

**HELENA AREA HABITAT FOR
HUMANITY**

**AUDITED CONSOLIDATED FINANCIAL
STATEMENTS**

June 30, 2025 and 2024



**HELENA AREA HABITAT FOR HUMANITY
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Management
Helena Area Habitat for Humanity
Helena, MT

Opinion

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Helena Area Habitat for Humanity 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 and the standards applicable to financial audits contained in *Government Auditing Standards*. Our responsibilities under those standards are further described under the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Helena Area Habitat for Humanity 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 - Change in Reporting Entity

As discussed in Note 1, Helena Area Habitat for Humanity, created Eleanor Development Corporation for the purpose of holding, managing, and developing the parcels of land in the Rose Hill neighborhood project. This required the financial statements to be consolidated for the creation of the new entity. Our opinion is not modified with respect to these matters.

Emphasis of Matter - Change in Accounting Policy

As discussed in Note 1, Helena Area Habitat for Humanity, changed its accounting policy for recognition of donated inventory for resale in its ReStore. Effective for the year ended June 30, 2025, Helena Area Habitat for Humanity began recognizing donated inventory as contributed revenue and a corresponding expense at the time of donation, measured at fair value. The comparative consolidated financial statements have been restated to reflect this change. Our opinion is not modified in respect to these matters.



To the Board of Directors and Management
Helena Area Habitat for Humanity

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to the known 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 Helena Area Habitat for Humanity's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

To the Board of Directors and Management
Helena Area Habitat for Humanity

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Helena Area Habitat for Humanity'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying details of consolidation are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2025, on our consideration of Helena Area Habitat for Humanity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Helena Area Habitat for Humanity's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Helena Area Habitat for Humanity's internal control over financial reporting and compliance.

Junkermier, Clark, Campanella, Stevens, P.C.

Great Falls, Montana
October 23, 2025

**HELENA AREA HABITAT FOR HUMANITY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	June 30	
	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 437,168	\$ 565,124
Reserved cash	10,347	310,086
Grants receivable	12,719	67,300
Mortgages receivable, current portion	8,550	8,495
Promises to give, current portion	14,436	6,477
Other receivable	2,095	13,819
Allowance for credit loss	-	(1,757)
	2,095	12,062
Donated inventory	52,873	56,581
Purchased inventory	2,483	2,028
Prepaid expenses	524	3,056
Homes under construction inventory	369,626	2,450,413
Total current assets	910,821	3,481,622
PROPERTY AND EQUIPMENT		
Construction in progress	-	93,000
Buildings and improvements	2,776,687	2,744,237
Vehicles	198,277	225,684
Furniture and fixtures	76,634	76,634
	3,051,598	3,139,555
Less accumulated depreciation	(401,527)	(347,818)
Total property and equipment	2,650,071	2,791,737
OTHER ASSETS		
Promises to give, net of current portion and discount	10,273	8,426
Land held for home construction	1,096,600	720,395
Right-of use asset, operating leases	150,326	169,029
Mortgages receivable, net current portion	145,161	153,202
Unamortized mortgage discount	(73,137)	(77,505)
Allowance for credit loss	(29,833)	(33,638)
	42,191	42,059
Total other assets	1,299,390	939,909
Total assets	\$ 4,860,282	\$ 7,213,268

See notes to consolidated financial statements.

**HELENA AREA HABITAT FOR HUMANITY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	June 30	
	2025	2024
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 28,177	\$ 87,924
Accrued compensated absences	32,694	29,648
Accrued expenses	24,854	23,382
Escrow accounts	55	-
Funds held in trust	10,292	191,140
Lines of credit	-	1,395,203
Deferred income	-	129,000
Short-term lease liability, operating leases	36,616	31,358
Notes payable, current portion	55,027	55,517
Total current liabilities	187,715	1,943,172
 LONG-TERM LIABILITIES		
Long-term lease liability, operating leases	115,194	137,252
Notes payable, net of current portions and loan fee amortization	1,951,954	2,105,207
Total long-term liabilities	2,067,148	2,242,459
Total liabilities	2,254,863	4,185,631
 NET ASSETS		
Without donor restrictions:		
Undesignated - available for general activities	2,580,425	3,021,501
With donor restrictions	24,994	6,136
Total net assets	2,605,419	3,027,637
Total liabilities and net assets	\$ 4,860,282	\$ 7,213,268

See notes to consolidated financial statements.

**HELENA AREA HABITAT FOR HUMANITY
CONSOLIDATED STATEMENTS OF ACTIVITIES**

	Year Ended June 30, 2025		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions of nonfinancial assets			
ReStore donations	\$ 441,541	\$ -	\$ 441,541
Other nonfinancial assets	128,030	-	128,030
	569,571	-	569,571
Contributions	950,323	-	950,323
Grant revenue	120,000	364,119	484,119
Critical home repair income	3,965	-	3,965
Mortgage discount amortization	4,368	-	4,368
Home sales	1,951,408	-	1,951,408
ReStore Sales	455,321	-	455,321
Rent	23,975	-	23,975
Gain on disposal of assets	251,384	-	251,384
Miscellaneous	33,618	-	33,618
Net assets released from restrictions:			
Satisfaction of grant restrictions	305,919	(305,919)	-
Pledges written off	37,342	(37,342)	-
Pledges paid	2,000	(2,000)	-
Total revenue and support	4,709,194	18,858	4,728,052
EXPENSES			
Program expenses:			
ReStore	994,841	-	994,841
Construction and partner family costs	3,697,458	-	3,697,458
Supporting services:			
Fundraising	80,444	-	80,444
Management and general	377,527	-	377,527
Total expenses	5,150,270	-	5,150,270
CHANGE IN NET ASSETS	(441,076)	18,858	(422,218)
Net assets, beginning of year	3,021,501	6,136	3,027,637
NET ASSETS, END OF YEAR	\$ 2,580,425	\$ 24,994	\$ 2,605,419

See notes to consolidated financial statements.

**HELENA AREA HABITAT FOR HUMANITY
CONSOLIDATED STATEMENTS OF ACTIVITIES**

	Year Ended June 30, 2024 (Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions of nonfinancial assets			
ReStore donations	\$ 487,283	\$ -	\$ 487,283
Other nonfinancial assets	25,427	-	25,427
	512,710	-	512,710
Contributions	828,806	-	828,806
Grant revenue	370,700	788,620	1,159,320
Critical home repair income	43,964	-	43,964
Mortgage discount amortization	4,368	-	4,368
Home sales	1,335,050	-	1,335,050
ReStore sales	483,659	-	483,659
Rent	14,685	-	14,685
Gain on disposal of assets	247,578	-	247,578
Miscellaneous	473,726	-	473,726
Net assets released from restrictions:			
Satisfaction of grant restrictions	793,502	(793,502)	-
Pledges written off	3,333	(3,333)	-
Pledges paid	15,203	(15,203)	-
Total revenue and support	5,127,284	(23,418)	5,103,866
EXPENSES			
Program expenses:			
ReStore	1,060,169	-	1,060,169
Construction and partner family costs	2,886,737	-	2,886,737
Supporting services:			
Fundraising	144,466	-	144,466
Management and general	206,337	-	206,337
Total expenses	4,297,709	-	4,297,709
CHANGE IN NET ASSETS	829,575	(23,418)	806,157
Net assets, beginning of year	2,228,968	29,554	2,258,522
Prior period adjustment	(37,042)	-	(37,042)
Net assets, beginning of year	2,191,926	29,554	2,221,480
NET ASSETS, END OF YEAR	\$ 3,021,501	\$ 6,136	\$ 3,027,637

See notes to consolidated financial statements.

HELENA AREA HABITAT FOR HUMANITY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2025

	PROGRAM SERVICES				SUPPORT SERVICES			
	ReStore	Construction and Partner Family Costs	Program Services Total	Fundraising	Management and General	Support Services Total	Total	
Salaries	\$ 209,634	\$ 592,799	\$ 802,433	\$ 9,961	\$ 124,420	\$ 134,381	\$ 936,814	
Payroll taxes and related benefits	47,521	120,892	168,413	1,199	8,270	9,469	177,882	
Advertising costs	10,704	10,307	21,011	43,714	34,054	77,768	98,779	
Credit loss expense	30	3,221	3,251	3,757	-	3,757	7,008	
Bank fees/credit card service fees	12,143	30	12,173	-	12,194	12,194	24,367	
Cost of homes sold	-	2,653,052	2,653,052	-	-	-	2,653,052	
Cost of goods sold - ReStore	445,248	-	445,248	-	-	-	445,248	
Depreciation	69,510	13,203	82,713	-	6,271	6,271	88,984	
Home repairs	-	65,135	65,135	-	-	-	65,135	
In-kind labor and services	-	60,830	60,830	255	-	255	61,085	
Insurance	-	45,579	45,579	-	15,664	15,664	61,243	
Interest	92,507	6	92,513	-	7,794	7,794	100,307	
Lease	-	35,200	35,200	-	10,855	10,855	46,055	
Maintenance	7,051	-	7,051	-	16,075	16,075	23,126	
Miscellaneous	972	30,114	31,086	-	4,096	4,096	35,182	
Organizational dues	-	4,855	4,855	-	-	-	4,855	
Professional fees	68	58,439	58,507	15,158	86,470	101,628	160,135	
Supplies	20,695	25,258	45,953	606	7,040	7,646	53,599	
Taxes and licenses	3,338	1,695	5,033	-	5,111	5,111	10,144	
Telephone	3,018	10,780	13,798	27	974	1,001	14,799	
Travel and training	1,801	30,175	31,976	-	9,211	9,211	41,187	
Utilities	17,529	1,137	18,666	-	3,943	3,943	22,609	
Vehicle	3,517	13,918	17,435	-	1,240	1,240	18,675	
Indirect cost allocation	49,555	(79,167)	(29,612)	5,767	23,845	29,612	-	
Total expenses	\$ 994,841	\$ 3,697,458	\$ 4,692,299	\$ 80,444	\$ 377,527	\$ 457,971	\$ 5,150,270	

See notes to consolidated financial statements.

HELENA AREA HABITAT FOR HUMANITY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2024 (Restated)

	PROGRAM SERVICES				SUPPORT SERVICES			
	ReStore	Construction and Partner Family Costs	Program Services Total	Fundraising	Management and General	Support Services Total	Total	
Salaries	\$ 207,977	\$ 702,383	\$ 910,360	\$ 60,330	\$ 65,889	\$ 126,219	\$ 1,036,579	
Payroll taxes and related benefits	48,736	167,129	215,865	10,687	9,272	19,959	235,824	
Advertising costs	6,387	9,463	15,850	11,098	627	11,725	27,575	
Credit loss expense	-	-	-	3,333	-	3,333	3,333	
Bank fees/credit card service fees	11,744	-	11,744	10	2,172	2,182	13,926	
Campaign	-	-	-	42,492	-	42,492	42,492	
Cost of homes sold	-	1,699,364	1,699,364	-	-	-	1,699,364	
Cost of goods sold - ReStore	476,474	-	476,474	-	-	-	476,474	
Depreciation	68,857	17,704	86,561	-	9,503	9,503	96,064	
Home Repairs	-	19,210	19,210	-	-	-	19,210	
In-kind labor and services	261	4,168	4,429	-	-	-	4,429	
Insurance	15,826	22,255	38,081	-	-	-	38,081	
Interest	94,729	193	94,922	-	9,196	9,196	104,118	
Lease	-	28,684	28,684	878	9,899	10,777	39,461	
Maintenance	12,675	3,182	15,857	-	-	-	15,857	
Miscellaneous	1,099	29,057	30,156	173	1,176	1,349	31,505	
Organizational dues	-	5,000	5,000	-	5,000	5,000	10,000	
Professional fees	-	153,356	153,356	-	45,500	45,500	198,856	
Supplies	35,328	48,847	84,175	523	5,610	6,133	90,308	
Taxes and licenses	3,966	200	4,166	-	6,099	6,099	10,265	
Telephone	3,185	11,530	14,715	248	1,570	1,818	16,533	
Travel and training	4,939	30,513	35,452	1,443	3,179	4,622	40,074	
Utilities	15,072	2,167	17,239	-	9,531	9,531	26,770	
Vehicle	3,061	15,292	18,353	-	2,258	2,258	20,611	
Indirect cost allocation	49,853	(82,960)	(33,107)	13,251	19,856	33,107	-	
Total expenses	\$ 1,060,169	\$ 2,886,737	\$ 3,946,906	\$ 144,466	\$ 206,337	\$ 350,803	\$ 4,297,709	

See notes to consolidated financial statements.

**HELENA AREA HABITAT FOR HUMANITY
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years ended June 30	
	2025	2024
CASH FROM OPERATING ACTIVITIES		
Change in net assets	\$ (422,218)	\$ 806,157
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	88,984	96,064
Amortization of right of use asset - operating	18,703	7,297
Gain on disposal of assets	(251,384)	(247,578)
Mortgage discount amortization	(4,368)	(4,368)
(Increase) decrease in:		
Grants receivable	54,581	521,868
Promises to give	(9,806)	(7,058)
Other receivable	9,967	17,270
Donated inventory	3,708	(10,600)
Purchased inventory	(455)	(1,194)
Prepaid expenses	2,532	3,055
Home construction in process	2,080,787	630,711
Land held for home construction	(376,205)	(586,119)
Allowance for credit loss	(3,805)	(3,404)
Increase (decrease) in:		
Accounts payable	(59,747)	(32,393)
Accrued compensated absences	3,046	5,732
Accrued expenses	1,472	7,930
Funds held in trust	(180,848)	191,140
Escrow accounts liability	55	-
Deferred income	(129,000)	(371,000)
Lease liability - operating lease	(16,800)	(7,716)
Net cash provided by operating activities	809,199	1,015,794
CASH FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(152,912)	(103,883)
Proceeds from disposal of property and equipment	457,200	651,950
Proceeds from notes receivable	7,986	7,773
Net cash provided by investing activities	312,274	555,840
CASH FROM FINANCING ACTIVITIES		
Net payments on line of credit	(1,395,203)	(292,799)
Principal payments on long-term debt	(153,965)	(742,345)
Net cash used by financing activities	(1,549,168)	(1,035,144)
CHANGE IN CASH AND CASH EQUIVALENTS	(427,695)	536,490
Cash and cash equivalents, beginning of year	875,210	338,720
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 447,515	\$ 875,210
Cash and cash equivalents per statement of financial position:		
Cash and cash equivalents	\$ 437,168	\$ 565,124
Reserved cash	10,347	310,086
Cash and cash equivalents, end of year	\$ 447,515	\$ 875,210
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 100,227	\$ 103,902

See notes to consolidated financial statements.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2025 and 2024

1. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES

Nature of Organization:

Helena Area Habitat for Humanity (a nonprofit organization) was incorporated in 1992. Habitat is an affiliate of Habitat for Humanity International, Inc. (Habitat International). Habitat is committed to construction and renovation of quality, simple, and decent homes in partnership with income challenged families in the greater Helena community. In addition to home construction, Habitat also operates the Repair and Preservation program as part of its broader community development strategy, the Neighborhood Revitalization Initiative. The Repair and Preservation program helps revitalize the appearance of neighborhoods and strengthen community connections while preserving the affordable housing stock in the Helena area. It is available to qualifying homeowners as funding is available.

Habitat operates a thrift store called ReStore to aid in supporting its mission. The ReStore collects donated items that can be used to repair and furnish a home. The donations are inspected and prepared for sale in the store. Items that don't meet the standards for being sold in the store are recycled. A small portion of the stores inventory is purchased. Sales from the ReStore are a significant part of Habitat's operations.

Basis of Accounting and Presentation:

The accompanying consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by the Financial Accounting Standards Board.

Basis of Consolidation and Change in Reporting Entity:

The consolidated financial statements include the accounts of the Helena Area Habitat for Humanity ("Organization") and Eleanor Development Corporation ("EDC"). All significant inter-organization balances and transactions were eliminated in consolidation.

In 2024, the Board of Directors of the Organization formed the EDC for the purpose of holding, managing, and developing the parcels of land of the Rose Hill neighborhood project acquired by the Organization in 2023. The Organization established the EDC's Investment Policy, Management Agreement, Charter Agreement, and bylaws requiring that the majority of contributions and earnings on invested assets inure to the benefit of the Organization. The Organization maintains 100% membership interest in the EDC. Accordingly, the accounts of the EDC have been consolidated herein, as required by generally accepted accounting principles retroactively.

Accounting Estimates:

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Cash and Cash Equivalents:

For the purpose of the cash flow statement, management generally considers all checking and investment cash accounts with an original maturity of three months or less to be cash equivalents.

Cash and cash equivalents are deposited at one financial institution and are potentially exposed to concentrations of custodial risk. Habitat's bank accounts are subject to \$250,000 coverage by the Federal Deposit Insurance Corporation (FDIC). From time to time, certain accounts that are subject to the limited FDIC limits may exceed their insured limits.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2025 and 2024

1. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (Continued)

Reserved Cash:

Habitat services the mortgages on three homes it built or renovated. Included in reserved cash are amounts received from homeowners for insurance and property taxes (escrow funds). Escrow funds reserved cash at June 30, 2025 and 2024, was \$0 and \$554, respectively. Currently no new homes are accepted into this program.

Habitat constructs homes using funds obtained through the USDA Homeownership Direct Loan Program (Section 502). These funds are required to be held in a trust account on behalf of the partner families that build their home through this program. The use of these funds are restricted for direct construction costs by the program. Partner families are required to approve all expenses. Funds held in this trust account at June 30, 2025 and 2024 were \$10,292 and \$191,140, respectively.

Habitat received donations to update the parking lot at the ReStore prior to beginning construction. Funds reserved for the ReStore parking lot as June 30, 2025 and 2024 were \$0 and \$120,048, respectively.

Allowance for Credit Losses:

The allowance for credit losses represents an estimate of the lifetime expected credit losses inherent in accounts receivable as of the balance sheet date. Additions to the allowance for credit losses are made by recording changes to credit loss expense in current year operations. The uncollectible portion of accounts receivable is charged to the allowance for credit losses when an account is deemed to be uncollectible. Management estimates the expected losses using relevant available information from internal and external sources relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for relevant factors, including current and reasonably supportable expected future economic conditions and ongoing credit evaluations of the patrons' financial conditions. These inputs are combined to determine the loss rate expected for each aging pool of the ending balances of the relevant assets in calculating the allowance for credit losses. There was no credit loss expense for the years ended June 30, 2025 and 2024.

Fair Value of Financial Instruments:

Habitat determines the fair value of its financial instruments in accordance with GAAP, which requires that valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. GAAP also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2025 and 2024

1. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (Continued)

Fair Value of Financial Instruments (Continued):

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. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Habitat's policy for determining the timing of significant transfers between levels is at the end of the reporting period. No such transfers occurred in the years ended June 30, 2025 and 2024.

Habitat's financial instruments include mortgages receivable. The valuation methodology for these instruments is more fully described in Note 12.

Mortgage Receivables and Related Discount:

In pursuit of its mission, Habitat finances homes constructed under its program for partner families, with the homes securing the mortgages. In accordance with GAAP, these interest-free mortgages are discounted using a rate set annually by Habitat International. Each year, a portion of the outstanding mortgage discount is amortized and recognized as revenue.

Habitat follows policies and procedures that are consistent with those of Habitat International to work with partner families who are past due on their payment obligations. These include late payment notices with information regarding credit counseling and the potential of foreclosure, imposition of late fees, and entering into alternative payment arrangements. Habitat calculates an allowance for credit loss based on discounted cash flow.

Property and Equipment:

Habitat records purchased property and equipment at cost. Donated property and equipment is recorded at fair value on the date received. Depreciation expense for the years ended June 30, 2025 and 2024, was \$88,984 and \$96,064, respectively. Depreciation is computed using the straight-line method over the following estimated useful lives for items purchased over the \$1,500 capitalization threshold:

Building and improvements	5-39 years
Furniture, fixtures, and vehicles	5-20 years

Classification of Net Assets:

Contributions received are recorded as without donor restrictions and with donor restrictions depending on the existence and nature of donor restrictions.

Habitat reports information regarding its financial position and activities according to two classes of net assets.

Net assets without donor restrictions - represents those amounts that are available for use in carrying out the mission of Habitat. Habitat's policy is to record contributions and grants as without donor restrictions when it is expected the contributions and grants will be expended in the same year. Management and the board of directors, may at their discretion, designate funds for a specific purpose.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2025 and 2024

1. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (Continued)

Classification of Net Assets (Continued):

Net assets with donor restrictions - represents those amounts that are donor restricted for specific purposes or dependent on the passage of time. When a donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Other donor-imposed stipulations require that funds be maintained permanently by Habitat. Generally, the donors of these assets permit use of investment income for general or specific purposes.

Revenue from Contracts with Customers:

Revenue is earned from three types of contracts: grant administration, home sales, and ReStore. The length of the contracts varies but is typically less than one year. Revenue is recognized as follows:

Grant administration - revenue is recognized as the costs of administering the grant are incurred.

Home sales - revenue is recognized at a point in time when the family purchasing the home has met all the requirements to purchase the home. Generally these requirements are met near closing of the home. Habitat has elected to use the closing of the home sale as the bench mark for recognizing revenue from the sale of the home.

ReStore - Donation revenue and a corresponding cost of good sold is recognized at the time of donation measured at fair value. Fair value is determined based on historical sales data.

Sales revenue is recognized at the time of sale. If inventory sold is later found to be defective the policy is to offer replacement inventory of equal value to the original sale. Habitat does not have a reserve account for returned items.

Advertising Costs:

Advertising costs are expensed when incurred. Advertising expenses were \$98,779 and \$27,575 in 2025 and 2024, respectively.

Income Taxes:

Habitat is as a tax-exempt non-profit organization under Section 501(c)(3) of the Internal Revenue Code. As a result, no provision for income tax is included in the consolidated financial statements.

Homes Under Construction Inventory:

Land acquired for homes along with materials, labor, supplies, services, and other costs are recorded as construction in progress and expensed at the time ownership of the property transfers.

Inventory:

Habitat accepts contributions of used building materials. These contributed materials are reflected as donated inventory in the consolidated statement of financial position. Purchased inventory is stated as the lower of cost or net realizable value utilizing the first-in, first-out (FIFO) method.

Functional Expenses:

Expenses have been allocated to program, fundraising, and general and administrative based on relative utilization in the consolidated statement of functional expenses. The 10% de minimis rate has been elected for allocating indirect costs across all areas of Habitat and are also reflected in the statement of functional expenses.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2025 and 2024

1. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (Continued)

Promises to Give:

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional promises to give that will be collected beyond one year are reported at the present value of the anticipated cash flows using the discount rate established at the date of the pledge. Conditional promises to give are recognized when the specified conditions are satisfied. Promises to give are reviewed periodically to determine their collectability and whether any promises should be charged off. At June 30, 2025 and 2024, substantially all promises to give are considered collectible, thus no allowance has been recorded. Bad debt expense for the years ended June 30, 2025 and 2024 were \$7,008 and \$3,333 respectively.

Change in Accounting Policy - Recognition of Donated Inventory:

Effective year ending June 30, 2025, Habitat adopted a change in accounting policy for the recognition of donated inventory received for resale in its ReStore.

Under previous practice, donated inventory was not recognized until sold. In accordance with FASB ASC 958-605, which governs revenue recognition for not-for-profit entities, Habitat now recognizes donated inventory as contribution revenue and a corresponding cost of goods sold expense at the time of donation, measured at estimated fair value.

Fair value is determined based on historical sales data. This change provides a more accurate reflection of Habitat's resource inflows and complies with GAAP requirements for recognizing contributions of nonfinancial assets.

The change results in an increase in both contribution revenue and program service expense, with no impact on net assets. Comparative financial statements have been restated to reflect this change, where applicable.

Management believes this policy enhances the relevance and reliability of the financial statements and improves transparency for donors and other stakeholders.

2. REVENUE FROM CONTRACTS WITH CUSTOMERS

Habitat assists families that are financially stable to purchase homes, who would not qualify for financing on the open market. This is accomplished by participating in Rural Developments' Mutual Self-Help program and by leveraging Habitat's assets to build homes and sell them to the family at cost. Habitat promotes volunteerism to help lower the costs of building homes. Families participating in the home ownership programs are required to meet volunteer and financial requirements in order to purchase a home. Habitat records the cost associated with building homes as inventory until the home is sold. When the new homeowner assumes ownership of the home, the sale and associated costs of building the home are recognized on the consolidated statement of activities. Costs associated with the acquisition, development of lots, and home builds that do not add to the value of the end product are expensed in the period incurred as direct construction costs.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2025 and 2024

2. REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

Families that participate in Rural Developments' Mutual Self-Help program are awarded funds directly from Rural Development to build their home. Habitat acts as custodian of these funds on behalf of the participant. Habitat receives these funds directly from Rural Development and directly pays for the materials and labor used to construct the home. The timing of the participating family receiving approval and receiving financial assistance does not always coincide with best build times for the climate. From time-to-time Habitat will pay costs up front after the family has been approved so the family can take advantage of good weather to build their home. Habitat is reimbursed for these costs when funds become available. The organization receives federal funds to provide technical and supervisory assistance to families participating in the Self-Help program. Revenue is recognized as costs are incurred.

Habitat operates a ReStore where most merchandise is donated. Donations are monetized by selling the item out right in the store or by recycling. Donation revenue and a corresponding cost of good sold is recognized at the time of donation measured at fair value. Fair value is determined based on historical sales data. Sales revenue is recognized at the time of sale. If an item sold in the store is found to be defective after the sale the purchaser is given opportunity to exchange for a similarly valued item.

Contract revenue by source:

	<u>2025</u>	<u>2024</u>
Revenue recognized at point in time:		
Home sales	\$ 1,951,408	\$ 1,335,050
ReStore sales	<u>455,321</u>	<u>483,659</u>
	2,406,729	1,818,709
Revenue recognized over time:		
Grant income	<u>484,119</u>	<u>1,159,320</u>
Total contract income	<u>\$ 2,890,848</u>	<u>\$ 2,978,029</u>

Contract assets are as follows:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Donated and purchased inventory (ReStore)	\$ 55,356	\$ 58,609	\$ 46,815
Homes under construction inventory	369,626	2,450,413	3,081,124
Land held for home construction	<u>1,096,600</u>	<u>720,395</u>	<u>134,276</u>
	<u>\$ 1,521,582</u>	<u>\$ 3,229,417</u>	<u>\$ 3,262,215</u>

There were 26 homes and 25 homes under construction in 2025 and 2024, respectively.

Contract liabilities are as follows:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Deferred revenue	<u>\$ -</u>	<u>\$ 129,000</u>	<u>\$ 500,000</u>

HELENA AREA HABITAT FOR HUMANITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2025 and 2024

2. REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

Beginning and ending contact balances are as follows:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Grants receivable	\$ 12,719	\$ 67,300	\$ 589,168
Contract assets	\$ 1,521,582	\$ 3,229,417	\$ 3,262,215
Contract liability	\$ -	\$ 129,000	\$ 500,000

3. AVAILABILITY AND LIQUIDITY

Management has identified the following assets as available for general operations at June 30:

	<u>2025</u>	<u>2024</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 437,168	\$ 565,124
Grants receivable	12,719	67,300
Mortgages receivable, current	8,550	8,495
Promises to give current	14,436	6,477
Other receivables	2,095	12,062
Inventory, donated and purchased	<u>55,356</u>	<u>58,609</u>
Financial assets available to meet general expenditures over the next twelve months.	<u>\$ 530,324</u>	<u>\$ 718,067</u>

Financial assets available for general expenditure include those without donor or other restrictions limiting their use within one year of the balance sheet date. In addition, Habitat receives contributions restricted by donors and grantors, and considers those restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

Cash balances are routinely monitored in light of projected cash needs and excess balances are transferred to a savings account, where they are managed to provide for short-term liquidity and to grow the fund's value over time.

Habitat has several lines of credit available that can be accessed for unanticipated needs or in the event of cash flow shortages. The lines of credit are described in Note 7.

4. FUNDS HELD AT THE MONTANA COMMUNITY FOUNDATION

The Montana Community Foundation held \$134,880 and \$110,240 as of June 30, 2025 and 2024, respectively, on behalf of Habitat. The Montana Community Foundation has been granted variance power over these assets. Accordingly, these are assets of the Montana Community Foundation whose earnings are to be used to support Habitat and are reported by Habitat as contribution revenue when received. The assets are not included in the accompanying financial statements. For the years ended June 30, 2025 and 2024, Habitat did not receive any distributed earnings for those years.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2025 and 2024

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30:

	2025	2024
Promises to give	<u>\$ 24,994</u>	<u>\$ 6,136</u>

Net assets released from restriction for the following purposes at June 30:

	2025	2024
Grants awarded for construction of homes or projects	\$ 305,919	\$ 793,502
Promises to give	<u>39,342</u>	<u>18,536</u>
 Total	 <u>\$ 345,261</u>	 <u>\$ 812,038</u>

HELENA AREA HABITAT FOR HUMANITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2025 and 2024

6. LONG-TERM DEBT

Habitat had long-term debt at June 30, 2025 and 2024 as follows:

	2025	2024
Note payable to Valley Bank, due in monthly installments of \$1,339, including interest of 4.375% per annum through August 2036; secured by real estate property.	\$ 140,405	\$ 150,108
Note payable to Montana Board of Housing, due in monthly installments of \$429, including interest of 2% per annum through August 2049; secured by real estate property. Was paid off early March 2025.	-	101,410
Note payable to Valley Bank of Helena, interest due in monthly installments beginning September 2022, interest rate of 4.890%, principal balance due August 2023. The terms of the loan were modified to a 25 year adjustable rate mortgage. Starting September 2023 monthly installments of \$11,274 are due with a fixed interest rate of 4.890%. Starting September 2028 the mortgage switches to an adjustable interest rate. The interest rate is calculated at the Federal Home Loan Bank of Des Moines Five Year Long-term Fixed-rate Advance index plus 2.500%. The minimum interest rate is set at 4.890% and the maximum at 8.890%. At the time the loan was modified the adjustable rate was calculated to be 6.990%. This note is secured by real estate property.	1,868,967	1,911,819
	2,009,372	2,163,337
Less: Unamortized debt issuance costs	(2,391)	(2,613)
	2,006,981	2,160,724
Less: current portion	(55,027)	(55,517)
	\$ 1,951,954	\$ 2,105,207

Amortization of the debt issuance costs is reported as interest expense in the statements of activities.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2025 and 2024

6. LONG-TERM DEBT (Continued)

Future maturities of the long-term debt are as follows:

2026	\$	55,027
2027		57,460
2028		60,130
2029		54,179
2030		55,553
Thereafter		<u>1,727,023</u>
		<u><u>\$ 2,009,372</u></u>

7. LINE OF CREDIT

Habitat's lines of credit are as follows:

	<u>2024</u>
Stockman Bank with \$1,477,506 limit and 5.50% interest rate. Expired November 2024.	\$ 1,227,629
Valley Bank of Helena with \$337,500 limit and 6.50% interest rate. Expiration date was extended from June 2024 to October 2024.	55,651
NeighborWorks Montana with \$210,000 limit and 6.50% interest rate. Expired November 2024.	<u>111,923</u>
Total	<u><u>\$ 1,395,203</u></u>

There were no lines of credit outstanding as of June 30, 2025.

8. LEASES

Habitat leases office space. Agreements are assessed whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the statement of financial position. Lease expense is recognized for these leases on a straight-line basis over the terms of the lease.

Habitat uses the risk-free discount rate at the commencement date of each lease in determining the present value of the lease payments in accordance with its policy. The weighted average operating lease term was 3.84 and 4.84 years for the years ended June 30, 2025 and 2024, respectively. The weighted average discount rate for operating leases was 5.43% and 5.43% for the year ended June 30, 2025 and 2024, respectively.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2025 and 2024

8. LEASES (Continued)

Additional information about Habitat's leases are as follows:

	2025	2024
Lease costs (included in operating expenses)		
Operating lease costs	\$ 9,106	\$ 9,481
Short-term lease costs	36,949	29,980
Total lease costs	\$ 46,055	\$ 39,461

Maturities of finance lease liabilities are as follows for the years ending June 30:

2026	\$ 43,800
2027	43,800
2028	43,800
2029	36,500
Total lease payments	167,900
Interest	(16,090)
Present value of lease liabilities	\$ 151,810

9. RELATED PARTY TRANSACTIONS

Habitat interacts with Habitat International in various financial transactions. Habitat tithes a portion of certain general cash contributions to Habitat International for use in global operations. For the years ended June 30, 2025 and 2024, Habitat's tithing expenses were \$1,000 and \$10,000, respectively.

During the years ended June 30, 2025 and 2024, Habitat received contributions of \$10,775 and \$5,870, respectively, from various board members.

10. CONTRIBUTED SERVICES

Contributed service revenue results under GAAP when contributions create or enhance nonfinancial assets or when specialized skills are provided by individuals possessing those skills that would typically need to be purchased if not provided by contribution. For the years ended June 30, 2025 and 2024, Habitat's contributed service revenues were \$64,261 and \$18,732, respectively.

Individuals and organizations contributed 9,379 and 7,869 hours to assist in the construction of partner homes during the years ended June 30, 2025 and 2024. These in-kind contributions do not meet GAAP standards for recognition and therefore are not included in the financial statements.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2025 and 2024

11. CONTRIBUTED NONFINANCIAL ASSETS

Habitat received contributions of nonfinancial assets from various sources that are recorded as revenue when they are received and expenses when they are used in the statement of activities. Below is a description of different types of nonfinancial assets received.

- Habitat operates a thrift store which receives donated merchandise. These donations are monetized by either selling the item out right or by recycling. The store aims to turn over donated inventory within one month. Inventory is valued at the time of sale. The proceeds are not restricted and are used to promote and construct partner family homes.
- Suppliers and contractors from time to time donate materials to construct partner family homes. The supplier or contractor communicates their intention to donate by invoicing the project and indicating the portion of the invoice they are donating. These donations are valued at the time of donation and the donation becomes part of the construction costs of the home it is benefiting.
- Real estate donations require an appraisal and are valued at the appraisal price. How the real estate is used is determined on a case-by-case basis. Homes that can be repaired to the standard set for partner families are placed in the partner family home program, repaired, and sold to a partner family. If it is determined that it would be more advantageous to sell the property, it is sold on the open market and proceeds are used to benefit the partner family program.

For the year ended June 30, 2025 and 2024, contributed nonfinancial assets recognized within the statement of activities include:

	2025	2024
Restore donations	\$ 441,541	\$ 487,283
Building materials	63,769	6,695
Total	\$ 505,310	\$ 493,978

12. MORTGAGES RECEIVABLE, DISCOUNT AND SUPPLEMENTAL MORTGAGES, AND ALLOWANCE FOR CREDIT LOSSES

When Habitat transfers ownership of a home to a partner family, Habitat may finance the purchase at the home's appraised value, or it may assist the family in applying for a traditional mortgage with a local financial institution. The first mortgage is a note for the cost of building the home with payments due monthly. The terms of the first mortgage vary depending on the amount of the mortgage and the partner family's ability to pay and are secured by the home and land. Mortgages held by Habitat are interest free and currently have terms ranging from 4 to 35 years with the longest mortgage maturing in October 2054. Monthly payments range from \$442 to \$1,134.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2025 and 2024

12. MORTGAGES RECEIVABLE, DISCOUNT AND SUPPLEMENTAL MORTGAGES AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The first mortgages held by Habitat are valued in the financial statements at fair value. Fair value is determined annually by discounting the face amount of the mortgage using the rate established by Habitat International at the time of the mortgage origination (level 2 input). Discount rates are established each year for sales that occur in that fiscal year. The discount is amortized over the life of each mortgage individually.

To provide assistance to families in keeping monthly payments within a required percentage of income, Habitat often takes a second mortgage on a family property at the time of closing, whether the mortgage is held by Habitat or another lender. The second mortgage serves to fill the gap between the appraised value of the home and the first mortgage balance as determined based on the family's ability to pay. Some second mortgages are forgiven over time.

Second mortgages come due for payment in full if a home is sold prior to forgiveness, default, transfer of title, refinancing of the first mortgage by a third-party lender (if a Habitat-financed mortgage), or payment of the first mortgage in full. Second mortgages are reported as in-kind partner family assistance grants and are considered a program expense by Habitat. For the year ended June 30, 2025 and June 30, 2024, Habitat did not provide in-kind partner family grants.

None of these supplemental mortgages are reported in the financial statements because collection is uncertain and no estimate of future payments is available. At June 30, 2025 and 2024, Habitat held second mortgages on two properties.

In accordance with its policies, no provision for loan losses has been provided because Habitat is a secured creditor and the fair value of the homes exceeds that of the related mortgage note balances.

The following schedule summarizes the payment status of mortgages receivable at June 30:

	<u>2025</u>		<u>2024</u>	
	<u>Number of</u>		<u>Number of</u>	
	<u>Loans</u>	<u>Loan Amount</u>	<u>Loans</u>	<u>Loan Amount</u>
Current	3	\$ 153,711	3	\$ 161,697
30 days past due	0	-	0	-
31-60 days past due	0	-	0	-
More than 60 days past due	0	-	0	-
Total gross	<u>3</u>	<u>153,711</u>	<u>3</u>	<u>161,697</u>
Allowance for credit losses		<u>(29,833)</u>		<u>(33,638)</u>
Totals		<u>\$ 123,878</u>		<u>\$ 128,059</u>

HELENA AREA HABITAT FOR HUMANITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2025 and 2024

12. MORTGAGES RECEIVABLE, DISCOUNT AND SUPPLEMENTAL MORTGAGES AND ALLOWANCE FOR CREDIT LOSSES (Continued)

The following summarizes the activity in the mortgage accounts for the year ended June 30:

	<u>Due 1 Year</u>	<u>Due 2-25 Years</u>	<u>Discount</u>	<u>Allowance for Credit Loss</u>	<u>Fair Value</u>
Beginning balance July 1, 2024	\$ 8,495	\$ 153,202	\$ (77,505)	\$ (33,638)	\$ 84,192
Payments received	(7,986)	-	-	-	(7,986)
Transfer to current	8,041	(8,041)	-	-	-
Loan delinquency forgiven	-	-	-	-	-
Change in credit loss	-	-	-	3,805	-
Discount amortized	-	-	4,368	-	4,368
Ending balance June 30, 2025	<u>\$ 8,550</u>	<u>\$ 145,161</u>	<u>\$ (73,137)</u>	<u>\$ (29,833)</u>	<u>\$ 80,574</u>

	<u>Due 1 Year</u>	<u>Due 2-26 Years</u>	<u>Discount</u>	<u>Allowance for Credit Loss</u>	<u>Fair Value</u>
Beginning balance July 1, 2023	\$ 8,170	\$ 161,300	\$ (81,873)	\$ -	\$ 87,597
Payments received	(7,773)	-	-	-	(7,773)
Transfer to current	8,098	(8,098)	-	-	-
Loan delinquency forgiven	-	-	-	-	-
Implement ASU No. 2016-13	-	-	-	(37,042)	-
Change in credit loss	-	-	-	3,404	-
Discount amortized	-	-	4,368	-	4,368
Ending balance June 30, 2024	<u>\$ 8,495</u>	<u>\$ 153,202</u>	<u>\$ (77,505)</u>	<u>\$ (33,638)</u>	<u>\$ 84,192</u>

The allowance for credit losses is a valuation account that is deducted from, or added to, the mortgage receivable amortized cost basis to present the net amount expected to be collected from mortgages receivable. Receivables are charged off against the allowance when management believes the uncollectibility of a receivable balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using discounted cash flows and relevant available information from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2025 and 2024

13. PROMISES TO GIVE

Unconditional promises to give are as follows:

	2025	2024
Unconditional promises to give before amortized discount	\$ 24,994	\$ 15,137
Less: amortized discount	<u>(285)</u>	<u>(234)</u>
Net unconditional promises to give	24,709	14,903
Less: current portion	<u>(14,436)</u>	<u>(6,477)</u>
Long-term	<u>\$ 10,273</u>	<u>\$ 8,426</u>
Amounts due in:		
2026	\$ 14,436	
2027	8,842	
2028	<u>1,431</u>	
Total	<u>\$ 24,709</u>	

The discount rate used was 1.38% at June 30, 2025 and 2024.

Habitat was awarded the following federal grants from Rural Development. These grants are considered a conditional promise to give. Revenue is recognized when grant conditions are met, by incurring allowable expenditures for the specified purpose, in compliance with grant conditions. Each grant is spendable over a two year period.

- Grant agreement dated November 2023 for \$345,000.
- Grant agreement dated May 2024 for \$737,120.
- Grant agreement dated September 2024 for \$66,212.

As of June 30, 2025 and 2024, approximately \$335,977 and \$704,660 of these grants had been earned in each fiscal year respectively, and \$467,355 and \$1,014,820 were available to be spent, respectively.

HELENA AREA HABITAT FOR HUMANITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2025 and 2024

14. ADMINISTRATION OF SECTION 523, MUTUAL SELF-HELP PROGRAM, INCLUDING SECTION 502 LOANS

As part of the duties of administering the Section 523, Mutual Self-Help Program, Helena Area Habitat for Humanity manages a custodial bank account for all participants from which each individual participant's construction costs are paid and into which loan proceeds are deposited. Each individual participant's construction costs and loan balances are maintained outside of Helena Area Habitat for Humanity's books. However, the total of the custodial account is included on the balance sheet of Helena Area Habitat for Humanity as reserved cash offset by the trust fund liability. Helena Area Habitat for Humanity's personnel prepare the checks, which can be written only for construction-related costs and require the signatures of two authorized representatives of the organization. All invoices are reviewed and approved by the construction supervisor and program manager, who also assign the expense to the applicable house. At monthly meetings between the construction supervisor, the program manager/502 bookkeeper, and the participating borrowers, each participant's construction expenses and loan draws are reviewed with them individually. As part of our audit, the files for two participants were examined (total participants for the year were eleven) and reviewed in detail. The bank reconciliation and disbursements were tested for propriety. Selected draw requests were traced from the request to the bank deposit. Selected checks were traced to supporting documents. We found no exceptions to the compliance requirement.

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 23, 2025, the date on which the financial statements were available to be issued.

- 7/31/2025 Eleanor Development Corporation received a \$1,000,000 loan draw.
- 10/9/2025 Eleanor Development Corporation loaned \$300,000 to Helena Area Habitat for Humanity.

SUPPLEMENTARY INFORMATION

**HELENA AREA HABITAT FOR HUMANITY
DETAILS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	June 30, 2025			
	Habitat for Humanity	Eleanor Development Corporation	Eliminating Entry	Consolidated Totals
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 337,965	\$ 99,203	\$ -	\$ 437,168
Reserved cash	10,347	-	-	10,347
Grants receivable	12,719	-	-	12,719
Mortgages receivable, current portion	8,550	-	-	8,550
Promises to give, current portion	14,436	-	-	14,436
Intercompany receivable	64,045	936,033	(1,000,078)	-
Other receivable	2,095	-	-	2,095
Donated inventory	52,873	-	-	52,873
Purchased inventory	2,483	-	-	2,483
Prepaid expenses	524	-	-	524
Homes under construction inventory	369,626	-	-	369,626
	<u>875,663</u>	<u>1,035,236</u>	<u>(1,000,078)</u>	<u>910,821</u>
PROPERTY AND EQUIPMENT				
Buildings and improvements	2,776,687	-	-	2,776,687
Vehicles	198,277	-	-	198,277
Furniture and fixtures	76,634	-	-	76,634
	<u>3,051,598</u>	<u>-</u>	<u>-</u>	<u>3,051,598</u>
Less accumulated depreciation	(401,527)	-	-	(401,527)
	<u>2,650,071</u>	<u>-</u>	<u>-</u>	<u>2,650,071</u>
OTHER ASSETS				
Investment in subsidiary	1,068,020	-	(1,068,020)	-
Promises to give, net of current portion and discount	10,273	-	-	10,273
Land held for home construction	936,032	160,568	-	1,096,600
Right-of use asset, operating leases	150,326	-	-	150,326
Mortgages receivable, net current portion	145,161	-	-	145,161
Unamortized mortgage discount	(73,137)	-	-	(73,137)
Allowance for credit loss	(29,833)	-	-	(29,833)
	<u>42,191</u>	<u>-</u>	<u>-</u>	<u>42,191</u>
	<u>2,206,842</u>	<u>160,568</u>	<u>(1,068,020)</u>	<u>1,299,390</u>
Total other assets	<u>2,206,842</u>	<u>160,568</u>	<u>(1,068,020)</u>	<u>1,299,390</u>
Total assets	<u>\$ 5,732,576</u>	<u>\$ 1,195,804</u>	<u>\$ (2,068,098)</u>	<u>\$ 4,860,282</u>

See independent auditors report.

**HELENA AREA HABITAT FOR HUMANITY
DETAILS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	June 30, 2025			
	Habitat for Humanity	Eleanor Development Corporation	Eliminating Entry	Consolidated Totals
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 28,177	\$ -	\$ -	\$ 28,177
Intercompany Payable	936,033	64,045	(1,000,078)	-
Accrued compensated absences	32,694	-	-	32,694
Accrued expenses	24,854	-	-	24,854
Escrow accounts	55	-	-	55
Funds held in trust	10,292	-	-	10,292
Short-term lease liability, operating leases	36,616	-	-	36,616
Notes payable, current portion	55,027	-	-	55,027
	<u>1,123,748</u>	<u>64,045</u>	<u>(1,000,078)</u>	<u>187,715</u>
Total current liabilities				
	<u>1,123,748</u>	<u>64,045</u>	<u>(1,000,078)</u>	<u>187,715</u>
 LONG-TERM LIABILITIES				
Long-term lease liability, operating leases	115,194	-	-	115,194
Notes payable, net of current portions and loan fee amortization	1,951,954	-	-	1,951,954
	<u>1,951,954</u>	<u>-</u>	<u>-</u>	<u>1,951,954</u>
Total long-term liabilities				
	<u>2,067,148</u>	<u>-</u>	<u>-</u>	<u>2,067,148</u>
Total liabilities				
	<u>3,190,896</u>	<u>64,045</u>	<u>(1,000,078)</u>	<u>2,254,863</u>
 NET ASSETS				
Without donor restrictions:				
Undesignated - available for general activities	2,516,686	1,131,759	(1,068,020)	2,580,425
With donor restrictions	24,994	-	-	24,994
	<u>2,541,680</u>	<u>1,131,759</u>	<u>(1,068,020)</u>	<u>2,605,419</u>
Total net assets				
	<u>2,541,680</u>	<u>1,131,759</u>	<u>(1,068,020)</u>	<u>2,605,419</u>
Total liabilities and net assets				
	<u>\$ 5,732,576</u>	<u>\$ 1,195,804</u>	<u>\$ (2,068,098)</u>	<u>\$ 4,860,282</u>

See independent auditors report.

**HELENA AREA HABITAT FOR HUMANITY
CONSOLIDATED STATEMENTS OF ACTIVITIES**

	June 30, 2025			
	Habitat for Humanity	Eleanor Development Corporation	Eliminating Entry	Consolidated Totals
REVENUE AND SUPPORT				
Contributions of nonfinancial assets	\$ 569,571	\$ 1,068,020	\$ (1,068,020)	\$ 569,571
Contributions	949,823	500	-	950,323
Grant revenue	484,119	-	-	484,119
Critical home repair income	3,965	-	-	3,965
Mortgage discount amortization	4,368	-	-	4,368
Home sales	1,821,408	130,000	-	1,951,408
ReStore sales	455,321	-	-	455,321
Rent	23,975	-	-	23,975
Gain on disposal of assets	251,384	-	-	251,384
Miscellaneous	33,615	3	-	33,618
	4,597,549	1,198,523	(1,068,020)	4,728,052
EXPENSES				
Program expenses:	4,789,054	(96,755)	-	4,692,299
Supporting services:				
Fundraising	65,286	15,158	-	80,444
Management and general	229,166	148,361	-	377,527
	5,083,506	66,764	-	5,150,270
CHANGE IN NET ASSETS	(485,957)	1,131,759	(1,068,020)	(422,218)
Net assets, beginning of year	3,027,637	-	-	3,027,637
NET ASSETS, END OF YEAR	\$ 2,541,680	\$ 1,131,759	\$ (1,068,020)	\$ 2,605,419

See independent auditors report.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors and Management
Helena Area Habitat for Humanity
Helena, MT

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Helena Area Habitat for Humanity (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 23, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Helena Area Habitat for Humanity's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Helena Area Habitat for Humanity's internal control. Accordingly, we do not express an opinion on the effectiveness of Helena Area Habitat for Humanity's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses or significant deficiency may exist that were not identified.



To the Board of Directors and Management
Helena Area Habitat for Humanity

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Helena Area Habitat for Humanity’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Junkermier, Clark, Campanella, Stevens, P.C.
Great Falls, Montana
October 23, 2025

**HELENA AREA HABITAT FOR HUMANITY
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2025**

The following is a schedule of findings and other matters which arose during the audit for the year ending June 30, 2025:

No findings were noted during the audit

**HELENA AREA HABITAT FOR HUMANITY
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
For the Year Ended June 30, 2025**

The following is a schedule of findings and the implementation status of those findings which arose during the audit for the year ending June 30, 2024:

No findings were noted during the audit.