

**HABITAT FOR HUMANITY FOR
RHODE ISLAND,
SOUTH COUNTY, INC.**

**FINANCIAL STATEMENTS
AS OF JUNE 30, 2025**

**TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**



**HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
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JUNE 30, 2025**

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Habitat for Humanity for Rhode Island, South County, Inc.
Charlestown, Rhode Island

Opinion

We have audited the accompanying financial statements of Habitat for Humanity for Rhode Island, South County, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year 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 the Organization as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 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 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 the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited Habitat for Humanity for Rhode Island, South County, Inc.'s 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 17, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hoyt, Filippetti & Malaghan, LLC

Groton, Connecticut
September 26, 2025

FINANCIAL STATEMENTS

**HABITAT FOR HUMANITY FOR RHODE ISLAND
SOUTH COUNTY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2025
(With Summarized Financial Information for 2024)**

ASSETS

| | 2025 | 2024 |
|--|----------------------------|----------------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 1,401,619 | \$ 844,955 |
| Restricted cash | 141,030 | 134,806 |
| Certificate of deposit | 400,000 | 265,197 |
| Investments | - | 1,000 |
| Other receivables | 179,136 | 31,274 |
| Completed homes available for sale | 236,083 | 544,876 |
| Construction in progress - homes for sale | 281,932 | 790,280 |
| Prepaid expenses | 20,951 | 8,749 |
| Current portion of operating lease, right-of-use asset | 6,484 | 15,588 |
| Total current assets | <u>2,667,235</u> | <u>2,636,725</u> |
| PROPERTY AND EQUIPMENT, net | 1,028,075 | 568,969 |
| OTHER ASSETS | | |
| Land leased to homeowners | 3,120,637 | 2,224,463 |
| Property held for development | 272,422 | 1,335,147 |
| Beneficial interests in charitable trusts | 113,992 | 102,398 |
| Operating lease, right-of-use asset, net | - | 6,348 |
| Total other assets | <u>3,507,051</u> | <u>3,668,356</u> |
| Total assets | <u><u>\$ 7,202,361</u></u> | <u><u>\$ 6,874,050</u></u> |

LIABILITIES AND NET ASSETS

| | | |
|---|----------------------------|----------------------------|
| CURRENT LIABILITIES | | |
| Current portion of long-term debt | \$ 23,620 | \$ 12,316 |
| Current portion of operating lease liability | 6,484 | 15,588 |
| Accounts payable and accrued expenses | 69,488 | 97,087 |
| Deferred revenue | - | 895,000 |
| Escrow funds | 142,090 | 132,524 |
| Notes payable | 125,000 | 217,000 |
| Total current liabilities | <u>366,682</u> | <u>1,369,515</u> |
| OTHER LIABILITIES | | |
| Long-term debt, net of current portion | 476,449 | 57,919 |
| Operating lease liability, net of current portion | - | 6,348 |
| Total other liabilities | <u>476,449</u> | <u>64,267</u> |
| Total liabilities | <u>843,131</u> | <u>1,433,782</u> |
| NET ASSETS | | |
| Without donor restrictions | | |
| Invested in land, building, and equipment | 3,026,065 | 3,937,428 |
| General operating purposes | 2,186,809 | 1,088,977 |
| Total without donor restrictions | <u>5,212,874</u> | <u>5,026,405</u> |
| With donor restrictions | 1,146,356 | 413,863 |
| Total net assets | <u>6,359,230</u> | <u>5,440,268</u> |
| Total liabilities and net assets | <u><u>\$ 7,202,361</u></u> | <u><u>\$ 6,874,050</u></u> |

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

**HABITAT FOR HUMANITY FOR RHODE ISLAND
SOUTH COUNTY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025
(With Summarized Financial Information for 2024)**

| | 2025 | | | 2024 |
|--|-------------------------------|----------------------------|--------------|--------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| REVENUE AND SUPPORT | | | | |
| Land lease income and other | \$ 30,454 | \$ - | \$ 30,454 | \$ 29,066 |
| Home sales | 1,229,485 | - | 1,229,485 | 710,000 |
| ReStore and merchandise sales | 621,752 | - | 621,752 | 625,884 |
| Gain on sale of property and equipment | 274,357 | - | 274,357 | 38,389 |
| Miscellaneous income | 12,811 | - | 12,811 | 19,785 |
| Contributions | 355,797 | 149,605 | 505,402 | 463,075 |
| In kind contributions | 93,471 | - | 93,471 | 578,043 |
| Government grants | 47,039 | 1,155,415 | 1,202,454 | 708,450 |
| Net assets released from restrictions: | | | | |
| Satisfaction of purpose restriction | 583,121 | (583,121) | - | - |
| Total revenue and support | 3,248,287 | 721,899 | 3,970,186 | 3,172,692 |
| EXPENSES | | | | |
| Program services: | | | | |
| Home construction and repairs | 2,554,864 | - | 2,554,864 | 1,914,141 |
| ReStore | 290,475 | - | 290,475 | 281,918 |
| Total program services | 2,845,339 | - | 2,845,339 | 2,196,059 |
| Supporting services: | | | | |
| General and administrative | 111,161 | - | 111,161 | 97,421 |
| Fundraising | 105,318 | - | 105,318 | 102,448 |
| Total supporting services | 216,479 | - | 216,479 | 199,869 |
| Total expenses | 3,061,818 | - | 3,061,818 | 2,395,928 |
| Change in net assets from operating activities | 186,469 | 721,899 | 908,368 | 776,764 |
| NON-OPERATING ACTIVITIES | | | | |
| Change in value of beneficial interests in charitable trusts | - | 10,594 | 10,594 | 9,589 |
| Change in net assets from non-operating activities | - | 10,594 | 10,594 | 9,589 |
| Change in net assets | 186,469 | 732,493 | 918,962 | 786,353 |
| NET ASSETS, beginning of year | 5,026,405 | 413,863 | 5,440,268 | 4,653,915 |
| NET ASSETS, end of year | \$ 5,212,874 | \$ 1,146,356 | \$ 6,359,230 | \$ 5,440,268 |

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

**HABITAT FOR HUMANITY FOR RHODE ISLAND
SOUTH COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025
(With Summarized Financial Information for 2024)**

| | 2025 | | | | | | | |
|------------------------------------|-------------------------------------|-------------------|---------------------|----------------------------------|-------------------|-------------------|---------------------|---------------------|
| | PROGRAM SERVICES | | | SUPPORTING SERVICES | | | | |
| | Home Construction and Repairs | ReStore | Total | General and Administrative | Fundraising | Total | Total | 2024 |
| Salaries | \$ 366,146 | \$ 160,512 | \$ 526,658 | \$ 35,376 | \$ 70,717 | \$ 106,093 | \$ 632,751 | \$ 538,763 |
| Payroll taxes and benefits | 81,724 | 35,826 | 117,550 | 7,896 | 15,784 | 23,680 | 141,230 | 133,084 |
| Total payroll related costs | 447,870 | 196,338 | 644,208 | 43,272 | 86,501 | 129,773 | 773,981 | 671,847 |
| Home construction costs | 1,899,575 | - | 1,899,575 | - | - | - | 1,899,575 | 1,380,850 |
| Repairs and maintenance | 58,508 | 4,007 | 62,515 | 8,160 | - | 8,160 | 70,675 | 16,831 |
| Travel and vehicle expense | 6,494 | 25,796 | 32,290 | 3,430 | 36 | 3,466 | 35,756 | 45,269 |
| Insurance | 18,996 | - | 18,996 | 15,351 | - | 15,351 | 34,347 | 28,791 |
| Professional fees | 7,818 | - | 7,818 | 26,018 | - | 26,018 | 33,836 | 22,651 |
| Interest | 26,168 | - | 26,168 | 5,663 | - | 5,663 | 31,831 | 4,140 |
| Fundraising and publicity | 19 | 17,883 | 17,902 | - | 13,305 | 13,305 | 31,207 | 38,284 |
| Office and supplies expense | 9,038 | 10,515 | 19,553 | 2,827 | 1,433 | 4,260 | 23,813 | 14,170 |
| Utilities | 11,745 | 3,422 | 15,167 | 637 | - | 637 | 15,804 | 18,888 |
| Bank service charges | - | 13,299 | 13,299 | 512 | 910 | 1,422 | 14,721 | 13,869 |
| National affiliate contribution | 12,109 | - | 12,109 | - | 286 | 286 | 12,395 | 25,000 |
| Volunteer and program expense | 8,367 | 3,695 | 12,062 | - | - | - | 12,062 | 20,306 |
| Workers compensation | 5,465 | 2,396 | 7,861 | 528 | 1,055 | 1,583 | 9,444 | 8,585 |
| Meeting and committee expense | 5,403 | - | 5,403 | 184 | - | 184 | 5,587 | 13,944 |
| Property taxes | 5,160 | - | 5,160 | - | - | - | 5,160 | 5,910 |
| Telephone | 925 | 526 | 1,451 | 1,731 | 1,542 | 3,273 | 4,724 | 5,420 |
| Dues and subscriptions | 2,431 | 38 | 2,469 | 135 | 250 | 385 | 2,854 | 2,848 |
| Training expense | 2,636 | - | 2,636 | 32 | - | 32 | 2,668 | 7,916 |
| Miscellaneous | 936 | 700 | 1,636 | 239 | - | 239 | 1,875 | 2,225 |
| Postage and freight | 201 | - | 201 | 959 | - | 959 | 1,160 | 703 |
| Storage | 152 | - | 152 | - | - | - | 152 | 18,162 |
| Total expenses before depreciation | 2,530,016 | 278,615 | 2,808,631 | 109,678 | 105,318 | 214,996 | 3,023,627 | 2,366,609 |
| Depreciation | 24,848 | 11,860 | 36,708 | 1,483 | - | 1,483 | 38,191 | 29,319 |
| Total expenses | <u>\$ 2,554,864</u> | <u>\$ 290,475</u> | <u>\$ 2,845,339</u> | <u>\$ 111,161</u> | <u>\$ 105,318</u> | <u>\$ 216,479</u> | <u>\$ 3,061,818</u> | <u>\$ 2,395,928</u> |

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

**HABITAT FOR HUMANITY FOR RHODE ISLAND
SOUTH COUNTY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025
(With Summarized Financial Information for 2024)**

| | 2025 | 2024 |
|--|----------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 918,962 | \$ 786,353 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Net gain on investments | - | (3,282) |
| Gain on sale of property and equipment | (274,357) | (38,389) |
| Donation of property available for sale | - | (420,000) |
| Donated stock | - | (10,176) |
| Change in value of beneficial interest in charitable trusts | (10,594) | (9,589) |
| Amortization of financing costs included in interest expense | 121 | 121 |
| Amortization of operating lease right-of-use asset | 15,588 | 15,588 |
| Depreciation | 38,191 | 29,319 |
| Changes in operating assets and liabilities: | | |
| Other receivables | (147,862) | 22,461 |
| Completed homes available for sale | 308,793 | 265,825 |
| Construction in progress - homes for sale | 508,348 | (261,963) |
| Prepaid expenses | (12,202) | (3,992) |
| Property held for development | 1,062,725 | (1,062,725) |
| Land leased to homeowners | (896,174) | - |
| Accounts payable and accrued expenses | (27,599) | 48,885 |
| Deferred revenue | (895,000) | 895,000 |
| Escrow funds | 9,566 | (8,787) |
| Operating lease liability | (15,452) | (15,299) |
| Net cash provided by operating activities | <u>583,054</u> | <u>229,350</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sales of investments | 878 | 18,216 |
| Purchase of certificate of deposit | (134,803) | (10,826) |
| Contributions to beneficial interests in charitable trusts | (1,000) | (500) |
| Proceeds from sales of property and equipment | 400,000 | 275,000 |
| Purchases of property and equipment | (172,954) | (142,104) |
| Net cash provided by investing activities | <u>92,121</u> | <u>139,786</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of notes payable | (92,000) | (50,000) |
| Repayments of long-term debt | (20,287) | (11,697) |
| Net cash used in financing activities | <u>(112,287)</u> | <u>(61,697)</u> |
| NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH | 562,888 | 307,439 |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of year | <u>979,761</u> | <u>672,322</u> |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of year | <u>\$ 1,542,649</u> | <u>\$ 979,761</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash payments for interest | \$ 31,710 | \$ 3,890 |
| Contribution of a home available for sale | \$ - | \$ 420,000 |
| Land and building acquired through assumption of long-term debt | \$ 450,000 | \$ - |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH: | | |
| Cash and cash equivalents | \$ 1,401,619 | \$ 844,955 |
| Restricted Cash | <u>141,030</u> | <u>134,806</u> |
| | <u><u>\$ 1,542,649</u></u> | <u><u>\$ 979,761</u></u> |

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

**HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Habitat for Humanity for Rhode Island, South County, Inc. (the “Organization”) is a nonprofit corporation organized in 1990 under the General Laws of the State of Rhode Island. The Organization’s mission is to contribute to the elimination of substandard housing by creating decent homes in partnership with people in need. The Organization sponsors specific projects in habitat development within the South County area of Rhode Island.

The Organization’s program services include home construction, rehab and homeowner assistance programs. In addition, the Organization operates a retail thrift store (d/b/a the ReStore). The ReStore specializes in selling surplus new and used building and home improvement materials, appliances and furniture to the public. All net proceeds from the operation of the ReStore help support and enhance the Organization’s non-profit mission-related activities.

PRIOR YEAR SUMMARIZED FINANCIAL INFORMATION

The financial statements include certain prior year information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization’s financial statements as of and for the year ended June 30, 2024, from which the summarized information was derived. Certain reclassifications have been made to the 2024 amounts to conform to the 2025 presentation.

OPERATING MEASURE

The Organization has defined the change in net assets from operating activities to include all support, revenue, and expenses that are an integral part of the Organization’s programs and supporting activities and net assets released from restriction to support operating expenses. This measure of operations excludes the change in value of beneficial interests in charitable trusts.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

NET ASSET CATEGORIES

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts of the Organization are maintained in the following net asset categories:

Without Donor Restrictions

Net assets without donor restrictions represent funds over which the Board of Directors retains full control in achieving any of the Organization’s institutional purposes. Included in net assets without donor restrictions are grants, which are earmarked by the Board of Directors for specific purposes.

**HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

NET ASSET CATEGORIES *(Continued)*

With Donor Restrictions

Net assets with donor restrictions represent funds restricted by outside sources which may only be utilized in accordance with purpose or time restrictions established by the donor of such funds.

CASH EQUIVALENTS

For purposes of the statement of cash flows, the Organization considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents. The Organization had no cash equivalents as of June 30, 2025.

RESTRICTED CASH

Restricted cash is comprised of cash escrow funds received from homeowners that are held in a separate bank account for homeowner association fees and maintenance. As of June 30, 2025, these funds totaled \$141,030. A corresponding liability is included in the accompanying statement of financial position.

COMPLETED HOMES AVAILABLE FOR SALE

This amounts represents the building cost of homes that have been completed and that are currently held for sale by the Organization to qualified applicants.

CONSTRUCTION IN PROGRESS – HOMES FOR SALE

Construction in progress represents costs incurred on uncompleted construction projects as of the date of the financial statements.

PROPERTY AND EQUIPMENT

Property and equipment acquisitions and leasehold improvements are recorded at cost, if purchased, or fair market value, if donated. Depreciation is provided over the estimated useful lives of property and equipment on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|---------------------|-------------|
| Building | 25-40 years |
| Vehicles | 5 years |
| Tools and equipment | 5 years |

Repairs and maintenance are charged to expense as incurred.

**HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

PROPERTY HELD FOR DEVELOPMENT/LAND LEASED TO HOMEOWNERS

Property held for development consists of all property either donated or purchased by the Organization to be used for new construction of housing.

Land leased to homeowners is the value of land either donated or purchased by the Organization that has been developed and the home has been sold to a qualified homeowner.

Donated property is recorded a fair market value as determined by an appraisal at the date of the donation. Purchased property is recorded at cost.

BENEFICIAL INTEREST IN CHARITABLE TRUSTS

The Organization is the beneficiary of three charitable trusts held by the Rhode Island Foundation. The Organization's beneficial interests in the trusts are carried at the present value of the estimated future cash receipts, which are measured by the fair market value of the underlying assets of the trust less allocable expenses as calculated by the Rhode Island Foundation (Level 3 inputs *Note 4*). Changes in the value of the Organization's beneficial interest serve to increase or decrease net assets with donor restrictions, as applicable.

OPERATING LEASE RIGHT-OF-USE ASSET

The operating lease right-of-use asset is an intangible asset that represents the value of the lessee's right to use a leased asset. For the Organization, the asset represents the right to use a vehicle. This asset is presented net of accumulated amortization. The amortization of this asset is included in lease expense.

REVENUE AND REVENUE RECOGNITION

Contributions

Contributions are defined as voluntary, nonreciprocal transfers.

Unrestricted and unconditional contributions are recognized as support when received or pledged, if applicable. The Organization recognizes contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of such assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received whose use is contingent on the occurrence of a future event are presented as deferred support until such conditions are substantially met, at which time they are recognized as support.

Contributed services are required to be recorded in the accompanying financial statements at their estimated fair value at the time such services are provided to the extent that they create or enhance nonfinancial assets or require specialized skills which, if not provided by donation, would have to be purchased by the Organization.

**HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

REVENUE AND REVENUE RECOGNITION *(Continued)*

Contributed Nonfinancial Assets

Contributed nonfinancial assets (including the usage of assets such as rent) are recognized at their estimated fair market value as an increase to net assets. The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets without donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions in full when the donated or acquired long-lived assets are placed in service. See *Note 10* for more details on the Organization's contributed nonfinancial assets.

Donated Services

The Organization recognizes contributions of services at their estimated fair market value if they create or enhance nonfinancial assets or require specialized skills and would typically be purchased if not provided by donation. General volunteer services do not meet the criteria for recognition in the financial statements. No donated services have been recognized in the accompanying financial statements.

Grants and Contracts

Grants and contracts are generally characterized as exchange transactions in which the grantor or contractor requires the performance of specific activities.

Entitlement or cost reimbursement grants and contracts are based on the expenditure of funds in accordance with grant restrictions. Therefore, revenue is recognized to the extent of grant expenditures, and remaining funds are reported as deferred revenue. For performance-based grants and contracts, revenue is recognized when performance obligations have been met and remaining funds are reported as deferred revenue.

ReStore

ReStore sales are attributable to the sale of donated non-monetary items. Substantially all of the items sold in the ReStore are donated to the Organization. Given the uncertainty in valuing these non-monetary donations, the Organization recognizes revenue throughout the course of the year as items are sold.

The Organization does not recognize or record the fair market value of donated items to the ReStore at the time of donation as there is no objective measurement basis for determining fair value. The Organization recognizes and records the value of donated items when they are sold. Such sales are reported as ReStore and merchandise sales on the Statement of Activities.

Home Sales

Revenue from the sale of newly constructed and rehabilitated homes is recognized at closing when title passes to the buyer.

**HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

REVENUE AND REVENUE RECOGNITION *(Continued)*

Land Lease and Other

In connection with the sale of certain affordable homes noted above, the Organization retains ownership of the underlying land which is leased to the homeowners. In addition, certain properties are held for lease prior to sale or in accordance with donor restrictions. Such leases are on an annual basis and the income is recognized monthly.

FUNCTIONAL ALLOCATION OF EXPENSES

The financial statements of the Organization report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation which is allocated based on the area in which the underlying assets are used. Payroll, payroll taxes and related service fees, employee benefits, insurance, workers compensation are allocated based on activity and time spent by the organization's personnel. Utilities, telephone, and depreciation are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.

ADVERTISING

The Organization expenses advertising costs as incurred. Advertising expenses were \$19,014 for the year ended June 30, 2025 and are included in fundraising and publicity on the statement of functional expenses.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 26, 2025, the date the financial statements were available to be issued. There were no subsequent events identified that require disclosure.

INCOME TAXES

The Organization is exempt from federal and state income taxes on exempt function income as a public charity under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

The federal income tax returns of the Organization are subject to examination by the IRS, generally for three years after they have been filed.

The Organization did not recognize any liability for uncertain tax positions as defined by accounting principles generally accepted in the United States of America.

**HABITAT FOR HUMANITY FOR RHODE ISLAND,
SOUTH COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

Financial instruments, which subject the Organization to concentrations of credit risk, consist primarily of cash, restricted cash, certificate of deposit, other receivables, and the beneficial interests in charitable trusts.

Cash, Restricted Cash and Certificate of Deposit

The Organization places its cash, restricted cash, and certificate of deposit in high quality financial institutions. From time to time, the Organization maintains deposits in excess of FDIC insurance limits. Management believes this to be a normal business risk.

Other Receivables

Other receivables consist primarily of rebates from the installation of solar panels and escrowed funds receivable for the sale of a property. Management believes they represent minimal credit risk.

Beneficial Interests in Charitable Trusts

Investments held by the charitable trust in which the Organization has beneficial interests are subject to the risks of the securities markets as a whole.

NOTE 3 – LIQUIDITY

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

| | |
|--|----------------------------|
| Financial assets, at year end | |
| Cash | \$ 1,401,619 |
| Restricted cash | 141,030 |
| Certificate of deposit | 400,000 |
| Other receivables | <u>179,136</u> |
| | 2,121,785 |
| Less: those unavailable for general expenditures within one year due to: | |
| Escrow funds | 142,090 |
| Contractual or donor imposed restrictions | <u>137,364</u> |
| Financial assets available to meet cash needs for general expenditures within one year: | <u><u>\$ 1,842,331</u></u> |

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

In addition to the above, the Organization has a line of credit with a local bank in the amount of \$200,000 to help ensure and manage any unanticipated liquidity needs.

**HABITAT FOR HUMANITY FOR RHODE ISLAND,
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NOTES TO FINANCIAL STATEMENTS
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NOTE 4 – FAIR VALUE MEASUREMENT

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The levels of the fair value hierarchy are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2

Inputs to the valuation methodology include: Quoted prices for similar assets or liabilities in active markets; Quoted prices for identical or similar assets or liabilities in inactive markets; Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As a practical expedient, certain investments are measured at fair value on the basis of net asset value. The fair value of these investments is not included in the fair value hierarchy.

The following is a description of the valuation methodologies used for financial instruments measured at fair value:

Beneficial Interests in Charitable Trusts

Beneficial interests in assets held by community foundation are measured at the present value of expected future cash flows.

There have been no changes in the methodologies used at June 30, 2025.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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NOTE 4 – FAIR VALUE MEASUREMENT *(Continued)*

The following is a summary of the source of fair value measurements for the Organization's investments in mutual funds and beneficial interest which are measured on a recurring basis as of June 30, 2025.

| <u>Description</u> | <u>Fair Value</u> | <u>Assets (Level 3)</u> |
|---|-------------------|-----------------------------|
| Beneficial interest in assets held by community foundation | <u>\$ 113,992</u> | <u>\$ 113,992</u> |

At June 30, 2025 the reconciliation of the fair market value of the beneficial interests in charitable trusts (See Note 5) consists of the following:

| | |
|---------------------------------|-------------------|
| Beginning balance, July 1, 2024 | \$ 102,398 |
| Net change in value | 10,594 |
| Contributions | <u>1,000</u> |
| Ending balance, June 30, 2025 | <u>\$ 113,992</u> |

The Organization is the beneficiary of the earnings from three funds maintained by the Rhode Island Foundation.

NOTE 5 – BENEFICIAL INTERESTS IN CHARITABLE TRUSTS

The Organization is a beneficiary of multiple charitable trusts held by the Rhode Island Foundation. The funds are subject to the Foundation's investment guidelines and spending rules and are restricted for the benefit of the Organization. Changes in the value of the beneficial interests totaled \$10,594, for the year ended June 30, 2025, and have been reported as an increase in net assets with donor restrictions in the accompanying statement of activities.

NOTE 6 – PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, 2025 is as follows:

| | |
|--------------------------------|---------------------|
| Land | \$ 214,500 |
| Buildings and improvements | 914,761 |
| Property available for rent | 137,528 |
| Furniture and equipment | 56,635 |
| Vehicles | <u>36,565</u> |
| | 1,359,989 |
| Less: accumulated depreciation | <u>331,914</u> |
| | <u>\$ 1,028,075</u> |

Depreciation expense for the year ended June 30, 2025 was \$38,191.

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NOTE 7 – LEASE AGREEMENT

The Organization has one operating lease for a vehicle.

As of July 1, 2022, the Organization changed its method of accounting for leases due to the adoption of Accounting Standards Codification Topic 842, *Leases*. Upon the adoption, the Organization recognized a right-of-use asset and an operating lease liability totaling \$67,377 using a weighted-average discount rate of 1.00%. Operating cash flows for this operating lease totaled \$15,588 for the year ended June 30, 2025.

At June 30, 2025, the operating lease right-of-use asset consisted of the following:

| | |
|-------------------------------|------------------------|
| Cost | \$ 67,377 |
| Less accumulated amortization | <u>60,893</u> |
| Net carrying balance | <u><u>\$ 6,484</u></u> |

At June 30, 2025, the lease had a weighted-average lease term of 1.5 years with future minimum lease payments as follows:

| | |
|--------------------------------|------------------------|
| Year ending June 30, | |
| 2026 | <u>\$ 6,495</u> |
| Total undiscounted cash flows | 6,495 |
| Less: present value discount | <u>11</u> |
| Operating lease liability, net | <u><u>\$ 6,484</u></u> |

For the year ended June 30, 2025, \$19,685 of operating lease expense is included in travel and vehicle expense and consists of \$15,588 of amortization and \$4,097 of variable lease expense.

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NOTE 8 – NOTE PAYABLE AND LONG-TERM DEBT

Note payable and long-term debt consists of the following:

Note Payable

| | |
|---|-------------|
| Washington Trust, \$200,000 Line of credit interest at prime plus 1% | <u>\$ -</u> |
|---|-------------|

Long-term debt

| | |
|--|-------------------|
| Washington Trust \$350,000 term loan, payments of \$1,299 monthly including interest at 6.26% due October 2029 | \$ 58,619 |
| ATT \$450,000 term loan, payments of \$3,625 monthly including interest at 7.50% due September 2029 | <u>441,641</u> |
| | 500,260 |
| Less: unamortized financing costs | 191 |
| Less: current maturities | <u>23,620</u> |
| | <u>\$ 476,449</u> |

The mortgage is collateralized by certain real estate owned by the Organization.

As of June 30, 2025, annual maturities of the mortgage payable are as follows:

| Year ending June 30, | |
|----------------------|-------------------|
| 2026 | \$ 23,620 |
| 2027 | 25,108 |
| 2028 | 26,695 |
| 2029 | 28,385 |
| 2030 | <u>396,452</u> |
| | <u>\$ 500,260</u> |

Interest expense for the year ended June 30, 2025 consists of the following:

| | |
|---------------------------------|------------------|
| Interest expense | \$ 31,710 |
| Amortization of financing costs | <u>121</u> |
| | <u>\$ 31,831</u> |

Total interest expense including finance charges totaled \$31,831 for the year ended June 30, 2025.

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NOTE 8 – NOTE PAYABLE AND LONG-TERM DEBT

In connection with the buyback of properties previously sold through the affordable housing program, the Organization is obligated to pay Rhode Island Housing \$125,000 contingent upon the resale of the properties to qualified applicants. Such amounts are non-interest bearing and represent the outstanding mortgage balance guaranteed by RI Housing at the time of buyback.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2025:

| | |
|--|---------------------|
| Beneficial interests in a community foundation | \$ 113,992 |
| Land use restriction | 895,000 |
| Home construction | 65,612 |
| Housing education | 34,989 |
| Donor development | 9,682 |
| Home repairs | 7,638 |
| Warehouse | 11,571 |
| Volunteer support | 5,000 |
| Youth advocacy | 2,500 |
| Volunteer management system | 372 |
| | <u>\$ 1,146,356</u> |

Net assets with donor restrictions released from restriction during the year ended June 30, 2025 are as follows:

| | |
|--------------------------------|-------------------|
| Time restrictions: | |
| Real estate held in perpetuity | \$ 120,916 |
| Purpose restrictions: | |
| Home construction | 410,829 |
| Housing education | 15,447 |
| Warehouse | 10,929 |
| Volunteer support | 25,000 |
| | <u>\$ 583,121</u> |

**HABITAT FOR HUMANITY FOR RHODE ISLAND,
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NOTE 10 – CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets recognized within the statement of activities are as follows for the year ended June 30, 2025:

| | | |
|---------------------|----|-----------------------|
| Support | | |
| Building materials | \$ | 23,339 |
| Scrap metal | | 5,563 |
| Services | | 64,569 |
| | | <u>93,471</u> |
| Revenue | | |
| ReStore merchandise | | 621,752 |
| | \$ | <u><u>715,223</u></u> |

Unless otherwise noted, contributed nonfinancial assets do not have donor-imposed restrictions.

Contributed building materials were utilized in the Organization's home construction and repairs program.

It is the Organization's policy to sell all scrap metal for salvage. Scrap metal is valued at the actual cash proceeds received.

Contributed services recognized comprise professional services for advertising and contractors working on various construction projects. Contributed services are valued and reported at the estimated fair value in the financial statements based on current rates for similar services.

Contributed ReStore merchandise consists of construction materials and household items donated for sale in the Restore. The Organization recognized and records the value of such donated items when they are sold.

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NOTE 11 – DISAGGREGATION OF REVENUE

The following table disaggregates the Organization's revenue and support for the year ended June 30, 2025:

| | |
|--|----------------------------|
| Revenue from contracts with customers | |
| Satisfied over time | |
| Land lease income and other | \$ 30,454 |
| Satisfied at a point in time | |
| Home sales | 1,229,485 |
| ReStore and merchandise sales | 621,752 |
| Total revenue from contracts with customers | <u>1,881,691</u> |
| Other revenue and support | |
| Gain on sale of property and equipment | 274,357 |
| Miscellaneous income | 12,811 |
| Contributions of cash and other financial assets | 505,402 |
| Contributions of non-financial assets | 93,471 |
| Government grants | 1,202,454 |
| Total other revenue and support | <u>2,088,495</u> |
| Total revenue and support | <u><u>\$ 3,970,186</u></u> |

NOTE 12 – EMPLOYEE BENEFIT PLANS

The Organization has a Simple Retirement Plan eligible to all qualifying employees. The Organization contributed a matching contribution up to 4% of salary for the year ended June 30, 2025. For the year ended June 30, 2025, the employer contribution was \$19,533.