Habitat for Humanity of Dane County, Inc.

Financial Report

June 30, 2026

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HABITAT FOR HUMANITY OF DANE COUNTY, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Habitat for Humanity of Dane County, Inc.
Madison, WI

Opinion

We have audited the accompanying financial statements of Habitat for Humanity of Dane County, Inc., which comprise the statements of financial position as of June 30, 2026 and 2025, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Dane County, Inc. as of June 30, 2026 and 2025, 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 Dane County, 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 Dane County, 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, 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 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 Dane County, 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 Dane County, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of revenue and expenses by funding source is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of City of Madison Community Development Division funds expended by program is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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.



Madison, Wisconsin

October 23, 2026

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2026 and 2025

	2026	2025
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
General balance	$ 1,624,221	$ 1,348,299
Escrow deposits	607,009	568,695
Cash and cash equivalents	2,231,230	1,916,994
Unconditional promises to give	101,400	364,900
Accounts receivable	67,897	1,093,269
Grants receivable	132,571	140,000
Inventories	325,204	347,932
Prepaid expenses	112,882	128,466
Homes in progress	989,665	591,419
Mortgage receivable	1,149,694	1,136,978
Total current assets	5,110,543	5,719,958
LONG-TERM ASSETS		
New markets tax credit - investment	0	1,200,000
Property and equipment, net	5,845,880	5,690,422
New markets tax credit - restricted cash	0	106
Unconditional promises to give	7,150	26,900
Mortgages receivable	3,926,652	3,428,389
Land (developed and undeveloped)	1,698,159	2,096,555
Finance lease right-of-use assets	28,921	32,883
Beneficial interest in assets held by MCF	793,334	732,166
Total long-term assets	12,300,096	13,207,421
TOTAL ASSETS	$ 17,410,639	$ 18,927,379
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 432,137	$ 310,410
Escrow deposits	587,480	548,223
Refundable advance, Community Development Financial Ir	99,409	22,409
Accrued expenses	192,353	216,642
Current portion of notes payable	136,159	199,352
Current portion of finance lease liabilities	6,101	36,003
Total current liabilities	1,453,639	1,333,039
LONG-TERM LIABILITIES		
Notes payable, net	4,209,617	5,957,197
Finance lease liabilities, less current portion	23,209	0
TOTAL LIABILITIES	5,686,465	7,290,236
NET ASSETS		
Net assets without donor restrictions	10,891,160	10,622,907
Net assets with donor restrictions:		
Net assets with donor restrictions - time or use	472,671	653,893
Net assets with donor restrictions - perpetual endowment	360,343	360,343
Total net assets with donor restrictions	833,014	1,014,236
Total net assets	11,724,174	11,637,143
TOTAL LIABILITIES AND NET ASSETS	$ 17,410,639	$ 18,927,379

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

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

STATEMENTS OF ACTIVITIES

Years ended June 30, 2026 and 2025

	2026	2025
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Public support, revenue and gains:		
Homebuilding:		
Revenue on sale of completed homes and lots	$ 2,217,878	$ 2,573,274
Mortgage discount amortization	426,570	348,617
Gain on sale of mortgages receivable	0	730,606
Gifts and donations	13,340	93,413
In-kind contributions	674,392	448,359
Grants income	183,000	209,110
Program services	39,667	541,495
Total homebuilding	3,554,847	4,944,874
ReStore:		
ReStore sales less cost of goods sold of 2026 - $2,315,114 and 2025 - $2,418,607	176,526	158,619
Gifts and donations	30,707	24,578
In-kind inventory contributions	2,106,972	2,302,497
Total ReStore	2,314,205	2,485,694
Contributions & other public support:		
Gifts and donations	2,958,861	1,965,735
Special events	28,711	17,269
Total contributions & other public support	2,987,572	1,983,004
Other income (loss):		
Agency endowment return	15,190	10,478
Interest	103,926	79,607
Loss on disposal of property and equipment	0	(3,689)
Gain on investment in new markets tax credit	481,604	0
Miscellaneous income	45,457	54,984
Total other income (loss)	646,177	141,380
Total public support, revenue and gains	9,502,801	9,554,952
Expenses:		
Program services:		
Homebuilding	6,050,547	6,163,528
ReStore	2,137,364	1,947,842
Total program services	8,187,911	8,111,370

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

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

STATEMENTS OF ACTIVITIES (Continued)

Years ended June 30, 2026 and 2025

	2026	2025
Supporting services:		
Management and general	606,999	425,941
Fundraising	913,388	853,882
Total supporting services	1,520,387	1,279,823
Total expenses	9,708,298	9,391,193
Net assets released from restrictions	473,750	643,435
Change in net assets without donor restrictions	268,253	807,194
NET ASSETS WITH DONOR RESTRICTIONS - TIME OR USE		
Contributions	$ 218,550	$ 391,800
Net assets released from restrictions	(473,750)	(643,435)
Agency endowment return	73,978	51,030
Change in net assets with donor restrictions - time or use	(181,222)	(200,605)
Change in net assets	87,031	606,589
Net assets, beginning	11,637,143	11,030,554
Net assets, ending	$ 11,724,174	$ 11,637,143

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

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2026

	Program services			Supporting services			
	Homebuilding	ReStore	Total program services	Management and general	Fundraising	Total supporting services	Total expenses
Expenses:							
Cost of sales	$ 3,218,108	$ 0	$ 3,218,108	$ 0	$ 0	$ 0	$ 3,218,108
Mortgage discount expense	851,917	0	851,917	0	0	0	851,917
Personnel	1,175,463	1,319,307	2,494,770	296,419	463,711	760,130	3,254,900
Occupancy	121,250	307,692	428,942	9,481	18,770	28,251	457,193
Tools, equipment, and technology	108,583	110,463	219,046	62,533	26,870	89,403	308,449
Depreciation	23,602	192,812	216,414	4,216	8,080	12,296	228,710
Office expenses	20,379	34,718	55,097	29,461	6,941	36,402	91,499
Publicity	644	82,675	83,319	0	156,273	156,273	239,592
Cost of goods sold	0	2,315,114	2,315,114	0	0	0	2,315,114
Tithe to Habitat for Humanity International, Inc.	35,000	0	35,000	0	0	0	35,000
Professional services	52,693	9,419	62,112	139,020	30,422	169,442	231,554
Volunteer and family	32,921	15,966	48,887	0	0	0	48,887
Travel	10,622	3,720	14,342	14,673	2,218	16,891	31,233
Bank fees	0	55,027	55,027	1,405	0	1,405	56,432
HFHI cost to fundraise and revenue share	63,534	0	63,534	-	143,023	143,023	206,557
Miscellaneous	119,394	2,352	121,746	48,184	57,080	105,264	227,010
Interest	216,437	3,213	219,650	1,607	0	1,607	221,257
Total expenses	6,050,547	4,452,478	10,503,025	606,999	913,388	1,520,387	12,023,412
Less expenses included with revenues on the statements of activities							
Cost of goods sold	0	(2,315,114)	(2,315,114)	0	0	0	(2,315,114)
Total expenses included in the expense section of the statements of activities	$ 6,050,547	$ 2,137,364	$ 8,187,911	$ 606,999	$ 913,388	$ 1,520,387	$ 9,708,298

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2025

	Program services			Supporting services			
	Homebuilding	ReStore	Total program services	Management and general	Fundraising	Total supporting services	Total expenses
Expenses:							
Cost of sales	$ 3,561,268	$ 0	$ 3,561,268	$ 0	$ 0	$ 0	$ 3,561,268
Mortgage discount expense	730,885	0	730,885	0	0	0	730,885
Personnel	1,169,657	1,210,129	2,379,786	224,044	437,407	661,451	3,041,237
Occupancy	153,514	246,311	399,825	6,948	28,260	35,208	435,033
Tools, equipment, and technology	93,713	99,773	193,486	37,875	25,065	62,940	256,426
Depreciation	4,242	177,317	181,559	34,674	0	34,674	216,233
Office expenses	13,281	35,945	49,226	16,599	5,475	22,074	71,300
Publicity	96	82,553	82,649	0	142,038	142,038	224,687
Cost of goods sold	0	2,418,607	2,418,607	0	0	0	2,418,607
Tithe to Habitat for Humanity International, Inc.	35,000	0	35,000	0	0	0	35,000
Professional services	1,941	13,387	15,328	83,714	25,532	109,246	124,574
Volunteer and family	19,833	15,875	35,708	0	0	0	35,708
Travel	4,916	4,875	9,791	11,885	1,572	13,457	23,248
Amortization expense	10,583	0	10,583	0	0	0	10,583
Bank fees	0	56,487	56,487	1,056	0	1,056	57,543
HFHI cost to fundraise and revenue share	67,848	0	67,848	0	153,280	153,280	221,128
Miscellaneous	59,994	5,190	65,184	9,146	35,253	44,399	109,583
Interest	236,757	0	236,757	0	0	0	236,757
Total expenses	6,163,528	4,366,449	10,529,977	425,941	853,882	1,279,823	11,809,800
Less expenses included with revenues on the statements of activities							
Cost of goods sold	0	(2,418,607)	(2,418,607)	0	0	0	(2,418,607)
Total expenses included in the expense section of the statements of activities	$ 6,163,528	$ 1,947,842	$ 8,111,370	$ 425,941	$ 853,882	$ 1,279,823	$ 9,391,193

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

STATEMENTS OF CASH FLOWS

Years ended June 30, 2026 and 2025

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 87,031	$ 606,589
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Write-off of unconditional promises to give	18,050	4,100
Depreciation	228,710	216,233
Amortization of operating lease right-of-use assets	3,962	38,707
Amortization of debt issuance costs	0	3,737
Agency endowment return	(89,168)	(61,508)
Amortization of discount on mortgages receivable	(426,570)	(348,617)
Discount on mortgages receivable	851,917	730,885
Gain on sale of mortgages receivable	0	(730,606)
Gain on investment in new markets tax credit	(481,604)	0
Loss on disposal of property and equipment	0	3,689
Increase (decrease) in cash due to changes in:		
Unconditional promises to give	265,200	224,305
Accounts receivable	1,025,372	(491,655)
Grants receivable	7,429	60,000
Inventories	22,728	(111,077)
Prepaid expenses	15,584	(21,369)
Homes in progress	(1,867,069)	(1,298,015)
Land (developed and undeveloped)	398,396	1,055,055
New markets tax credit - other asset/guaranty fee	0	10,583
Accounts payable	121,727	64,966
Escrow deposits	39,257	14,023
Accrued expenses	(24,289)	65,329
Deferred revenue	0	(10,582)
Refundable advance, Community Development Financial Institution grant	77,000	22,409
Operating lease liabilities	(6,693)	(41,827)
Net cash provided by operating activities	266,970	5,354
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(384,168)	(241,822)
Proceeds from sale of mortgages notes	0	1,494,557
Collections on mortgages receivable	532,384	621,466
Proceeds from beneficial interest in assets held by MCF	28,000	28,000
Net cash provided by investing activities	176,216	1,902,201
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(129,056)	(121,664)
Payments on lines of credit	0	(1,666,984)
Net cash used in financing activities	(129,056)	(1,788,648)
Change in cash, cash equivalents, and restricted cash	314,130	118,907
Cash, cash equivalents, and restricted cash:		
Beginning	1,917,100	1,798,193
Ending	$ 2,231,230	$ 1,917,100

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

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

STATEMENTS OF CASH FLOWS (Continued)

Years ended June 30, 2026 and 2025

	2026	2025
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH TO STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents	$ 2,231,230	$ 1,916,994
Restricted cash	0	106
Total cash, cash equivalents, and restricted cash	$ 2,231,230	$ 1,917,100
SUPPLEMENTAL DISCLOSURE(S) OF CASH FLOW INFORMATION		
Cash payments for interest	$ 216,439	$ 332,858
SUPPLEMENTAL SCHEDULE(S) OF NONCASH INVESTING AND FINANCING ACTIVITIES		
New mortgages issued	$ 1,468,823	$ 1,307,524
Transfer to completed homes from homes in progress	$ 1,468,823	$ 1,307,524
Closing of new markets tax credit loan payable due to the put option being exercised	$ 1,767,037	$ 0
Closing of new markets tax credit investment due to the put option being exercised	$ 1,200,000	$ 0

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

NOTE A -- Nature of business and significant accounting policies

Nature of business

Habitat for Humanity of Dane County, Inc. (the organization), a nonprofit corporation organized in 1987, is a local affiliate of Habitat for Humanity International, Inc. organized for religious, charitable, and educational purposes and works with economically disadvantaged people to help them create a better human habitat in which to live and work. The organization operates under a covenant agreement with Habitat for Humanity International, Inc.

The organization builds and remodels homes that are sold at favorable terms to qualified families. The main recipients of these programs live in Dane County, Wisconsin.

The organization's primary sources of revenue are from sales of completed homes, gifts and donations, and sales from the Habitat for Humanity ReStore (the Restore). The ReStore sells low-cost materials to home remodelers and do-it-yourselfers while preventing usable materials from ending up in landfills. The profits from the ReStore are used to fund the construction of homes.

A summary of significant accounting policies follows:

Basis of accounting

The financial statements of the organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of presentation

Under accounting principles generally accepted in the United States of America (U.S. GAAP), the organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions have been limited by donor-imposed time or purpose restrictions or are required to be maintained in perpetuity. Included in net assets without donor restrictions are voluntary board approved designations for specific purposes, projects, or investments.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Exempt status

The organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) as a public charity and not a private foundation. The organization is also exempt from Wisconsin income tax.

Cash and cash equivalents

For purposes of reporting cash flows, the organization considers all investments purchased with a maturity of three months or less to be cash equivalents.

NOTE A -- Nature of business and significant accounting policies (Continued)

The organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Promises to give

Unconditional promises to give are recognized as support or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are those that contain a measurable performance or other barrier and a right of return and are not recognized until the conditions on which they depend on have been met.

Accounts receivable

Accounts receivables are carried at original invoice amount, less payments received and an estimate made for credit losses. The organization uses a loss rate model to calculate allowances based on its internal loss experience and current conditions and forecasts. The organization believes that the composition of receivables at year-end is consistent with historical conditions as credit terms and practices. The organization also considers existing economic conditions in its industry and the financial stability of the customers they work with to determine an appropriate estimate of the allowance for credit losses. A receivable is considered past due if payments have not been received by the organization after 30 days. Interest is not charged on past due receivables. There were no past due amounts as of June 30, 2026 and 2025.

Accounts receivable from contracts with customers as of June 30 consisted of the following:

	2026	2025	2024
Home repairs	$ 17,089	$ 26,469	$ 23,295
Construction development	0	987,048	575,000
Other receivable	50,808	79,752	3,319
	$ 67,897	$ 1,093,269	$ 601,614

Inventories

Inventories consist of construction materials that were donated or purchased by the organization. Inventories are valued at the estimated selling price of the donation in the period received or cost of the purchased asset on the first-in, first-out (FIFO) method.

Homes in progress and land (developed and undeveloped)

Homes in progress and land (developed and undeveloped) are valued based on the lower of accumulated direct costs of acquisition, construction, and renovation of uncompleted homes and land being prepared for sale (cost) or net realizable value.

NOTE A -- Nature of business and significant accounting policies (Continued)

Mortgage receivable

Mortgage receivable potentially subject the organization to a concentration of credit risk due to the relatively small geographic area it serves. The organization's credit risk is mitigated by mortgages that are collateralized by the related properties.

In furtherance of its charitable purpose, the organization sells the homes it constructs to qualified applicants for non-interest-bearing mortgage notes. The value of these notes is then discounted to give the organization credit for the value of interest not being charged to homeowners. The rate for discounting mortgages receivable is determined by Habitat for Humanity International, Inc.

The discount is recognized by accreting interest using the interest method over the life of the mortgages. Because all mortgages are collateralized and in the process of collection, no mortgage loans have stopped accretion of interest.

The organization regularly reviews its portfolio of mortgages receivable and monitors the accounts for delinquencies. Homeowners whose mortgages are more than 30 days past due are considered to be in an early stage of default. During the period of delinquency, the organization contacts the homeowner using collection efforts and establishes a payment plan with the homeowner, if necessary. Thereafter, if forgoing collection efforts are not successful, the organization attempts to enter into a mutually agreed-upon deed-in-lieu of foreclosure with the homeowner. Homeowners whose mortgages are more than 120 days past due, who have not made satisfactory payment arrangements or reached a deed-in-lieu of foreclosure agreement with the organization are subject to foreclosure proceedings. Management provides an allowance for credit losses, allowance for credit losses is $0 as of June 30, 2026 and 2025 based on an assessment of historical collectability, the status of individual mortgage notes, and the value of the collateral. There were no mortgages on nonaccrual status as of June 30, 2026 and 2025.

The organization’s estimate of its allowance for credit losses include consideration of: past events, including historical loan loss experience and historical concessions; current economic conditions and such other factors, which in management’s best judgment, deserve the current recognition in estimating loan losses; and certain forward-looking information, including reasonable and supportable forecasts.

New markets tax credit (NMTC) - investment in nonmarketable equity securities

The organization held a non-controlling investment in a limited liability company with other Habitat for Humanity affiliates to take advantage of the NMTC program. The organization elected to measure an investment in nonmarketable equity securities using the measurement alternative in Accounting Standards Update (ASU) 2016-01 (i.e. cost plus or minus changes resulting from observable prices in orderly transactions for the identical or a similar investment of the same issuer), as amended by ASU 2018-03, on a prospective basis. The NMTC transaction was unwound in August 2025. The organization’s investment was terminated and derecognized and the related debt was extinguished during the year ended June 30, 2026, and no investment balance remained at June 30, 2026 (see Note E).

NOTE A -- Nature of business and significant accounting policies (Continued)

Property and equipment

Property and equipment is stated at cost if purchased or fair value on date of receipt if received as a gift or bequest, less accumulated depreciation. Depreciation of property and equipment is computed by the straight-line method based on the following estimated useful lives. Leasehold improvements are amortized using the straight-line method over the initial term of the lease. Amortization expense is included in depreciation expense.

	Years
Buildings	20 - 40
Improvements	3 - 20
Leasehold improvements	3 - 20
Equipment	3 - 7
Vehicles	4 - 5

Maintenance and repairs of property and equipment are charged to operations, and major improvements are capitalized. Upon retirement, sale or other disposition of equipment, the cost and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

Depreciation expense totaled $228,710 and $216,233 for the years ended June 30, 2026 and 2025, respectively.

Capitalization policy

The organization's policy is to capitalize property and equipment with a unit cost in excess of $2,000 and a useful life of more than one year.

Impairment of long-lived assets

The organization reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

NMTC - restricted cash

Restricted cash represented cash received as a result of the NMTC transaction, which was used to pay program expenses incurred under the NMTC program. In connection with the termination of the NMTC investment and the extinguishment of the related debt in August 2025, the related restrictions lapsed, and no NMTC restricted cash was held as of June 30, 2026 (see Note E).

NOTE A -- Nature of business and significant accounting policies (Continued)

Debt issuance costs

Debt issuance costs totaled $112,099 incurred in connection with the NMTC financing were amortized on the straight-line method over 360 months, the life of the loan. The use of the straight-line method rather than the effective interest method had no material effect on the financial statements. Amortization included in interest expense totaled $0 and $3,737 for the years ended June 30, 2026 and 2025, respectively. In connection with the termination of the NMTC investment and the extinguishment of the related debt in August 2025, the remaining unamortized debt issuance costs of $85,320 were written off and are included in the gain recognized on the transaction. See Note E.

Revenue recognition – contributions and grants

The organization recognizes contributions when cash, other assets or a notification of an unconditional promise to give is received and records the amounts as contribution revenue with or without restrictions, depending on the existence and/or nature of any donor restrictions. Conditional contributions are only recognized when the conditions on which they depend are substantially met.

Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished, such as the payment of expenses related to the restriction), 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. However, if a restriction is fulfilled in the same time period in which the contribution is received, the organization reports the support as net assets without donor restrictions.

Revenue recognition – contracts with customers

Revenues from ReStore retail sales

A portion of the organization's revenue is derived from ReStore sales. Recognition of revenue is conditioned upon meeting one performance obligation; the sales transaction is completed at a ReStore location, and amounts received are recognized as revenue once the sale has been made (point in time). Once the sale is made, customers take possession of the goods purchased. The organization does have a return policy for the items sold at the ReStores and the dollar value of returns is not material to the organization.

NOTE A -- Nature of business and significant accounting policies (Continued)

Revenues from sale of properties

A portion of the organization's revenue is derived from home sales during the year. Due to the nature of the contracts, there is no variable consideration and only one performance obligation. The revenue is conditioned upon meeting a certain performance obligation and amounts received are recognized as revenue once the requirement has been met. Once construction is complete and the closing process has been completed, buyers take possession of the home and the performance obligation is considered to have been met (point in time). Each house sold has a defined purchase price based on a third-party appraisal. Contracts are considered to have commercial substance as they all involve a cash down payment and a signed promissory note, which is paid in accordance with the note terms. All direct materials, direct labor costs, and other direct costs related to construction activities are inventoried, and then charged to expenses upon closing. Costs incurred in connection with completed homes, selling, and administrative costs are charged to expenses as incurred.

Revenues from home repairs income

A portion of the organization's revenue is derived from home repairs during the year. Due to the nature of contracts, there is no variable consideration and only one performance obligation. The revenue is conditioned upon meeting a certain performance obligation, and amounts received are recognized as revenue once the requirement has been met. The organization recognizes income from home repairs when the home repairs have been completed and the applicable mortgage documents are signed (point in time).

Revenues from construction development income

A portion of the organization's revenue is derived from construction development income from the Village of Oregon in 2026 and from both the City of Sun Prairie and the Village of Oregon in 2025, respectively. Due to the nature of the agreements, there is no variable consideration and only one performance obligation. The revenue is conditioned upon meeting certain milestones (completion of homes within the development) and revenue is recognized over time using the output method.

Revenue recognition - special events

The organization sells tickets and offers sponsorships for its special events. Ticket sales and sponsorships are nonrefundable and are comprised of an exchange element based on the value of benefits provided to the donors, and a contribution element for the difference between total ticket sales and sponsorships paid and the exchange element. The organization recognizes the exchange portion of these events in the year the event takes place (point in time), and the contribution portion immediately. The contribution portion of revenue included in special events on the statements of activities is not material to the financial statements.

NOTE A -- Nature of business and significant accounting policies (Continued)

In the following table, revenue is disaggregated by timing of satisfaction of performance obligations for the years ended June 30:

	2026	2025
Performance obligations satisfied at a point in time	$ 2,424,615	$ 2,788,148
Performance obligations satisfied over time	38,167	502,509
	$ 2,462,782	$ 3,290,657

In-kind contributions

The organization received the following in-kind contributions for the years ended June 30,:

	2026	2025
Construction services	$ 585,901	$ 431,071
Professional services	714	13,367
Construction materials	87,777	3,921
Total donated goods and services	674,392	448,359
Inventory – ReStore donations	2,106,972	2,302,497
	$ 2,781,364	$ 2,750,856

The organization's policy related to in-kind contributions is to utilize the assets given to carry out the mission of the organization. If an asset is provided that does not allow the organization to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

The organization receives donated construction materials for use in home rehabilitation and for sale at the ReStore. The organization has elected to value goods at the estimated fair market value. The estimated fair value of the goods is based on prior year sales data for each particular item. In-kind donated goods, including ReStore donations, for the years ended June 30, 2026 and 2025 totaled $2,315,114 and $2,418,607 , respectively.

NOTE A -- Nature of business and significant accounting policies (Continued)

Donated services that create or enhance non-financial assets or that require specialized skill, are performed by people with those skills, and would otherwise be purchased, are recognized as contributions at their estimated fair value in the period received. The organization received 16,212 and 12,679 hours of donated services from volunteers who assisted in the construction of homes during the years ended June 30, 2026 and 2025, respectively. Management's estimate of the value of these services was modified to reflect the current market rate of $36.14 per hour, based on the Independent Sector Value of Volunteer Time Report, an increase from the previous estimate of $34 per hour for the year ended June 30, 2025, for a total of $585,901 and $431,071 for the years ended June 30, 2026 and 2025, respectively. The effect of the change in estimate is increased in-kind revenue and expenses related to volunteer labor. The organization also received donated professional services of $714 and $350 for the housing program service for each of the years ended June 30, 2026 and 2025, also valued at the current market rate for these services.

All in-kind contributions received by the organization for the years ended June 30, 2026 and 2025 were considered without donor restrictions and able to be used by the organization as determined by the board of directors and management.

Sales tax

The State of Wisconsin and Dane County impose a combined sales tax of 5.5% on the organization's sales to nonexempt customers. The organization collects sales tax from its customers and remits the entire amount to the State. The organization's accounting policy is to exclude the tax collected and remitted to the State from revenue and expenses.

Expense allocation

The financial statements 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. Each employee of the organization works in a primary program area. Salaries and benefits, insurance and rent are allocated on the basis of estimates of time. Other non-personnel expenses are attributed to individual programs or supporting function. In certain instances, a portion of the expense is identifiable with a specific program, while the remaining amount is allocated to management and general and/or fundraising based on estimates of time spent.

Program services

The organization's significant program services consist of the following:

Homebuilding

Since its founding in 1987, the organization has built and then sold homes to working, low-income individuals and families. The organization also assists other city and county agencies to provide low-income housing and remodeling assistance.

ReStore

The ReStore accepts donations of new and saleable, used building materials such as cabinets, lighting and plumbing fixtures, doors, lumber, flooring, and windows, most of which would otherwise be placed in a landfill. Some materials are used to build houses and the remainder are sold to the public at 50-75% off the retail price.

NOTE A -- Nature of business and significant accounting policies (Continued)

Advertising

All advertising costs are expensed the first time the advertising takes place. Advertising expense totaled $184,022 and $82,553 for the years ended June 30, 2026 and 2025, respectively.

Leases - lessee

The organization determines if an arrangement is or contains a lease at inception. The organization has entered into a variety of operating leases for ReStore space, warehouses, and copiers. Operating leases are included in right-of-use (ROU) assets and lease liabilities in the statements of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term.

The organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less and that do not include an option to purchase the underlying assets that is reasonably certain to be exercised). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. There were no short-term leases for the years ended June 30, 2026 and 2025.

For the leases of ReStore space and warehouses, the organization has elected to account for the lease and non-lease components as a single lease component. There is variability in future lease payments for these leases as the amount of the non-lease components is dependent on certain factors that are unknown and change from one period to the next. These variable lease payments which are primarily comprised of common area maintenance (CAM), utilities, and real estate taxes that are passed on from the lessor in proportion to the space leased, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

In evaluating contracts to determine if they qualify as a lease, the organization considers factors such as whether it has obtained substantially all of the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

The organization has also made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments for its leases. In determining the discount rate used to measure the right-of-use asset and lease liability, the organization uses rates implicit in the lease, or if not readily determinable, the organization uses the risk-free rate.

In determining what percentage of the lease constitutes a major part of the economic life of the underlying asset and defining what percentage of the present value of the sum of lease payments equals or exceed substantially all of the fair value of the underlying asset, the organization has elected to define major part as 75% of all classes of underlying assets and to define substantially all as 90% for all classes of underlying assets.

NOTE A -- Nature of business and significant accounting policies (Continued)

Reclassification
Some items in the 2025 financial statements have been reclassified to be consistent with the current year's presentation.

Subsequent events
These financial statements have not been updated for subsequent events occurring after October 23, 2026, which is the date these financial statements were available to be issued. The organization has no responsibility to update these financial statements for events and circumstances occurring after this date.

NOTE B -- Unconditional promises to give

Unconditional promises to give at June 30 consisted of the following:

	2026	2025
Unconditional promises to give	$ 108,550	$ 391,800
Less unconditional promises to give in one to five years	(7,150)	(26,900)
Unconditional promises to give in less than one year	$ 101,400	$ 364,900

NOTE C -- Mortgages receivable

Mortgages receivable represent amounts due from the purchasers of houses constructed or renovated by the organization. All mortgages receivable are noninterest bearing and are collateralized by the real estate. Terms of the mortgages range from 7 to 49 years, with various monthly payment amounts. The average mortgage is approximately 25 years. The contracts also contain a provision that if the house is sold, the deferred profit (appraised value at time of sale to homeowner less initial purchase price) will be due and payable to the organization.

Mortgages receivable as of June 30 consisted of the following:

	2026	2025
Mortgages receivable	$ 9,528,241	$ 8,591,915
Discount to current value	(4,451,895)	(4,026,548)
Mortgages receivable, net	5,076,346	4,565,367
Current portion of mortgages receivable	(1,149,694)	(1,136,978)
Long-term portion of mortgages receivable	$ 3,926,652	$ 3,428,389

Mortgages receivable are discounted at a rate of 8% for mortgages initiated before fiscal year 2012 and at a rate of 7.39%, 7.58%, 7.51%, 7.48%, 7.46%, 7.57%, 7.66%, 7.38%, 7.23%, 7.41%, 7.85%, 8.02%, 8.01%, and 8.01% under unamortized mortgage discounts for mortgages initiated in fiscal years 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, and 2026 respectively. The effective interest rate was 8.31% for each of the fiscal years ended June 30, 2026 and 2025. The discount is recognized by the interest method over the life of the mortgages.

NOTE C -- Mortgages receivable (Continued)

The organization monitors credit quality of loans on an ongoing basis using such indicators as days delinquent as a measurement of potential loan loss. As of June 30, 2026 and 2025, no active loans have a credit quality concern. The credit quality of loans is reviewed monthly for each loan. As of June 30, 2026, the organization expects to collect the mortgage receivable below.

Mortgage receivable past due balances as of June 30, are as follows:

	2026	2025
30 days past due	$ 273,928	$ 13,153
60 days past due	0	52,938
90 days past due	51,508	88,442
More than 90 days past due	34,437	12,609
	$ 359,873	$ 167,142

The organization uses a credit loss model to calculate allowances based on its internal loss experience and current conditions and forecasts. The organization records an unallocated reserve that is calculated by applying a loss rate to its portfolio. This loss rate is based upon probability of default, term, and loss history. The allowance is adjusted for expected recoveries of amounts that were previously written off or are expected to be written off. Recoveries cannot exceed the aggregated amount of the previous write-off or expected write-off.

Macroeconomic variables attributed to the expected credit losses may vary based on historical experiences, portfolio composition and current environment. In addition to a qualitative review of credit risk factors across the portfolio, the organization considers forward-looking macroeconomic variables such as bank rates when quantifying the impact of economic forecasts on its expected allowance for credit losses. The organization also considers the impact of current conditions and economic forecasts relating to the industry. Forward-looking estimates require the use of judgment, particularly in times of economic uncertainty. The organization's allowance for credit losses of $0 as of June 30, 2026 and 2025, reflect the qualitative process described above. Any changes to economic models that occurred after the statement of financial position date will be reflected in future periods.

NOTE D -- Silent mortgages

The organization holds silent mortgages recorded against properties. A silent mortgage is defined as a mortgage held on a property in a junior position to the primary mortgage. The amount of the silent mortgage is the difference between the appraised value at closing and the first mortgage plus any other funds applied to the sale. These mortgages do not earn interest and have no value unless there is a triggering event, such as the sale or other transfer of title, default under the first mortgage, or refinancing of the first mortgage by a third-party lender or full payment or refinance of the first mortgage. These mortgages are used primarily to protect against predatory lenders and prevent "flipping" a property for short-term gain. Accordingly, since these silent mortgages have no value unless or until a homeowner fails to comply with the covenants and restrictions of the terms of the home sale, the organization does not record the mortgages. The amount of the silent mortgages held by the organization as of June 30, 2026 and 2025 was $5,751,498 and $5,842,912, respectively.

NOTE D -- Silent mortgages (Continued)

Included in revenue on sale of completed homes and lots in the statements of activities was a loss on silent mortgages issued of $76,928 and $279,126 for the years ended June 30, 2026 **and 2025**, respectively. Included in revenue on sale of completed homes and lots in the statements of activities was revenue from silent mortgages repaid totaling $248,141 and $160,900 for the years ended June 30, 2026 and 2025, respectively.

NOTE E -- NMTC investment and debt extinguishment

The organization, along with other Habitat for Humanity affiliates, participated in an investment to take advantage of NMTC financing. The NMTC program permits corporate and individual taxpayers to receive a credit against federal income taxes for making qualified equity investments in qualified community development entities (CDE).

In April 2018, the organization invested $1,200,000 in HFHI NMTC Leverage Lender 2018, LLC consisting of cash and qualified investment properties. This investment represented a 20.4% ownership as of June 30, 2018. In August 2018, the ownership percentage decreased to 7.95% as three additional Habitat for Humanity affiliates participated in the investment. HFHI NMTC Leverage Lender 2018, LLC contributed its combined resources to Twain Investment Fund 306, LLC (Investment Fund) which received additional investment from U.S. Bancorp Community Development Corporation (Bank) as the federal tax credit investor under the NMTC program.

As part of the NMTC program, the Investment Fund invested in HFHI NMTC Sub-CDE III, LLC, a qualified CDE. The CDE is the conduit for accomplishing the NMTC program specifics of constructing and selling qualified housing properties to low-income residents. Under the CDE, the organization secured a 30-year loan in the amount of $1,767,037 to be used solely in accordance with the NMTC program compliance requirements. The loan requires semi-annual interest-only payments for years one through seven at a rate of .679239%. Beginning in year eight through year thirty, the principal balance of the loan is reduced by a twenty-three year amortization at the same rate. The Investment Fund may be subject to tax credit recapture if the NMTC program compliance requirements are not met over the seven-year period.

The ultimate holder of the above loan from the CDE to the organization is the Bank through its participation in the Investment Fund. The Bank is expected to waive the payment of the debt so as to participate in the NMTC program via exercising its put option agreement. The Bank had the ability to exercise the put option after the end of the seven-year credit period (April 2025); however, this option was not exercised. In August 2025, the Investment Fund exercised its put option on the investment in the CDE. Under the terms of the put option agreement, the Investment Fund puts its interest in the CDE to HFHI NMTC Leverage Lender 2018, LLC. Exercise of the option allows the organization to own their notes to the CDE, and therefore, extinguish its outstanding notes owed to the CDE. In connection with this transaction, the organization has recorded a gain on investment totaling $481,604 and $0 for the years ended June 30, 2026 and 2025, respectively, with proceeds at $113.

NOTE F -- Property and equipment, net

Property and equipment, net is comprised of the following:

	2026	2025
Land	$ 1,975,866	$ 1,975,866
Buildings	2,369,058	2,369,058
Improvements	2,561,468	2,182,300
Vehicles	45,218	57,872
Equipment	268,237	281,570
	7,219,847	6,866,666
Less accumulated depreciation	(1,373,967)	(1,176,244)
	$ 5,845,880	$ 5,690,422

NOTE G -- Agency endowment

The organization has established an agency endowment at the Madison Community Foundation (MCF). The organization recognizes the fair value of contributions to the agency endowment as support when received. When the organization transfers the agency endowment funds to MCF, it recognizes the transfer as a decrease in cash and the balances are presented in the statements of financial position as an increase to beneficial interest in assets held by MCF.

Under the provisions of MCF's governing instruments and applicable regulations, the Board of Governors of MCF (the Board) have the power to modify any restriction or condition on, or direction as to, the timing, manner, or character of distributions for any specified charitable purposes or foundations if, in the judgment of the Board, such direction restrictions or conditions become, in effect, unnecessary, incapable of fulfillment, or inconsistent with any distribution policy adopted by MCF or with the charitable needs of the greater Madison community.

NOTE H -- Fair value disclosure

The fair value measurement for the categories of assets that are measured at fair value on a recurring basis are as follows:

		Fair value measurement using		
	6/30/2026	Quoted prices in active markets for identical inputs (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Assets				
Beneficial interest in assets held by MCF[1]	$ 793,334	$ 0	$ 0	$ 793,334

NOTE H -- Fair value disclosure (Continued)

		Fair value measurement using		
	6/30/2025	Quoted prices in active markets for identical inputs (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Assets				
Beneficial interest in assets held by MCF[1]	$ 732,166	$ 0	$ 0	$ 732,166

1. The organization's beneficial interest in assets held by MCF represents an agreement between the organization and MCF in which the organization transfers assets to MCF in exchange for future distributions. The beneficial interest is not actively traded and significant other observable inputs are not available. Thus, the fair value of the beneficial interest is measured at proportional share of the underlying assets as reported to the organization by MCF. Little information about those assets is released publicly. The estimated value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

The total purchases and contributions to the beneficial interest in assets held by MCF were $0 for the years ended June 30, 2026 and 2025.

NOTE I -- Endowment

The organization's endowment is held by MCF and shall be held as long as MCF or the organization is in existence. The endowment includes both donor-restricted funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including the investment return, are classified and reported based on the existence or absence of donor-imposed restrictions.

The organization has interpreted Wisconsin's enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. However, the organization has notified its donors that they reserve the right to make a distribution from their funds even if the value of the fund drops below the amount of the initial gift. In accordance with Wisconsin's enacted version of UPMIFA, the organization expects it will need to consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the organization, and (7) organization's investment policies.

The organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the original investment of the endowment. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, as approved by the board of directors, all endowment assets are invested in a manner that is intended to produce returns to fund the sustainability of the organization's work while assuming a moderate level of investment risk.

NOTE I – Endowment (Continued)

Change in endowment net asset activity by type is as follows:

	Without donor restrictions	With donor restrictions - time or use	With donor restrictions - perpetual endowment	Total
Endowment net assets - June 30, 2024	$ 119,022	$ 219,293	$ 360,343	$ 698,658
Contributions	0	0	0	0
Distributions	(4,770)	(23,230)	0	(28,000)
Interest and dividends	812	3,954	0	4,766
Investment fees	(1,372)	(6,682)	0	(8,054)
Net appreciation	11,038	53,758	0	64,796
Endowment net assets - June 30, 2025	124,730	247,093	360,343	732,166
Contributions	0	0	0	0
Distributions	(4,770)	(23,230)	0	(28,000)
Interest and dividends	631	3,073	0	3,704
Investment fees	(1,562)	(7,606)	0	(9,168)
Net appreciation	16,121	78,511	0	94,632
Endowment net assets - June 30, 2026	$ 135,150	$ 297,841	$ 360,343	$ 793,334

Endowment net asset composition by type is as follows:

	Without donor restrictions	With donor restrictions - time or use	With donor restrictions - perpetual endowment	2026 Total
Donor-restricted endowment funds	$ 0	$ 297,841	$ 360,343	$ 658,184
Board-designated endowment funds	135,150	0	0	135,150
Total funds	$ 135,150	$ 297,841	$ 360,343	$ 793,334

NOTE I -- Endowment (Continued)

	Without donor restrictions	With donor restrictions - time or use	With donor restrictions - perpetual endowment	2025 Total
Donor-restricted endowment funds	$ 0	$ 247,093	$ 360,343	$ 607,436
Board-designated endowment funds	124,730	0	0	124,730
Total funds	$ 124,730	$ 247,093	$ 360,343	$ 732,166

NOTE J -- Retirement plan

The organization terminated its Simple IRA plan effective December 31, 2024, and established a 401(k) plan effective January 1, 2025. Retirement plan expense totaled $79,982 and $67,417 for the years ended June 30, 2026 and 2025, respectively.

NOTE K -- Lines of credit

The organization opened a $1,000,000 line of credit with a financial institution at a minimum rate of 4% (3.25% effective January 6, 2022) adjusted to the index rate of the "highest US Prime Rate published in the Wall Street Journal" (Prime) minus .250 percentage points (.210 percentage points effective January 6, 2022). The line of credit was renewed on June 29, 2025 in the amount of $1,000,000 with a maturity date of June 29, 2026. Effective June 29, 2026, the interest rate is changed to Prime minus .210 percentage points with a floor of 8.29%. The line of credit is collateralized by homeowner mortgages. As of June 30, 2026 the line of credit was paid off, and the loan account was closed.

The organization has a $2,872,000 line of credit with a financial institution. Effective June 1, 2024, the outstanding balance was renewed at a fixed interest of 8.29%, with monthly payments of $14,397 through June 1, 2029. The line is collateralized by 502 Town Hall Drive, Sun Prairie, WI 53590 and 1050 E Main Street, Sun Prairie, WI 53590. As of June 30, 2026 and 2025, no cash has been drawn on this line of credit. The line of credit loan account was closed as of June 30, 2026.

On June 30, 2026, the organization opened a new $1,000,000 line of credit with another financial institution at a minimum rate of 6.750% adjusted to the index rate of the "highest US Prime Rate published in the Wall Street Journal" (Prime). The line of credit, with a maturity date of June 30, 2027, is collateralized by homeowner mortgages. As of June 30, 2026, $0 has been drawn on the line of credit.

NOTE L – Leases

The organization leases its ReStore space and warehouses under operating leases and a copier under a finance lease with terms of 15 months to 5 years. The terms of the leases expire at various dates between June 2026 and December 2030. The lease agreements do not include any material residual value guarantees or restrictive covenants.

The components of lease expense are as follows for the years ended June 30:

	2026	2025
Operating lease cost	$ 33,549	$ 40,914
Variable lease cost	0	1,482
Finance lease cost	5,681	0
Total lease cost	$ 39,230	$ 42,396

Supplemental statement of cash flows information related to leases as of June 30, is as follows:

	2026	2025
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 36,669	$ 44,034
Operating cash flows from finance leases	4,704	0
Total cash flows from leases	$ 41,373	$ 44,034
Noncash financing and investing cash flow:		
Right-of-use assets obtained in exchange for lease obligations:		
Finance leases	$ 33,154	$ 0

Supplemental statement of financial position information related to leases as of June 30, is as follows:

	2026	2025
Weighted average remaining lease term (in years):		
Finance leases	4.50	0.98
Weighted average discount rate:		
Operating lease	0.00%	4.08%
Finance leases	3.68%	0%

NOTE L -- Leases (Continued)

Future minimum finance lease payments to be paid under this lease as of June 30, 2026, are as follows:

Year ending June 30,	
2027	$ 7,056
2028	7,056
2029	7,056
2030	7,056
2031	3,527
Total future minimum finance lease payments	31,752
Less present value discount	(2,441)
Present value of future minimum finance lease payments	$ 29,310

As of July 2026, the organization signed a new extension of the warehouse (operating lease) for an additional 24 months expiring June 30, 2028.

NOTE M -- Billboard lease – lessor

In July 2022, the organization assumed lease agreements for billboards used by a third party for advertising. One lease had a commencement date of July 1, 2014, and an initial term of ten years, including automatic extensions of two like terms. After the second successive term, the lessee and lessor each have the right to terminate the lease with a 90-day notice before the next successive renewal term. Monthly payments of $1,217 are required under this lease, increasing to $1,417 per month after the second successive term. The second lease agreement was executed on October 2, 2019 for an initial term of ten years, including one automatic extension for a like term. After the extension period, the lease shall continue for successive month-to-month terms until either the lessor or lessee terminate this lease by giving notice of termination at lease 90 days prior to the next automatic lease term extension. Monthly payments of $425 are required under this lease, increasing to $479 per month after the automatic extension period.

Rental income from the billboard leases was $19,700 for each of the years ended June 30, 2026 and 2025.

Supplemental statement of cash flows information related to leases as of June 30 is as follows:

	2026	2025
Cash received from operating leases		
Operating cash flows from operating leases	$ 19,700	19,700

NOTE M -- Billboard lease – lessor (Continued)

The undiscounted cash flows to be received from lease payments on the organization's operating leases as of June 30, 2026, are as follows:

Year ending June 30,	
2027	$ 19,700
2028	19,700
2029	19,700
2030	20,133
2031	20,350
Thereafter	261,717
	$ 361,300

NOTE N -- Escrow deposits

The organization maintains separate bank accounts into which it deposits funds received from homeowners pursuant to their mortgages for the payment of real estate taxes, insurance, and homeowners' association fees. The organization uses the accounts for the payment of those charges as they come due. To ensure cash reserves are maintained to fund the escrow deposit liability, the organization's board of directors has required escrow deposits to be placed into separate bank accounts. The cash balance of this account is included in cash and cash equivalents on the statements of financial position. These funds are considered board designated.

NOTE O -- Notes payable, net

Notes payable, net consist of the following:

	2026	2025
One Community Bank; nonrecourse; monthly payments of $5,020, including interest at 3.99% (effective interest rate of 4.06%) through November 30, 2021; monthly payments of $4,027, including interest at 3.74% (effective interest rate of 3.80%) through November 30, 2026, and interest at the prime rate + 0.49% (no less than 3.75%) through maturity; due November 30, 2028; with one principal payment of $494,849 due on November 30, 2028; the note is secured by a general business security agreement; prepayment is permitted in whole or in part subject to a prepayment premium.	$ 563,142	$ 589,624
HFHI NMTC SUB-CDE III, LLC (see Note E); nonrecourse; semi-annual interest only payments until 2025 at .679239% (effective interest rate of .681358%); original maturity date of April 19, 2048; secured by a loan agreement, deposit account control agreement, deposit account pledge agreement, reserve account control agreement and reserve account pledge agreement; the NMTC transaction was unwound in August 2025 and this note was extinguished, with no balance outstanding as of June 30, 2026; unamortized debt issuance costs associated with this note were $0 and $85,320 as of June 30, 2026 and 2025, respectively; interest expense totaled $0 and $12,002 for each of the years ended June 30, 2026 and 2025.	0	1,767,037
Balance carried forward	563,142	2,356,661

NOTE O -- Notes payable, net (Continued)

	2026	2025
Balance brought forward	$ 563,142	$ 2,356,661
SBA; Economic Injury Disaster Loan (EIDL); original amount of $160,000, additional proceeds of $350,000, received in 2022; requested to alleviate economic injury caused by disaster occurring due to the COVID-19 pandemic; interest at 2.75% (effective interest rate of 2.78%); monthly payments of principal and interest of $2,227 beginning 24 months from the date of the original note (June 14, 2020) due June 14, 2050; collateralized by inventory, equipment, promissory notes, deposit accounts, general intangibles, etc.	454,759	468,868
One Community Bank; nonrecourse; monthly interest payments at 5.240% (effective interest rate of 5.370%) through July 28, 2023; monthly payments of $18,098, including interest at 5.240% (effective interest rate of 5.370%) through June 28, 2027; one payment of $2,761,722, including interest at 5.240% (effective interest rate of 5.370%), at maturity on July 28, 2027; collateralized by a mortgage; prepayment is permitted in whole or in part subject to a prepayment premium.	2,819,300	2,885,215
One Community Bank; nonrecourse; monthly payments of $4,119, including interest at 5.240% (effective interest rate of 5.370%) through June 28, 2027; one payment of $473,346, including interest at 5.240% (effective interest rate of 5.370%), at maturity on July 28, 2027; collateralized by a mortgage; prepayment is permitted in whole or in part subject to a prepayment premium.	495,075	517,625
Habitat for Humanity International, Inc.; nonrecourse; non-interest bearing; commencing January 1, 2027, monthly payments of $281 through November 1, 2030; one payment of $293 due at maturity on December 1, 2030; no prepayment penalty.	13,500	13,500
	4,345,776	6,241,869
Less unamortized debt issuance costs	0	85,320
	$ 4,345,776	$ 6,156,549

NOTE O -- Notes payable, net (Continued)

Repayment of principal on notes payable as of June 30, 2026, is as follows:

Year ending June 30,	
2027	$ 136,159
2028	3,266,648
2029	526,642
2030	18,688
2031	17,440
Thereafter	380,199
	$ 4,345,776

NOTE P -- Related party transactions

With respect for and in support of Habitat for Humanity International, Inc., the organization voluntarily remits a tithe of the undesignated public support it received in the prior year. These funds are used by the international organization for providing housing for the poor around the world. For the years ended June 30, 2026 and 2025, the amounts remitted totaled $35,000.

Habitat for Humanity International, Inc. receives contributions on behalf of the organization. For the years ended June 30, 2026 and 2025, the amount of these contributions passed through to the organization from Habitat for Humanity International, Inc. totaled $485,520 and $500,199, respectively. Direct marketing fundraising fees and revenue share retained by Habitat for Humanity International, Inc. totaled $231,660 and $233,263 for the years ended June 30, 2026 and 2025, respectively.

NOTE Q -- Net assets

Net assets with donor restrictions – time or use

Net assets with donor restrictions – time or use include assets set aside in accordance with donor restrictions as to time or purpose. Net assets with donor restrictions – time or use are available for the following purposes or periods as of June 30:

	2026	2025
Subsequent years' operations	$ 174,830	$ 406,800
Time restriction on endowment earnings	297,841	247,093
	$ 472,671	$ 653,893

NOTE Q -- Net assets (Continued)

Net assets with donor restrictions – perpetual endowment

Net assets with donor restrictions – perpetual endowment include assets set aside in perpetuity in accordance with donor restrictions. Net assets with donor restrictions – perpetual endowment consist of the endowment held by MCF.

NOTE R -- Mortgage sales

During fiscal year 2026, the organization sold no mortgages. During fiscal year 2025, the organization sold 10 mortgages with outstanding balances of $1,773,832 to one financial institution. These mortgages are serviced by the organization.

NOTE S -- Availability of financial assets and liquidity

The organization has the following financial assets available to meet cash needs for general expenditures within one year of the statement of financial position date:

	2026	2025
Cash	$ 1,624,221	$ 1,348,299
Accounts receivable	67,897	1,093,269
Grant receivable	132,571	140,000
Unconditional promises to give	101,400	364,900
Mortgages receivable	1,149,694	1,136,978
	$ 3,075,783	$ 4,083,446

The organization receives contributions and grants with donor restrictions to be used in accordance with the associated purpose or time restrictions. When a donor's restriction requires resources to be used in a particular manner or in a future period, the organization must maintain sufficient resources to meet those responsibilities to its donors.

Thus, financial assets may not be available for general expenditure within one year. 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.

NOTE T -- Community Development Block Grants and Federal Home Loan Bank of Chicago

During the fiscal years ended June 30, 2026 and 2025, the organization obtained $282,571 and $220,000, respectively, in funding from Community Development Block Grants (CDBG) through the City of Madison and Dane County. The funds were loaned directly to homeowners at 0% interest. Since 2016, the 0% loans totaled $3,491,633 impacting both the homeowners and the organization. The organization is impacted as it reduces the amount it has to finance with a silent mortgage. In addition, the organization has collaborated with local financial institutions who are members of the Federal Home Loan Bank of Chicago (FHLB-Chicago) to get loans directly from FHLB-Chicago to homeowners totaling $70,000 for the fiscal years ended June 30, 2026 and 2025, and totaling $817,800 since 2016. The FHLB loans are forgiven over five years and benefit both the homeowner and the organization.

NOTE U -- CDFI grant

In February 2025, the organization was awarded a $685,000 grant from the CDFI. Of this amount, $250,000 and $200,000 were received during the fiscal years ended June 30, 2026 and 2025, respectively. Since these funds are conditioned on the organization issuing a certain amount of mortgage loans, the funds are not recorded as contribution revenue until the grant conditions are met. For the fiscal years ended June 30, 2026 and 2025, $173,000 and $177,591 was recognized as contribution revenue, respectively, and refundable advance was $99,409 and $22,409 on the statements of financial position for the years ended June 30, 2026 and 2025, respectively.

SUPPLEMENTARY INFORMATION

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

SCHEDULE OF REVENUE AND EXPENSES BY FUNDING SOURCE

Year ended June 30, 2026

	City of Madison CDD	Other	Total
PUBLIC SUPPORT, REVENUE AND GAINS			
Revenue on sale of completed homes and lots	$ 0	$ 2,217,878	$ 2,217,878
ReStore sales less cost of goods sold of $2,315,114	0	176,526	176,526
Mortgage discount amortization	0	426,570	426,570
Gain on investment in new markets tax credit	0	481,604	481,604
Program services	10,000	212,667	222,667
Agency endowment return	0	15,190	15,190
Gifts and donations	0	3,002,908	3,002,908
In-kind contributions	0	2,781,364	2,781,364
Special events	0	28,711	28,711
Interest	0	103,926	103,926
Miscellaneous income	0	45,457	45,457
Total public support, revenue and gains	10,000	9,492,801	9,502,801
Expenses:			
Program services:			
Homebuilding	10,000	6,040,547	6,050,547
ReStore	0	2,137,364	2,137,364
Total program services	10,000	8,177,911	8,187,911
Supporting services:			
Management and general	0	606,999	606,999
Fundraising	0	913,388	913,388
Total supporting services	0	1,520,387	1,520,387
Total expenses	10,000	9,698,298	9,708,298
Restricted contributions	0	218,550	218,550
Restricted agency endowment return	0	73,978	73,978
Excess revenue (expense)	$ 0	$ 87,031	$ 87,031

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

SCHEDULE OF CITY OF MADISON DEVELOPMENT DIVISION FUNDS EXPENDED BY PROGRAM

Year ended June 30, 2026

CDD OFFICE FUNDS		
CDD Acquisition Funds	$	10,000
FUNDS EXPENDED		
Property developer costs		10,000
Excess	$	0

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

CITY OF MADISON COMMUNITY DEVELOPMENT DIVISION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2026

1. Was a Single Audit required?	No
What dollar threshold was used to distinguish between Type A and Type B programs as defined by the Single Audit?	N/A
2. Type of auditor's report issued?	Unmodified
3. Internal control over financial reporting:	
Were material weakness(s) identified?	No
Were significant deficiency(s) identified not considered to be material weaknesses?	None reported
Was noncompliance material to the financial statements noted?	N/A
4. Internal control over major programs:	
Were material weakness(s) identified?	N/A
Were significant deficiency(s) identified not considered to be material weaknesses?	N/A
5. Was the indirect cost allocation plan reasonable and acceptable per OMS A-122, or the Uniform Guidance?	N/A
6. Were the actual costs reasonable and allocated appropriately per OMS A-122, or the Uniform Guidance?	N/A
7. Were the costs allocated to the CD Division contracts based on costs incurred, and are they supported by records and documents?	Yes
8. Were any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	N/A
9. Does the audit include an identification of all federal revenue sources and dollar amounts by program?	N/A
10. Does the audit list any financial statement findings?	N/A
11. Does the audit list any federal and state award findings and questioned costs?	N/A
12. Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern?	No
13. Does the audit report identify any additional audit issues related to the Agency's CD Division grants/contracts?	N/A
14. Does the audit include the schedule of revenue and expenses by program and revenue source?	Yes
15. Does the audit include the schedule of CD Division funds expended by program?	Yes

16. Does the audit include the schedule of real property assets and the debt recorded against each property? N/A

17. Was a management letter or other document conveying audit comments issued as a result of this audit? Yes

Name and signature of Partner in Charge: Lynn Heslinga

Lynn Heslinga, CPA

Date of report October 23, 2026