income tax positions at June 30, 2025. The Organization is not currently under audit by any tax jurisdiction.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Use of Estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk: Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, pledges and grants receivable, and mortgages receivable. At times, cash and cash equivalents balances are in excess of the FDIC insurance limit. Pledges and grants are from individuals, corporations, government organizations and foundations. The Organization believes its credit risk related to these contributions and grants is limited due to the nature of its donors. Mortgages are collateralized by deeds of trust on the property and are not considered to be at risk.

Advertising: Advertising costs are charged to expense as incurred and were \$15,029 for 2025.

Employee Retention Credit: The CARES Act provided for an Employee Retention Credit (“ERC”) that is designed to encourage eligible employers to keep employees on their payroll despite experiencing an economic hardship related to COVID-19. The credit consists of refundable payroll tax credit for 70% of wages paid by employers to employees for 2021 and 2020. During 2025, the Organization applied for and received refunds totaling \$563,931, which is reflected on the accompanying consolidated statement of activities.

Amounts received under the ERC program are subject to audit and adjustment by the Internal Revenue Service. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. It is management’s belief that adjustments, if any, would not materially affect the Organization’s financial position.

Reclassifications: Certain prior year balances have been reclassified to conform to the current year presentation.

Subsequent Events: Management has evaluated subsequent events through March 5, 2026, the date the consolidated financial statements were available to be issued, and has determined that other than as follows, there are no subsequent events to be reported in the accompanying consolidated financial statements. On December 16, 2025, as part of a loan purchase and sale agreement, a financial institution purchased twenty-one of the Organization’s outstanding mortgage receivables for \$1.8 million.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

3. Fair Value Measurements:

The FASB has issued guidance for measurement and disclosure of fair value and establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal and most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The levels of the hierarchy are defined 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 are quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.
- Level 3 Inputs to the valuation methodology are unobservable for the instrument and significant to the fair value measurement. The Organization did not have any Level 3 assets or liabilities at June 30, 2025. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments consisting of certificates of deposit of \$1,465,536. The fair value of these investments is determined using Level 2 inputs which include interest rates and yield curves observable at commonly quoted intervals, and pricing from third-party pricing services or counterparties. The fair value of the certificates of deposit approximates their carrying value due to their relatively short-term maturities and fixed interest rates that are consistent with current market rates for similar instruments.

Based on the terms of the agency fund agreement, for the fair value measurement the Organization views its beneficial interest in assets held at the Community Foundation for a Greater Richmond as a single asset category. As a practical expedient, the Organization has estimated the fair value of its investments in the Fund on the basis of the net asset value ("NAV") per share of the investment (or its equivalent) because a) the underlying investment manager's calculation of NAV is fair value based, and b) the NAV has been calculated as of the Organization's fiscal year end date. Therefore, in accordance with accounting guidance, the value of these investments are excluded from the fair value hierarchy.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

4. Liquidity and Availability of Resources:

The following table reflects the Organization's financial assets as of June 30, 2025 reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when restricted by a donor for a time or purpose or when the governing board has set aside the funds for a specific purpose.

Financial assets:	
Cash and cash equivalents	\$ 1,662,516
Pledges and grants receivable, current	233,898
Mortgage receivable - current portion	528,953
Investments	<u>1,453,337</u>
 Total financial assets	 3,878,704
 Less those unavailable for general expenditure within one year due to:	
Donor imposed restrictions on funds to only be used for specific purposes or programs	<u>435,000</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 3,443,704</u>

The Organization has a policy to structure its financial assets as its general expenditures, liabilities, and other obligations come due. The Organization also has investments held at The Community Foundation for a greater Richmond ("The Community Foundation") in the Richmond Metropolitan Habitat for Humanity Endowment, which could be used if certain conditions are met as described in Note 7.

5. Inventory:

Inventory consists of the following as of June 30, 2025:

Vacant land costs	\$ 1,110,137
ReStore merchandise	218,521
Construction in progress	<u>517,460</u>
	<u>\$ 1,846,118</u>

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

6. Property and Equipment:

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

Land	\$ 631,234
Buildings	2,498,933
Building improvements	130,588
Rental properties	340,881
Construction equipment	83,040
Transportation equipment	302,874
Office furniture and fixtures	177,504
Computer equipment and software	55,470
	<u>4,220,524</u>
Less accumulated depreciation	<u>1,394,793</u>
	<u>\$ 2,825,731</u>

Depreciation expense was \$118,522 for 2025.

7. Beneficial Interest in Assets Held by The Community Foundation:

During 2014 and 2019, respectively, the Organization, with the help of The Community Foundation, established the Richmond Metropolitan Habitat for Humanity Endowment with funds designated without donor restrictions and the Richmond Metropolitan Habitat for Humanity-Jane V. Helfrich Endowment (collectively, the "Endowments") with funds designated as with donor restrictions. As required by generally accepted accounting principles ("GAAP"), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Endowments are administered by The Community Foundation and are subject to certain terms and conditions regarding withdrawals of income and access to principal. Spendable income is not to exceed 5% of the average endowment balance over the past twelve quarters and is unrestricted and spent as the Board of Directors deems appropriate. The Organization may not access the principal balance of the Endowments unless there is an affirmative vote of the of three-fourths of the board of directors and the following conditions are met: (i) the distribution is for the purpose of acquiring or renovating a capital asset; (ii) the Organization is faced with an unexpected financial need that is not likely to recur and the distribution will enable the Organization to meet those needs; or (iii) the distribution is believed to be in the best interest of the community. The Community Foundation's Board of Governors has full authority and discretion as to the investment of the assets, as well as certain variance power as defined in the agreement.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

7. Beneficial Interest in Assets Held by The Community Foundation, Continued:

The funds for the Endowments were received in June 2014, June 2019, and July 2019 and are included in beneficial interest in assets held by The Community Foundation on the accompanying consolidated statement of financial position. The Endowments had a balance of \$327,034 as of June 30, 2025, of which \$35,031 is donor restricted.

Changes in endowment net assets were as follows as of June 30, 2025:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 263,382	\$ 32,785	\$ 296,167
Investment income, net of fees	28,621	3,504	32,125
Appropriation of endowment assets for expenditure	-	(1,258)	(1,258)
Endowment net assets, end of year	<u>\$ 292,003</u>	<u>\$ 35,031</u>	<u>\$ 327,034</u>

8. First Mortgage Discounts:

The Organization discounts its interest-free mortgages to present value at the date the mortgage is given. As monthly payments are received, this discount is amortized and recognized as interest-mortgage loan discount amortization. The original discounted amounts are reflected in the consolidated financial statements as mortgage discounts expense in the year the mortgage is closed.

The monthly amortization of the discount is recorded as interest-mortgage loan discount amortization income. Unamortized discounts were \$6,111,721 at June 30, 2025.

9. Subordinate Mortgages:

When the Organization sells houses, at least one non-interest bearing mortgage is extended to the buyer. The first mortgage is given for either the full sales price of the home or an amount below the sales price based on either the 1) total development costs or 2) affordability of the homeowner as determined by the Organization. A second mortgage, if necessary, is given for the difference between the first mortgage and the sales price. The first mortgage cannot exceed the total development costs; therefore, if the total development costs are below the sales price, the first mortgage would equal the total development costs. A second mortgage would be given for the difference between the first mortgage and the sales price.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

9. Subordinate Mortgages, Continued:

Second mortgages are forgivable in annual amounts over the life of the mortgage provided that the homeowner made all payments in full and on time during the 12 months preceding the anniversary of the mortgage. In the event the buyer sells the home prior to the full forgiveness of the second mortgage, the Organization, whose policy is not to recognize the discounted present value of these mortgages at the time they are given, recognizes as current revenue the amount received (see Note 8). During 2010, the Special Warranty Deed was modified so that it contains a shared appreciation provision whereby the Organization having sold the property at no profit and financed with a no interest loan, has the right to share 50/50 in any appreciation realized within the first five years of homeownership. In the event the buyer sells the home prior to the full forgiveness of the second mortgage or pays off a silent second mortgage, the Organization, whose policy is not to recognize the discounted present value of these mortgages at the time they are given, recognizes as current revenue the amount received. During 2025, revenue of \$103,291 was recognized related to sales occurring prior to full forgiveness of the second mortgage.

Certain buyers signed a second mortgage to Department of Housing and Community Development ("DHCD"), which covered the amount of closing costs paid on the buyers' behalf. These mortgages are forgivable by DHCD over a five-year period. For the aforementioned buyers, the above referenced second mortgages are held as third mortgages by the Organization. The Organization holds 130 second, third, and fourth mortgages as of June 30, 2025.

10. Line of Credit:

The Organization entered into a loan and security agreement with Fulton Bank, N.A. related to a secured line of credit in an amount not to exceed \$900,000. There were \$549,744 in borrowings at June 30, 2025. The line of credit is collateralized by 34 mortgages held by the Organization. Interest for the loan accrues at the Prime Rate plus 0.00% with a floor of 4.00% (7.50% at June 30, 2025). Principal and all outstanding interest is payable on demand.

The line of credit renews annually unless terminated by either party. Under the provisions of the agreement, the Organization is subject to certain specified financial and operating covenants. The Organization has met the covenants or obtained a waiver as of June 30, 2025.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

11. Notes Payable:

Notes payable consist of the following at June 30, 2025:

Installment note payable to Fulton Bank, collateralized by the assets of the Organization, including interest at 4.22% and monthly installments of \$17,436 beginning February 2022 and a final payment due February 1, 2032.	\$ 2,482,321
Installment notes payable to Virginia Housing Development Authority, collateralized by assigned first mortgages receivable, requiring monthly payments, including interest at 3%, maturing from December 2026 to June 2027.	<u>93,860</u>
	2,576,181
Less amounts due within one year	<u>175,982</u>
Long-term notes payable	<u>\$ 2,400,199</u>

At June 30, 2025, scheduled maturities on notes payable for future years are as follows:

<u>Year</u>	<u>Amount</u>
2026	\$ 175,982
2027	133,227
2028	114,169
2029	119,410
2030	124,621
Thereafter	<u>1,908,772</u>
	<u>\$ 2,576,181</u>

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

12. Operating Leases:

The Organization leases certain warehouse and office space under various operating lease agreements. These lease terms expire at various times between December 2027 and June 2028. The Organization recognizes lease expense on a straight line basis over the life of the related leases. Operating costs under these leases were \$120,805 for 2025.

The Organization has elected to apply the short-term lease exception to all leases with a term of one year or less. Short-term lease costs associated with equipment and truck rentals amounted to \$88,660 for 2025.

Future minimum lease payments at June 30, 2025, are as follows:

	Year <u>Ending</u>	<u>Amount</u>
	2026	\$ 118,918
	2027	94,664
	2028	<u>70,458</u>
Total lease payments		284,040
Less amount representing interest		<u>(13,104)</u>
Total operating lease liabilities		<u>\$ 270,936</u>

The weighted average remaining lease terms and discount rates at June 30, 2025 are 2.58 years and 3.34%, respectively. The Organization has elected to use the risk-free discount rate corresponding to the term of the lease at the lease measurement date as the incremental borrowing rate to measure the right-of-use assets and lease obligations.

During 2022, the Organization began leasing residential homes to certain qualifying individuals with lease terms of 12 months or less. Lease income was \$14,943 for 2025 and is included in other income on the consolidated statement of activities.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

13. Retirement Plan:

The Organization has an employee retirement plan under Section 403(b) of the Internal Revenue Code. The plan provides for salary reduction contributions by eligible participants, subject to certain limitations, and Organization matching contributions. The Organization made contributions to the plan of \$47,259 for 2025.

14. In-Kind Contributions:

The Organization received in-kind contributions as follows for the year ended June 30, 2025:

ReStore goods	\$ 1,748,166
Land	284,200
Professional fees	128,436
Materials	<u>41,143</u>
	<u>\$ 2,201,945</u>

ReStore goods consist of donated merchandise, the fair value of which is recorded at the time of donation; however, this merchandise also requires program related expenses and processing costs before it reaches its point of sale. Amounts reported as ReStore income have been reduced by the fair value of donated goods reported as in-kind contributions of \$1,748,166 during 2025 on the consolidated statement of activities.

The Organization received land at no cost from a locality to further the Organization's mission. Based on real estate appraisals, the land was valued at \$284,200 at the time of contribution.

The Organization received legal services at no cost related to general business matters. Based on current market rates for legal services the Organization would have paid \$128,436 for the year ended June 30, 2025.

Materials donated to the Organization were valued based on estimated market values.

All gifts-in-kind received by the Organization for the year ended June 30, 2025 were considered without donor restrictions and able to be used by the Organization as determined by the board of directors and management.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements, Continued

15. Indemnification:

The Organization has certain obligations to indemnify its current and former officers and directors for certain events or occurrences while the officer or director is, or was, serving, at the Organization's request in such capacities. The maximum liability under these obligations is limited by the Code of Virginia, and the Organization's insurance policies also serve to further limit its exposure. The Organization is not aware of any such obligations.

16. Commitments and Contingencies:

From time to time the Organization is involved in litigation that it considers to be in the normal course of business. The Organization is not presently involved in any legal proceedings which management expects individually or in the aggregate to have a material adverse effect on its financial condition, results of operations or cash flows.