HABITAT FOR HUMANITY METRO MARYLAND, INC.
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS,
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
WITH
INDEPENDENT AUDITORS' REPORTS
FOR THE
Years Ended June 30, 2025 and 2024

DELEON & STANG
Strategic Insights. Practical Advice.

HABITAT FOR HUMANITY METRO MARYLAND, INC. AND SUBSIDIARY

Table of Contents

	Page
Management's Discussion and Analysis of Financial Condition and Results of Operations	1
Independent Auditors' Report	4
Consolidated Financial Statements	
Consolidated Statements of Financial Position	7
Consolidated Statements of Activities	8
Consolidated Statements of Functional Expenses	9
Consolidated Statements of Cash Flows	11
Notes to Consolidated Financial Statements	12
Schedule of Expenditures of Federal Awards	31
Notes to Schedule of Expenditures of Federal Awards	32
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards	34
Independent Auditors' Report on Compliance with Requirements on Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance	36
	38
Schedule of Findings and Questioned Costs	39

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the financial condition and results of our operations should be read in conjunction with the financial statements and the notes to those statements included elsewhere in this report. This discussion contains forward-looking statements reflecting our current expectations that involve risks and uncertainties. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors.

Background

Habitat for Humanity of Montgomery County Maryland, Inc. was formed as a nonprofit corporation under the laws of the State of Maryland on October 29, 1982. In 2006, HFHMM opened its first retail operation that sells usable goods and surplus building materials to the public and operates under the name "ReStore". Currently, there are two ReStores in operation ; one in Rockville Maryland and one in Silver Spring Maryland. In April 2013, the Board of Directors approved a resolution to expand into Prince George's County, Maryland and operate going forward under Habitat for Humanity Metro Maryland, Inc. ("HFHMM").

During FY-2023, HFHMM established Randolph Road, LLC, a Maryland Limited Liability Company, wholly owned by HFHMM for the purpose of building 27 affordable homeownership units at the intersection of Randolph Road and Veirs Mill Road.

Overview

Our vision is a community in which everyone has a decent and affordable place to live. While Montgomery and Prince George's Counties are part of the most affluent, fastest growing communities in the nation, thousands of its residents are living in poverty. Housing costs have sky-rocketed, while income levels for many jobs have remained the same – making the dream of homeownership almost impossible for low-income families. In a spirit of collaboration and fellowship, HFHMM works with individuals, institutions, faith organizations, businesses, and the HFHMM families themselves to build and rehabilitate decent and energy efficient affordable housing for those living in substandard conditions in our community.

Habitat's unique homeownership model and programs offer lower income individuals the opportunity to purchase their own affordable home or preserve their existing affordable home. Our mission is to build strength, stability, self-reliance and affordable homeownership in Montgomery and Prince George's Counties.

HFHMM is an organization that inspires action to create affordable homeownership opportunities for hard working, lower income families. One of our goals is to increase awareness of the need and value of affordable housing. We study and forecast the impact of our work in the communities we service. In a recent *Habitat Homeowner Study,* conducted by *Habitat for Humanity International,* Habitat homeownership contributes to self-esteem and well-being, improved family mental and physical health, community awareness, and a feeling of neighborhood pride. In addition, HFHMM homeowners pay taxes and are more likely to vote. As a result of an affordable mortgage, Habitat homeowners are able to save more, pursue advanced educational opportunities, and work towards achieving financial stability. By providing a stable home, Habitat homeownership is more likely to prevent the fracturing of families.

Organizational Data, Statistics, and Financial Reporting

For the last 42 years, HFHMM has served 765 families and completed 1,001 projects through constructing or rehabilitating 106 homes and 895 home preservation projects. We have also issued over $15 Million in zero-interest mortgages, spent over $21 million in the local community, and helped over 1,500 people achieve the strength, stability, and self-reliance they need to build d better life for themselves and their families.

From an organizational and financial reporting perspective, HFHMM is a nonprofit corporation that follows accounting principles generally accepted in the United States (GAAP).

- HFHMM operates under a unique business model. In addition to its retail operation, new home construction, and home preservation initiatives, HFHMM acts as the mortgage servicer and lends money to homebuyers at a below market interest rate (0%). HFHMM records the loan receivable not at its face value, but net of the mortgage discounts using interest rates published by Freddie Mac on the date the loan closes. Other non-cash transactions that impact HFHMM's financial reporting represent amortization of deferred gains on home sales, depreciation and amortization of the discount of notes payable. Historically, the result of those non-cash entries in a year with significant home sales results in the statement of activities reflecting significant losses.

Organizational Data, Statistics, and Financial Reporting (Continued)

A reader will notice that for the year ending June 30, 2025:

- The net assets increased by $601,014.
- As of June 30, 2025, mortgage loans receivable, net of discounts included in the statement of financial position were $1,386,493. These mortgage loans receivable have gross or face values of $2,017,130. This compares to notes payable net of discounts of $765,527. These notes payable have gross or face values of $916,478.
- Total combined ReStore sales for the year ending June 30, 2025 were $2,347,762.

HFHMM also retains an equity interest in many of the homes sold to families. Presently, if the home is sold by the homeowner in years 1 through 5, then HFHMM retains 100% equity. HFHMM's equity interest is reduced by 3% in each succeeding year until HFHMM's equity reaches 25%.

To facilitate operating cash flow in the effort to support its mission and goals, HFHMM has the option to assign its mortgages to a bank, whereby HFHMM receives approximately 80% of the value of the mortgage in cash while still guaranteeing 100% of the loan typically for five years. HFHMM has assigned loans under this arrangement.

Since 1982, HFHMM has closed on 105 mortgage loans with its homebuyers, of which 26 are still held by Habitat as of June 30, 2025. We have had only one mortgage foreclosure in our history. Mortgage loan receivables, net, at June 30, 2025 were $1,386,493 (see Note 8).

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Habitat for Humanity Metro Maryland, Inc. and Subsidiary
Silver Spring, Maryland

Qualified Opinion on 2025 and Unmodified Opinion on 2024

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

In our opinion, except for the effects on the 2025 consolidated financial statements of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity Metro Maryland, Inc. and Subsidiary as of June 30, 2025 and 2024, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion 2025 and Unmodified on 2024

Contribution, Grant and Contract Revenues for the year ended June 30, 2025 includes an unsubstantiated adjustment in the amount of $139,963. This was required to reconcile subsidiary records to the related underlying general ledger accounts. We were unable to obtain sufficient appropriate audit evidence to support this adjustment.

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 Consolidated Financial Statements section of our report. We are required to be independent of Habitat for Humanity Metro Maryland, Inc. and Subsidiary 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 qualified audit opinion on the 2025 consolidated financial statements and our unmodified audit opinion on the 2024 financial statements.

Emphasis of Matter Correction of Error

As discussed in Note 3 to the consolidated financial statements, an error in previously issued financial statements for the year ended June 30, 2024 was determined. The error resulted from the improper application of an internal cash transfer to a home sale transaction. Accordingly, the amounts reported for cash and cash equivalents and cost of home sales have been restated to correct this error.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 consolidated financial statements.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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 consolidated 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 consolidated 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 Metro Maryland, Inc. and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity Metro Maryland, Inc. and Subsidiary'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.

DeLeon & Stang

DeLeon & Stang, CPAs and Advisors
Frederick, Maryland
March 25, 2026

HABITAT FOR HUMANITY METRO MARYLAND, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2025 and 2024

	2025	(Restated) 2024
Assets		
Cash and cash equivalents	$ 708,531	$ 1,319,310
Investments	670,877	311,748
Investment in HFHI NMTC	2,805,940	-
Grants, contributions and contracts receivable	918,850	598,893
Mortgage loans receivable, net of discounts and allowance for credit losses	1,386,493	1,395,082
Inventories	11,462,110	4,978,443
Property and equipment, net of accumulated depreciation and amortization	76,907	146,765
Right of use assets	2,398,987	1,012,411
Other assets	184,089	131,030
Total Assets	$ 20,612,784	$ 9,893,682
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 792,752	$ 1,269,366
Homeowner escrow deposits	3,234	6,509
Lines of credit	1,610,681	1,045,118
Lease liabilities	2,625,710	1,279,235
Notes payable - Qualified Low-Income Community Investment	3,458,710	-
Notes payable and mortgage note assignments, net of discounts	7,481,481	2,254,252
Total liabilities	15,972,568	5,854,480
Net assets:		
Net assets, without donor restrictions	4,466,057	2,927,895
Net assets, with donor restrictions	174,159	1,111,307
Total net assets	4,640,216	4,039,202
Total Liabilities and Net Assets	$ 20,612,784	$ 9,893,682

See Accompanying Notes to the Consolidated Financial Statements

HABITAT FOR HUMANITY METRO MARYLAND, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2025 and 2024

	2025	(Restated) 2024
Net assets without donor restrictions		
Revenue and support:		
Contributions, grants and contracts	$ 5,351,626	$ 4,591,166
Home sales	460,000	1,215,616
ReStore sales	2,347,762	2,362,940
Special events	726,213	639,399
In-kind contributions	-	10,963
Imputed mortgage interest income	68,934	70,634
Other revenue	18,396	725
Investment income	25,134	19,526
Net assets released from restriction	1,417,120	307,179
Total revenue and support without donor restrictions	10,415,185	9,218,148
Expenses:		
Program expenses	7,205,450	8,084,017
Supporting services	1,671,573	1,235,558
Total expenses	8,877,023	9,319,575
Change in net assets without donor restrictions	1,538,162	(101,427)
Net assets with donor restrictions		
Contributions and grants	479,972	641,097
Net assets released from restriction	(1,417,120)	(307,179)
Change in net assets with donor restrictions	(937,148)	333,918
Change in net assets	601,014	232,491
Net assets, beginning of year	4,039,202	3,806,711
Net assets, end of year	$ 4,640,216	$ 4,039,202

See Accompanying Notes to the Consolidated Financial Statements

HABITAT FOR HUMANITY METRO MARYLAND, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2025 and 2024

	2025								
	Program Expenses					Supporting Services			
	Affordable Residential Housing	ReStore	Grant to Habitat for Humanity, International	Randolph Road	Total Program Expenses	Fundraising	Management and General	Total Supporting Services	Total Expenses
Salaries and wages	$ 757,931	$ 845,118	$ -	$ -	$ 1,603,049	$ 424,061	$ 118,660	$ 542,721	$ 2,145,770
Critical repair	2,549,951	-	-	-	2,549,951	-	-	-	2,549,951
Cost of home sales	771,738	-	-	-	771,738	-	-	-	771,738
Rent	99,015	437,218	-	-	536,233	50,876	50,374	101,250	637,483
Equipment maintenance	75,827	104,812	-	-	180,639	20,290	(17,010)	3,280	183,919
Professional expenses	43,567	15,977	-	2,690	62,234	18,946	22,124	41,070	103,304
Health benefits	59,264	71,371	-	42,212	172,847	43,022	26,382	69,404	242,251
Payroll taxes	79,301	65,452	-	-	144,753	33,257	12,278	45,535	190,288
Accounting and audit fees	-	-	-	32,114	32,114	-	149,500	149,500	181,614
Software	20,701	3,573	-	1,391	25,665	27,418	12,789	40,207	65,872
Printing and publication	4,576	53	-	-	4,629	48,618	-	48,618	53,247
Construction	-	-	-	234,539	234,539	-	-	-	234,539
Rent CAM	-	110,350	-	-	110,350	-	-	-	110,350
Miscellaneous	32,490	21,662	-	(24,899)	29,253	31,869	24,707	56,576	85,829
Depreciation and amortization	3,480	75,309	-	-	78,789	587	234	821	79,610
Utilities	10,057	77,968	-	15,078	103,103	5,005	5,217	10,222	113,325
Board expense	23	-	-	-	23	-	49,504	49,504	49,527
Inventory pickup	-	80,433	-	-	80,433	-	-	-	80,433
Real estate taxes	-	98,992	-	-	98,992	-	-	-	98,992
Insurance	111,745	-	-	-	111,745	40,903	$19,890	60,793	172,538
Loan interest	91,253	-	-	-	91,253	-	-	-	91,253
Special events	3,671	-	-	-	3,671	146,704	965	147,669	151,340
Travel	15,870	22,611	-	-	38,481	4,217	11,569	15,786	54,267
Bank fees	-	49,456	-	6,213	55,669	-	5,297	5,297	60,966
Retirement expense	9,939	-	-	-	9,939	-	-	-	9,939
Supplies	19,018	13,667	-	-	32,685	11,413	22,888	34,301	66,986
Habitat 2.0	-	-	-	-	-	187,500	-	187,500	187,500
Advertising	702	1,653	-	-	2,355	34,138	5,153	39,291	41,646
HFHI tithe expense	-	-	-	-	-	-	8,000	8,000	8,000
Provision for credit losses	(5,973)	-	-	-	(5,973)	-	-	-	(5,973)
Payroll processing	1,800	3,600	-	-	5,400	1,800	1,800	3,600	9,000
Postage and delivery	5,834	171	-	-	6,005	1,575	717	2,292	8,297
Dues and fees	4,788	103	-	-	4,891	52	629	681	5,572
Housing stipend	8,305	-	-	-	8,305	4,375	-	4,375	12,680
Volunteers	6,922	-	-	-	6,922	3,280	-	3,280	10,202
POB interest expense	-	-	-	14,090	14,090	-	-	-	14,090
POB bank fees	-	-	-	678	678	-	-	-	678
	$ 4,781,795	$ 2,099,549	$ -	$ 324,106	$ 7,205,450	$ 1,139,906	$ 531,667	$ 1,671,573	$ 8,877,023

See Accompanying Notes to the Consolidated Financial Statements

HABITAT FOR HUMANITY METRO MARYLAND, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2025 and 2024

	2024 (Restated)								
	Program Expenses					Supporting Services			
	Affordable Residential Housing	ReStore	Grant to Habitat for Humanity, International	Randolph Road	Total Program Expenses	Fundraising	Management and General	Total Supporting Services	Total Expenses
Salaries and wages	$ 876,244	$ 841,809	$ -	$ -	$ 1,718,053	$ 423,550	$ 112,063	$ 535,613	$ 2,253,666
Critical repair	1,950,941	-	-	-	1,950,941	-	-	-	1,950,941
Cost of home sales	2,065,851	-	-	-	2,065,851	-	-	-	2,065,851
Rent	64,711	460,313	-	-	525,024	33,686	33,686	67,372	592,396
Mortgage subsidies	315,489	-	-	-	315,489	-	-	-	315,489
Equipment maintenance	16,351	156,951	-	-	173,302	11,374	15,912	27,286	200,588
Professional expenses	22,763	14,646	-	36,251	73,660	24,046	69,168	93,214	166,874
Health benefits	50,553	74,713	-	-	125,266	21,025	16,125	37,150	162,416
Payroll taxes	56,968	66,487	-	-	123,455	29,695	6,962	36,657	160,112
Accounting and audit fees	-	-	-	-	-	-	145,425	145,425	145,425
Printing and publication	5,510	-	-	-	5,510	110,696	3,894	114,590	120,100
Construction	24,544	2,788	-	89,207	116,539	-	-	-	116,539
Rent CAM	-	115,113	-	-	115,113	-	-	-	115,113
Miscellaneous	43,107	36,310	-	705	80,122	9,276	25,198	34,474	114,596
Depreciation and amortization	10,765	91,159	-	-	101,924	715	286	1,001	102,925
Utilities	8,505	72,040	-	-	80,545	4,186	4,410	8,596	89,141
Inventory pickup	-	84,242	-	-	84,242	-	-	-	84,242
Real estate taxes	-	82,635	-	-	82,635	-	-	-	82,635
Insurance	52,539	-	-	-	52,539	19,213	6,785	25,998	78,537
Loan interest	75,220	-	-	-	75,220		-	-	75,220
Special events	70	-	-	-	70	59,204	-	59,204	59,274
Travel	16,432	23,462	-	120	40,014	8,326	10,084	18,410	58,424
Bank fees	-	48,933	-	1,673	50,606	-	3,475	3,475	54,081
Supplies	14,961	6,546	-	-	21,507	7,324	9,243	16,567	38,074
Advertising	-	31,022	-	-	31,022	-	-	-	31,022
HFHI tithe expense	-	-	31,000	-	31,000	-	-	-	31,000
Provision for credit losses	24,914	-	-	-	24,914	-	-	-	24,914
Assignment amortization-interest	10,956	-	-	-	10,956	-	-	-	10,956
Payroll processing	1,564	3,128	-	-	4,692	1,564	1,564	3,128	7,820
Postage and delivery	3,421	-	-	-	3,421	957	444	1,401	4,822
Vista intern	62	-	-	-	62	4,409	-	4,409	4,471
Dues and fees	-	-	-	-	-	-	1,271	1,271	1,271
Housing stipend	-	700	-	-	700	-	-	-	700
Volunteers	(377)	-	-	-	(377)	317	-	317	(60)
	$ 5,712,064	$ 2,212,997	$ 31,000	$ 127,956	$ 8,084,017	$ 769,563	$ 465,995	$ 1,235,558	$ 9,319,575

See Accompanying Notes to the Consolidated Financial Statements

HABITAT FOR HUMANITY METRO MARYLAND, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2025 and 2024

	2025	(Restated) 2024
Cash Flows From Operating Activities:		
Change in net assets	$ 601,014	$ 232,491
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Donated investment securities	-	(10,963)
Realized and unrealized gain on investments	-	(321)
Provision for credit losses	(5,973)	24,914
Depreciation and amortization	79,610	102,925
Amortization of right of use assets	524,609	267,385
Amortization of discount on notes payable	32,848	10,956
Accretion of discount on mortgage loans receivable, net	(116,386)	(70,634)
(Increase) in operating assets:		
Grants and contracts receivable	(311,057)	(307,592)
Inventories	(6,483,667)	(1,356,464)
Other assets	(53,059)	(57,591)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(476,614)	763,520
Homeowner escrow deposits	(3,275)	(1,707)
Lease liabilities	(564,710)	(374,622)
Net cash used in operating activities	(6,776,660)	(777,703)
Cash Flows From Investing Activities:		
Purchases of certificates of deposit	(359,129)	(300,464)
Investment in HFHI NMTC	(2,805,940)	-
Payments received on mortgage loans, net of issuance	122,048	136,434
Purchases of property and equipment	(9,752)	(53,937)
Net cash used in investing activities	(3,052,773)	(217,967)
Cash Flows From Financing Activities:		
Proceeds from lines of credit	565,563	615,029
Repayments, finance lease liabilities	(23,460)	(23,460)
Proceeds from notes payable, net of repayments	8,676,551	711,569
Net cash provided by financing activities	9,218,654	1,303,138
Net (decrease) increase in cash and cash equivalents	(610,779)	307,468
Cash and cash equivalents at beginning of year	1,319,310	1,011,842
Cash and cash equivalents at end of year	$ 708,531	$ 1,319,310
Supplemental Cash Flow Information:		
Cash paid for interest	$ 100,858	$ 71,563

See Accompanying Notes to the Consolidated Financial Statements

NOTE 1 - ORGANIZATION

Habitat for Humanity of Montgomery County Maryland, Inc. (Habitat or Organization) is a nonprofit corporation that was formed under the laws of the State of Maryland on October 29, 1982, for the purpose of constructing and rehabilitating affordable housing for qualified lower-income families. Habitat also has a retail operation that sells donated reusable and surplus building materials to the public. In April 2013, Habitat's Board of Directors approved a resolution to operate as Habitat for Humanity Metro Maryland, Inc., to better represent Habitat's service area which has expanded to one additional county in Maryland.

During fiscal year 2023, the Organization established Randolph Road, LLC, a Limited Liability Company, wholly owned by the Organization for the purpose of building 27 affordable homeownership units near the intersection of Randolph Road and Veirs Mill Road.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Consolidation

The accounts of the Randolph Road, LLC (a Limited Liability Company) ("the Company") are consolidated in these financial statements. The Company is a wholly-owned subsidiary of Humanity Metro Maryland, Inc. All significant inter-company transactions are eliminated in consolidation. The entities are collectively referred to in the notes to the consolidated financial statements as "Habitat" or "the Organization", except where "Habitat" is used to contextually represent only the entity described in Note 1 above.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Habitat complies with the Not-for-Profit Entities Revenue Recognition Subtopic and the Not-For-Profit Entities Presentation of Financial Statements Subtopic of the FASB Accounting Standards Codification. Under the provisions of these standards, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. These standards require a consolidated statement of financial position, a consolidated statement of activities, and a consolidated statement of cash flows. Accordingly, the net assets of Habitat and the changes therein, are classified and reported as follows:

Net assets without donor restriction – This category is used to record activity that has not been restricted by a donor or funding source.

Net assets with donor restriction – This classification is used to record contributions that have been specifically restricted by time or purpose of the donor. Restricted contributions are recorded as revenue when the donor has made a gift rather than when the cash is actually received. Once the restriction has been satisfied, a reclassification is made from net assets with donor restriction to net assets without donor restriction. Net assets with donor restrictions at June 30, 2025 and 2024 were $174,159 and $1,111,307, respectively.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in banks, money market accounts, and short-term investments purchased with original maturities of three months or less, if any. The Organization maintains cash balances in banks. As applicable, these balances are insured by the Federal Deposit Insurance Corporation up to $250,000.

Grants, Contributions and Contracts Receivable

Habitat is funded through various grants, cost reimbursements, and performance-based contracts. Habitat accounts for the grants and contracts as exchange transactions. Revenue is recognized as an increase in the consolidated statements of activities as stipulated performance is executed, or as expenditures are incurred in accordance with applicable agreements under expenditure reimbursement contracts. A receivable is recorded to the extent grant and contract revenue exceeds payment.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the accompanying consolidated statements of financial position. Donated securities are recorded at the fair value on the date of the gift. Investment income or loss is reflected in the accompanying consolidated statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by the donor or law. Unrealized gains and losses are included in the consolidated statements of activities as a component investment income. Investments in certificates of deposits are recorded at cost plus accrued interest which approximates fair value.

Equity and fixed income securities are exposed to various risks such as market and credit risk. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the consolidated financial statements.

The fair values of marketable securities are determined by utilizing quoted market prices on active markets (Level 1 inputs) for identical securities.

Investments in certificates of deposit are recorded at cost which approximates fair value.

Inventories

Inventories consist of construction-in-progress, developed lots available for construction, and ReStore (thrift store) inventory. Construction-in-progress represents the costs incurred on housing units under construction. Costs include direct material and labor costs and those indirect costs related to construction completion such as indirect labor, fringe benefits, and allocated overhead. Assets are moved from inventory to construction-in progress when construction begins. Assets under construction are classified as construction in progress until completed and transferred to the homeowner. Real estate taxes are capitalized during the construction period. ReStore inventory is carried at fair value and estimated using historical turnover in lieu of a physical count.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Loans Receivable

In accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and the Habitat for Humanity International Accounting Manual, when a house is sold and title transferred to a homeowner, revenue is recorded for the house price and a mortgage loan receivable, discounted to the present value of cash payments to be received over the term of the note (see Note 8), is set up. At the same time, construction in progress inventory cost for the house is transferred to program services expense. Habitat obtains a note and deed of trust on the property from the homebuyer. In addition, Habitat retains a second lien on the property in the event the lower of cost or fair market value is greater than the sales price of the home. The homeowner will pay off the second lien to Habitat only if the home is sold prior to paying off the first mortgage. Habitat orders an appraisal of the home when it is completed, and the property cannot have a combined first and second note that is higher than the appraised value. Habitat also retains an equity interest in property. If the home is sold in years 1 through 5, Habitat retains a 100% equity interest. Habitat's equity interest is reduced by 3% each succeeding year until HHFHMM reaches 25% which it maintains in perpetuity. The mortgage loan receivable is reduced by monthly payments made by the homebuyer, usually over a 20 to 30 year period. Habitat has a collection policy in force, which requires collection action at a regular interval beginning with 15 days delinquency. Defaults over 90 days are subject to possible foreclosure if the default is not cured. At June 30, 2025 and 2024, no amounts were more than 30 days delinquent.

Credit Losses

The Organization measures expected credit losses on grants, contracts and mortgage loans receivable, based on historical experience, current conditions, and reasonable and supportable forecasts. At June 30, 2025 and June 30, 2024 the allowance for credit losses related to grants and contracts receivable was $3,743 and $12,643, respectively. At June 30, 2025 and June 30, 2024 the allowance for credit losses related to mortgage loans receivable was $15,198 and $12,271.

Property and Equipment

Property and equipment purchased with a cost basis greater than $1,000 are recorded at cost when acquired and depreciated using the straight-line method over three to ten years.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Contributions

Habitat receives donations of land, products, and services from individual and corporate donors. As further discussed in Note 7, these contributions are recorded at their estimated fair market value at their date of donation.

Contributions of services are recognized in the consolidated financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Otherwise, volunteer services are not recorded in the consolidated financial statements as these contributions do not meet the requirements to be recorded as revenue and expense.

Revenue Recognition - Exchange Transactions

Program revenues are recognized when control of the promised services is transferred to the Organization's customers, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. To do this, the Organization performs the following five steps as outlined in ASC 606: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the Organization satisfies a performance obligation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition - Exchange Transactions (Continued)

Revenue Types:

Sale of Homes – The Organization builds and sells houses to lower-income individuals. Such revenues are recognized at the date of closing for the house as this is the point in time the Organization has determined to satisfy their performance obligation.

ReStore – The Organization sells various donated and purchased goods to individuals through their ReStore location. Such revenues are recognized at the date of sale as this is the point in time the Organization has determined to satisfy their performance obligation.

Sale of Mortgages – The Organization sells existing mortgages to a third-party bank. Such revenues are recognized at the date of sale as this is the point in time the Organization has determined to satisfy their performance obligation. This excludes non-sale mortgage transfers described further in Note 7.

Significant Judgments:

Determining whether variable consideration (if applicable) should be reflected in the contract's transaction price may require judgment as to the probability that a significant reversal of such consideration will not occur when the variable consideration is resolved.

Practical Expedients:

The Organization applies certain practical expedients in its adoption and application of ASC 606, as follows:

The Organization does not evaluate a contract for a significant financing component if payment is expected to be received within one year or less from the transfer of the promised services to the client.

The Organization generally expenses costs incurred to obtain a contract when the amortization period would have been one year or less.

Sales and Use Tax:

At times, the Organization collects and remits sales and use taxes. These taxes are reported on a net basis in the accompanying consolidated statements of activities, and therefore do not impact reported amounts of revenue and expenses.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Support and Revenue

Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Contributions that are expected to be received in future years are recorded at their present value. Contributions are recorded as unrestricted unless they are subject to donor restrictions or are required to be used or expected to be received in future years.

Grant income that does not meet the criteria of an exchange transaction is recognized under the criteria described above for contributions. Grantors may, at their discretion, amend the grant and contract amounts. In addition, reimbursement for expenses or return of funds, or both, may be requested as a result of noncompliance by the Organization with the terms of the grants and contracts. The Organization records such amendments, reimbursement, and return of funds as an adjustment to revenue in the year of the amendment. No such changes occurred during the years ended June 30, 2025 and 2024.

Allocation of Costs

The cost of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and related costs are allocated based upon the proportionate share of hours worked amongst each function. All other costs are charged directly to the appropriate functional category.

Advertising

Habitat expenses the costs of advertising as they are incurred.

Income Taxes

Habitat is exempt from Federal income taxes through the group exemption of Habitat for Humanity International under Section 501(c)(3) of the Internal Revenue Code.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

Randolph Road LLC is a limited liability company, with Habitat as its sole member. Accordingly, no provision has been made for federal income taxes on income recognized, because these taxes are the personal responsibility of the member.

Habitat has determined that there are no uncertain tax positions required to be disclosed under the Income Taxes Topic of the FASB Accounting Standards Codification.

Habitat's tax returns are subject to audit for three years after filling, hence Habitat's returns for tax years 2022 onwards are open to tax examination.

Subsequent Events

Management has evaluated the financial statements for subsequent events requiring accrual or disclosure through the date the financial statements were available to be issued (see Note 14).

NOTE 3 - PRIOR PERIOD ADJUSTMENT

During 2025, an error in previously issued consolidated financial statements for the year ended June 30, 2024 was determined. The error resulted from the improper application of an internal cash transfer to a home sale transaction. Accordingly, the amounts reported for cash and cash equivalents and cost of home sales have been restated to correct this error. The following summarizes the impact of the correction on the Habitat's previously issued consolidated financial statements as of and for the year ended June 30, 2024:

	Amount as previously stated	Adjustments	Amount as restated
Cash and cash equivalents	$ 1,438,310	$ (119,000)	$ 1,319,310
Net assets	$ 4,158,202	$ (119,000)	$ 4,039,202
Cost of homes sales	$ 1,946,851	$ 119,000	$ 2,065,851
Change in net assets	$ 351,491	$ (119,000)	$ 232,491

NOTE 4 - INVESTMENTS

Investments and investment income consist of the following at June 30, 2025 and 2024:

	2025	2024
Investments:		
Equities	$ -	$ 11,333
Certificates of deposit at cost	670,877	300,415
	$670,877	$311,748
Investment income:		
Interest and dividends	$ 25,134	$ 19,205
Realized and unrealized gains	-	321
	$ 25,134	$ 19,526

NOTE 5 - INVENTORIES

Inventories consist of the following components at June 30, 2025 and 2024:

	2025	2024
Homes under construction or renovation	$ 9,632,798	$ 3,323,183
Developed lots available for construction	1,447,715	1,265,031
ReStore inventory	381,597	390,229
	$11,462,110	$ 4,978,443

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2025 and 2024:

	2025	2024
Equipment-construction	$ 5,264	$ 5,264
Equipment-office	46,485	38,078
ReStore leasehold improvements	934,683	927,808
Vehicles	93,248	93,248
Leasehold improvements	5,956	5,956
	1,085,636	1,070,354
Accumulated depreciation and amortization	(1,008,729)	(923,589)
	$ 76,907	$ 146,765

During the year ended June 30, 2024, Habitat disposed of fully depreciated property and equipment totaling $120,104. Depreciation and amortization expense for the years ended June 30, 2025 and 2024 was $79,610 and $102,925, respectively.

NOTE 7 - IN-KIND CONTRIBUTIONS

During the year ended June 30, 2024, Habitat received in-kind contributions of various goods and services. All in-kind contributions were utilized by Habitat's affordable residential housing program. All donated materials and services were provided without donor restriction. All in-kind contributions are valued using retail prices for similar items. There were no in-kind contributions for the year ended June 30, 2025. In-kind contributions for the year ended June 30, 2024 were as follows:

	2024	
	Revenue Recognized	Programs/Activities
Donated investment securities	$ 10,963	Affordable Residential Housing
Monetized in-kind	$ 10,963	

NOTE 8 - MORTGAGE LOANS RECEIVABLE

For each property sold, Habitat lends money to the homebuyer at a below-market interest rate (generally zero percent). The receivable is recorded at the face value and discounted to reflect the present value of the receivable using rates between 1.53% and 1.79% based upon rates published by Freddie Mac at the origination date for each mortgage. The amount of the discount is charged to program expenses when the mortgage loans are issued. The discount is accreted to income over the life of the note. The amount of discount accreted to income in 2025 and 2024 was $68,934 and $70,634, respectively. Mortgage loans receivable at consist of the following at June 30:

	2025	2024
Mortgage loans receivable	$ 2,017,130	$ 2,142,083
Less: mortgage discount	(615,536)	(734,730)
Less: Allowance for credit losses	(15,101)	(12,271)
	$ 1,386,493	$ 1,395,082

NOTE 9 - INVESTMENT IN NEW MARKETS TAX CREDIT

Habitat participates in New Markets Tax Credit ("NMTC") programs. The NMTC program was established as part of the Community Renewal Tax Relief Act of 2000 and is intended to spur revitalization efforts in low-income and underserved communities throughout the United States by providing tax credit incentives to investors in certified community development entities ("CDEs").

NOTE 9 - INVESTMENT IN NEW MARKETS TAX

Under the NMTC program, investors receive tax credits equal to 39% of their qualified investment, claimed over a seven-year compliance period.

Participation in the NMTC program allows organizations to obtain below-market financing from CDEs to support qualified projects located in low-income communities. As a result of participation in NMTC programs, Habitat received NMTC financing and, in accordance with the structure of the NMTC arrangement, invested a portion of the loan proceeds into a qualified active low-income community business ("QALICB") that is a separate and distinct portion of the Organization's operations.

As of June 30, 2025, Habitat's investment in the NMTC-qualified entity totaled $2,805,940. The investment is recorded at cost and is subject to significant restrictions on transferability and use during the NMTC compliance period. The investment is not available for general operating purposes.

NOTE 10 - LOANS AND LINES OF CREDIT

Notes Payable

In September 2019, Habitat executed a note payable in the amount of $45,623 to fund the purchase of a truck. The note charges zero percent interest and requires monthly payments of $631 for a period of 6 years. At June 30, 2025 and 2024, the principal balance outstanding on this note payable was $1,262 and $8,832, respectively.

In June 2020, Habitat received a $150,000 Economic Injury Disaster Loan ("note") through the Small Business Administration. The note requires monthly payments of $641 which commence twelve months from the execution of the note. The note matures in 2050 and charges interest at 2.75%. At June 30, 2025 and 2024, the principal balance outstanding on this note payable was $147,043.

In November 2022, Randolph Road, LLC received a construction loan with Sandy Spring Bank which allows for borrowings up to $6,092,000 to facilitate the construction of real property in Montgomery County, Maryland. Habitat for Humanity Metro Maryland, Inc. is a guarantor of the loan. The loan charges interest during the course of construction and is payable in full upon completion of the related construction project. At June 30, 2025 and 2024, the principal balance outstanding on this note payable was $3,277,665 and $480,728, respectively.

NOTE 10 - LOANS AND LINES OF CREDIT (Continued)

In April 2024, Habitat executed two notes payable in the total amount of $950,000 with Montgomery County, Maryland to purchase ten townhome properties located in Montgomery Village, Maryland. The loans charge zero interest and are payable in full on June 1, 2027. At June 30, 2025 and 2024, the principal balance outstanding on this note payable was $942,176.

In February 2025, Habitat executed two notes payable in the total amount of $950,000 with Montgomery County, Maryland to purchase ten townhome properties located in Montgomery Village, Maryland. The loans charge zero interest and are payable in full on February 25, 2028. At June 30, 2025 the principal balance outstanding on this note payable was $950,000.

In May 2025, Randolph Road Habitat executed a note payable in the total amount of $1,388,367 with Montgomery County, Maryland to construct and develop affordable housing in Montgomery County, Maryland. The loan charge zero interest and is payable in full on May 5, 2030. At June 30, 2025 the principal balance outstanding on this note payable was $1,388,367.

Secured Borrowing—Nonsale Transfer of Mortgage Loans Receivable

Habitat transfers mortgage loans receivable to financial institutions in accordance with the Transfer and Servicing Topic of the FASB Accounting Standards Codification, under separate transfer and servicing agreements. All mortgage loans receivable were transferred with full recourse at present value and Habitat continued to service these loans and remits payments to the transferees. Habitat retains full responsibility for defaults or delinquencies. Accordingly, the transfers are accounted for as a secured borrowing and included in notes payable in the accompanying consolidated statements of financial position until fully paid or recourse provisions are relieved.

As of June 30, 2025, total recourse mortgage loans receivable transferred have a face and present value of $916,478 and $765,527, respectively.

As of June 30, 2024, total recourse mortgage loans receivable transferred have a face and present value of $793,576 and $675,473 respectively.

NOTE 10 - LOANS AND LINES OF CREDIT (Continued)

Secured Borrowing—Nonsale Transfer of Mortgage Loans Receivable (Continued)

Future maturities of notes payable and transferred mortgage loans net of discounts are as follows:

Years ending June 30:		
2026	$	39,832
2027		981,432
2028		2,378,322
2029		40,667
2030		41,282
Thereafter		3,999,946
	$	7,481,481

New Markets Tax Credit (NMTC) Loans

In October 2024, Habitat entered into a New Markets Tax Credit ("NMTC") financing arrangement to support the acquisition, construction, and rehabilitation of residential housing located in qualified low-income communities. Habitat received loans totaling $3,920,000, consisting of a $2,058,000 loan from Harbor Community Fund XLIII LLC and a $1,862,000 loan from HFHI NMTC Sub-CDE VII, LLC. Interest on the Harbor NMTC loan bears interest at a below-market fixed rate and the HFHI NMTC loan accrues at a fixed annual rate of approximately 0.72% maturing in October 2054. Semi-annual payments of interest only are required during the NMTC compliance period, with no principal payments permitted except as allowed under the loan agreements.

The following table summarizes the outstanding balances due at June 30, 2025 for the two NMTC loans in accordance with the terms of the loan:

		2025
Harbor Community Fund XLIII LLC	$	2,058,000
HFHI NMTC Sub-CDE VII, LLC		1,862,000
	$	3,920,000

Debt issuance costs, net of accumulated amortization, totaled $461,290 at June 30, 2025, and have been presented as a reduction of notes payable.

NOTE 10 - LOANS AND LINES OF CREDIT (Continued)

Lines of Credit

Habitat has a $400,000 line of credit with Sandy Spring Bank. The line of credit bears interest at the Prime index. Interest only payments are due on the first of each month with principal and accrued interest due on January 1st annually, on which date the line of credit is renewable. The outstanding balance on this line of credit at June 30, 2025 and 2024 was $394,821 and $201,534, respectively.

In September 2019, Habitat executed a line of credit with Sandy Spring Bank in the amount of $1,500,000 for construction related projects only. The line of credit bears interest at the Prime index. Interest payments on outstanding borrowings are due monthly. The line of credit renews annually. The outstanding balance on this line of credit at June 30, 2025 and 2024 was $182,939 and $201,534, respectively.

During 2022, Habitat executed a line of credit with Sandy Spring Bank in the amount of $500,000 that was then increased to $1,000,000 in 2024. The line of credit bears interest at the Prime index. Interest payments on outstanding borrowings are due monthly. The line of credit renews annually. The line of credit is restricted for use in connection with Habitat's home preservation program. The outstanding balance on this line of credit at June 30, 2025 and 2024 was $844,921 and $843,584, respectively.

During February 2025, Habitat executed a line of credit with Sandy Spring Bank in the amount of $188,000 for construction related projects only. The line of credit bears interest at the Prime index. Interest payments on outstanding borrowings are due monthly. The line of credit renews annually. The outstanding balance on this line of credit at June 30, 2025 was $188,000.

NOTE 11 - LEASE COMMITMENTS

In October 2015, Habitat entered into a lease for 22,125 square feet of retail space in Rockville, Maryland. The space will be used to facilitate Habitat's Rockville Maryland ReStore location. The lease commenced in November 2015. The lease is a ten-year operating lease with a monthly base rent of $20,742, which is subject to an annual 2.5% increase. Terms of the agreement provide a rent abatement for an eight month period beginning November 2015. In addition, Habitat received a $442,500 improvement allowance. Rent adjustments, abatement, and the improvement allowance are recognized as an adjustment to rent expense on a straight-line basis over the lease term. Habitat executed a lease amendment to reduce and defer rent payments for July, August and September 2020. The deferred amounts were payable over a six month period commencing April 1, 2021.

In March 2014, Habitat entered into a lease for 15,000 square feet of retail space in Silver Spring, Maryland to facilitate a second Restore location. The lease commenced in August 2014. The lease is a ten-year operating lease with a monthly base rent of $17,070, which is subject to an annual 2.5% increase. Terms of the agreement provide a rent abatement for the months of September, October and November 2014. In addition, Habitat received a $200,000 improvement allowance. Rent adjustments, abatement, and the improvement allowance are recognized as an adjustment to rent expense on a straight-line basis over the lease term. Effective July 1, 2018, the lease was amended to grant Habitat a lease abatement of $60,000 for a 2 year period. In addition, the amendment extended the lease for one additional year, at the same previous rate. The lease as amended expires July 2025. In 2020, Habitat executed a second lease amendment to defer rent payments for May and June 2020. The deferred amounts were payable over a twelve month period commencing January 1, 2021 and the lease was extended for four additional months to November 2025.

In February 2016, Habitat entered into a lease for office space in Silver Spring, Maryland. The lease commenced in February 2016. The lease is for a period of ten years and six months. The lease requires monthly base rent of $9,561, which is subject to an annual 2.5% increase. Terms of the agreement provide a 50% rent abatement for the first twelve months of occupancy. The rent abatement is recognized as an adjustment to rent expense on a straight-line basis over the lease term. Habitat executed a lease amendment to defer rent payments for May and June 2020. The deferred amounts were payable over a twenty four month period commencing July 2020.

NOTE 11 - LEASE COMMITMENTS (Continued)

In September 2024, the Silver Spring, Maryland lease was subsequently amended to relocate the premises within the same building and extend the lease term through August 31, 2037. The lease requires annual base rent of $234,000 during the first year of the extended term, payable monthly, and subject to annual increases of 2.5%. The lease provides for scheduled rent abatements, which are recognized as a reduction of rent expense on a straight-line basis over the lease term.

Habitat maintains a lease for commercial vehicles. This lease, which commenced May 2022, requires monthly payments of $1,955.

The consolidated statements of financial position as of June 30, 2025 and 2024, presents right of use assets of $2,398,987 and $1,012,411 and lease liabilities of $2,625,710 and $1,279,235. Lease cost is recognized on a straight-line basis over the term of the lease.

As of June 30, 2025, the average remaining lease term was 4 years, and the weighted-average discount rate applied was remaining lease term was 2.5%.

Future minimum payments required under these leases are as follows:

Years ending June 30:	Operating lease liabilities	Finance lease liabilities	Total
2026	$ 530,582	$ 23,460	$ 554,042
2027	203,379	23,460	226,839
2028	209,502	23,460	232,962
2029	256,757	19,550	276,307
2030	263,192	-	263,192
Thereafter	2,088,488	-	2,088,488
	3,551,900	89,930	3,641,830
Less: imputed interest	(1,011,498)	(4,622)	(1,016,120)
	$ 2,540,402	$ 85,308	$ 2,625,710

NOTE 12 - RETIREMENT PLAN

Habitat has a defined contribution plan in which all employees at least 21 years of age are eligible to participate. Employees may enter the plan after three consecutive calendar months of employment in which the individual is credited with at least 83-1/3 hours of service per month. Employees are 100% vested in voluntary contributions. Habitat may make a matching contribution, which is determined annually by the Board of Directors. Matching contributions are vested after 36 months of service. Habitat's contributions to the plan for the years ended June 30, 2025 and 2024 totaled $29,632 and $22,795, respectively.

NOTE 13 - LIQUIDITY AND FUNDS AVAILIBLE

The following table reflects Habitat's financial assets as of June 30, 2025 and 2024, reduced by amounts not available for general expenditure within one year, if any. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, assets held for others, funds that are purpose or time restricted beyond one year, endowments and accumulated earnings net of appropriations within one year and board designated endowments. If present, board designations could be drawn upon if the Board of Directors approves that action.

Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2025 and 2024 are as follows:

	2025	2024
Financial assets:		
Cash and cash equivalents	$ 708,531	$ 1,319,310
Investments	670,877	311,748
Grants and contracts receivable	918,850	598,893
Gross mortgage loans receivable due in one year	127,902	127,902
Subtotal	2,426,160	2,357,853
Less those unavailable for general expenditure within one year, due to:		
Mortgage assignment obligations	(79,607)	(87,799)
Net assets with donor restrictions	(174,159)	(1,111,307)
Subtotal	(253,766)	(1,199,106)
Financial assets available to meet cash needs for general expenditures within on year:	$ 2,172,394	$ 1,158,747

Habitat has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due.

NOTE 14 - SUBSEQUENT EVENT

Subsequent to fiscal year end, Habitat entered into a financing arrangement with Habitat Capital, LLC for up to $750,000, consisting of an initial draw of $500,000 and an optional additional draw of $250,000, subject to lender approval. The loan has a six month term, with an optional six month extension, bears no interest, and is subject to a 3% origination fee per draw. The loan is secured by certificates of deposit and certain homeowner mortgages and is full recourse to Habitat.

Supplementary Information

and

Independent Auditors' Reports in Accordance With the Uniform Guidance

HABITAT FOR HUMANITY METRO MARYLAND
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2025

Federal granting Agency and program title	Assistance Listing Number	Federal Award Number	Total Expenditures
U.S. Department of the Treasury			
Pass-through City of College Park, Maryland			
Treasury - State & Local ARPA	21.027	n/a	172,200
Pass-through Montgomery County, Maryland			
Treasury - State & Local ARPA - (HARP)	21.027	1003989	313,442
	Sub-total for 21.027		485,642
U.S. Department of Housing and Urban Development			
Pass-through - Habitat for Humanity International			
HUD - VHRM 2019 - Veteran Home Preservation	14.270	VR18GA00010	20,870
Pass-through Prince George's County, Maryland			
HUD - CDBG - Prince George's County - 1766 Tulip Purchase	14.218	n/a	125,000
Pass-through Montgomery County, Maryland			
HUD - CDBG - Montgomery County - HOC Homes Purchase - 2 loans	14.218	n/a	942,176
HUD - CDBG - Montgomery County - HOC Homes Purchase - Batch II	14.218	n/a	950,000
	Sub-total for 14.218		$ 2,017,176
		Total Federal Expenditures	$ 2,523,687

HABITAT FOR HUMANITY METRO MARYLAND, INC. AND SUBSIDIARY
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2025

NOTE 1- BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Habitat under programs of the federal government and is presented on the accrual basis of accounting for the year ended June 30, 2025. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Habitat, it is not intended to and does not present the financial position, changes net assets or cash flows of Habitat. As a result, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly between Habitat and agencies and departments of the federal government.

All of Habitat's federal awards were in the form of cash assistance for the year ended June 30, 2025.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Habitat has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3- SUBRECIPIENTS

During the year ended June 30, 2025, Habitat did not provide any awards to subrecipients.

NOTE 4- COMMITMENTS AND CONTINGENCIES

Habitat receives a portion of its revenue from U.S. Government funded contracts and grants, which are subject to audit. The final determination of amounts received under these programs is generally based upon allowable costs reported to and subject to audit by supporting agencies. A contingency exists for Habitat to refund any amounts received in excess of allowable costs. Management believes that disallowed costs, if any, will be immaterial to the financial statements.

NOTE 5- LOANS

During the year ended June 30, 2025, the Organization received two federal awards in the form of loans totaling $950,000.

During the year ended June 30, 2024, the Organization received two federal awards in the form of loans totaling $950,000, which are included on the schedule of expenditures of federal awards due to the continuing compliance requirements associated with such loans. The outstanding balance on these loans as of June 30, 2025 is $942,176.

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

Board of Directors
Habitat for Humanity Metro Maryland, Inc. and Subsidiary
Silver Spring, Maryland

Opinion

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Habitat which comprise the statement of financial position as of June 30, 2025, and the related activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 25, 2026.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned as Finding 2025-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Finding 2025-002 to be a significant deficiency.

Report on Compliance and Other Matters

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

Habitat's Response to Findings
Government Auditing Standards requires the auditor to perform limited procedures on Habitat's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Habitat's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

DeLeon & Stang

DeLeon & Stang, CPAs and Advisors
Frederick, Maryland
March 25, 2026

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Habitat for Humanity Metro Maryland, Inc. and Subsidiary
Silver Spring, Maryland

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Habitat's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Habitat's major federal programs for the year ended June 30, 2025. Habitat's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Habitat complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Habitat and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Habitat's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Habitat's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Habitat's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Habitat's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Habitat's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Habitat's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Habitat's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

DeLeon & Stang

DeLeon & Stang, CPAs and Advisors
Frederick, Maryland
March 25, 2026

Habitat for Humanity Metro Maryland, Inc. and Subsidiary
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Modified

Internal control over financial reporting:
- Material weakness(es) identified? X yes ___ no
- Significant deficiencies that are not considered to be material weaknesses? X yes ___ no

Noncompliance material to the financial statements noted? ___ yes X no

Federal Awards

Internal control over major federal award programs:
- Material weakness(es) identified? ___ yes X none reported
- Significant deficiencies identified that are not considered to be material weaknesses? ___ yes X none reported

Type of auditors' report issued on compliance for major federal award programs: Unmodified

Any audit findings that are required to be reported in accordance 2 CFR 200.516 (a)? ___ yes X no

Identification of major federal programs:

Assistance Listing Numbers	Name of Federal Program or Cluster
14.218	Community Development Block Grant (CDBG) Entitlement Grants

Dollar threshold used to distinguish between type A and type B programs: $ 750,000

Auditee qualified as a low-risk auditee? X yes ___ no

Habitat for Humanity Metro Maryland, Inc. and Subsidiary
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

Section II – Financial Statement Findings

Finding 2025-001

Accrued Revenue Not Reconciled to Program Schedules – Habitat Metro

Criteria: Management is responsible for implementing adequate internal controls to ensure account balances are supported and reconciled to allow for errors to be detected and corrected in a timely manner.

Condition: Accrued revenue recorded in the general ledger did not agree to underlying schedules maintained by the program director, and the nature of the difference was not identified. The year-end balances reflected an unsubstantiated credit to accrued revenue of approximately $139,000.

Cause: It appears the cause was lack of communication between program and fiscal staff. In addition, fiscal staff did not perform regular reconciliations between accounting records and program-level supporting detail.

Effect: The absence of regular reconciliations between accounting records and program-level support increases the risk that related revenue is misstated.

Recommendation: We recommend management reconcile the accrued revenue balances to supporting schedules on a routine basis and investigate any differences.

Response:

We recognize the issues with this finding. We understand the complexity of the transaction and assure going forward to have proper protocol in place to capture information and adjust as much in a proper timeframe.

Finding 2025-002

Monthly account reconciliations

Criteria: Management is responsible for ensuring adequate controls are in place to allow for accurate financial reporting.

Condition: We noted in several instances where account reconciliations were not being performed on a regular and or consistent basis and there was no follow-up or resolution on items included on such account reconciliations.

Payroll and accrued liability accounts – Habitat Metro

We noted that several payroll liability accounts were not reconciled. We also noted debit balances existed in multiple accrued liabilities accounts at year-end, indicating potential posting errors or misclassifications.

Stale items on the bank reconciliation – Habitat Metro

We noted the presence of stale items that have remained outstanding on the bank reconciliation for the operating checking account without timely follow-up or resolution.

Untimely bank reconciliations – Randolph Road LLC

We noted the bank account at Randolph Road LLC was not reconciled on a timely basis, which resulted in cash and accounts payable being materially overstated at year-end.

Cause: It appears there was limited month-end closing procedures resulting in errors not being identified during a period of transition.

Effect: The lack of timely account reconciliations resulted in errors detected during the audit and additional staff time to research such errors as well as delays in the audit completion.

Recommendation: We recommend management implement as part of the month-end close process, to review each statement of financial position account to ensure completeness and accuracy of balances. As part of the review process, management should investigate any unusual balances or transactions and make appropriate adjustments, as applicable.

Response:

We did not have a proper month end close process in place. We have since made internal adjustments including a month end close schedule. All reconciliations are being performed in real-time, as represented in subsequent information shared with our auditors of record.

Habitat for Humanity Metro Maryland, Inc. and Subsidiary
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

Section III – Major Federal Award Findings and Questioned Costs

None

Summary Schedule of Prior Year Audit Findings

None