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St. Croix Valley Habitat for Humanity®

ST. CROIX VALLEY HABITAT FOR HUMANITY, INC.

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2025 AND 2024

ST. CROIX VALLEY HABITAT FOR HUMANITY, INC.

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JUNE 30, 2025 AND 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
St. Croix Valley Habitat for Humanity, Inc.

Opinion

We have audited the financial statements of St. Croix Valley Habitat for Humanity, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of St. Croix Valley Habitat for Humanity, Inc. as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 St. Croix Valley Habitat for Humanity, Inc. 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.

Emphasis of Matter

As discussed in Note 13 to the financial statements, a prior period adjustment was recorded to correct the land held for future use balance for lots used in prior years. Our opinion is not modified with respect to this matter.

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 St. Croix Valley Habitat for Humanity, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

JOHNSON BLOCK AND COMPANY, INC. | 122 6th Street North, La Crosse, WI 54601 | Phone: (608) 784-1890 | Fax: (608) 784-3242
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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 St. Croix Valley Habitat for Humanity, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about St. Croix Valley Habitat for Humanity, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Johnson Block & Company, Inc.

Johnson Block & Company, Inc.
January 21, 2026

ST. CROIX VALLEY HABITAT FOR HUMANITY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2025 AND 2024

	JUNE 30, 2025	JUNE 30, 2024
ASSETS		
Cash and cash equivalents	$ 504,078	$ 473,530
Assets limited to use - escrow accounts	28,233	55,624
Accounts receivable	22,009	274
A Brush With Kindness receivable	-	4,318
Security deposits	3,300	3,300
Land held for future use	424,131	574,930
Property and equipment, net	78,574	65,841
Homes under construction	909,496	430,218
Mortgage receivables, net of unamortized discount	222,998	214,660
TOTAL ASSETS	**$ 2,192,819**	**$ 1,822,695**
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 42,426	$ 3,192
Escrow accounts payable	28,233	55,624
Accrued expenses	10,770	9,961
Notes payable, net of discounts	114,231	146,860
Mortgage servicing liability	17,124	21,943
TOTAL LIABILITIES	212,784	237,580
NET ASSETS		
Without donor restrictions	1,950,438	1,500,671
With donor restrictions	29,597	84,444
TOTAL NET ASSETS	1,980,035	1,585,115
TOTAL LIABILITIES AND NET ASSETS	**$ 2,192,819**	**$ 1,822,695**

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

ST. CROIX VALLEY HABITAT FOR HUMANITY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	YEAR ENDED JUNE 30, 2025			YEAR ENDED JUNE 30, 2024		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
OPERATING REVENUES AND SUPPORT						
Contributions:						
Contributions of cash and other financial assets	$ 330,163	$ 275,000	$ 605,163	$ 510,194	$ 291,050	$ 801,244
Donor contributions of nonfinancial assets	59,100	-	59,100	51,934	-	51,934
Grant income	529,882	-	529,882	-	-	-
Special events	50,952	-	50,952	111,997	-	111,997
ReStore sales	82,528	-	82,528	78,828	-	78,828
Other income	28,853	-	28,853	824	-	824
Net assets released from restrictions	329,847	(329,847)	-	466,909	(466,909)	-
TOTAL OPERATING REVENUES AND SUPPORT	1,411,325	(54,847)	1,356,478	1,220,686	(175,859)	1,044,827
OPERATING EXPENSES						
Program services	315,958	-	315,958	270,502	-	270,502
ReStore expenses	70,217	-	70,217	69,731	-	69,731
Management and general	411,608	-	411,608	363,409	-	363,409
Fundraising	97,837	-	97,837	88,512	-	88,512
TOTAL OPERATING EXPENSES	895,620	-	895,620	792,154	-	792,154
OPERATING CHANGE IN NET ASSETS	515,705	(54,847)	460,858	428,532	(175,859)	252,673
NON-OPERATING ACTIVITIES						
Interest income	3,129	-	3,129	8,191	-	8,191
Amortization of discount on mortgages	18,688	-	18,688	85,223	-	85,223
Gain (loss) on sale of homes and mortgage services	(87,755)	-	(87,755)	17,834	-	17,834
NON-OPERATING CHANGE IN NET ASSETS	(65,938)	-	(65,938)	111,248	-	111,248
CHANGE IN NET ASSETS	449,767	(54,847)	394,920	539,780	(175,859)	363,921
NET ASSETS AT BEGINNING OF YEAR	1,500,671	84,444	1,585,115	996,363	260,303	1,256,666
PRIOR PERIOD ADJUSTMENT	-	-	-	(35,472)	-	(35,472)
NET ASSETS AT BEGINNING OF YEAR, RESTATED	1,500,671	84,444	1,585,115	960,891	260,303	1,221,194
NET ASSETS AT END OF YEAR	**$ 1,950,438**	**$ 29,597**	**$ 1,980,035**	**$ 1,500,671**	**$ 84,444**	**$ 1,585,115**

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

ST. CROIX VALLEY HABITAT FOR HUMANITY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	YEAR ENDED JUNE 30, 2025				
	PROGRAM SERVICES	RESTORE	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
EXPENSES					
Cost of goods sold	$ 3,536	$ -	$ -	$ -	$ 3,536
Construction expenses	5,123	-	-	-	5,123
Salaries	108,794	31,697	221,475	58,283	420,249
Payroll taxes	8,205	2,444	16,702	4,395	31,746
Employee benefits	22,415	-	33,303	8,326	64,044
Professional fees and contract services	27,076	-	53,218	13,071	93,365
Supplies	7,586	887	20,103	10,241	38,817
Printing and publications	5	-	11	31	47
Postage, shipping, and delivery	577	-	685	541	1,803
Telephone	-	2,338	10,136	1,382	13,856
Occupancy	15,929	29,941	14,125	-	59,995
Taxes and licenses	189	-	2,169	-	2,358
Insurance	9,727	-	10,969	-	20,696
Travel	12,707	-	8,830	-	21,537
Membership dues and subscriptions	26,331	720	3,448	1,567	32,066
Repairs and maintenance	264	-	4,129	-	4,393
Advertising	31,377	157	2,728	-	34,262
Depreciation	21,831	-	446	-	22,277
Bad debt expense	4,318	-	-	-	4,318
Miscellaneous	5,310	2,033	7,966	-	15,309
Interest expense	4,658	-	1,165	-	5,823
TOTAL FUNCTIONAL EXPENSES	**$ 315,958**	**$ 70,217**	**$ 411,608**	**$ 97,837**	**$ 895,620**

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

ST. CROIX VALLEY HABITAT FOR HUMANITY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	YEAR ENDED JUNE 30, 2024				
	PROGRAM SERVICES	RESTORE	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
EXPENSES					
Cost of goods sold	$ 3,849	$ -	$ -	$ -	$ 3,849
Construction expenses	14,577	-	-	-	14,577
Salaries	84,016	32,514	171,034	45,009	332,573
Payroll taxes	6,275	2,572	12,774	3,362	24,983
Employee benefits	16,434	-	24,416	6,104	46,954
Professional fees and contract services	18,779	-	36,910	9,066	64,755
Supplies	16,299	1,495	43,191	22,003	82,988
Postage, shipping, and delivery	590	-	701	553	1,844
Telephone	-	1,953	9,103	1,241	12,297
Occupancy	16,759	27,283	14,862	-	58,904
Taxes and licenses	606	-	6,970	-	7,576
Insurance	8,484	-	9,568	-	18,052
Travel	5,475	-	3,805	-	9,280
Membership dues and subscriptions	19,714	723	2,582	1,174	24,193
Repairs and maintenance	362	-	5,673	-	6,035
Advertising	18,041	-	1,569	-	19,610
Depreciation	7,374	-	151	-	7,525
Miscellaneous	9,506	3,191	14,260	-	26,957
Interest expense	23,362	-	5,840	-	29,202
TOTAL FUNCTIONAL EXPENSES	**$ 270,502**	**$ 69,731**	**$ 363,409**	**$ 88,512**	**$ 792,154**

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

ST. CROIX VALLEY HABITAT FOR HUMANITY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	JUNE 30,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 394,920	$ 363,921
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	22,277	7,525
Notes payable discount amortization	2,356	28,350
Mortgage loan discount amortization	(18,688)	(85,223)
Mortgage servicing liability amortization	(4,819)	(1,451)
Loss (gain) on mortgage services	-	(272)
Changes in operating assets and liabilities:		
Accounts receivable	(17,417)	1,071
Accounts payable	39,234	(25,752)
Accrued expenses	809	(899)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	418,672	287,270
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from home and lot sales	866,910	156,927
Purchase of land held for future use	(48,712)	(226,383)
Purchase of materials for homes under construction	(1,146,677)	(438,634)
Purchase of capital assets	(35,010)	(51,668)
Mortgage payments received	10,350	150,007
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(353,139)	(409,751)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	-	51,668
Payments on long-term debt	(34,985)	(27,408)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(34,985)	24,260
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,548	(98,221)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	473,530	571,751
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 504,078**	**$ 473,530**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 5,823	$ 29,202
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING TRANSACTIONS		
In-kind donation	$ 44,000	$ 32,393
Purchase of land or materials for homes under construction	$ (44,000)	$ (32,393)

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

NOTE 1 – Nature of the Organization and Summary of Significant Accounting Policies

Nature of Organization – St. Croix Valley Habitat for Humanity, Inc. ("Habitat"), a non-profit organization, is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"), a nondenominational Christian non-profit organization whose purpose is to create decent, affordable housing for those in need and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, Habitat is primarily and directly responsible for its own operations.

Basis of Accounting – The financial statements of Habitat have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Using this method, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation – Habitat's financial statements are prepared in accordance with professional standards. Under generally accepted accounting principles (GAAP), Habitat is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restriction consist of investments and otherwise unrestricted amounts that are available for use in carrying out the mission of Habitat and include those expendable resources which have been designated for special use by Habitat's Board of Directors.

Net assets with donor restrictions consist of net assets that are subject to either donor-imposed time restrictions or donor-imposed purpose restrictions. These restrictions limit Habitat's choices of when to use these resources.

Income Tax Status – Habitat is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

In accordance with professional standards, Habitat follows the statutory requirements of their income tax accounting and generally avoids risks associated with potentially problematic tax positions that may be challenged upon examination. Management believes any liability resulting from taxing authorities imposing additional income taxes from activities deemed to be unrelated to Habitat's tax-exempt status would not have a material effect on the accompanying financial statements.

Habitat is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods.

Cash and Cash Equivalents – All liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

Concentrations of Credit Risk – The Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA) currently insure up to $250,000 of substantially all depository accounts held at each financial institution. Occasionally, the cash balances of Habitat may exceed that amount. At June 30, 2025 and 2024, Habitat had uninsured balances of $96,448 and $10,899, respectively. Habitat has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on its cash and cash equivalents.

NOTE 1 – Nature of the Organization and Summary of Significant Accounting Policies – Continued

Assets Limited to Use - Escrow Accounts – Assets limited to use consist of cash in escrow fund accounts held on behalf of clients. Habitat requires all homeowners to deposit into escrow cash to be applied to the current year's real estate taxes and homeowner's insurance. The resulting cash accounts are not considered cash held by Habitat and are offset by escrow accounts payable in the statements of financial position.

Accounts Receivable – Accounts receivable are recorded are stated at the amount management expects to collect from outstanding balances. Habitat has tracked historical loss information for its accounts receivable and compiled historical credit loss percentages for different aging categories (current, 1–30 days past due, 31–60 days past due, 61–90 days past due, and more than 90 days past due). Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for accounts receivable held at June 30, 2025 and 2024 because the composition of the accounts receivable at those dates are consistent with that used in developing the historical credit-loss percentages (i.e., the similar risk characteristics of its customers and its lending practices have not changed significantly over time). Additionally, management has determined that the current and reasonable and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes. Therefore, no allowance for credit losses is recorded in the accompanying financial statements.

Promises to Give – Contributions are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence of any donor restrictions. If donor restrictions are satisfied in the year the contributions are received, the contribution is recorded as support without donor restrictions. All other 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 purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Home Construction Costs – Cost incurred in conjunction with home construction are capitalized as construction in process. Capitalized construction costs are expensed when ownership transfers to the homeowners. Any post settlement costs are expensed as incurred.

	2025	2024
Homes under construction as of July 1	4	1
Home construction started during the year	4	4
Homes transferred during the year	(5)	(1)
Homes under construction as of June 30	3	4

Inventories – Inventory consists of both supplies to be used during home construction and items for resale at Habitat's ReStore business.

Donated inventory, materials, and supplies are recorded at fair market value at the date when they are made available for sale. Prior to being offered for sale and included in inventory, donated items are not valued due to uncertainties concerning their value. Purchased merchandise inventory is valued at lower of cost or net realizable value.

NOTE 1 – Nature of the Organization and Summary of Significant Accounting Policies – Continued

Land Held for Future Use – Land held for future use consists of vacant lots to be used for future homes or to be sold. Land is valued at cost. The value of land held for future use is transferred to cost of homes sold at the time of sale to homeowners.

Property and Equipment – Habitat capitalizes all expenditures in excess of $2,500 for property and equipment with an estimated useful life greater than one year. Purchases of property and equipment are stated at cost. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, Habitat reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Habitat reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	7-39 years
Equipment and furnishings	5-7 years
Vehicles	5-7 years

Depreciation expense for the years ended June 30, 2025 and 2024 was $22,277 and $7,525, respectively.

Short-Term Lease Exemption – Habitat has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

Mortgages Receivable – Mortgage notes receivable entered into at rates substantially below market rates are discounted to net present value. The discounts are charged directly to operations at the inception of the mortgage and amortized over the life of the contract. Discount amortization is reported as amortization of discount on mortgages on the statements of activities in the period amortized.

Valuation of Servicing Liability – Habitat recognized a liability for servicing costs that result from the sale of loans it originates (asset transfers) at fair value. Servicing liabilities from asset transfers are initially capitalized and recorded at fair value. Habitat determines the fair value of servicing rights using the present value of estimated future net servicing costs. Servicing liabilities are subsequently recorded using the amortization method which requires servicing liabilities to be amortized in proportion to, and over the period of, the estimated future net servicing income of the underlying loans. The carrying value of servicing liability is included in the statements of financial position.

Servicing liabilities are evaluated for impairment based upon the fair value of the rights as compared to the carrying amount. The fair values of servicing liabilities are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses. Impairment is determined by assessing risk characteristics, such as interest rate and loan types. Habitat did not recognize any impairment on servicing liabilities for the years ended June 30, 2025 and 2024.

NOTE 1 – Nature of the Organization and Summary of Significant Accounting Policies – Continued

Allowance for Credit Losses – Habitat's allowance for credit losses is the amount considered adequate to absorb probable losses based on management's evaluations of the size and current risk characteristics of the mortgage loan portfolios. Such evaluations consider historical and current portfolio performance information and experience with homeowners. Specific allowances for credit losses are established for large impaired notes on an individual basis. A note is considered impaired when, based on current information and events, it is probable that Habitat will be unable to collect the scheduled payments when due according to the contractual terms of the promissory note. The specific allowances established for these loans are based on a thorough analysis of the most probable source of repayment, including the estimated fair value of the underlying collateral.

At June 30, 2025 and 2024, Habitat individually evaluated mortgage notes for impairment. Management believes all mortgages receivable are realizable through either collection or foreclosure proceeds if not collected.

Contributed Nonfinancial Assets – Contributed nonfinancial assets consist of donated land, homes, materials, specialized labor, and discounts on office rent. Donated land is valued using independent appraisals, or if unavailable, comparative market analysis or tax appraisal values. Donated materials and specialized labor are valued at market value on the date of donation. Discounts on office rent are valued as a difference between the market rate for rent, and what Habitat is charged.

Home Sales – Nearly all sales to homeowners have been financed by Habitat and are recorded when the title is transferred. The amount of the first mortgage for homes Habitat developed is classified as operating revenues and the related discount is recorded at the same time as nonoperating activity. Noninterest-bearing mortgages have been discounted based upon prevailing market rates for low-income housing at the inception of the mortgages. Utilizing the effective interest method, this discount will be recognized as income over the term of the mortgage. Interest-bearing mortgages are evaluated at inception for potential discount. No discount has been recognized on interest-bearing mortgages deemed to be at a market rate.

Presentation of Sales Taxes – Habitat collects sales taxes from nonexempt customers and remits these taxes to various state and local governments. Habitat's account policy is to exclude the tax collected and remitted to the state and local governments from both revenues and expenses.

Advertising – Habitat expenses advertising costs in the period the expense is incurred. Advertising expense during the years ended June 30, 2025 and 2024, was $34,262 and $19,610, respectively.

Functional Allocation of Expenses – Salaries and related expenses are allocated based on management's estimate of how individual employees spend their time. Expenses, other than salaries and related expenses which are not directly identifiable by program or support service, are allocated based on the historical usage rates.

Estimates – Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

NOTE 1 – Nature of the Organization and Summary of Significant Accounting Policies – Continued

ReStore Revenue – The ReStore recognizes revenue when inventory is sold.

Special Event Revenue – Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. Habitat recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. Habitat recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

Reclassifications – Certain amounts have been reclassified in the prior year financial statements to conform with the current year presentation. The reclassifications have no effect on the total change in net assets for the prior year.

Subsequent Events – Habitat has evaluated subsequent events through January 21, 2026, the date which the financial statements were available to be issued.

NOTE 2 – Property and Equipment

Property and equipment consist of the following at June 30:

	2025	2024
Equipment	$ 9,729	$ 13,013
Furniture and fixtures	14,298	14,298
Vehicles	123,939	85,645
Total	147,966	112,956
Less accumulated depreciation	(69,392)	(47,115)
Net property and equipment	**$ 78,574**	**$ 65,841**

NOTE 3 – Mortgages Receivable

A Habitat-developed home is considered sold when a formal closing transaction has been finalized. Homes are priced at fair market value based on an appraisal of the property. Contract periods span 20 to 30 years and monthly payments are no greater than 30% of the family's income at the time of the sale. At June 30, 2025 and 2024, Habitat had 9 mortgages outstanding.

When the first mortgage on each home is less than the market value, Habitat also provides a second mortgage for the difference between the first mortgage and market value. The second mortgage, which is forgiven at the end of the first mortgage term, is assumed to have no economic value and, accordingly, is not recognized in Habitat's financial statements unless such mortgage becomes collectible in accordance with the terms of the mortgage agreement.

The mortgage loans receivable are noninterest-bearing mortgages. At June 30, 2025 and 2024, the composition of mortgages receivable held are as follows:

	2025	2024
Mortgages receivable held	$ 550,365	$ 560,715
Less unamortized discount	(327,367)	(346,055)
TOTAL	**$ 222,998**	**$ 214,660**

NOTE 3 – Mortgages Receivable – Continued

The held mortgages receivable have been discounted in order to reflect their economic value. The interest rates used to determine the discount range from 7.48% to 8.38% based on prevailing market rates in the year the mortgage was originated. These original discounts and related amortization are reflected as nonoperating activity in the statements of activities.

There is no allowance for credit losses at June 30, 2025 and 2024.

The following table shows an aging analysis of the mortgages receivables by time past due for the year ended June 30, 2025:

	Current	30-89 Days past due	90 Days or more past due	Total
Mortgages Receivable	$ 222,998	$ -	$ -	$ 222,998

The following table shows an aging analysis of the mortgages receivables by time past due for the year ended June 30, 2024:

	Current	30-89 Days past due	90 Days or more past due	Total
Mortgages Receivable	$ 214,660	$ -	$ -	$ 214,660

Habitat has sold mortgages it originated to First National Bank of River Falls. These mortgages are not included in mortgages receivable above. However, the agreement requires Habitat to replace a nonperforming loan, which is defined as a loan delinquent by 90 days, with another mortgage from its portfolio.

NOTE 4 – Mortgage Servicing Liability

Habitat has mortgage servicing liabilities on mortgages that it originated and sold with servicing retained. The value of these rights is reported on the statements of financial position. The servicing liability for June 30, 2025 and 2024, was amortized using an interest rate of 1.58 or 2.63%.

Activity for servicing liabilities under the amortization method is as follows for the years ended June 30:

	2025	2024
Balance at beginning of year	$ 21,943	$ 23,394
Additions	-	-
Impairments	-	-
Amortization	4,819	1,451
Balance at end of year	**$ 17,124**	**$ 21,943**

NOTE 5 – Long-Term Notes Payable

Long-term notes payable consist of the following at June 30:

	2025	2024
0% note payable to the City of River Falls in monthly installments of $1,000 through January 2021; $2,011 from February 2021 through April 2027, with final payment due May 2027. If the above terms are not met, interest of 4% will be assessed from the origination date of May 2, 2012. Note is secured by a first mortgage on the Eco Village project.	$ 44,278	$ 70,421
6.99% notes payable to Hudson Motors, LLC in monthly installments of $1,026 from May 2024 through March 2029, with the final payment due April 2029. Note is for financing a 2024 GMC Sierra 3500HD.	39,550	48,392
0% unsecured note payable to Habitat for Humanity International with no repayment schedule.	60,000	60,000
	143,828	178,813
Less discount on note payable	(29,597)	(31,953)
TOTAL	**$ 114,231**	**$ 146,860**

Future minimum payments on long-term debt are as follows at June 30:

2026	$ 93,875
2027	30,593
2028	11,201
2029	8,159
TOTAL	**$ 143,828**

NOTE 6 – Net Assets with Donor Restrictions

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

	2025	2024
Discount on note payable - time restriction	$ 29,597	$ 31,953
New home construction - use restriction	-	50,000
Veteran Home Build	-	2,491
TOTAL	**$ 29,597**	**$ 84,444**

NOTE 7 – Contributed Nonfinancial Assets

Contributed nonfinancial assets recognized within the statements of activities consist of the following at June 30:

	2025	2024
Supplies and materials	$ 4,600	$ 9,041
Office rent	10,500	10,500
Land	44,000	-
Construction costs	-	32,393
TOTAL	**$ 59,100**	**$ 51,934**

Habitat recognized contributed nonfinancial assets within revenue, including office rent, construction costs, and supplies and materials.

NOTE 8 – Retirement Plan

Habitat sponsors a SIMPLE plan for eligible full-time employees. Under the plan, Habitat contributes an amount on behalf of each eligible participant equal to 100% of their contribution up to 3% of the employee's compensation. Contributions to the plan by Habitat for the years ended June 30, 2025 and 2024, were $6,181 and $5,757, respectively.

NOTE 9 – Construction Loan

Habitat entered into a $275,000 construction loan agreement dated May 23, 2025, at a local bank, which matures December 23, 2025. This loan was extended after year end, but has not been finalized as of the date of the report. As of June 30, 2025, there is no balance outstanding. The loan has interest payments due monthly, with an 8.0% interest rate. The construction loan is secured by substantially all assets of Habitat.

NOTE 10 – Line of Credit

Habitat maintains a $50,000 line of credit at a local bank, which matures February 1, 2026. As of June 30, 2025, and 2024, there is no balance outstanding. Bank advances on the line of credit are payable on demand and carry interest at 6.75%. The credit lines are secured by substantially all assets of Habitat.

NOTE 11 – Liquidity and Availability of Financial Assets

Habitat monitors its liquidity so that it is able to meet its operating needs. Financial assets are considered unavailable when not liquid or not convertible into cash within one year, are assets held for others, assets restricted by donors for specific uses, perpetual endowments and accumulated earnings net of appropriations within one year, or because the board of directors has designated funds for specific reserves or long-term investments such as board-designated quasi-endowments.

The following table reflects Habitat's financial assets as of June 30, 2025 and 2024, reduced by amounts not available for general expenditure within one year.

	2025	2024
Financial assets:		
Cash and cash equivalents	$ 504,078	$ 473,530
Assets limited to use - escrow accounts	28,233	55,624
Accounts receivable	22,009	274
A Brush With Kindness receivable	-	4,318
Mortgage receivables, net of unamortized discount	222,998	214,660
Total financial assets	777,318	748,406
Less those unavailable for general expenditure within one year due to:		
Purpose restrictions:		
Assets limited to use - escrow accounts	(28,233)	(55,624)
A Brush With Kindness receivable	-	(4,318)
New home construction	-	(50,000)
Time restrictions:		
Mortgage receivables, net of unamortized discount	(222,998)	(214,660)
Financial assets available for general expenditure within one year	**$ 526,087**	**$ 423,804**

NOTE 12 – Habitat for Humanity ReStore

In October 2021, Habitat re-opened the ReStore in a hybrid format, using the available space in the St. Croix Valley Habitat for Humanity office building at 749 Ryan Drive in Hudson, Wisconsin as shopping/retail space, with online sales opportunities via the Habitat website. The ReStore is a thrift-store model, which accepts gently used building materials, furniture, and lawn/garden items as in-kind donations from the community. These items are then re-sold at discounted rates to help support operating expenses for both the store and affiliate as well as helping support the mission to help people with safe, affordable housing. The ReStore is owned by the Habitat affiliate and purchases are tracked through the retail register and Square purchasing portal.

NOTE 13 – Prior Period Adjustment

A prior period adjustment was recorded effective July 1, 2023 for $35,472. This adjustment was made to remove land held for future use that was under construction and sold in prior years, but were never moved to expense after the period of performance had passed.

NOTE 14 – Subsequent Events

Subsequent to year end, but prior to the issuance of the financial statements, Habitat received a donation of land valued at approximately $44,000.