

# **Habitat for Humanity of Wake County, Inc.**

**Financial Statements  
Years Ended June 30, 2025 and 2024**

The report accompanying these financial statements was issued by BDO USA, P.C., a Virginia professional corporation, and the U.S. member of BDO International Limited, a UK company limited by guarantee.



# **Habitat for Humanity of Wake County, Inc.**

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**Financial Statements**  
Years Ended June 30, 2025 and 2024

# Habitat for Humanity of Wake County, Inc.

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## **Independent Auditor's Report**

To the Board of Directors  
Habitat for Humanity of Wake County, Inc.  
Raleigh, North Carolina

### ***Opinion***

We have audited the financial statements of Habitat for Humanity of Wake County, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 audits. 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 financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 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 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 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 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 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.

*BDO USA, P.C.*

January 14, 2026

## **Financial Statements**

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# Habitat for Humanity of Wake County, Inc.

## Statements of Financial Position

June 30,	2025	2024
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents		
Cash and cash equivalents	\$ 5,251,449	\$ 6,000,472
Accounts receivable	2,410,038	2,177,657
Prepaid expenses	219,991	225,225
Materials inventory	1,007,900	1,025,414
Land, construction in progress and property held for sale	24,669,758	18,369,253
Current portion of mortgage loans receivable, net	1,357,643	1,492,886
<b>Total Current Assets</b>	<b>34,916,779</b>	<b>29,290,907</b>
<b>Non-Current Assets</b>		
Investment in joint venture	2,847,600	1,129,566
Interest in charitable remainder trusts	756,211	656,455
Other non-current assets	46,155	46,155
Noncurrent portion of mortgage loans receivable, net	11,932,214	13,769,304
Operating lease right-of-use assets	7,059,937	7,156,436
Property and equipment, net	7,311,345	6,953,148
<b>Total Non-Current Assets</b>	<b>29,953,462</b>	<b>29,711,064</b>
<b>Total Assets</b>	<b>\$ 64,870,241</b>	<b>\$ 59,001,971</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,129,895	\$ 1,219,846
Accrued expenses	1,127,365	1,070,307
Current portion of operating lease liabilities	1,215,618	1,220,302
Current portion of long-term debt, net of issuance costs	1,841,789	2,131,999
<b>Total Current Liabilities</b>	<b>5,314,667</b>	<b>5,642,454</b>
<b>Non-Current Liabilities</b>		
Deferred revenue	140,476	25,259
Due to joint venture	3,920,000	1,715,000
Operating lease liabilities, net of current portion	6,036,533	6,018,284
Long-term debt, net of current portion, net of issuance costs	12,719,623	11,537,359
<b>Total Non-Current Liabilities</b>	<b>22,816,632</b>	<b>19,295,902</b>
<b>Total Liabilities</b>	<b>28,131,299</b>	<b>24,938,356</b>
<b>Net Assets</b>		
Without donor restrictions	34,778,530	31,407,160
With donor restrictions	1,870,631	2,656,455
<b>Total Net Assets</b>	<b>36,649,161</b>	<b>34,063,615</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 64,780,460</b>	<b>\$ 59,001,971</b>

*See accompanying notes to financial statements.*

# Habitat for Humanity of Wake County, Inc.

## Statement of Activities and Changes in Net Assets

*Year ended June 30, 2025*

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>			
Public support:			
Contributions of cash and other financial assets:			
Contributions	\$ 3,093,199	\$ 392,629	\$ 3,485,828
House sponsorships	-	1,119,373	1,119,373
Contributions of nonfinancial assets:			
In-kind house sponsorships	-	8,983	8,983
In-kind ReStore donations	9,592,167	-	9,592,167
In-kind other contributions	234,677	-	234,677
Federal, state, and local grants	84,376	42,500	126,876
<b>Total Public Support</b>	<b>13,004,419</b>	<b>1,563,485</b>	<b>14,567,904</b>
Revenue:			
ReStore revenue	12,373,216	-	12,373,216
House sales	7,231,367	-	7,231,367
Investment income	69,138	-	69,138
Unrealized gain on interest in charitable remainder trust	-	9,975	9,975
Interest income on mortgage loans receivable	452,411	-	452,411
Loss on early extinguishment of mortgage loans receivable	468,733	-	468,733
Construction rent	81,485	-	81,485
Other income	758,302	-	758,302
Net assets released from restrictions	2,359,284	(2,359,284)	-
<b>Total Revenue</b>	<b>23,793,936</b>	<b>(2,349,309)</b>	<b>21,444,627</b>
<b>Total Support and Revenue</b>	<b>36,798,355</b>	<b>(785,824)</b>	<b>36,012,531</b>
<b>Expenses</b>			
Program services:			
Construction	8,277,653	-	8,277,653
Family services financing	884,744	-	884,744
Volunteer services	244,650	-	244,650
ReStore	21,676,676	-	21,676,676
Supporting services:			
Management and general	1,275,341	-	1,275,341
Fundraising	1,067,921	-	1,067,921
<b>Total Expenses</b>	<b>33,426,985</b>	<b>-</b>	<b>33,426,985</b>
<b>Net Increase in Net Assets</b>	<b>3,371,370</b>	<b>(785,824)</b>	<b>2,585,546</b>
<b>Net Assets, beginning of year</b>	<b>31,407,160</b>	<b>2,656,455</b>	<b>34,063,615</b>
<b>Net Assets, end of year</b>	<b>\$ 34,778,530</b>	<b>\$ 1,870,631</b>	<b>\$ 36,649,161</b>

*See accompanying notes to financial statements.*

# Habitat for Humanity of Wake County, Inc.

## Statements of Activities and Changes in Net Assets

Year ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>			
Public support:			
Contributions of cash and other financial assets:			
Contributions	\$ 1,801,489	\$ 309,605	\$ 2,111,094
House sponsorships	225,000	3,385,141	3,610,141
Contributions of nonfinancial assets:			
In-kind house sponsorships	-	55,733	55,733
In-kind ReStore donations	10,374,350	-	10,374,350
In-kind other contributions	38,727	-	38,727
Federal, state, and local grants	11,071	-	11,071
<b>Total Public Support</b>	<b>12,450,637</b>	<b>3,750,479</b>	<b>16,201,116</b>
Revenue:			
ReStore revenue	12,447,457	-	12,447,457
House sales	7,462,178	-	7,462,178
Investment income	120,556	-	120,556
Unrealized gain on interest in charitable remainder trust	-	65,567	65,567
Interest income on mortgage loans receivable	512,985	-	512,985
Loss on early extinguishment of mortgage loans receivable	(498,151)	-	(498,151)
Construction rent	7,138	-	7,138
Other income	191,001	-	191,001
Net assets released from restrictions	2,005,071	(2,005,071)	-
<b>Total Revenue</b>	<b>22,248,235</b>	<b>(1,939,504)</b>	<b>20,308,731</b>
<b>Total Support and Revenue</b>	<b>34,698,872</b>	<b>1,810,975</b>	<b>36,509,847</b>
<b>Expenses</b>			
Program services:			
Construction	9,501,422	-	9,501,422
Family services financing	958,395	-	958,395
Volunteer services	213,645	-	213,645
ReStore	20,848,192	-	20,848,192
Supporting services:			
Management and general	1,159,596	-	1,159,596
Fundraising	1,053,043	-	1,053,043
<b>Total Expenses</b>	<b>33,734,293</b>	<b>-</b>	<b>33,734,293</b>
<b>Net Increase in Net Assets</b>	<b>964,579</b>	<b>1,810,975</b>	<b>2,775,554</b>
<b>Net Assets, beginning of year</b>	<b>30,442,581</b>	<b>845,480</b>	<b>31,288,061</b>
<b>Net Assets, end of year</b>	<b>\$ 31,407,160</b>	<b>\$ 2,656,455</b>	<b>\$ 34,063,615</b>

*See accompanying notes to financial statements.*

# Habitat for Humanity of Wake County, Inc.

## Statement of Functional Expenses

Year ended June 30, 2025

	Program Services					Supporting Services					Total Expenses	
	Family Services		Volunteer Services			Total	Management and General		Fundraising	Total		
	Construction	Financing	Services	ReStore								
Salaries	\$ 1,085,586	\$ 377,319	\$ 145,043	\$ 4,217,045	\$ 5,824,993	\$ 380,001	\$ 703,117	\$ 1,083,118	\$ 6,908,111			
Payroll taxes and benefits	296,552	85,030	23,229	921,302	1,326,113	188,079	96,894	284,973	1,611,086			
Publicity and marketing	2,082	1,122	1,013	201,596	205,813	8,061	38,209	46,270	252,083			
Postage and direct mail cost	1,675	499	152	3,422	5,748	3,172	7,778	10,950	16,698			
Telephone	14,940	3,994	1,610	50,082	70,626	10,975	4,659	15,634	86,260			
Cost of sales	5,087,425	-	-	-	5,087,425	-	-	-	5,087,425			
Americorp	70,110	-	-	-	70,110	-	-	-	70,110			
Warranty and lot maintenance	3,525	-	-	-	3,525	-	-	-	3,525			
Rental and maintenance	145,154	17,118	4,886	1,630,167	1,797,325	30,599	19,565	50,164	1,847,489			
Utilities	12,033	7,715	2,202	184,775	206,725	13,791	8,818	22,609	229,334			
Professional services	10,593	8,478	7,303	28,101	54,475	9,301	8,243	17,544	72,019			
Insurance	88,890	1,069	7,925	221,349	319,233	36,508	1,069	37,577	356,810			
Taxes and licenses	151	-	-	29,105	29,256	970	203	1,173	30,429			
Travel	604	6,657	21	8,895	16,177	7,055	1,086	8,141	24,318			
Tools and supplies	86,009	-	-	67,820	153,829	-	-	-	153,829			
Office and stationary expenses	4,055	844	427	28,516	33,842	12,483	1,216	13,699	47,541			
Computer tech support and training	53,412	34,688	16,994	252,852	357,946	93,758	57,920	151,678	509,624			
Contract labor	4,835	122,272	-	307,237	434,344	148,030	9,500	157,530	591,874			
Vehicle expense	34,660	332	479	340,853	376,324	2,181	2,874	5,055	381,379			
Distribution to affiliates	-	-	-	869,961	869,961	-	-	-	869,961			
Bank and credit card fees	462	102,616	-	385,363	488,441	11,495	14,266	25,761	514,202			
Dues	1,880	295	-	2,316	4,491	81,913	10,313	92,226	96,717			
Family services applications	11,615	40,467	-	-	52,082	89,558	-	89,558	141,640			
Board and staff development	8,842	6,572	315	29,669	45,398	52,804	3,987	56,791	102,189			
Depreciation	94,143	41,188	11,768	211,381	358,480	61,782	35,304	97,086	455,566			
Meetings and conferences	42,938	6,158	7,578	12,963	69,637	3,562	23,273	26,835	96,472			
Interest expense	243,517	9,896	2,828	234,685	490,926	14,845	8,483	23,328	514,254			
In-kind expense	-	-	-	9,699,355	9,699,355	-	-	-	9,699,355			
Contributions	100,800	-	-	-	100,800	-	-	-	100,800			
Promotional items	37,723	1,341	9,653	4,864	53,581	6,899	9,721	16,620	70,201			
Volunteer services	-	-	1,224	-	1,224	-	-	-	1,224			
Cost of inventory	-	-	-	1,701,267	1,701,267	-	-	-	1,701,267			
Home preservation	682,887	-	-	-	682,887	-	-	-	682,887			
Miscellaneous	50,555	9,074	-	31,735	91,364	7,519	1,423	8,942	100,306			
<b>Total Expenses</b>	<b>\$ 8,277,653</b>	<b>\$ 884,744</b>	<b>\$ 244,650</b>	<b>\$ 21,676,676</b>	<b>\$ 31,083,723</b>	<b>\$ 1,275,341</b>	<b>\$ 1,067,921</b>	<b>\$ 2,343,262</b>	<b>\$ 33,426,985</b>			

See accompanying notes to financial statements.

# Habitat for Humanity of Wake County, Inc.

## Statement of Functional Expenses

Year ended June 30, 2024

	Program Services											Supporting Services				Total Expenses	
	Family Services			Volunteer Services			ReStore		Total	Management and General		Fundraising		Total			
	Construction	Financing															
Salaries	\$ 1,079,114	\$ 431,077		\$ 128,187	\$ 3,845,222		\$ 5,483,600	\$ 395,639	\$ 628,799	\$ 1,024,438		\$ 262,844		\$ 6,508,038			
Payroll taxes and benefits	278,660	92,334		25,810	833,209		1,230,013	172,345	90,499						1,492,857		
Publicity and marketing	16,915	164		-	127,760		144,839	16,764	83,268						100,032	244,871	
Postage and direct mail cost	2,039	1,333		150	1,475		4,997	3,740	26,475						30,215	35,212	
Telephone	14,324	4,601		864	50,597		70,386	10,907	4,270						15,177	85,563	
Cost of sales	6,552,482	-		-	-		6,552,482	-	-							6,552,482	
Americorp	60,844	-		-	-		60,844	-	-							60,844	
Warranty and lot maintenance	11,071	-		-	-		11,071	-	-							11,071	
Rental and maintenance	136,741	22,503		6,423	1,608,354		1,774,021	40,224	25,719						65,943	1,839,964	
Utilities	11,942	7,877		2,248	192,603		214,670	14,081	9,003						23,084	237,754	
Professional services	8,782	6,669		5,348	28,727		49,526	7,594	6,405						13,999	63,525	
Insurance	60,826	1,624		1,624	156,564		220,638	17,882	1,624						19,506	240,144	
Taxes and licenses	180	-		-	2,947		3,127	270	203						473	3,600	
Travel	1,965	8,435		-	12,140		22,540	11,187	4,050						15,237	37,777	
Tools and supplies	145,291	-		-	53,168		198,459	-	-							198,459	
Office and stationary expenses	3,144	2,827		192	26,860		33,023	7,820	4,764						12,584	45,607	
Computer tech support and training	45,763	39,819		15,793	228,061		329,436	85,985	55,403						141,388	470,824	
Contract labor	5,058	101,173		-	323,095		429,326	148,836	9,570						158,406	587,732	
Vehicle expense	44,262	962		548	281,920		327,692	1,756	2,166						3,922	331,614	
Distribution to affiliates	-	-		-	620,697		620,697	-	-							620,697	
Bank and credit card fees	-	109,011		-	421,781		530,792	11,937	17,458						29,395	560,187	
Dues	3,167	1,629		110	2,439		7,345	60,247	9,294						69,541	76,886	
Family services applications	8,100	52,583		-	-		60,683	15,000	-						15,000	75,683	
Board and staff development	8,528	3,335		1,475	26,048		39,386	46,248	2,535						48,783	88,169	
Depreciation	94,467	44,085		12,596	171,181		322,329	66,127	37,787						103,914	426,243	
Meetings and conferences	46,138	4,177		4,050	9,825		64,190	7,463	20,560						28,023	92,213	
Interest expense	165,039	8,415		2,404	194,750		370,608	12,623	7,213						19,836	390,444	
In-kind expense	-	-		-	10,332,579		10,332,579	-	-							10,332,579	
Contributions	100,000	-		-	-		100,000	-	-							100,000	
Promotional items	20	2,575		5,207	3,905		11,707	93	5,202						5,295	17,002	
Volunteer services	-	-		112	-		112	-	-							112	
Cost of inventory	-	-		-	1,249,962		1,249,962	-	-							1,249,962	
Home preservation	553,843	-		-	-		553,843	-	-							553,843	
Miscellaneous	42,717	11,187		504	42,323		96,731	4,828	776						5,604	102,335	
Total Expenses	\$ 9,501,422	\$ 958,395		\$ 213,645	\$ 20,848,192		\$ 31,521,654	\$ 1,159,596	\$ 1,053,043						\$ 2,212,639	\$ 33,734,293	

See accompanying notes to financial statements.

# Habitat for Humanity of Wake County, Inc.

## Statements of Cash Flows

Year ended June 30,	2025	2024
<b>Net Cash Flows from Operating Activities</b>		
Net increase in net assets	\$ 2,585,546	\$ 2,775,554
Adjustments to reconcile net increase (decrease) in net assets to net cash flows provided by operating activities:		
Depreciation	455,566	426,243
Amortization of mortgage loans receivable discounts	293,589	316,765
Amortization of debt issuance costs	62,048	28,489
Amortization of right-of-use asset	1,585,390	1,422,959
In-kind house sponsorships	(8,983)	(55,733)
In-kind ReStore donations	(9,592,167)	(10,374,350)
In-kind other contributions	(234,677)	(38,727)
In-kind expense	9,699,355	10,332,579
(Gain) loss on early extinguishment of mortgage loans receivable	(468,733)	498,151
Loss on termination of leaseholds	-	156,508
Change in value of investment in joint ventures	6,668	12,074
Gain on interest in charitable remainder trust	(99,756)	(65,567)
Payments on operating leases	(1,475,326)	(1,396,632)
Changes in operating assets and liabilities:		
(Increase) decrease in operating assets:		
Accounts receivable, net	(232,381)	(1,950,481)
Prepaid expenses	5,234	12,566
Materials inventory	(89,674)	52,945
Mortgage loans receivable	2,147,477	1,077,303
Land, construction in progress and property held for sale	(6,056,845)	(2,596,432)
Operating lease right-of-use assets	(205,853)	(152,487)
Other noncurrent assets	-	121,134
Increase (decrease) in operating liabilities:		
Accounts payable	(89,951)	292,902
Accrued expenses	57,058	(70,761)
Operating lease liabilities	205,853	152,487
Deferred revenue	115,217	(7,769)
<b>Net Cash Flows (Used in) Provided by Operating Activities</b>	<b>(1,335,345)</b>	<b>969,720</b>
<b>Net Cash Flows from Investing Activities</b>		
Purchases of property and equipment	(813,763)	(193,060)
Purchases of investment in joint venture	(2,847,600)	-
<b>Net Cash Flows Used in Investing Activities</b>	<b>(3,661,363)</b>	<b>(193,060)</b>
<b>Net Cash Flows from Financing Activities</b>		
Payments on lines of credit	-	-
Proceeds from long-term debt	2,838,471	-
Proceeds from cancellation of due to joint venture	(592,102)	-
Addition of due to joint venture	3,920,000	-
Principal payments on long-term debt	(2,008,465)	(1,944,737)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>4,157,904</b>	<b>(1,944,737)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(838,804)</b>	<b>(1,168,077)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>6,000,472</b>	<b>7,168,549</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 5,161,668</b>	<b>\$ 6,000,472</b>
<b>Supplemental Cash Flow Information</b>		
Interest paid	\$ 512,434	\$ 387,787
<b>Supplemental Non-Cash Disclosures</b>		
Lease liabilities arising from obtaining right-of-use assets	\$ 1,283,038	\$ 3,994,563

*See accompanying notes to financial statements.*

# Habitat for Humanity of Wake County, Inc.

## Notes to Financial Statements

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### 1. Organization and Description of Services

Habitat for Humanity of Wake County, Inc. (the “Organization”) was incorporated as a non-profit organization on November 19, 1985. The Organization develops partnerships that build healthy, affordable homes with and for God’s people in need. The Organization also promotes self-reliance through home ownership, providing affordable mortgages, and preparing its applicant families for home ownership through the provision of family support services, credit counseling, and resource management training.

Program services provided by the Organization are as follows:

*Construction* - This program constructs or rehabilitates modest housing for sale to low-income residents.

*Family Services Financing* - This program recruits and selects eligible homeowners, and recruits and trains volunteers who provide family support and services. Additionally, it provides access to affordable mortgage financing for low-income residents.

*Volunteer Services* - This program recruits and trains volunteers to assist in the construction of homes.

*ReStore* - This program sells donated home materials, appliances, furnishings and salvaged building materials to the general public at below-market prices, with the net proceeds going towards the support of the Organization’s mission.

### 2. Summary of Significant Accounting Policies

#### *Basis of Presentation*

As required by generally accepted accounting principles in the United States of America (U.S. GAAP), the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

*Without Donor Restrictions* - Net assets without donor restrictions include resources which are available for the support of the Organization’s operating activities and are both undesignated and designated in nature. In addition, they include the Organization’s net investment in property and equipment and other resources designated by the board for specific purposes, as applicable.

*With Donor Restrictions* - Net assets with donor restrictions include resources that have been donated to the Organization subject to restrictions as defined by the donor and net assets subject to stipulations imposed by a third party that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

#### *Basis of Accounting*

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U.S. GAAP.

# Habitat for Humanity of Wake County, Inc.

## Notes to Financial Statements

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### ***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

### ***Reclassification***

Certain amounts in the 2024 financial statement and notes have been reclassified to conform to the 2025 presentation. These reclassifications had no effect on the Organization's previously reported financial position, the changes in its net assets, or the net asset balances.

### ***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash and money market investments. The Organization considers all highly liquid investments with low interest rates and original maturities of 90 days or less to be cash equivalents. The Organization maintains its cash and cash equivalents for general operating purposes and at regulated domestic financial institutions in amounts that may exceed Federal Deposit Insurance Corporation insured amounts. All cash balances are maintained at well capitalized institutions.

### ***Accounts Receivable***

Pledges receivable are presented within accounts receivable on the accompanying statements of financial position and recorded at their estimated realizable value. Pledges receivable are recognized as revenue in the period in which the pledge is made, provided that the pledge is unconditional. Conditional pledges are recognized as revenue when the conditions on which they depend are substantially met. Management evaluates the collectability of pledges receivable and provides an allowance for doubtful accounts based on historical collection experience and specific identification of uncollectible amounts. This allowance is reviewed and adjusted annually based on the current status of pledges and the Organization's collection history. The allowance was \$0 as of June 30, 2025 and 2024. Pledges are written off when management determines they are uncollectible. Subsequent recoveries, if any, are recognized as revenue in the period received.

Pledges receivable due in more than one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the pledges are received. Amortization of the discounts is included in contribution revenue.

The remaining accounts receivable are stated at unpaid balances, less an allowance for credit losses. The Organization provides for losses on receivables using the allowance method. The allowance method is based on experience, third party contracts, and other circumstances, which may affect the ability of debtors to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with contractual terms. The allowance was \$0 as of June 30, 2025 and 2024. Accounts receivable are written off when deemed uncollectible. Subsequent recoveries, if any, are recognized as revenue in the period received.

# Habitat for Humanity of Wake County, Inc.

## Notes to Financial Statements

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### ***Materials Inventory***

Inventory is donated and valued at fair value which, due to the quick turnover of inventory (generally within a month of receipt), approximates the value at which the items are subsequently sold.

### ***Land, Construction in Progress and Property Held for Sale***

Land held for future construction is recorded at cost when payment is made or at estimated fair value when donated.

Costs of construction in progress consist of direct home construction costs only. Once a home is completed, the actual direct construction costs are transferred from construction in progress to finished houses inventory along with transferring the actual cost of the land from land inventory. Construction overhead is allocated to the completed job at that time. Homes completed pending closing are presented as finished houses within Note 6 until delivered. The Organization reviews the capitalized home costs in the month the home is completed and if the proposed sales price as determined by an appraisal is less than the capitalized home costs, an impairment loss is recorded in that same month. U.S. GAAP requires that if the undiscounted cash flows expected to be generated by an asset are less than its carrying amount, an impairment charge should be recorded to write down the carrying amount of such asset to its fair value.

At year end, construction costs for homes not yet completed are recorded as construction in progress. A portion of administrative costs is allocated to the cost of each home and becomes a part of the final cost of the home.

### ***Property and Equipment, Net***

Property and equipment is recorded at cost or, if donated, at the estimated fair value at the date of donation. Property and equipment is capitalized if each individual item is \$2,000 or more in value. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

The following are the estimated useful lives of the respective assets:

Description	Estimated Useful Lives (Years)
Buildings and leasehold improvements	Lesser of 30 years or lease term
Computer and equipment	3-7
Furniture and fixtures	5-7
Vehicles	5

Expenditures for repairs and maintenance to property and equipment are expensed as incurred. The cost of major renewals and betterments to property and equipment is capitalized and depreciated or amortized over their estimated useful lives. Upon disposition of property and equipment, the respective assets, and accumulated depreciation and amortization accounts are relieved, and any related gain or loss is reflected in current activities.

# Habitat for Humanity of Wake County, Inc.

## Notes to Financial Statements

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### ***Split Interest Agreements***

The Organization accepts gifts subject to split interest agreements. These gifts may be in the form of annuities or charitable remainder trusts, and they provide for the payment of distributions to the grantor or other designated beneficiaries over the designated beneficiary's lifetime. At the end of the trust's term, the remaining assets are available for the Organization's use. At the time of receipt, a gift is recorded based upon the fair value of assets donated less any applicable liabilities. Liabilities include the present value of projected future distributions to the annuity or trust beneficiary and are determined using appropriate discount rates. On an annual basis, the Organization revalues the liability for future payments to beneficiaries based on actuarial assumptions. Fair value of interest in charitable remainder trusts is determined as described in Note 4. The change in fair value is disclosed within unrealized gain on the Statement of Activities.

### ***Investment in Joint Venture***

On December 20, 2017, the Organization invested, along with five other Habitat for Humanity affiliates, in a partnership (Harbor Habitat Leverage II, LLC) with 16.67% ownership to take advantage of New Market Tax Credit (NMTC) financing. The Organization had an investment balance of \$0 and \$1,129,566 in the joint venture as of June 30, 2025 and 2024, respectively. On December 23, 2024, the investment was liquidated as a result of the cancellation of debt, see Note 10.

On April 3, 2025, the Organization invested, along with two other Habitat for Humanity affiliates, in a partnership (Harbor Habitat Leverage V, LLC) with 33.33% ownership to take advantage of NMTC financing. The Organization had an investment balance of \$2,847,600 as of June 30, 2025.

In conjunction with each of the investments in joint ventures, the Organization secured loans to community development entities. The loan proceeds are to be used solely for the purpose of acquiring, rehabbing, and/or constructing single-family homes in qualified census tracts and selling 100% of such homes to low-income persons. For additional disclosure related to the due to joint venture, see Note 10.

### ***Fair Value of Financial Instruments***

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, which qualify as financial assets and financial liabilities, approximate fair value due to the relative terms and short maturity of these financial instruments. The carrying amount of the investment in joint venture approximates fair value as it represents the discounted return of the Organization's 33.33% investment interest in Harbor Habitat Leverage V, LLC. The carrying amounts of the debt (including amounts due to joint venture) approximate fair value as these financial instruments bear interest at variable rates which approximate current market rates for debt with similar maturities and credit quality.

### ***Deferred Revenue***

Deferred revenue represents mortgage forgiveness that is amortized over the term of the mortgage and NMTC affiliate guaranty fee, which is amortized over the term of the loan.

# Habitat for Humanity of Wake County, Inc.

## Notes to Financial Statements

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### ***Public Support***

Donor support, contributions and government grants received are recognized as revenue when received or unconditionally promised. The Organization receives government grants from Wake County and local townships in the area. Public support streams are recorded as without or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions, including support in which the restriction expires in the reporting period in which the support is recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions.

Contributed nonfinancial assets consist of in-kind house sponsorships, in-kind ReStore donations, and in-kind other contributions. In-kind house contributions are utilized for construction or maintenance of homes and are reported under the construction program on the statements of functional expenses. In-kind ReStore donations include inventory received and subsequently sold at ReStore locations and reported under the ReStore program on the statements of functional expenses. In-kind other contributions include specialized services and use of facilities that are reported under volunteer services and management and general programs on the statements of functional expenses.

Donated materials, specialized services, and use of facilities received by the Organization are reflected as both contributions of nonfinancial assets and expenses in the accompanying statements of activities and changes in net assets at their estimated fair market value at the time of receipt.

The Organization receives a significant amount of donated services from unpaid volunteers who assist in the construction of Habitat homes. Only donated services that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair market values in the period received. Non-professional construction-related volunteer services do not meet these criteria, are not estimable, and are not recorded in the financial statements.

### ***Revenues from Contracts with Customers***

#### *ReStore Revenue*

A portion of the Organization's revenue is derived from ReStore sales during the year. Such revenue is conditioned upon meeting one performance obligation, the sales transaction is completed at a ReStore location, and amounts received are recognized as revenue at the point in time that the sale has been made. Once the sale is made, customers take possession of the goods purchased. These transactions are considered to be contracts with customers as they have commercial substance through the transaction of cash payment at the time of sale in return for the goods purchased. Due to the nature of these transactions, there is no variable consideration and only one performance obligation.

#### *House Sales*

A portion of the Organization's revenue is derived from house sales. Due to the nature of the contracts, there is no variable consideration and only one performance obligation. Such revenue is conditioned upon fulfilling a certain performance obligation, and amounts received are recognized

# Habitat for Humanity of Wake County, Inc.

## Notes to Financial Statements

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as revenue at the point in time the requirement has been met. Once construction is complete on a house and closing procedures have been completed, buyers take possession of the house and the performance obligation is considered to have been met. Each house sold has a defined purchase price based on a third-party appraisal. Contracts are considered to have commercial substance as they all involve a cash down payment and a signed promissory note, which is paid in accordance with the note terms.

### ***Mortgage Loans Receivable, Interest Income and Gain or Loss on Early Extinguishment of Mortgage Loans Receivable***

#### *Mortgage Loans Receivable*

Homebuyers enter into equity agreements with the Organization at the time the mortgage loan notes are signed. Prior to the fiscal year ended June 30, 2001, homebuyers purchased houses from the Organization at less than fair value with the equity amount determined as the difference between the purchase price and the fair value. Beginning with the fiscal year ended June 30, 2001, homebuyers purchased houses at fair value and the Organization provided the homebuyers with a discounted interest rate on their mortgage loans. Under both methods, homebuyers earn the equity over the life of their mortgages, typically 30 years or as the mortgages are repaid. As of July 1, 2016, the deferred equity on mortgage receivable is due at the time of sale. If the homebuyers default on their mortgages, the Organization retains all or a portion of the equity in the house. If homebuyers wish to dispose of their property, the Organization retains the right of first refusal. Homebuyers' equity agreements are included in the deeds of trust on their property as restrictive covenants.

In accordance with Accounting Standards Codification (ASC) 835, *Interest*, the Organization recognizes discounts on non-interest-bearing mortgage loans receivable as well as mortgage loans issued with interest rates below the prevailing market rates at the inception of the mortgage loan. These discounts are presented as a reduction to mortgage loans receivable on the accompanying statement of financial position and are accreted into interest income over the respective lives of the underlying loans using the effective interest method.

A loan is defined as impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due under the contractual terms of the loan agreement. The Organization considers one-to-four family mortgage loans and consumer installment loans to be homogeneous and, therefore, does not generally evaluate them for impairment unless they are considered troubled debt restructurings. There were no troubled debt restructurings as of June 30, 2025 and 2024. All other loans are evaluated for impairment on an individual basis.

Allowance for credit loss on mortgage loans receivable is determined on the basis of loss experience, known and inherent risk in the mortgage loan portfolio, the estimated value of the underlying collateral, and current economic conditions. Based on the terms of the loans, the Organization can reclaim homes through foreclosure in the event that a mortgage loan is deemed to be uncollectible. Assets repossessed that are expected to be re-sold in the normal course of the Organization's operations are included in land, construction in progress and property held for sale on the accompanying statements of financial position at the lower of cost or recoverable value. The allowance was \$0 as of June 30, 2025 and 2024.

# Habitat for Humanity of Wake County, Inc.

## Notes to Financial Statements

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### *Interest Income on Mortgage Loans Receivable*

The Organization recognizes interest income from mortgage loans receivable and the accretion on discounts on mortgage loans receivable in accordance with ASC 835, *Interest*.

### *Gain or Loss on Early Extinguishment of Mortgage Loans Receivable*

The Organization recognizes a gain or loss on the early extinguishment of mortgage loans receivable when a loan is settled before its scheduled maturity date. The gain or loss is calculated as the difference between the carrying amount of the loan receivable and the consideration received upon settlement. The amount of unamortized discount or premium at the time of extinguishment of mortgage loans receivable (due to prepayment, etc.) is recognized as a gain or loss on early extinguishment of mortgage loans receivable within the accompanying statements of activities and changes in net assets.

### *Expense Allocation*

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. While a majority of these costs are specifically identifiable to a functional expense category (cost of construction, interest expense on notes payable and on mortgages receivable, event costs, and tithe to Habitat International), other costs are allocated. Allocation bases primarily include the following: estimates of time and effort (e.g., for salaries and wages, payroll taxes, pension contributions); square footage (e.g., for occupancy); headcount (e.g., for supplies, telephone); and employee-specific (e.g., telephone, staff development, employee mileage reimbursement). Advertising costs are expensed as incurred and presented on the statements of functional expenses as publicity and marketing.

### *Income Tax Status*

The Organization is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and the applicable state tax statutes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been qualified as an organization that is not a private foundation under Section 509(a)(2) of the IRC. Management has evaluated the effect of the guidance provided by U.S. GAAP on *Accounting for Uncertainty in Income Taxes*, under ASC 740. Management believes that the Organization continues to satisfy the requirements of a tax-exempt organization as of June 30, 2025 and 2024. Management has evaluated all other tax positions that could have a significant effect on the financial statements and determined the Organization had no significant uncertain income tax positions as of June 30, 2025 and 2024.

### *Retirement Plan*

Effective January 1, 2004, the Organization adopted a 401(k) profit-sharing plan for the benefit of its employees. An employee must be 21 years or older to obtain the 401(k) employer match. Employees may contribute from 1% to 97% of their compensation. The Organization will match 100% of each employee's contributions up to a maximum of 4% of compensation. For the years ended June 30, 2025 and 2024, the Organization contributed \$143,581 and \$105,351, respectively, to the plan.

# Habitat for Humanity of Wake County, Inc.

## Notes to Financial Statements

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### ***Recently Adopted Accounting Pronouncements***

In January 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326)*. For non-public entities, ASU 2016-13 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. The ASU requires credit losses on most financial assets carried at amortized cost and certain other instruments to be measured using an expected credit loss model. The Organization implemented ASU 2016-13 on July 1, 2023 and determined the implementation did not have a material impact.

### **3. Liquidity and Availability**

Financial assets available for general expenditures consisting of expenses for program, fundraising, and management and general expenses that are without donor or other restrictions, limiting their use within one year of the statement of financial position date, are comprised of the following:

<u>June 30,</u>	<u>2025</u>	<u>2024</u>
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 5,251,449	\$ 6,000,472
Accounts receivable	2,410,038	2,177,657
Current portion of mortgage loans receivable	1,357,643	1,492,886
<b>Total Financial Assets</b>	<b>9,019,130</b>	<b>9,671,015</b>
Less those unavailable for general expenditures within one year:		
Financial assets with donor restrictions	(1,204,200)	(2,000,000)
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b>\$ 7,814,930</b>	<b>\$ 7,671,015</b>

At June 30, 2025 and 2024, the Organization had a total of \$1,500,000 available from unused lines of credit.

### **4. Fair Value Measurements of Financial Instruments**

U.S. GAAP 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 or most advantageous market for the asset or liability in an orderly transaction value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

*Level 1* - Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date.

*Level 2* - Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies.

# Habitat for Humanity of Wake County, Inc.

## Notes to Financial Statements

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**Level 3** - Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

**Interest in Charitable Remainder Trusts** - These Level 3 investments are valued on factors not easily observable in similar instruments in an active market.

Financial instruments carried at fair value by level are as follows:

June 30, 2025

	Level 1	Level 2	Level 3	Total Fair Value
Interest in charitable remainder trusts	\$ -	\$ -	\$ 756,211	\$ 756,211

June 30, 2024

	Level 1	Level 2	Level 3	Total Fair Value
Interest in charitable remainder trusts	\$ -	\$ -	\$ 656,455	\$ 656,455

Changes in Level 3 inputs are as follows:

	Interest In Charitable Remainder Trust
Balance as of June 30, 2023	\$ 590,888
Unrealized gain	65,567
Balance as of June 30, 2024	656,455
Unrealized gain	99,757
<b>Balance as of June 30, 2025</b>	<b>\$ 756,211</b>

# Habitat for Humanity of Wake County, Inc.

## Notes to Financial Statements

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### 5. Mortgage Loans Receivable

Mortgage loans receivable consisted of the following:

<u>June 30,</u>	<u>2025</u>	<u>2024</u>
Various homebuyers	\$ 35,277,472	\$ 37,336,801
Less: equity forgiveness, unamortized discounts, and second mortgages due to third parties	(21,987,615)	(22,074,611)
<b>Total Mortgage Loans Receivable, Net</b>	<b>13,289,857</b>	<b>15,262,190</b>
Less: current portion	(1,357,643)	(1,492,886)
<b>Non-Current Portion of Mortgage Loans Receivable</b>	<b>\$ 11,932,214</b>	<b>\$ 13,769,304</b>

At June 30, 2025 and 2024, the payments in delinquencies in mortgages receivable consisted of the following:

#### June 30, 2025

30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Total Past Due	Total Mortgage Receivable, Net
\$ 7,622	\$ 9,885	\$ 42,702	\$ 60,209	\$ 13,289,857

#### June 30, 2024

30-59 Days Past Due	60-89 Days Past Due	Over 90 Days Past Due	Total Past Due	Total Mortgage Receivable, Net
\$ 9,935	\$ 4,904	\$ 32,114	\$ 46,953	\$ 15,262,190

At June 30, 2025 and 2024, management has not established an allowance for credit loss because, as discussed in Note 2, the Organization can reclaim homes through foreclosure in the event that a mortgage loan is deemed to be uncollectible and the fair value of the foreclosed homes is generally higher than the outstanding balance of the defaulted loans due to the equity requirements specified in the terms and conditions of the related equity agreements executed at the time of loan origination.

# Habitat for Humanity of Wake County, Inc.

## Notes to Financial Statements

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Certain changes in the mortgages receivable accounts are summarized as follows:

	Gross Loan Balance	City of Raleigh	North Carolina Housing Finance Agency	Equity Forgiveness	Loan Balance	Discount	Total Mortgages Receivable, Net
<b>Balance, July 1, 2024</b>	\$ 37,801,989	\$ 631,842	\$ 4,434,015	\$ 12,506,498	\$ 20,229,634	\$ (3,075,225)	\$ 17,154,409
New loans	4,215,244	-	105,000	2,075,046	2,035,198	(1,284,345)	750,853
Sales	(2,569,867)	(26,124)	(133,439)	(200,026)	(2,210,278)	316,766	(1,893,512)
Payments received	(2,110,565)	(145,892)	(263,074)	(165,845)	(1,535,754)	786,194	(749,560)
<b>Balance, June 30, 2024</b>	<b>37,336,801</b>	<b>459,826</b>	<b>4,142,502</b>	<b>14,215,673</b>	<b>18,518,800</b>	<b>(3,256,610)</b>	<b>15,262,190</b>
New loans	3,014,987	-	210,000	1,290,527	1,514,460	(356,101)	1,158,359
Sales	(3,583,909)	(15,267)	(96,443)	(299,315)	(3,172,884)	293,589	(2,879,295)
Payments received	(1,579,590)	(91,653)	(270,521)	(141,186)	(1,076,230)	824,833	(251,397)
<b>Balance, June 30, 2025</b>	<b>\$ 35,188,289</b>	<b>\$ 352,906</b>	<b>\$ 3,985,538</b>	<b>\$ 15,065,699</b>	<b>\$ 15,784,146</b>	<b>\$ (2,494,289)</b>	<b>\$ 13,289,857</b>

## 6. Land, Construction in Progress, and Property Held for Sale

The following table summarizes land, construction in progress and property held for sale for the years ended June 30, 2025 and 2024:

	Land	Land Gift in Kind	Land Development	Construction in Progress	Finished Houses	Total
<b>Balance, July 1, 2024</b>	\$ 5,596,026	\$ 423,035	\$ 5,288,532	\$ 4,370,768	\$ -	\$ 15,678,361
Additions	12,995	-	3,632,462	6,205,561	199,116	10,050,134
Closed jobs	(490,434)	-	(1,369,245)	(5,499,563)	-	(7,359,242)
<b>Balance, June 30, 2024</b>	<b>5,118,587</b>	<b>423,035</b>	<b>7,551,749</b>	<b>5,076,766</b>	<b>199,116</b>	<b>18,369,253</b>
Additions	2,586,024	-	1,408,204	7,679,958	677,636	12,351,822
Closed jobs	-	-	(1,496,231)	(4,351,401)	(203,685)	(6,051,317)
<b>Balance, June 30, 2025</b>	<b>\$ 7,704,611</b>	<b>\$ 423,035</b>	<b>\$ 7,463,722</b>	<b>\$ 8,405,323</b>	<b>\$ 673,067</b>	<b>\$ 24,669,758</b>

# Habitat for Humanity of Wake County, Inc.

## Notes to Financial Statements

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### 7. Property and Equipment, Net

Net property and equipment consisted of the following:

<u>June 30,</u>		<b>2025</b>	<b>2024</b>
Land	\$ 2,530,129	\$ 2,530,129	
Buildings	4,903,825	4,903,825	
Leasehold improvements	2,191,286	1,427,015	
Building improvements	131,454	95,358	
Computer and equipment	532,230	494,691	
Furniture and fixtures	374,642	398,783	
Vehicles	316,233	316,235	
<b>Gross Property and Equipment</b>	<b>10,979,799</b>		10,166,036
<b>Less: accumulated depreciation</b>	<b>(3,668,454)</b>		(3,212,888)
<b>Property and Equipment, Net</b>	<b>\$ 7,311,345</b>		\$ 6,953,148

Depreciation expense charged to operations amounted to \$455,566 and \$426,243 for the years ended June 30, 2025 and 2024, respectively, and is included within depreciation on the statements of functional expenses.

### 8. Accounts Receivable

Accounts receivable consisted of the following at:

<u>June 30,</u>		<b>2025</b>	<b>2024</b>
Pledges receivable	\$ 1,778,500	\$ 1,903,750	
Home preservation receivable	97,613	132,605	
Other receivables	533,925	141,302	
<b>Total Accounts Receivable</b>	<b>\$ 2,410,038</b>		\$ 2,177,657

### 9. Interest in Charitable Remainder Trusts

During the year ended June 30, 2003, the Organization was named the single vested beneficiary of a charitable remainder unitrust. Upon the death of the last surviving income beneficiary, the remaining assets of the trust will transfer to the Organization. During the year ended June 30, 2007, the Organization was named the single beneficiary of a charitable remainder annuity trust. Upon the death of the surviving income beneficiary, the remaining assets of the trust will transfer to the Organization. The trusts' values are classified within net assets with donor restrictions on the Organization's statements of financial position until the trusts terminate, and the remaining assets are transferred to the Organization. The fair market value of the Organization's interest in the trusts was \$756,211 and \$656,455, respectively, as of June 30, 2025 and 2024. The fair market value approximates the present value of the future cash flows anticipated from the trusts.

# Habitat for Humanity of Wake County, Inc.

## Notes to Financial Statements

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### **10. Investment in Joint Venture and Due to Joint Venture**

In December 2017, the Organization participated in an NMTC program. This program provides tax credits to eligible organizations for investment in “qualified low-income community investments.” Program compliance requirements included creation of a promissory note and investment in a qualified community development entity. Tax credit recapture is required if compliance requirements are not met over a seven-year period.

In December 2017, the Organization entered into a promissory note agreement with Harbor Community Fund XIII, LLC which held a due to joint venture balance of \$1,715,000. The note requires interest only payments until December 2024 at an interest rate of 0.7041%. The note then requires principal payments in an amount sufficient to fully amortize the note over 13 years. The loan’s maturity date was December 2037. The loan was secured by substantially all the assets acquired by the Organization from the project loan proceeds. The Organization also recorded its 16.667% investment in Harbor Habitat Leverage II, LLC at the cost of \$1,207,410.

In December 2024, Twain Investment Fund 296, LLC (the Twain Fund), and the upstream effective owner of Harbor Community Fund XIII, LLC (holder of the promissory note due from the Organization) had the right to exercise its put option. Under the terms of the put option agreement, Harbor Habitat Leverage II, LLC would purchase the ownership interest of the Twain Fund. Exercise of the option would effectively allow the Organization to extinguish its outstanding debt owed to the Twain Fund. On December 23, 2024, they exercised the put option and the remaining debt was extinguished. The Organization’s extinguishment of debt less the investment in joint venture resulted in a gain on extinguishment of debt of \$592,102. As of June 30, 2025 and 2024, the investment in Harbor Habitat Leverage II, LLC balance was \$0 and \$1,129,566, respectively.

In April 2025, the Organization participated in another NMTC program with Harbor Community Fund XLVI, LLC in the amount of \$3,920,000. The note requires interest only payments until December 2032 at an interest rate of 1.302%. The note then requires principal payments in an amount sufficient to fully amortize the note over 23 years. The loan matures in April 2055. The loan is secured by substantially all the assets acquired by the Organization from the project loan proceeds. In April 2025, the Organization recorded its 33.33% investment in Harbor Habitat Leverage V, LLC at the cost of \$2,847,600.

### **11. Escrow Funds Payable**

As of June 30, 2025 and 2024, a total of \$66,332 and \$135,881, respectively, had been collected from homebuyers by the Organization for payment of property and insurance which is being held in escrow by the Organization. Escrow funds payable are presented within accrued expenses in the accompanying statements of financial position.

### **12. Lines of Credit**

In June 2020, the Organization obtained a \$1,000,000 line of credit which matured on March 2024. The line of credit was closed as of June 30, 2025. In April 2024, the Organization obtained a \$500,000 line of credit with a maturity of February 2025 with the same financial institution. As of June 30, 2025 and 2024, the line of credit had interest rates of 6.57% and 7.99%, respectively, and no outstanding balance as of June 30, 2025.

# Habitat for Humanity of Wake County, Inc.

## Notes to Financial Statements

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In July 2014, the Organization obtained a \$1,000,000 line of credit which has an extended maturity of March 2026. As of June 30, 2025 and 2024, the line of credit had interest rates of 6.58% and 7.64%, respectively, and no outstanding balances for both years.

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# Habitat for Humanity of Wake County, Inc.

## Notes to Financial Statements

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### 13. Long-Term Debt

The Organization's obligations under debt agreements consisted of the following:

<u>June 30,</u>		2025	2024
Board of Commissioners of the Wake County Industrial Facilities and Pollution Control Financing Authority bond payable for \$4,400,000, secured by the facility, with an interest rate of 5.24% and 6.07% at June 30, 2025 and 2024, respectively. The loan will mature in November 2032, when any unpaid principal balance and accrued interest will become due.	\$ 1,900,370	\$ 2,125,035	
Pacific Western Bank note for borrowing up to \$2,466,222 net of unamortized discount, with an interest rate of 2.00%. The loan will mature in September 2045. Secured by mortgage loans receivable.	1,168,665	1,229,859	
Pacific Western Bank note for borrowing up to \$1,244,135 net of unamortized discount, with an interest rate of 2.00%. The loan will mature in June 2047. Secured by mortgage loans receivable.	738,278	756,025	
Pacific Western Bank note for borrowing up to \$954,174 net of unamortized discount, with an interest rate of 2.00%. The loan will mature in March 2051. Secured by mortgage loans receivable.	853,995	868,504	
Truist note payable with interest rate of 7.44% at June 30, 2024. Note payable was paid off during the year. As such, the loan was closed as of June 30, 2025.	-	222,844	
Home Trust Bank note payable, with an interest rate of 2.00%. The loan will mature in January 2049, when any unpaid principal balance and accrued interest will become due. Secured by mortgage loans receivable.	725,459	752,336	
North State Bank note payable, with an interest rate of 2.00%. The loan will mature in April 2048, when any unpaid principal balance and accrued interest will become due. Secured by mortgage loans receivable.	812,719	840,300	
Towne Bank note payable, secured by eight mortgages, with an interest rate of 2.00%. The loan will mature in May 2049, when any unpaid principal balance and accrued interest will become due. Secured by mortgage loans receivable.	1,594,281	1,646,514	
Towne Bank note payable, with an interest rate of 3.49%. The loan will mature in November 2029, when any unpaid principal balance and accrued interest will become due. Secured by certain real estate.	2,194,894	2,310,460	
Towne Bank note payable, with an interest rate of 3.99%. The loan will mature in August 2027, when any unpaid principal balance and accrued interest will become due. Secured by certain real estate.	1,026,563	1,482,813	
Wake County note payable, with an interest rate of 1.00% at June 30, 2025. The loan will mature 20 years from the date of Certificate of Occupancy on the final home, when any unpaid principal balance and accrued interest will become due. Secured by certain real estate.	2,145,000	-	
US Property Acquisition Fund note payable, with an interest rate of 4.80% at June 30, 2025. The loan will mature in April 2028, when any unpaid principal balance and accrued interest will become due. Secured by certain real estate.	1,187,500	-	
United Bank note payable, with an interest rate of 7.00% and 8.00% at June 30, 2025 and 2024, respectively. The loan will mature in May 2026, when any unpaid principal balance and accrued interest will become due. Secured by certain real estate.	709,455	1,483,455	
<b>Total Long-Term Debt</b>	<b>15,057,179</b>	<b>13,718,145</b>	
Less: unamortized debt issuance costs	(495,767)	(48,787)	
<b>Total Long-Term Debt, Net</b>	<b>14,561,412</b>	<b>13,669,358</b>	
Less: current portion of long-term debt	(1,841,789)	(2,131,999)	
<b>Long-Term Debt, net of current portion</b>	<b>\$ 12,719,623</b>	<b>\$ 11,537,359</b>	

# Habitat for Humanity of Wake County, Inc.

## Notes to Financial Statements

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Scheduled maturities of long-term debt are as follows as of June 30, 2025:

*Year ending June 30,*

2026	\$ 1,841,789
2027	1,370,439
2028	2,064,787
2029	613,241
2030	2,181,297
Thereafter	6,985,626
<b>Total Long-Term Debt</b>	<b>\$ 15,057,179</b>

## 14. ReStore Revenue

ReStore revenue by store location was as follows:

<i>Year ended June 30,</i>	<b>2025</b>	<b>2024</b>
Apex	\$ 803,127	\$ 812,119
Cary	1,249,538	1,298,482
Clayton	959,234	593,796
Durham	1,741,475	1,917,544
Fuquay-Varina	733,125	842,687
Glenwood	1,195,324	1,099,355
Hillsborough	615,902	644,007
Morrisville	741,481	736,773
Raleigh	2,873,485	2,887,896
Wake Forest	1,460,525	1,614,797
<b>Total Restore Revenue</b>	<b>\$ 12,373,216</b>	<b>\$ 12,447,457</b>

## 15. Net Assets and Releases from Restrictions

### *Net Assets Without Donor Restrictions*

As of June 30, 2025 and 2024, the Organization's net assets without donor restrictions had no board designations and consisted entirely of net investment in property and equipment and net assets available for general use.

### *Net Assets with Donor Restrictions*

As of June 30, 2025 and 2024, net assets with donor restrictions of \$2,020,240 and \$2,656,455, respectively, represent unexpended amounts of cash and pledge receivables from house sponsors and grantors, the value of donated land, and interest in charitable remainder trusts in which the Organization is the single beneficiary.

# Habitat for Humanity of Wake County, Inc.

## Notes to Financial Statements

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The components of net assets with donor restrictions are as follows:

<u>June 30,</u>	<u>2025</u>	<u>2024</u>
Contributions	\$ 1,204,000	\$ 2,000,000
Interest in charitable remainder trusts	756,211	656,455
<b>Total Restricted by Time and Purpose</b>	<b>\$ 1,960,211</b>	<b>\$ 2,656,455</b>

### *Net Assets Released from Restriction*

Net assets with donor restrictions are subject to donor stipulations that expire by the passage of time or can be fulfilled or removed by actions pursuant to the stipulations. The following table summarizes net assets released from restrictions:

<u>Year ended June 30,</u>	<u>2025</u>	<u>2024</u>
Pledges and contributions	\$ 2,316,784	\$ 2,005,071
Grants	42,500	-
<b>Total Net Assets Released from Restrictions</b>	<b>\$ 2,359,284</b>	<b>\$ 2,005,071</b>

## 16. Operating Leases and Maintenance Contracts

The Organization leases certain facilities and other property under the terms of operating lease agreements. The Organization determines if an arrangement is a lease at the agreement's inception. Certain operating leases include predetermined rent increases, which are charged to rental and maintenance expenses on a straight-line basis over the lease term. In addition, certain leases provide for additional variable costs including taxes and maintenance. When these additional costs are fixed, or measured based on an index or a rate, these are included in future lease payments when measuring lease liability. Variable increases not based on an index or rate are not measurable at inception and are excluded from future lease payments and the calculation of the operating lease liability. These amounts are included in lease cost when it is probable that the expense has been incurred and the amount is estimable. The Organization records operating lease right-of-use (ROU) assets and current and noncurrent operating lease liabilities in the statements of financial position related to its operating leases.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of future lease payments over the lease term. Lease terms include the noncancellable period for which the Organization has the right to use the underlying asset plus any period covered by an option to extend the lease if the Organization is reasonably certain to exercise the option or if the exercise of the option is controlled by the lessor. As the Organization's leases do not provide an implicit rate, the Organization uses the risk-free rate available at the lease commencement date, based primarily on the underlying lease term, in measuring the present value of lease payments. The operating lease ROU asset may also include initial direct costs, prepaid and/or accrued lease payments and the unamortized balance of lease incentives received. ROU assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. No impairment was identified in the years ended June 30, 2025 and 2024, respectively.

# Habitat for Humanity of Wake County, Inc.

## Notes to Financial Statements

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Payments arising from operating lease activity, as well as variable and short-term lease payments not included within the operating lease liability, are included as operating activities on the Organization's statements of cash flows.

The weighted-average lease term and discount rate for the Organization's outstanding operating leases were as follows:

<i>June 30,</i>	2025	2024
Weighted-average remaining lease term	6.02 years	7.67 years
Weighted-average discount rate	3.77%	2.73%

Total lease costs are as follows:

<i>Year ended June 30,</i>	2025	2024
Operating lease cost	\$ 1,475,326	\$ 1,396,632
Variable lease cost	-	-
<b>Total Lease Costs</b>	<b>\$ 1,475,326</b>	<b>\$ 1,396,632</b>

Supplemental cash flow information related to leases was as follows:

<i>Year ended June 30,</i>	2025	2024
Operating lease ROU assets obtained in exchange for lease obligations	\$ 1,283,038	\$ 3,994,563
Reduction in the carrying amount of ROU assets	1,306,303	1,326,295

The future minimum operating lease payments for operating leases having initial or non-cancelable terms in excess of one year are as follows:

<i>Year ending June 30,</i>	
2026	\$ 1,509,266
2027	1,358,039
2028	1,090,958
2029	1,007,620
2030	968,652
Thereafter	2,588,929
<b>Total Future Minimum Operating Lease Payments</b>	<b>8,523,464</b>
Less: imputed interest	(1,271,313)
<b>Present Value of Operating Lease Liabilities</b>	<b>7,252,151</b>
Less: current portion of operating lease liabilities	(1,215,618)
<b>Operating Lease Liabilities, net of current portion</b>	<b>\$ 6,036,533</b>

# **Habitat for Humanity of Wake County, Inc.**

## **Notes to Financial Statements**

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### **17. Grant Audits**

The Organization receives grant funds at times from various federal, state, and local governments. The grant amounts received are subject to audit and adjustment. If any expenditures are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the Organization. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements as well as the applicable federal, state, and local government laws and regulations.

### **18. Contributions to Habitat for Humanity International, Inc.**

The Organization contributes to Habitat for Humanity International for their housing programs. The Organization's contributions served an additional 70 families globally. For the years ended June 30, 2025 and 2024, contributions to Habitat for Humanity International were \$100,800 and \$100,000, respectively.

### **19. Memorandum of Understanding**

Effective July 1, 2019, the Organization entered into a Memorandum of Understanding (MOU) agreement with Habitat for Humanity of Durham, Inc. (Habitat Durham) and Habitat for Humanity of Orange County, Inc. (Habitat Orange) regarding the operation of real estate and Habitat ReStore (the Store) at the property known as 5501 Durham-Chapel Hill Boulevard, Durham, NC 27707, serving Durham, Orange and Wake Counties. An executed Management Agreement allows the Organization to operate the business on behalf of Habitat Durham and Habitat Orange. As a result of the new MOU agreement, the Organization purchased the land and building at 5501 Durham-Chapel Hill Boulevard for approximately \$2,800,000.

The amount of Store earnings from all stores in the Organization, Habitat Orange and Habitat Durham service areas shall be allocated between the three Organizations based on the percentage of product donations made to the Store by residents from each County. Per the MOU, the Organization shall pay all ReStore debt and related expenses out of the ReStore revenue prior to any distributions made to Habitat Durham or Habitat Orange. If this revenue is not sufficient to cover the necessary expenses, the Organization may make payments out of their own funds and credit future distributions to Habitat Durham and Habitat Orange. Distributions to Habitat Durham and Habitat Orange totaled \$147,475 and \$620,697 during the years ended June 30, 2025 and 2024, respectively.

### **20. Subsequent Events**

The Organization has evaluated subsequent events and their potential effects on these financial statements from June 30, 2025 through January 14, 2026, in connection with the preparation of these financial statements, which is the date the accompanying financial statements were available to be issued.

In September 2025, the Organization closed on a \$5,000,000 land development loan with Pinnacle Bank. In October 2025, the Organization was the beneficiary of an estate which was liquidated for \$1,900,000.

No other material recognizable events were identified during this period.