

Habitat for Humanity of Greater Sioux Falls, Inc.

**Independent Auditor's Report
and Financial Statements**

**For the Years Ended
June 30, 2025 and 2024**

Habitat for Humanity of Greater Sioux Falls, Inc.

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Independent Auditor's Report

Board of Directors
Habitat for Humanity of Greater Sioux Falls, Inc.
Sioux Falls, SD

Opinion

We have audited the accompanying financial statements of Habitat for Humanity of Greater Sioux Falls, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Greater Sioux Falls, 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. 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 Habitat for Humanity of Greater Sioux Falls, 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Habitat for Humanity of Greater Sioux Falls, 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 Habitat for Humanity of Greater Sioux Falls, 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.



Sioux Falls, South Dakota
March 6, 2026

Habitat for Humanity of Greater Sioux Falls, Inc.
 Statements of Financial Position
 June 30, 2025 and 2024

| | 2025 | 2024 |
|---|---------------|---------------|
| Assets | | |
| Current Assets | | |
| Cash | \$ 1,838,417 | \$ 1,796,041 |
| Restricted cash for escrow deposits | 488,650 | 471,663 |
| Certificates of deposit | 816,669 | 750,000 |
| Accrued interest receivable | 8,759 | 18,025 |
| Current portion of mortgage receivables | 241,849 | 226,680 |
| Construction in process | 1,262,810 | 1,368,267 |
| Lots in inventory | 622,420 | 939,718 |
| ReStore inventory | 12,576 | 18,691 |
| Prepaid expenses | 36,124 | 30,915 |
| Total current assets | 5,328,274 | 5,620,000 |
| Property and Equipment | | |
| Property and equipment | 3,179,025 | 2,834,830 |
| Less - accumulated depreciation | (1,381,395) | (1,326,974) |
| Net property and equipment | 1,797,630 | 1,507,856 |
| Other Assets | | |
| Revolving loan pool receivable | -- | 1,600 |
| Beneficial interest in Sioux Falls Area | | |
| Community Foundation | 39,509 | 36,242 |
| Long-term mortgage receivables (net of current portion) | 4,656,449 | 4,408,870 |
| Total other assets | 4,695,958 | 4,446,712 |
| | \$ 11,821,862 | \$ 11,574,568 |

The accompanying Notes to Financial Statements are an integral part of this statement.

Habitat for Humanity of Greater Sioux Falls, Inc.
 Statements of Financial Position
 June 30, 2025 and 2024 (Continued)

| | 2025 | 2024 |
|--|---------------|---------------|
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 213,110 | \$ 121,315 |
| Current portion of long term debt | 24,126 | 24,407 |
| Homeowner escrow deposits | | |
| Taxes, maintenance, and insurance | 108,771 | 88,144 |
| Community Development Block Grant loan escrow | 379,922 | 383,530 |
| Total Current Liabilities | 725,929 | 617,396 |
| Long-Term Debt, net of current maturities | 266,030 | 289,873 |
| Total Liabilities | 991,959 | 907,269 |
| Net Assets | | |
| Without donor restrictions | 10,810,726 | 10,640,350 |
| With donor restrictions | 19,177 | 26,949 |
| Total Net Assets | 10,829,903 | 10,667,299 |
| | \$ 11,821,862 | \$ 11,574,568 |

The accompanying Notes to Financial Statements are an integral part of this statement.

Habitat for Humanity of Greater Sioux Falls, Inc.

Statement of Activities
For the Year Ended June 30, 2025

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|----------------------|
| Revenues and Support | | | |
| Contributions | | | |
| Businesses | \$ 23,878 | \$ 270,877 | \$ 294,755 |
| Individuals | 107,920 | 56,746 | 164,666 |
| In-kind contributions | -- | 51,928 | 51,928 |
| Special campaigns or events | 149,634 | -- | 149,634 |
| Foundations and grants | -- | 1,059,200 | 1,059,200 |
| Churches | 3,831 | -- | 3,831 |
| Total contributions | <u>285,263</u> | <u>1,438,751</u> | <u>1,724,014</u> |
| Homeowner Activity | | | |
| Transfer to homeowners | 1,508,957 | -- | 1,508,957 |
| Mortgage discounts amortization | 251,039 | -- | 251,039 |
| Total homeowner activity | <u>1,759,996</u> | <u>--</u> | <u>1,759,996</u> |
| ReStore Revenues | 885,610 | -- | 885,610 |
| Other Revenues | | | |
| Interest | 106,893 | -- | 106,893 |
| Investment return | 4,641 | -- | 4,641 |
| Second mortgage | 18,598 | -- | 18,598 |
| Miscellaneous | 24,997 | -- | 24,997 |
| (Loss) on sale of asset | (2,091) | -- | (2,091) |
| Total other revenues | <u>153,038</u> | <u>--</u> | <u>153,038</u> |
| Total revenue and other support | <u>3,083,907</u> | <u>1,438,751</u> | <u>4,522,658</u> |
| Net assets released from donor restrictions | | | |
| Satisfaction and expiration of restrictions | 1,446,523 | (1,446,523) | -- |
| Total revenues from operations | <u>4,530,430</u> | <u>(7,772)</u> | <u>4,522,658</u> |
| Expenses | | | |
| Program expenses | 4,047,856 | -- | 4,047,856 |
| Management and general | 208,433 | -- | 208,433 |
| Fundraising | 103,765 | -- | 103,765 |
| Total Expenses | <u>4,360,054</u> | <u>--</u> | <u>4,360,054</u> |
| Change in Net Assets | 170,376 | (7,772) | 162,604 |
| Net Assets, Beginning of Year | <u>10,640,350</u> | <u>26,949</u> | <u>10,667,299</u> |
| Net Assets, End of Year | <u>\$ 10,810,726</u> | <u>\$ 19,177</u> | <u>\$ 10,829,903</u> |

The accompanying Notes to Financial Statements are an integral part of this statement.

Habitat for Humanity of Greater Sioux Falls, Inc.

Statement of Activities
For the Year Ended June 30, 2024

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---|---------------------------------------|------------------------------------|----------------------|
| Revenues and Support | | | |
| Contributions | | | |
| Businesses | \$ 40,083 | \$ 204,327 | \$ 244,410 |
| Individuals | 54,485 | 10,632 | 65,117 |
| In-kind contributions | -- | 83,552 | 83,552 |
| Special campaigns or events | 148,758 | -- | 148,758 |
| Foundations and grants | -- | 564,750 | 564,750 |
| Churches | 10,248 | -- | 10,248 |
| Total contributions | <u>253,574</u> | <u>863,261</u> | <u>1,116,835</u> |
| Homeowner Activity | | | |
| Transfer to homeowners | 2,099,109 | -- | 2,099,109 |
| Mortgage discounts amortization | 411,001 | -- | 411,001 |
| Total homeowner activity | <u>2,510,110</u> | <u>--</u> | <u>2,510,110</u> |
| ReStore Revenues | 904,146 | -- | 904,146 |
| Other Revenues | | | |
| Interest | 95,921 | -- | 95,921 |
| Investment return | 3,471 | -- | 3,471 |
| Second mortgage | 8,729 | -- | 8,729 |
| Miscellaneous | 32,310 | -- | 32,310 |
| Total other revenues | <u>140,431</u> | <u>--</u> | <u>140,431</u> |
| Total revenue and other support | <u>3,808,261</u> | <u>863,261</u> | <u>4,671,522</u> |
| Net assets released from donor restrictions | | | |
| Satisfaction and expiration of restrictions | 912,073 | (912,073) | -- |
| Total revenues from operations | <u>4,720,334</u> | <u>(48,812)</u> | <u>4,671,522</u> |
| Expenses | | | |
| Program expenses | 4,718,230 | -- | 4,718,230 |
| Management and general | 157,069 | -- | 157,069 |
| Fundraising | 88,614 | -- | 88,614 |
| Total expenses | <u>4,963,913</u> | <u>--</u> | <u>4,963,913</u> |
| Change in Net Assets | (243,579) | (48,812) | (292,391) |
| Net Assets, Beginning of Year | <u>10,883,929</u> | <u>75,761</u> | <u>10,959,690</u> |
| Net Assets, End of Year | <u>\$ 10,640,350</u> | <u>\$ 26,949</u> | <u>\$ 10,667,299</u> |

The accompanying Notes to Financial Statements are an integral part of this statement.

Habitat for Humanity of Greater Sioux Falls, Inc.

Statements of Functional Expenses

For the Year Ended June 30, 2025

| Expenses | ReStore Activity | Affiliate Activity | Total Program Services | Management and General | Fundraising | Total |
|--|-------------------------|---------------------------|-------------------------------|-------------------------------|--------------------|---------------------|
| Construction and sale costs-sold homes | \$ -- | \$ 1,570,678 | \$ 1,570,678 | \$ -- | \$ -- | \$ 1,570,678 |
| Mortgage discounts contributed | -- | 938,802 | 938,802 | -- | -- | 938,802 |
| Salaries and wages | 367,905 | 412,147 | 780,052 | 84,042 | 44,746 | 908,840 |
| Professional services | 17,686 | 71,871 | 89,557 | 68,013 | -- | 157,570 |
| Payroll taxes and employee benefits | 53,045 | 54,763 | 107,808 | 9,706 | 4,432 | 121,946 |
| Depreciation | 44,034 | 47,781 | 91,815 | 937 | 937 | 93,689 |
| Insurance | 21,366 | 59,223 | 80,589 | 11,251 | -- | 91,840 |
| Warehouse expense | 49,293 | 32,662 | 81,955 | 3,812 | 231 | 85,998 |
| Cost of goods sold - purchased inventory | 77,199 | -- | 77,199 | -- | -- | 77,199 |
| Vehicle, travel, and training costs | 19,156 | 39,718 | 58,874 | 3,814 | -- | 62,688 |
| Printing, promotion, volunteer recognition | 18,092 | 57,090 | 75,182 | 5,252 | 1,750 | 82,184 |
| Office supplies and expense | 11,228 | 14,988 | 26,216 | 19,867 | 4,153 | 50,236 |
| Fundraising | -- | -- | -- | -- | 47,402 | 47,402 |
| Neighborhood initiative materials | -- | 32,911 | 32,911 | -- | -- | 32,911 |
| House warranty expense | -- | 13,663 | 13,663 | -- | -- | 13,663 |
| Tithe to Habitat for Humanity | -- | 12,780 | 12,780 | -- | -- | 12,780 |
| Telephone | 3,309 | 3,625 | 6,934 | 1,399 | -- | 8,333 |
| Miscellaneous | 643 | 2,198 | 2,841 | 340 | 114 | 3,295 |
| Total Expenses | <u>\$ 682,956</u> | <u>\$ 3,364,900</u> | <u>\$ 4,047,856</u> | <u>\$ 208,433</u> | <u>\$ 103,765</u> | <u>\$ 4,360,054</u> |

The accompanying Notes to Financial Statements are an integral part of this statement.

Habitat for Humanity of Greater Sioux Falls, Inc.

Statements of Functional Expenses

For the Year Ended June 30, 2024

| Expenses | <u>ReStore Activity</u> | <u>Affiliate Activity</u> | <u>Total Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|--|-------------------------|---------------------------|-------------------------------|-------------------------------|--------------------|---------------------|
| Construction and sale costs-sold homes | \$ -- | \$ 2,071,920 | \$ 2,071,920 | \$ -- | \$ -- | \$ 2,071,920 |
| Mortgage discounts contributed | -- | 1,187,672 | 1,187,672 | -- | -- | 1,187,672 |
| Salaries and wages | 441,250 | 334,793 | 776,043 | 83,877 | 41,101 | 901,021 |
| Payroll taxes and employee benefits | 58,312 | 44,833 | 103,145 | 9,201 | 4,079 | 116,425 |
| Insurance | 20,618 | 63,083 | 83,701 | 11,680 | -- | 95,381 |
| Cost of goods sold - purchased inventory | 94,121 | -- | 94,121 | -- | -- | 94,121 |
| Depreciation | 42,412 | 46,022 | 88,434 | 902 | 902 | 90,238 |
| Warehouse expense | 58,764 | 27,032 | 85,796 | 3,790 | 249 | 89,835 |
| Professional services | 8,289 | 33,424 | 41,713 | 34,286 | -- | 75,999 |
| Printing, promotion, volunteer recognition | 15,929 | 49,110 | 65,039 | 4,624 | 1,541 | 71,204 |
| Vehicle, travel, and training costs | 19,143 | 28,009 | 47,152 | 2,309 | -- | 49,461 |
| Fundraising | -- | -- | -- | -- | 39,120 | 39,120 |
| Office supplies and expense | 13,559 | 14,732 | 28,291 | 4,603 | 1,474 | 34,368 |
| Neighborhood initiative materials | -- | 25,020 | 25,020 | -- | -- | 25,020 |
| Tithe to Habitat for Humanity | -- | 8,818 | 8,818 | -- | -- | 8,818 |
| Telephone | 3,431 | 4,025 | 7,456 | 1,353 | -- | 8,809 |
| Miscellaneous | 186 | 2,860 | 3,046 | 444 | 148 | 3,638 |
| House warranty expense | -- | 863 | 863 | -- | -- | 863 |
| Total Expenses | <u>\$ 776,014</u> | <u>\$ 3,942,216</u> | <u>\$ 4,718,230</u> | <u>\$ 157,069</u> | <u>\$ 88,614</u> | <u>\$ 4,963,913</u> |

The accompanying Notes to Financial Statements are an integral part of this statement.

Habitat for Humanity of Greater Sioux Falls, Inc.

Statements of Cash Flows

For the Years Ended June 30, 2025 and 2024

| | 2025 | 2024 |
|--|--------------|--------------|
| Cash Flows from Operating Activities | | |
| Change in Net Assets | \$ 162,604 | \$ (292,391) |
| Charges and Credits to Net Income Not Affecting Cash | | |
| Depreciation | 93,689 | 90,238 |
| Loss on sales of fixed assets | 2,091 | -- |
| Mortgages transferred to homeowner (net discounts) | (570,155) | (911,437) |
| CDBG and SDHDA transferred to homeowners | (334,000) | (430,000) |
| Mortgage loan discount amortization | (251,039) | (411,001) |
| Net appreciation in fair value of investments | (4,671) | (3,471) |
| (Increase) Decrease in assets | | |
| Lots in inventory | 317,298 | (83,831) |
| Construction in process | 105,457 | 130,514 |
| Interest receivable | 9,266 | (18,025) |
| ReStore inventory | 6,115 | 9,511 |
| Prepaid expenses | (5,209) | (17,575) |
| Revolving loan pool receivable | 1,600 | 1,000 |
| Increase (Decrease) in Liabilities | | |
| Accounts payable and accrued liabilities | 91,795 | (55,594) |
| Net Cash (Used) by Operating Activities | (375,159) | (1,992,062) |
| Net Cash Flow from Investing Activities | | |
| Property and equipment purchases | (406,385) | (35,015) |
| Proceeds from sale of fixed assets | 20,831 | -- |
| Sioux Falls Area Community Foundation endowment | 1,404 | 1,404 |
| Payments received on contracts for deed/mortgage loans | 558,478 | 786,775 |
| Purchase (proceeds) of certificate of deposit, net | (66,669) | (750,000) |
| Net Cash Provided by Investing Activities | 107,659 | 3,164 |
| Net Cash Flows Provided by Financing Activities | | |
| Proceeds from long term debt | 334,000 | 430,000 |
| Principal payments on long term debt | (24,124) | (56,329) |
| Net Cash Provided By Financing Activities | 309,876 | 373,671 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 42,376 | (1,615,227) |
| Cash and Cash Equivalents, Beginning of Year | 1,796,041 | 3,411,268 |
| Cash and Cash Equivalents, End of Year | \$ 1,838,417 | \$ 1,796,041 |
| Reconciliation of Cash, Cash Equivalents, and Restricted Cash | | |
| Cash and cash equivalents | \$ 1,838,417 | \$ 1,796,041 |
| Restricted cash - escrow deposits | 488,650 | 471,663 |
| Total cash, cash equivalents, and restricted cash | \$ 2,327,067 | \$ 2,267,704 |

The accompanying Notes to Financial Statements are an integral part of this statement.

Habitat for Humanity of Greater Sioux Falls, Inc.
Supplemental Disclosures of Cash Flow Information
For the Years Ended June 30, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|--|--------------|--------------|
| Schedule of Noncash Investing and Financing Activities | | |
| Issuance of non-interest bearing mortgages | \$ 1,508,957 | \$ 2,099,109 |
| Community Development Block Grant and South Dakota Housing Development Authority debt transferred to home buyers | \$ 84,000 | \$ 430,000 |
| In-kind Contributions | \$ 51,928 | \$ 83,552 |

The accompanying Notes to Financial Statements are an integral part of this statement.

Habitat for Humanity of Greater Sioux Falls, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

1. Significant Accounting Policies:

Nature of Business: Habitat for Humanity of Greater Sioux Falls, Inc. (Habitat) 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, and prayer support, Habitat is primarily and directly responsible for its own operations.

Basis of Accounting: Habitat prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis, revenues are recognized when earned and expenses are recognized when the obligation is incurred.

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

Net Assets without Donor Restrictions: Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net Assets with Donor Restrictions: Net assets subject to donor or grantor restrictions. When a restriction is met, 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.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Construction in Process and Lots in Inventory: Construction in process and lots in inventory represent the construction costs, including donated material, specialized services, and real estate associated with homes currently under construction by Habitat. Donated items that will be used for the construction of Habitat homes are normally only held for a short period and are not material. Accordingly, they are not valued in inventory unless the quantity of such items results in the inventory being carried over until the next construction season. At the time these materials are used in construction, a value is placed on the materials and added to the cost of the home.

ReStore Inventory: ReStore inventory consisting primarily of donated construction materials and used appliances. These are not valued in the accompanying financial statements in that values cannot be reasonably determined at the time of the donation. Purchased inventory is valued at cost. Sales proceeds received from the sale of such items are reflected in the statement of activities and changes in net assets for the years ended June 30, 2025 and 2024.

Revenue Recognition: Habitat's revenue is derived primarily from grants and donations as well as mortgage payments from contracts with recipients of affordable homes. These contracts can be written or implied. Habitat allocates the transaction price to each performance obligation. Habitat recognizes the revenue for each performance obligation at the point in time when the obligation was fulfilled, or a grant or donation was received.

Habitat for Humanity of Greater Sioux Falls, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

1. Significant Accounting Policies: (Continued)

Cash Equivalents: For purposes of the statement of cash flows, Habitat considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

Habitat maintains cash balances at two financial institutions located in Sioux Falls, South Dakota. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times during the year, Habitat's balances exceed the \$250,000 insurance limit. Management believes that its cash and temporary cash investments are held by high quality financial institutions.

Contributions: Contributions are generally recorded only upon receipt unless evidence of an unconditional promise to give has been received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. Conditional promises to give are not included as support until such time as the conditions are substantially met. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Donated Materials and Services

ReStore: Habitat receives new, used, or surplus building materials and appliances along with volunteer services in the ReStore operation. These volunteer services are not valued in the accompanying financial statements as they do not meet the criteria for recognition. Further, the value of donated materials and appliances is recognized when sold due to the uncertainty of value when received.

Home Construction: In-kind contributions reported in the statement of activities and changes in net assets consists of primarily donated construction materials and the donated services of skilled professionals and tradesman related to the construction of homes. These services and materials are recorded at estimated fair market value at the date received.

Other: No amounts have been reflected in the financial statements for non-specialized donated services. However, many individuals volunteer their time and perform a variety of tasks that assist Habitat with home construction, the ReStore, specific assistance programs, campaign solicitations, and various board assignments. Criteria for recognition of these services include donated services that create or enhance nonfinancial assets or that require specialized skills and would typically need to be purchased if not provided by donation.

Income Taxes: Habitat has received an exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code under a group exemption letter granted to Habitat International by the Internal Revenue Service. Donations to the Habitat are tax deductible.

Functional Allocation of Expenses: The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses are allocated among the various activities by direct identification of expenses, if possible and by management when direct identification is not possible. The financial statements report certain categories of expenses that are attributable to more than one program or function and therefore require allocation on a reasonable basis that is consistently applied.

Habitat for Humanity of Greater Sioux Falls, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

1. Significant Accounting Policies: (Continued)

Expenses that are not directly identifiable are allocated based on management's estimates of time and effort or square footage, as appropriate. Salaries, wages, payroll taxes, and employee benefits are allocated based on estimates of time and effort incurred by personnel for each functional area. Occupancy-related costs, including depreciation, insurance, utilities, and warehouse expenses, are allocated based on the proportion of square footage utilized by each functional area. Professional services, office expenses, and other shared costs are allocated based on management's judgment of the relative benefit received by each function.

Property and Equipment: All property and equipment are stated at historical cost on the date of purchase or fair market value at the date of the gift. Depreciation is computed on a straight-line basis over the useful lives of the assets as indicated. Habitat has adopted the policy in accordance with federal grant guidelines to directly charge to operations the cost of any item of equipment that is less than \$1,000. Items of equipment with a purchase price in excess of \$1,000 are recorded as fixed asset at actual cost.

Below is a table listing Habitat's current property and equipment:

| | | June 30, | |
|--------------------|--------------|---------------------|---------------------|
| | Useful Lives | 2025 | 2024 |
| Warehouse facility | 39 | \$ 2,569,915 | \$ 2,220,964 |
| Land | - | 156,755 | 156,755 |
| Land improvements | 15-20 | 68,949 | 68,949 |
| Equipment | 5-10 | 383,406 | 388,162 |
| | | <u>\$ 3,179,025</u> | <u>\$ 2,834,830</u> |

Fair Value of Financial Instruments: Habitat's financial instruments consist of cash, investments, receivables, accounts payable, accrued expenses, and notes payable. Cash, receivables, accounts payable, accrued expenses, and notes payable are stated at cost, which approximates fair value. Investments are recorded at fair value.

Leases: Habitat determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. Habitat does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. Habitat recognizes lease liabilities and corresponding assets with initial, individual value of \$25,000 or more.

Habitat for Humanity of Greater Sioux Falls, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

1. Significant Accounting Policies: (Continued)

Mortgage Receivables, Net: Mortgage receivables that are issued at below market interest rates are initially recorded at fair market value by discounting the receivable balance. The discount is then amortized into income over the life of the loan receivable using the effective interest method. The allowance for credit losses on mortgage receivables is adjusted through the provision for credit losses to the amount of amortized cost basis not expected to be collected at the financial statement date. Mortgage losses are charged off against the allowance for credit losses on mortgages when Habitat determines the mortgage balance to be uncollectable. Cash received on previously charged off amounts is recorded as a recovery to the allowance for credit losses on mortgages.

In determining the amount of the allowance for credit losses, Habitat considers historical collectability based on past due status and make judgments about the creditworthiness of mortgagor based on ongoing credit evaluations. We also consider mortgagor-specific information, current market conditions and reasonable and supportable forecasts of future economic conditions to inform adjustments to historical loss data. Based on its evaluation of historical loss experience, current conditions, and reasonable and supportable forecasts, management concluded that expected credit losses were immaterial as of June 30, 2025 and 2024; therefore, no allowance for credit losses was recorded.

Subsequent Events: Habitat has evaluated subsequent events through March 6, 2026, the date the financial statements were available to be issued.

2. Tithe Transactions with Habitat for Humanity International:

As a local affiliate of Habitat International, Habitat is encouraged to support the work of the international organization. These funds are used to construct homes in economically depressed areas around the world. These payments totaled \$12,780 and \$8,818 during the years ended June 30, 2025 and 2024 and are included as program services expenses.

Habitat for Humanity of Greater Sioux Falls, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

3. Liquidity and Availability of Financial Assets:

The following reflects Habitat's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

| | <u>2025</u> | <u>2024</u> |
|---|---------------------|---------------------|
| Financial assets at year-end: | | |
| Cash | \$ 1,838,417 | \$ 1,796,041 |
| Restricted cash for escrow deposits | 488,650 | 471,663 |
| Certificates of deposit | 816,669 | 750,000 |
| Accrued interest receivable | 8,759 | 18,025 |
| Revolving loan pool receivable | -- | 1,600 |
| Beneficial interest in Sioux Falls Area Community Foundation | 39,509 | 36,242 |
| Mortgage receivables | 4,898,298 | 4,635,550 |
| Total financial assets | <u>8,090,302</u> | <u>7,709,121</u> |
| Less those unavailable for general expenditure within one year due to: | | |
| Restricted cash for escrow deposits | (488,650) | (471,663) |
| Revolving loan pool receivable | -- | (1,600) |
| Beneficial interest in Sioux Falls Area Community Foundation | (39,509) | (36,242) |
| Less long-term mortgage receivables | <u>(4,656,449)</u> | <u>(4,408,870)</u> |
| | (5,184,608) | (4,918,375) |
| Financial assets available to meet cash needs for general expenditure within one year | <u>\$ 2,905,694</u> | <u>\$ 2,790,746</u> |

As part of Habitat's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, Habitat has a committed line of credit in the amount of \$250,000 which it could draw upon. (See Note 11)

Habitat for Humanity of Greater Sioux Falls, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

4. Mortgage Receivables:

Mortgage receivables consist of non-interest-bearing mortgages which are secured by real estate and are payable in monthly installments. Most of the mortgages have an original maturity of 20 to 30 years. These receivables have been discounted based upon prevailing market rates for low-income housing at the inception of the mortgages. Interest income is recorded under the interest method in accordance with FASB ASC Topic 835, *Interest*. These mortgages are secured by the underlying real estate that is located primarily in Minnehaha, Lincoln, and Turner counties in South Dakota.

| | <u>2025</u> | <u>2024</u> |
|----------------------------------|---------------------|---------------------|
| Mortgage receivables | \$ 9,620,478 | \$ 8,669,965 |
| Discount on mortgage receivables | <u>(4,722,180)</u> | <u>(4,034,415)</u> |
| Net mortgage receivables | <u>\$ 4,898,298</u> | <u>\$ 4,635,550</u> |

Mortgage receivables/maturities as of June 30, 2025, consist of the following:

| <u>Year Ended</u> | <u>Mortgage Receivables</u> | <u>Discount Amortization</u> | <u>Net</u> |
|-------------------|---------------------------------|----------------------------------|---------------------|
| 2026 | \$ 453,299 | \$ (211,450) | \$ 241,849 |
| 2026-2031 | 2,235,566 | (1,043,402) | 1,192,164 |
| Thereafter | <u>6,931,613</u> | <u>(3,467,328)</u> | <u>3,464,285</u> |
| Total | <u>\$ 9,620,478</u> | <u>\$ (4,722,180)</u> | <u>\$ 4,898,298</u> |

Transfers to Homeowners:

Transfers to homeowners represent the sale of houses built by Habitat. The transfers to homeowners are presented in the statements of activities and changes in net assets as program revenue and the mortgage discounts at inception as program expense.

Because mortgage receivables are secured by the real estate, and ultimately through the process of foreclosure, management believes that procedures will result in collection. Accordingly, no allowance for credit losses has been recorded and there has been no activity in the allowance for credit losses for the years ended June 30, 2025 and 2024.

Habitat for Humanity of Greater Sioux Falls, Inc.

Notes to Financial Statements

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5. Restricted Cash-Homeowner Escrow Deposits:

Restricted cash reflects homeowner escrow deposits held by Habitat as described as follows:

Taxes, Maintenance, and Insurance:

Habitat accumulates a portion of the monthly mortgage payments made by property owners to provide adequate funds to pay insurance, property maintenance costs, and real estate taxes as they become due. The escrow balance as of June 30, 2025 and 2024 was \$108,771 and \$88,144, respectively.

Community Development Block Grant and South Dakota Housing Development Authority Loan Escrow:

The U.S Department of Housing and Urban Development (HUD) through Community Development Block Grants (CDBG) and South Dakota Housing Development Authority (SDHDA) provide funds for purposes of land acquisition and development. The funds are provided in the form of non-interest-bearing loans that attach to the property and are due on sale. At the time a property is sold to a Habitat homeowner, the loan associated with the lot sold is transferred from Habitat to the homeowner and remains a non-interest-bearing loan. The loan is payable when the home is sold to a homeowner that is ineligible for the Habitat program. Loans that are associated with homes sold to a new Habitat homeowner will be transferred to the new owner along with the related escrow balance.

Escrow funds are collected as part of the monthly payment from Habitat homeowners. They are retained by Habitat until such time as they are required to pay the loan. Amounts held in escrow are reflected as restricted cash and escrow payable in the financial statements.

A summary of activity related to the Community Development Block Grant and South Dakota Housing Development Authority Loan Escrow Accounts are as follows:

| | <u>2025</u> | <u>2024</u> |
|--------------------------|-------------------|-------------------|
| Beginning balance | \$ 383,530 | \$ 364,896 |
| Escrow deposits received | 152,558 | 125,895 |
| Escrow payments | <u>(156,166)</u> | <u>(107,261)</u> |
| Ending balance | <u>\$ 379,922</u> | <u>\$ 383,530</u> |

Habitat for Humanity of Greater Sioux Falls, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

6. Beneficial Interest in Sioux Falls Area Community Foundation:

Agency Endowments

Two agency endowment funds have been established at the Sioux Falls Area Community Foundation (the Foundation) that name Habitat as the designated beneficiary of distributions from these funds. Under the agency fund agreements, the Foundation holds and invests the assets on behalf of Habitat. Although the Foundation's governing documents grant it variance power, agency funds are accounted for as liabilities on the Foundation's books and as assets of the Habitat in accordance with ASC 958-605-25-33.

Funds available for distribution are based on 4-5% of the twelve-quarter trailing average balance of the endowment each year once the fund has been in existence for twelve quarters. Distributions are subject to the Foundation's power to "modify or remove any restriction or condition on the fulfillment, or inconsistent with the charitable needs of the communities' served." The Foundation has not exercised such power since its establishment in 1984.

The two agency funds consist of:

- Endowment #1 – Established with an original gift of \$10,000 and transferred to the Foundation in 2004
- Endowment #2 – Established in 2005 and converted from a designated fund to an agency fund during 2007

The aggregate current market value of such transfers, plus income and less distributions and fees is \$39,509 as of June 30, 2025 and \$36,242 as of June 30, 2024. The aggregate current market value is reflected in Habitat's statements of financial position as a beneficial interest in the net assets of the Sioux Falls Area Community Foundation. Distributions of the funds totaled \$1,374 as of June 30, 2025 and \$1,404 as of June 30, 2024.

Designated Fund Endowment

During fiscal year 2025, an additional endowment (Endowment #3) was established at the Foundation through a \$250,000 estate gift to benefit Habitat. This fund is structured as a designated fund. Accordingly, the assets are owned and controlled by the Foundation, and Habitat does not record a beneficial interest for this fund. Distributions are recognized as revenue when received.

7. Fair Value Measurement:

The following table shows the fair value of the Habitat's financial assets that are required to be measured at fair value as of June 30, 2025:

| | <u>Fair Value</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
|-------------------------------|-------------------|--|
| Beneficial interest in assets | | |
| Held by Community Foundation | \$ 39,509 | \$ 39,509 |
| | <u>\$ 39,509</u> | <u>\$ 39,509</u> |

Habitat for Humanity of Greater Sioux Falls, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

7. Fair Value Measurement: (Continued)

The following table shows the fair value of the Habitat's financial assets that are required to be measured at fair value as of June 30, 2024:

| | <u>Fair Value</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
|---|-------------------|--|
| Beneficial interest in assets Held by Community Foundation | \$ 36,242 | \$ 36,242 |
| | <u>\$ 36,242</u> | <u>\$ 36,242</u> |

Fair value for the beneficial interest in assets held by the Foundation is determined by Habitat's unit interest in the fair market value of all investments held by the foundation.

Habitat recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels in the years ended June 30, 2025 and 2024, respectively.

The following table provides a reconciliation of the beginning and ending balances for assets measured at fair value using significant unobservable inputs (Level 3).

Beneficial interest in assets held by community foundation:

| | <u>2025</u> | <u>2024</u> |
|--|------------------|------------------|
| Balance, beginning of year | \$ 36,242 | \$ 34,175 |
| Contributions | -- | -- |
| Investment fees | (290) | (269) |
| Unrealized gains relating to instruments still held at reporting date | 4,931 | 3,740 |
| Payments from Community Foundation | (1,374) | (1,404) |
| Balance, end of year | <u>\$ 39,509</u> | <u>\$ 36,242</u> |

8. Endowment Funds:

Agency Endowment Funds:

Habitat's endowments consist of two agency funds with the Sioux Falls Area Community Foundation (the Foundation) (See Note 6). Its endowments included both unrestricted and restricted donor funds. Habitat has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for the building of decent, affordable housing for those in need while seeking to mitigate the loss of purchasing power of the endowment assets.

Habitat's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. Habitat's investment objective is to achieve a 5% annual real rate of return net of fees over ten-year time frames. Actual returns may vary from this amount.

Habitat for Humanity of Greater Sioux Falls, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

8. Endowment Funds: (Continued)

Agency Endowment Funds: (Continued)

To satisfy its long-term rate-of-return objectives, Habitat relies on total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The agency funds at the Foundation targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The Foundation distributes to Habitat 4-5% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end.

The following summarizes the agency endowment funds held by Habitat as of June 30, 2025:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|------------------|
| Beneficial interest in assets held by Community Foundation July 1, 2024 | \$ 25,781 | \$ 10,461 | \$ 36,242 |
| Contributions | -- | -- | -- |
| Investment fees | (290) | -- | (290) |
| Investment appreciation | 4,931 | -- | 4,931 |
| Appropriation for expenditure | (1,374) | -- | (1,374) |
| Balance, June 30, 2025 | <u>\$ 29,048</u> | <u>\$ 10,461</u> | <u>\$ 39,509</u> |

The following summarizes the agency endowment funds held by Habitat as of June 30, 2024:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|------------------|
| Beneficial interest in assets held by community foundation July 1, 2023 | \$ 23,714 | \$ 10,461 | \$ 34,175 |
| Investment fees | (269) | -- | (269) |
| Investment appreciation | 3,740 | -- | 3,740 |
| Appropriation for expenditure | (1,404) | -- | (1,404) |
| Balance, June 30, 2024 | <u>\$ 25,781</u> | <u>\$ 10,461</u> | <u>\$ 36,242</u> |

Designated Endowment:

In fiscal year 2025, a separate designated endowment fund was established at the Foundation to provide general support to Habitat. Because this fund is owned and controlled by the Foundation, it is not reflected in the Habitat's statements of financial position. Habitat recognizes distributions from this fund as contribution revenue when received. At June 30, 2025 and June 30, 2024, distributions were \$0.

Habitat for Humanity of Greater Sioux Falls, Inc.

Notes to Financial Statements

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9. Long Term Debt:

Long-Term Debt consisted of the following as of June 30, 2025 and 2024:

| | 2025 | 2024 |
|---|------------|------------|
| Participation loans | | |
| Note payable to bank at 0% interest in monthly payments of \$372 through December 2032 | \$ 70,618 | \$ 75,199 |
| Note payable to bank at 0% interest in monthly payments of \$290 through December 2032 | 57,217 | 60,699 |
| Note payable to bank at 0% interest in monthly payments of \$222 through December 2028 | 9,206 | 11,878 |
| Note payable to South Dakota Housing Development Authority at 0% interest in monthly payments of \$243 through August 2029 | 11,292 | 14,214 |
| Note payable to South Dakota Housing Development Authority at 0% interest in monthly payments of \$260 through September 2030 | 14,509 | 17,632 |
| Note Payable to bank at 0% interest in monthly payments of \$298 through January 2043 | 62,661 | 66,241 |
| Note Payable to bank at 0% interest in monthly payments of \$314 through November 2042 | 64,653 | 68,417 |
| Total long term debt | \$ 290,156 | \$ 314,280 |

Participation loans represent obligations whereby the lending organization has a 100% participation in a specific mortgage receivable and related collateral. Habitat and the participating lender have equal rights in the participated mortgages receivable and collateral. The mortgage balances of the collateral were \$290,156 and \$314,280 as of June 30, 2025 and 2024, respectively.

Long-Term debt maturities at June 30, 2025 are as follows:

| | | |
|------------|----|---------|
| 2026 | \$ | 24,126 |
| 2027 | | 24,126 |
| 2028 | | 24,126 |
| 2029 | | 21,014 |
| 2030 | | 18,659 |
| Thereafter | | 178,105 |
| Total | \$ | 290,156 |

Habitat for Humanity of Greater Sioux Falls, Inc.

Notes to Financial Statements

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10. Retirement Plan:

Habitat has a SIMPLE Individual Retirement Plan (IRA) for its employees. Habitat makes matching contributions for all eligible participating employees. Retirement contributions were \$14,575 and \$12,648 for the years ended June 30, 2025 and 2024.

11. Line of Credit:

Habitat has a \$250,000 unsecured operating line of credit which had a balance of \$0 for years ended June 30, 2025 and 2024. The line of credit matures on March 31, 2026 and carries an interest rate of prime minus 0.8%. Interest is to be paid each month and total interest paid on this note was \$0 for the years ended June 30, 2025 and 2024.

12. Net Assets with Donor Restrictions:

Net assets with donor restrictions are as follows:

| | <u>2025</u> | <u>2024</u> |
|--|------------------|------------------|
| Endowment | \$ 10,461 | \$ 10,461 |
| Purpose - Neighborhood Revitalization Initiative | 8,716 | 16,488 |
| | <u>\$ 19,177</u> | <u>\$ 26,949</u> |

Net assets were released from donor restrictions as follows:

| | <u>2025</u> | <u>2024</u> |
|--|---------------------|-------------------|
| Purpose restrictions accomplished | | |
| Home build projects | \$ 1,385,513 | \$ 838,666 |
| Native American family | -- | 28,591 |
| Neighborhood Revitalization Initiative | 61,010 | 44,816 |
| Total | <u>\$ 1,446,523</u> | <u>\$ 912,073</u> |