MONTGOMERY COUNTY HABITAT FOR HUMANITY INC.
dba HABITAT FOR HUMANITY MONTGOMERY COUNTY, TX

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2025

WITH INDEPENDENT AUDITOR'S REPORT

MONTGOMERY COUNTY HABITAT FOR HUMANITY INC
dba HABITAT FOR HUMANITY MONTGOMERY COUNTY, TX

TABLE OF CONTENTS

THIS PAGE LEFT BLANK INTENTIONALLY

PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Montgomery County Habitat for Humanity Inc.
dba Habitat for Humanity Montgomery County, TX

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Montgomery County Habitat for Humanity Inc. dba Habitat for Humanity Montgomery County, TX (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2025 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Montgomery County Habitat for Humanity Inc. dba Habitat for Humanity Montgomery County, TX and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Montgomery County Habitat for Humanity Inc. dba Habitat for Humanity Montgomery County, TX'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 Montgomery County Habitat for Humanity Inc. dba Habitat for Humanity Montgomery County, TX'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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
December 8, 2025

CONSOLIDATED FINANCIAL STATEMENTS

MONTGOMERY COUNTY HABITAT FOR HUMANITY INC.
dba HABITAT FOR HUMANITY MONTGOMERY COUNTY, TX

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2025

ASSETS	
CURRENT ASSETS	
Cash	$ 6,116,733
Pledges receivable, current portion	575,017
Other receivables	59,279
Grant receivable	10,341
Non-interest bearing mortgages receivable, current portion	273,125
Total current assets	7,034,495
LONG-TERM ASSETS	
Pledges receivable, long-term portion, net	1,018,600
Non-interest bearing mortgages receivable, long-term portion, net	4,527,847
Property and equipment, net	3,038,665
Home construction in progress	358,288
Capitalized infrastructure costs	1,811,080
Land held for development	959,601
Other assets	79,216
Total long-term assets	11,793,297
Total assets	$ 18,827,792
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	$ 694,683
Accrued liabilities	115,108
Deferred revenue	31,000
Notes payable, current portion	99,723
Total current liabilities	940,514
LONG-TERM LIABILITIES	
Notes payable, long-term portion	2,914,298
Total long-term liabilities	2,914,298
Total liabilities	3,854,812
NET ASSETS	
Without donor restriction	13,131,454
With donor restriction	1,841,526
Total net assets	14,972,980
Total liabilities and net assets	$ 18,827,792

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

MONTGOMERY COUNTY HABITAT FOR HUMANITY INC.
dba HABITAT FOR HUMANITY OF MONTGOMERY COUNTY, TX

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2025

	Without Donor Restriction	With Donor Restriction	Total
REVENUES AND OTHER SUPPORT			
Affordable housing sales	$ 1,429,625	$ -	$ 1,429,625
ReStore sales, net	998,892	-	998,892
Home sponsorship contributions	-	335,922	335,922
Home repair contributions	-	86,080	86,080
General contributions and grants	1,475,671	1,588,479	3,064,150
Fundraising events	1,049,369	-	1,049,369
Investment interest and dividends	127,330	-	127,330
Other income	43,165	-	43,165
Net assets released from restrictions	1,471,955	(1,471,955)	-
Total revenue and other support	6,596,007	538,526	7,134,533
EXPENSES			
Program services			
Affordable housing	2,528,110	-	2,528,110
ReStore	940,217	-	940,217
Supporting services			
Management and general	389,396	-	389,396
Fundraising	842,640	-	842,640
Total expenses	4,700,363	-	4,700,363
CHANGE IN NET ASSETS	1,895,644	538,526	2,434,170
NET ASSETS, BEGINNING OF YEAR	11,235,810	1,303,000	12,538,810
NET ASSETS, END OF YEAR	$ 13,131,454	$ 1,841,526	$ 14,972,980

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

MONTGOMERY COUNTY HABITAT FOR HUMANITY INC.
dba HABITAT FOR HUMANITY MONTGOMERY COUNTY, TX

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2025

	Program Services		Supporting Services		
	Affordable Housing	ReStore	Management and General	Fundraising	Total
Advertising and marketing	$ 223	$ 20,090	$ -	$ 10,312	$ 30,625
Amortization of mortgage discount	278,685	2,328	-	3,461	284,474
Bank and credit card fees	9	2,824	2,754	31,397	36,984
Conferences and meetings	3,385	1,234	7,115	12,136	23,870
Depreciation	27,842	83,386	1,260	2,425	114,913
Dues and subscriptions	5,323	10,525	34,852	23,683	74,383
Event venue rentals	-	-	749	251,428	252,177
Insurance	42,373	41,130	2,015	1,895	87,413
Interest	879	65,185	-	32,458	98,522
International tithe contribution	14,877	-	-	-	14,877
Office supplies	2,017	5,031	1,758	1,757	10,563
Other	21,570	1,071	18,457	6,696	47,794
Postage and printing	2,068	2,965	1,302	12,860	19,195
Professional and contracted services	49,508	45,850	112,930	104,825	313,113
Program and house building	1,423,947	-	-	-	1,423,947
Program supplies	14,563	7,259	61	685	22,568
Repairs and maintenance	19,416	31,427	3,957	4,006	58,806
Salaries, taxes, and benefits	607,961	577,476	188,997	333,769	1,708,203
Staff development and training	1,428	378	965	1,753	4,524
Travel and transportation	2,463	810	2,515	4,010	9,798
Utilities	9,573	41,248	9,709	3,084	63,614
Total expenses	$ 2,528,110	$ 940,217	$ 389,396	$ 842,640	$ 4,700,363

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

MONTGOMERY COUNTY HABITAT FOR HUMANITY INC.
dba HABITAT FOR HUMANITY MONTGOMERY COUNTY, TX

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2025

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 2,434,170
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Amortization of mortgage discount	284,474
Depreciation	114,913
Amortization of deferred loan issuance costs	5,789
Effect of changes in assets and liabilities:	
(Increase) decrease in mortgages receivable, net	(573,377)
(Increase) decrease in pledges receivable, net	(418,321)
(Increase) decrease in grant and other receivables	20,550
(Increase) decrease in home construction in progress	237,662
(Increase) decrease in capitalized infrastructure costs	(1,375,719)
(Increase) decrease in land held for development	1,057
(Increase) decrease in other assets	(25,340)
Increase (decrease) in accounts payable	556,542
Increase (decrease) in accrued liabilities	26,012
Increase (decrease) in deferred revenue	12,432
Net cash provided by operating activities	1,300,844
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(24,077)
Net cash used by investing activities	(24,077)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on notes payable	(103,644)
Proceeds from notes payable	1,500,000
Loan issuance costs	(22,500)
Net cash provided by financing activities	1,373,856
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,650,623
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,466,110
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 6,116,733

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

THIS PAGE LEFT BLANK INTENTIONALLY

1. NATURE OF ACTIVITIES

Formed in 1989, Montgomery County Habitat for Humanity Inc. dba Habitat for Humanity Montgomery County, TX ("Montgomery County Habitat") is a nonprofit corporation (NFP) that works in partnership with God and people from all walks of life to improve the quality of life in Montgomery County, Texas by building and repairing homes so that everyone has a decent place to live and prosper. Montgomery County Habitat is an affiliate of Habitat for Humanity International located in Americus, Georgia.

Montgomery County Habitat's mission is accomplished through a privately operated and financed program to sell affordable housing to low-income persons at fair market value, using zero interest rate mortgage loans. Montgomery County Habitat builds homes in Montgomery County using volunteer labor, donated materials, and contributed funds. The homes are sold to pre-qualified, low-income persons that are selected based on need, ability to pay a long-term mortgage, and willingness to partner. Homes sold to approved, qualified buyers are financed by Montgomery Habitat for terms ranging from 20 to 30 years.

Since 2009, Montgomery County Habitat has been building homes in the all-Habitat Cedar Creek neighborhood in Conroe, Texas. Cedar Creek's full build out of 129 homes is expected in Spring of 2026. In May 2024, Montgomery County Habitat's Board of Directors approved a multi-phase plan to develop donated land in West Montgomery County into the future Marble Creek all-Habitat neighborhood.

Montgomery County Habitat repairs homes affected by natural disasters as well as general home repairs for low-income persons. Montgomery County Habitat provides repairs necessary to make homes safe, sanitary, and secure, including mold testing and remediation. Montgomery County Habitat helps preserve Montgomery County's affordable housing and revitalize neighborhoods.

Montgomery County Habitat operates its Habitat ReStore (the "ReStore"), a home improvement outlet and donation center that accepts and sells new and gently used items to the public at a reduced retail price while simultaneously reducing reusable material from going to area landfills. Items accepted and sold include rebuilding material, furniture, appliances, lighting fixtures, and other home goods.

In July 2021, Montgomery County Habitat formed HFH Magnolia, LLC, a wholly-owned limited liability company, as a holding entity for donated land received for future home development.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

These consolidated financial statements include the assets, liabilities, net assets, and activities of Montgomery County Habitat and HFH Magnolia, LLC (collectively, the "Organization" or "Montgomery County Habitat"). All balances and transactions between Montgomery County Habitat and its wholly-owned entity have been eliminated.

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities, in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis of Presentation

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

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions even though their use may be limited in other respects, including by contract or Board designation.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service.

Significant Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain 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. These significant estimates include the useful lives of property and equipment, allocation of expenses among various functions, present value of long-term pledges, and the amortization of discounts on mortgage loans receivable based on the estimated life of the notes as a method that approximates effective interest rates. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The Organization uses fair value to measure financial assets and liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy prioritizes fair value measurements into three levels based on the nature of the inputs. The hierarchy gives the highest priority to observable inputs based on market data from independent sources (Level 1) and the lowest priority to the Organization's assumptions based on the best information available when external market data is limited or unavailable (Level 3).

The fair value option allows entities to choose, at specified election dates, to measure eligible financial assets and financial liabilities at fair value that are not otherwise required to be measured at fair value. If an organization elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. The Organization did not elect the fair value option for the measurement of any eligible assets or liabilities.

The Organization's financial instruments consist of cash and cash equivalents, receivables, and other short-term assets and liabilities. Management believes the carrying amount of these financial instruments approximate their fair values.

Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization had no cash equivalents at June 30, 2025.

Pledges Receivable

Unconditional promises to give are recognized when pledged and recorded as assets with or without donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Unconditional promises with payments due in future years have an implied time restriction to be used in the year the payment is due, and therefore are reported as assets with donor restrictions. See Note 4 for further details. Conditional promises to give are recognized only when the condition on which they depend is substantially met making the promise unconditional. There were no conditional promises to give recorded in the year ended June 30, 2025.

Home Construction in Progress and Capitalized Infrastructure Costs

Costs for construction of homes and community infrastructure are stated at lower of cost or net realizable value and consist of labor, materials, property taxes, and land preparation costs incurred under a development plan, including incomplete homes in progress and completed homes not yet conveyed to a recipient family. These costs are expensed to cost of homes sold within the affordable housing program when the home is sold to the recipient family and are reflected in program and home building in the consolidated statement of functional expenses.

Homes acquired through repurchase, loan repossession, or foreclosure are included in home construction in progress. These homes are prepared for resale after performing necessary repairs and modifications and are initially recorded at fair value incurred less estimated costs to sell at the date acquired.

Mortgage Loans Receivable

Mortgage loans receivable consist of zero interest mortgages, which are secured by real estate and payable in monthly installments. The mortgages have an original maturity of 20 to 30 years. These mortgages have been discounted at various rates ranging from 7.23% to 8.14% based on the prevailing market interest rate for low-income housing at mortgage inception. Interest income (amortization of the discount) is recorded using the effective interest method.

The allowance for loan losses is a valuation allowance for probable incurred credit losses. Management estimates the allowance balance required based on past loan loss experience, nature and volume of the portfolio, information about specific borrower situations, and estimated values, economic conditions, and other factors. The Organization considers its mortgage loans receivable to be fully collectible, or if not fully collectible that the value of the homes collateralizing the loans exceeds the unpaid related mortgage loans receivable. Accordingly, no allowance for loan losses is reflected in these consolidated financial statements.

A second lien may be required from some home purchasers at the time of sale. The terms of the second lien notes provide that no payments or principal or interest are payable on these notes as long as the purchaser performs each obligation of the first lien mortgage. After each anniversary of payments on the first lien mortgage, one tenth of the original balance of the second lien note is forgiven until it is reduced to zero. Second lien notes not yet forgiven of $620,747 at June 30, 2025 have no allowance and are not reflected in these consolidated financial statements.

Land Held for Development

The Organization has undeveloped land held for future home and neighborhood development or sale. Purchased land is recorded at cost and donated land is recorded at the fair market value at the time it is received. Early-stage engineering and development costs are temporarily capitalized to land held for development prior to being transferred to capitalized infrastructure costs upon finalization of the development or building plan and commencement of home construction.

Asset Impairment

Real estate assets are evaluated for impairment if an impairment indicator is present. The carrying value of an asset is impaired to fair value less costs to sell when management believes that events or changes in circumstances indicate that its carrying amount may not be recoverable.

Property and Equipment

The Organization capitalizes property and equipment in excess of $500. Capitalized assets are reported at cost if purchased and at fair value at date of gift if donated, net of accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives of 20 to 39 years for buildings and improvements and 5 to 10 years for furniture, equipment, and vehicles.

Revenue Recognition

The Organization first determines if a transaction represents an exchange transaction and if so, accounts for the transaction in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, Revenue and Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

The Organization's revenue from contracts with customers consists of transfers to homeowners and ReStore sales. The Organization's contracts have a single performance obligation. The transaction price is the amount of consideration to which the Organization expects to be entitled in exchange for transferring goods to the customer. Revenue is recorded based on transaction price, which is a fixed consideration.

The Organization recognizes ReStore sales when control of the goods is passed to the customer, which typically occurs at the point of sale when customer payment is collected.

The Organization recognizes revenue from home sales when a closing occurs. A closing is considered to occur when title, possession, and other attributes of ownership transfer to the buyer; and the Organization is not obligated to perform significant activities and changes in net assets after the sale. Revenue from the sale of homes is reflected in the consolidated statement of activities as affordable housing sales.

Federal, state and local government and other grant transactions within the scope of Topic 606, if any, are recognized as support when performance occurs pursuant to the contract agreement. The Organization performs an evaluation at contract inception focused on whether a performance obligation is satisfied over time or at a point in time. Performance obligations meeting certain specific criteria, are recognized over time as the customer consumes and receives the benefit of the Organization's services as they are performed. If certain criteria is not met, the revenue is recognized at a point in time.

All revenue recognized under Topic 606 is recognized at a point in time.

Affordable Housing Sales

Homes are sold to qualified buyers at the appraised value or fair market value of the home. Zero interest rate mortgages are provided to qualified persons to pay for their purchased home. Home sales are recorded at loan value at the time of sale and are discounted based upon prevailing market interest rates for low-income housing at the inception of the mortgage, with revenue recognized upon closing a home sale. Some qualified persons may receive down payment assistance from other agencies to reduce their loan amount. During the year ended June 30, 2025, 8 homes were sold by Montgomery County Habitat. At June 30, 2025, there were 7 remaining lots either under construction or available for Montgomery County Habitat to build a future home in the Cedar Creek neighborhood. Home construction has not commenced in the Marble Creek neighborhood.

ReStore Sales

Sales of items from Montgomery County Habitat's resale shop are reported as revenue at the point of sale. Donated inventory for sale in the ReStore is not recorded in the consolidated financial statements, as most are miscellaneous items from construction or remodeling projects, used items nearing obsolescence, or furniture and other items with an indeterminable value. As such, the fair market value of items is best determined at the time of resale.

Contributions and Grants

Revenue recognition on contracts and grants deemed to be non-exchange transactions follow FASB ASC Topic 958-605, Revenue Recognition. Unconditional contributions received, including promises to give, cash, other assets and grants and contracts deemed to be non-exchange transactions, are recorded as support to net assets with or without donor restrictions, at estimated fair value, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purposes restriction is accomplished), net assets with donor restrictions and are reported in the consolidated statement of activities as net assets released from restrictions.

Conditional contributions are those contributions that certain donor-imposed rights of refund/return and barriers (performance obligations and/or controlling stipulations). Conditional contributions are recognized into revenue when conditions are satisfied and then follow the above policies for unconditional contributions. Conditional contributions received in advance of satisfying conditions are recorded as deferred revenue. Cash contributions are recognized at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations limiting use are classified as restricted support.

Noncash Contributions

Donated properties, equipment, or use of facilities are recognized at estimated fair value as contribution upon receipt of an unconditional commitment from the donor. The related expenses is recognized as the item is used. Contributions of services are recognized when the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, provided by individuals possessing those skills that would typically need to be purchased if not donated. Volunteers provided approximately 17,547 hours in the year ended June 30, 2025, assisting Montgomery County Habitat with home construction and repair services which are not reflected in the consolidated financial statements since the services do not meet the recognition criteria under GAAP.

Advertising

Costs for advertising and marketing are expensed as incurred.

Functional Allocation of Expenses

Expenses are reported by their functional classification as program services or supporting activities. Program services are the direct conduct or supervision of activities that fulfill the Organization’s purposes. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one program or supporting activity are allocated among the benefitting activities. Salaries and related costs are allocated on the basis of estimated time and effort expended.

Concentration Credit Risk

Financial instruments that potentially subject the Organization to a significant concentration of credit risk relate to bank deposits at one of the Organization’s financial institutions exceeding the federally insured limit. Management does not consider the solvency of the financial institution to be a concern at this time.

Compensated Absences

Employees of the Organization are entitled to paid vacations, sick days, and personal days off, depending on job classification, length of service, and other factors. Unused vacation time is paid to employees at the end of employment. As of June 30, 2025, accrued compensated absences of $40,692 are included in other payables.

Income Taxes

Montgomery County Habitat is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. The Organization's Federal Returns of Organization Exempt from Income Tax (Form 990) for the prior three years are subject to examination by the Internal Revenue Service.

The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income. There were no unrecognized tax benefits identified or recorded as assets or liabilities for the year ended June 30, 2025.

3. MORTGAGE LOANS RECEIVABLE

Mortgage loans receivable consists of the following at June 30, 2025:

Mortgage loans receivable, par value	$ 9,904,826
Less: unamortized discount based on imputed interest, at rates ranging from 7.23% to 8.14%	(5,103,854)
Mortgage loans receivable, net	4,800,972
Less: current portion due within one year	(273,125)
Long-term portion of mortgage loans receivable, net	$ 4,527,847

A mortgage loan receivable is considered delinquent if the scheduled installment payment is unpaid 30 days after its due date. Delinquent principal amounts of mortgage loans receivable, net at June 30, 2025 were $27,328 or 0.28%.

Mortgage loans receivable maturities are as follows for the years ending June 30:

2026	$ 508,553
2027	504,230
2028	502,271
2029	499,606
2030	493,034
Thereafter	7,397,132
Total	$ 9,904,826

4. PLEDGES RECEIVABLE

Pledges receivable at June 30, 2025 primarily relate to funding for the development and construction of Marble Creek, the 2025 Gala fundraising event, home sponsorships, and general contribution commitments. Pledges receivable consist of the following at June 30, 2025:

Pledges with donor restrictions	$ 1,738,700
Pledges without donor restrictions	40,000
Total pledges receivable	1,778,700
Unamortized discount on pledges	(185,083)
Less: current portion of pledges due within one year	(575,017)
Long-term portion of discounted pledges receivable	$ 1,018,600

In calculating the present value of the long-term pledges, the Organization used the Risk-Free discount rate as of the date the pledges were received. Discount rates ranged from 3.68% to 4.33% for pledges outstanding as of June 30, 2025.

As of June 30, 2025, total contributions from pledges receivable expected to be received within one year is $575,017 and within two and five years is $1,203,683.

The need for an allowance for credit losses is based on a review of outstanding receivables, historical collection information, and existing economic conditions. As of June 30, 2025, no allowance for credit losses related to long-term pledges was deemed necessary by management.

5. CAPITALIZED INFRASTRUCTURE COSTS

Capitalized infrastructure costs activity during the year ended June 30, 2025 is as follows:

	Cedar Creek	Marble Creek
Capitalized infrastructure costs, beginning of year	$ 405,174	$ 30,187
Additions	140	1,593,789
Expense to program and house building for home sales	(218,210)	-
Capitalized infrastructure costs, end of year	$ 187,104	$ 1,623,976

Land development and infrastructure expenditures related to Marble Creek reflected in accounts payable at June 30, 2025 was $613,591.

6. LAND HELD FOR DEVELOPMENT

In August 2021, the HFH Magnolia, LLC received an unrestricted donation of 81 acres of undeveloped land in West Montgomery County for development as a future neighborhood of homes. This land was recorded at its appraised fair market value of $651,000 at the time of donation. Upon receipt of the land donation, the Organization incurred costs for early-stage engineering studies and design plans.

In May 2024, the Organization's Board of Directors approved a multi-phase plan of development of the donated land in West Montgomery County into the Marble Creek neighborhood. See Note 10 for information about the Marble Creek development activities and related commitments.

Land held for development consists of the following at June 30, 2025:

Marble Creek	
Land	$ 651,000
Engineering and design costs	308,098
Cedar Creek	
Land	503
Total	$ 959,601

7. PROPERTY AND EQUIPMENT

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

Land (including $814,376 related to the ReStore)	$ 841,298
Buildings (including $2,483,487 related to the ReStore)	2,721,738
Equipment	143,944
Vehicles	150,514
Mineral interest rights	86,734
Total property and equipment	3,944,228
Less: accumulated depreciation	(905,563)
Total property and equipment, net	$ 3,038,665

Depreciation expense for the year ended June 30, 2025 was $114,913.

8. NOTES PAYABLE

ReStore Note Payable: Montgomery County Habitat executed a loan agreement for $1,845,000 on August 26, 2022 payable to a financial institution bearing interest at the rate of 4%, which resets after 5 and 10 years at 0.5% over prime, and is secured with ReStore land, facility, furniture, fixtures, equipment, and inventory. The note is payable in monthly installments of principal and interest, with the remaining principal and interest payable due in full on August 26, 2037. Monthly principal and interest payments began in September 2022. The balance of the ReStore note payable as of June 30, 2025 was $1,550,879.

Vehicle Note Payable: In September 2021, the Organization financed the purchase of a vehicle with a note payable to a financial institution with an interest rate of 7.49% and is secured by the vehicle. The note is payable in monthly installments of principal and interest until maturity on September 30, 2027. The balance of the vehicle note payable as of June 30, 2025 was $10,502.

Marble Creek Note Payable: In January 2025, the Organization executed a loan agreement for $1,500,000 payable to Habitat Capital LLC, an affiliate of Habitat for Humanity International. This loan matures on December 31, 2027, with interest of 4.75% and principal payments of at least $500,000 by March 31, 2027, including an amount payable upon the sale of each of the homes in Marble Creek. The balance of the Marble Creek note payable as of June 30, 2025 was $1,500,000.

As of June 30, 2025, maturities of the notes payable are as follows during the years ending June 30:

2026	$ 99,723
2027	604,335
2028	1,106,318
2029	115,274
2030	120,065
Thereafter	968,306
Total	$ 3,014,021

9. NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, 2025, the Organization recorded pledges from donors to fund the development and construction of Marble Creek, Gala fundraising events, and home sponsorships. These donations both receivable and unspent have been classified as net assets with donor restrictions of $1,841,526 as of June 30, 2025.

10. COMMITMENTS AND CONTINGENCIES

Marble Creek

Following the Board of Directors' formal approval in May 2024, the Organization progressed a three-phase project plan to develop donated land in West Montgomery County into the future all-Habitat Marble Creek neighborhood. Land development (including mass grading, drainage, and early utilities infrastructure), streets, water and sewer utility facilities, and construction of the initial 25 Habitat houses are estimated to cost $16.5 million. Marble Creek is plotted to ultimately have 200 houses, with construction in Phase 1 scheduled to commence in Spring 2026.

In August 2024, the Organization entered into an agreement with an aggregate value of $1.3 million for the multi-year effort to design, permit, and build water and sewer facilities to serve Marble Creek. An initial payment of $325,000 was paid in September 2025. The neighborhood water well was constructed during the first half of the fiscal year 2026 for $325,000. The remainder of the contract value relates to construction of the water treatment plant during 2027.

In December 2024, the Organization entered into an agreement with a contractor to perform land clearing and drainage to commence the development of Marble Creek. This contract, valued at $1.2 million, was substantially completed in the second half of the fiscal year 2025.

See Note 8 for discussion of the note payable specific to Marble Creek. The Organization continues its efforts to raise funds for the land development and construction of homes in Marble Creek.

In April 2025, the Organization entered into an agreement with a contractor to install residential electrical utilities for Phase 1 of Marble Creek for $358,175.

In June 2025, the Organization entered into an agreement with a contractor to install water, sewer, and drainage utilities and paving for Phase 1 of Marble Creek. This contract and subsequent change order was valued at $2.75 million. The work was substantially completed in the first half of the fiscal year 2026.

Other

The Organization entered into a fundraising consulting agreement related Marble Creek. The agreement was for services from July 1, 2023 through June 30, 2025 and required the Organization to pay a monthly retainer fee of $19,500 plus travel expenses for the first 12 months and $10,000 per month plus travel expenses for the second 12 months. The agreement was terminated in September 2024.

The Organization depends on volunteers to perform a significant portion of the construction labor as well as management functions. A significant reduction in the level of volunteer support could have a significant effect on the cost of achievement of the Organization's major programs. Increasing costs, disruptions in the availability of building materials, and deteriorating economic conditions impacting donor and future fundraising and development efforts could adversely impact the Organization's future program services and its financial results of operations and cash flows.

11. LIQUIDITY AND AVAILABLITY OF RESOURCES

The following reflects the Organization's financial assets as of June 30, 2025, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Financial assets		
Cash	$	6,116,733
Mortgage loans receivable, current portion		273,125
Pledges receivable, net		1,593,617
Grant receivable		10,341
Other receivables		59,279
Total financial assets		8,053,095
Less: amounts not available within one year		
Net assets with donor restrictions		1,841,526
Financial assets available to meet general expenditures over the next fiscal year	$	6,211,569

In analyzing liquidity available to meet general expenditures for an upcoming fiscal year, the Organization considers general expenditures to include (i) ongoing activities of building and repairing affordable housing, (ii) related program services and administrative costs to support those activities, and (iii) land development activities for future affordable housing neighborhoods. In managing its liquidity, the Organization maintains a significant cash position to pay general expenditures and liabilities as they come due.

12. RELATED PARTIES

In the normal course of business, the Organization has business dealings with individuals who are members of the Board or associated with the Organization. In the opinion of management, all business dealings are conducted at arm's length.

13. SUBSEQUENT EVENTS

The Organization has determined that no additional events or transactions occurred subsequent to December 8, 2025, the date these consolidated financial statements were available to be issued, that required recognition or disclosure.