

Dorchester Habitat for Humanity, Inc.

Report on Financial Statements

Years Ended June 30, 2026 and 2025



Dorchester Habitat for Humanity, Inc.
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Independent Auditor's Report

Board of Directors
Dorchester Habitat for Humanity, Inc.
Summerville, SC

We have audited the financial statements of Dorchester Habitat for Humanity, 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 accompanying financial statements present fairly, in all material respects, the financial position of Dorchester Habitat for Humanity, 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 (GAAS). 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 Dorchester Habitat for Humanity, 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 Dorchester Habitat for Humanity, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Dorchester Habitat for Humanity, 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 Dorchester Habitat for Humanity, 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.

Veris LLC

Charleston, South Carolina
September 28, 2026



Dorchester Habitat for Humanity, Inc.
Statements of Financial Position
June 30, 2026 and 2025

	2026	2025
Assets		
Current Assets		
Cash and cash equivalents	\$ 821,895	\$ 1,444,465
Resident escrow	18,387	36,197
Grants receivable	50,000	-
Accounts receivable	42,862	-
Home construction in process	163,488	136,660
Prepaid expense	76,198	-
Current portion of mortgages receivable, net of discount	97,781	101,808
ReStore inventory	154,447	168,761
Investments	1,020,265	62,180
Total Current Assets	2,445,323	1,950,071
Non-current Assets		
Mortgages receivable, net of discount, and current portion	1,213,917	1,539,134
Land inventory	1,066,731	425,454
Non-depreciable property and equipment	241,770	241,770
Depreciable property and equipment, net	1,097,401	1,134,109
Total Non-Current Assets	3,619,819	3,340,467
Total Assets	\$ 6,065,142	\$ 5,290,538
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 35,346	\$ 52,107
Accrued compensated absences	13,237	10,304
Accrued payroll	63,017	49,575
Resident escrow	13,340	1,381
Current portion of notes payable	47,649	47,649
Total Current Liabilities	172,589	161,016
Non-current liabilities		
Notes payable, net of current portion	138,824	193,556
Total Non-current Liabilities	138,824	193,556
Total Liabilities	311,413	354,572
Net Assets		
Without donor restrictions	5,720,411	4,909,166
With donor restrictions	33,318	26,800
Total Net Assets	5,753,729	4,935,966
Total Liabilities and Net Assets	\$ 6,065,142	\$ 5,290,538

Dorchester Habitat for Humanity, Inc.
Statements of Activities
Years Ended June 30, 2026 and 2025

	2026			2025		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue						
Contributions						
Cash and other financial assets	\$ 98,035	\$ 6,518	\$ 104,553	\$ 85,256	\$ -	\$ 85,256
Nonfinancial assets	1,497,275	-	1,497,275	1,343,649	-	1,343,649
Grants	455,053	-	455,053	172,760	-	172,760
Special events, net of expenses of \$52,199 and \$49,322, respectively	54,413	-	54,413	53,848	-	53,848
Home sales, net of discounts of \$562,130 and \$394,202, respectively	350,601	-	350,601	247,357	-	247,357
ReStore sales	1,862,350	-	1,862,350	1,891,346	-	1,891,346
Imputed interest on mortgages receivable	119,940	-	119,940	193,537	-	193,537
Miscellaneous	96,416	-	96,416	100,764	-	100,764
Gain on sale of mortgage receivables	665,429	-	665,429	389,333	-	389,333
Investment income, net	7,691	-	7,691	6,704	-	6,704
Net assets released from restriction	-	-	-	3,000	(3,000)	-
Total Revenue	5,207,203	6,518	5,213,721	4,487,554	(3,000)	4,484,554
Expenses						
Program services	4,146,203	-	4,146,203	3,665,501	-	3,665,501
Supporting services	72,552	-	72,552	66,769	-	66,769
Fundraising	177,203	-	177,203	137,222	-	137,222
Total Expenses	4,395,958	-	4,395,958	3,869,492	-	3,869,492
Change in Net Assets	811,245	6,518	817,763	618,062	(3,000)	615,062
Beginning Net Assets	4,909,166	26,800	4,935,966	4,291,104	29,800	4,320,904
Ending Net Assets	\$ 5,720,411	\$ 33,318	\$ 5,753,729	\$ 4,909,166	\$ 26,800	\$ 4,935,966

See accompanying notes to financial statements and independent auditor's report.

Dorchester Habitat for Humanity, Inc.
Statement of Functional Expenses
Year Ended June 30, 2026

	Program Services			Support Services		
	Construction	ReStore	Total Program	Management and General	Fundraising	Total
Personnel						
Salaries and wages	\$ 258,584	\$ 787,283	\$ 1,045,867	\$ 42,703	\$ 111,192	\$ 1,199,762
Payroll taxes and benefits	30,588	79,876	110,464	5,886	12,029	128,379
Total Personnel	289,172	867,159	1,156,331	48,589	123,221	1,328,141
Other Functional Expenses						
Cost of sales - ReStore	-	1,679,990	1,679,990	-	-	1,679,990
Cost of sales - houses	708,266	-	708,266	-	-	708,266
Advertising	5,488	97,107	102,595	703	16,580	119,878
Professional services	53,343	29,736	83,079	13,861	14,319	111,259
Facilities	15,038	70,667	85,705	3,077	4,592	93,374
Depreciation	9,377	59,497	68,874	1,621	2,432	72,927
Insurance	27,499	38,095	65,594	1,019	1,612	68,225
Supplies	7,753	43,084	50,837	377	4,346	55,560
Bank fees	1,461	47,928	49,389	2,437	680	52,506
Dues and memberships	9,122	9,573	18,695	17	4,603	23,315
Vehicles	3,461	18,610	22,071	-	271	22,342
Homeowners	21,786	-	21,786	-	-	21,786
Travel and seminars	2,419	10,158	12,577	212	3,582	16,371
Interest	893	4,166	5,059	476	417	5,952
Transitional property	5,816	-	5,816	-	-	5,816
Volunteer appreciation	3,000	2,263	5,263	-	303	5,566
Taxes and licenses	1,098	2,978	4,076	163	245	4,484
International tithes	200	-	200	-	-	200
Total Other Functional Expenses	876,020	2,113,852	2,989,872	23,963	53,982	3,067,817
Total Functional Expenses	\$ 1,165,192	\$ 2,981,011	\$ 4,146,203	\$ 72,552	\$ 177,203	\$ 4,395,958

See accompanying notes to financial statements and independent auditor's report.

Dorchester Habitat for Humanity, Inc.
Statement of Functional Expenses
Year Ended June 30, 2025

	Program Services			Support Services		
	Construction	ReStore	Total Program	Management and General	Fundraising	Total
Personnel						
Salaries and wages	\$ 186,597	\$ 767,786	\$ 954,383	\$ 42,794	\$ 95,193	\$ 1,092,370
Payroll taxes and benefits	22,591	81,859	104,450	5,878	10,767	121,095
Total Personnel	209,188	849,645	1,058,833	48,672	105,960	1,213,465
Other Functional Expenses						
Cost of sales - ReStore	-	1,658,781	1,658,781	-	-	1,658,781
Cost of sales - houses	420,485	-	420,485	-	-	420,485
Professional services	47,432	36,026	83,458	10,605	8,094	102,157
Advertising	1,340	83,065	84,405	273	3,940	88,618
Facilities	12,654	60,524	73,178	2,496	3,665	79,339
Depreciation	9,377	55,465	64,842	1,619	2,432	68,893
Insurance	27,948	37,015	64,963	1,091	1,635	67,689
Bank fees	421	47,629	48,050	610	1,960	50,620
Supplies	3,843	21,827	25,670	362	1,284	27,316
Homeowners	22,083	-	22,083	-	-	22,083
Vehicles	5,432	14,152	19,584	-	-	19,584
Dues and memberships	7,476	7,522	14,998	50	3,485	18,533
Travel and seminars	2,071	8,271	10,342	291	2,439	13,072
Interest	1,142	5,330	6,472	533	609	7,614
Volunteer appreciation	2,812	2,319	5,131	-	1,469	6,600
Taxes and licenses	1,071	2,955	4,026	167	250	4,443
International tithes	200	-	200	-	-	200
Total Other Functional Expenses	565,787	2,040,881	2,606,668	18,097	31,262	2,656,027
Total Functional Expenses	\$ 774,975	\$ 2,890,526	\$ 3,665,501	\$ 66,769	\$ 137,222	\$ 3,869,492

See accompanying notes to financial statements and independent auditor's report.

Dorchester Habitat for Humanity, Inc.
Statements of Cash Flows
Years Ended June 30, 2026 and 2025

	2026	2025
Cash Flows from Operating Activities:		
Change in net assets	\$ 817,763	\$ 615,062
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	72,927	68,893
Discount on mortgages issued	562,130	394,202
Gain on sale of mortgage receivables	(665,429)	(389,333)
Investment income, net	(8,085)	(6,164)
Change in:		
Resident escrow	17,810	(2,517)
Grants receivable	(50,000)	-
Accounts receivable	(42,862)	-
Home construction in process	(26,828)	(19,839)
Prepaid expense	(76,198)	-
Mortgages receivable, net of discount	(784,996)	(491,723)
ReStore inventory	14,314	20,045
Land inventory	(641,277)	57,000
Accounts payable	(16,761)	157
Accrued compensated absences	2,933	(3,953)
Accrued payroll	13,442	1,010
Resident escrow	11,959	(2,363)
Net Cash (Used in) Provided by Operating Activities	(799,158)	240,477
Cash Flows from Investing Activities:		
Proceeds from sale of mortgages	1,217,539	734,859
Purchase of property and equipment	(36,219)	-
Purchase of investments	(950,000)	-
Net Cash Provided by Investing Activities	231,320	734,859
Cash Flows from Financing Activities		
Payments on notes payable	(54,732)	(53,071)
Net Cash Used in Financing Activities	(54,732)	(53,071)
Net (Decrease) Increase Cash and Cash Equivalents	(622,570)	922,265
Cash and Cash Equivalents, Beginning of Year	1,444,465	522,200
Cash and Cash Equivalents, End of Year	\$ 821,895	\$ 1,444,465
Supplemental Cash Flow Information		
Cash paid for interest	\$ 5,952	\$ 7,614

Dorchester Habitat for Humanity, Inc.

Notes to Financial Statements

Note A – Nature of Operations and Summary of Significant Accounting Policies

Dorchester Habitat for Humanity, Inc. (the Organization) is a nonprofit Organization incorporated in South Carolina. The Organization builds and finances safe, affordable homes working alongside individuals and families who buy the homes. The Organization also runs a home improvement store and donation center (ReStore) that sells and accepts donations of building materials, appliances, furniture, and home accessories. The ReStore's proceeds help build homes in Dorchester County.

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles of the United States of America, and accordingly reflect all significant receivables, payables, and other liabilities. Under this basis, revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The Organization's financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) of the United States of America in its Accounting Standards Codification (ASC) 958 – 205, *Not-For-Profit Entities – Presentation of Financial Statements*. These standards require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to or are no longer subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

Net assets with donor restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and support are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Use of Estimates and Assumptions

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

Dorchester Habitat for Humanity, Inc.

Notes to Financial Statements

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. During the year ended June 30, 2026, the Organization's operating and money market accounts were transferred into an Insured Cash Sweep account. This action was taken to mitigate the risks associated with the Organization's funds not being insured by the Federal Deposit Insurance Corporation.

Investments

The Organization carries investments in mutual funds and certificates of deposit at their fair market value based on quoted market prices. Unrealized gains and losses are included in the statements of activities. Investment income, interest and dividends, and gains/losses are reported as with donor restriction or without donor restrictions, depending on the nature of investment.

Mortgages Receivable

The Organization records and accounts for mortgages receivable based upon the present value of the loan at the time of closing. For the purpose of calculating loan present value, mortgages are discounted at annual rates ranging from 7.00% to 9.00% based upon market rates at the period of time. All mortgages are non-interest bearing, and accordingly, the discount on mortgages provides interest income over the term of the mortgage. First mortgages are non-interest bearing and require monthly payments of varying amounts for a period of 20 – 30 years. The mortgages are collateralized by each of the respective homes and land. Management believes the mortgages to be fully collectible, therefore, no allowance for credit loss has been made. Mortgages are considered delinquent when payments are 30 days past due, however, delinquency status may be mitigated by a number of other factors in dealing with the mortgage holder.

Property and Equipment, Net

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation, less accumulated depreciation. Generally, items costing \$5,000 or more are capitalized; lesser amounts for property and equipment and costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Management periodically determines if any property and equipment is impaired. Useful lives of property and equipment are as follows:

Buildings and improvements	10 – 40 years
Equipment	5 – 10 years
Vehicles	5 – 10 years

ReStore Inventory

The Organization's purchased inventories are stated at the lower of cost or market value. The Organization accepts contributions of furnishings, appliances, and other household merchandise for resale to customers in its ReStore. The value of donated inventory is not recorded in the financial statements at the time of donation. The Organization considers this method preferable due to the nature of donated items – used, restocks and overstock items. The value of such items is not readily determinable until the merchandise is sold. Purchased inventory is recorded at cost and recognized in cost of sales when sold. Accordingly, ReStore cost of sales includes both donated merchandise and purchased inventory sold during the year.

Dorchester Habitat for Humanity, Inc.

Notes to Financial Statements

Home Construction in Process

All direct material and related costs, and indirect costs related to home construction are recorded as home construction in process on the statements of financial position as they are incurred. When the sale of a home is recognized, the corresponding costs are then expensed in the statements of activities as program services. At June 30, 2026 and 2025 the Organization had 2 and 1 homes under construction, respectively.

Land Inventory

Contributed land inventory for the construction of houses is valued at fair market value on the date of contribution, or if purchased, at cost. The Organization may acquire tracts of land for development with goals of constructing homes over a period of time. Land inventory includes both parcels that have not begun development and are under development at year end. Costs are periodically reviewed for impairment. Based on the Organization's evaluation, no impairment exists as of June 30, 2026.

Accrued Compensated Absences

The Organization provides paid time off to employees to be used during absences from work. Employees accrue paid time off each pay period in accordance with the Organization's personnel policies. Earned but unused vacation time at June 30, 2026 and 2025 was \$13,237 and \$10,304, respectively.

Resident Escrow

During the fiscal year 2014, the Organization outsourced its mortgage loan and escrow management to the Habitat for Humanity Michigan Fund, now Affiliate Mortgage Services (AMS). AMS is a full-service licensed lending entity, providing loan origination, loan servicing, collections, loan restructuring, foreclosure mitigation advice, and delinquency management services. As part of this service agreement, the Organization transferred all escrow balances to AMS. As of June 30, 2026 and 2025, the escrow account has a deficit balance. AMS collects monthly amounts from homeowners to be remitted on their behalf. Receivables from homeowners for deficit escrows totaled \$18,387 and \$16,880 as of June 30, 2026 and 2025, respectively.

Restricted and Unrestricted Revenue and Support

Contributions, which at times, may include unconditional promises to give, are recognized as revenues in the period received or promised. Contributions receivable due beyond one year are stated at net present value of the estimated cash flows using a risk-adjusted rate. Conditional contributions are recorded when the conditions have been met. Contributions are considered to be without donor restrictions unless specifically restricted by the donor for time or purpose.

The Organization reports contributions in the donor restricted net asset class if they are received with donor stipulations for time and/or purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released and reclassified to net assets without donor restriction in the statements of activities.

Dorchester Habitat for Humanity, Inc.

Notes to Financial Statements

Functional Allocation of Expense

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to the appropriate expenditure classification. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, such expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include janitorial, facilities maintenance, depreciation, and utilities, which are allocated based on a square footage basis, as well as salaries and wages and payroll taxes, which are allocated based on estimates of time and responsibilities, and benefits, supplies, dues, licenses, insurance, professional services, and information technology support, which are allocated on the basis of estimates of usage.

Income Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and exempt from federal and state income taxes unless income is generated from unrelated business activities. There is no unrelated business income for 2026. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1) and has been classified as an Organization that is not a private foundation under Section 509(a)(2).

The FASB provides guidance on the Organization's evaluation of accounting for uncertainty in income taxes. Management evaluated the Organization's position and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Contributed Nonfinancial Assets

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Some grantors may retain a reversionary interest in specific assets if the mission of the Organization changes.

Donated services are recognized as contributions in accordance with ASC 958-605, *Not-For-Profit Entities – Revenue Recognition*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided many hours in fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under ASC 958 – 605 are not met.

Dorchester Habitat for Humanity, Inc.

Notes to Financial Statements

Contributed nonfinancial assets included in the statements of activities are comprised of the following:

Nonfinancial Asset	2026	2025	Usage in Programs/Activities	Donor Restriction	Fair Value Techniques
ReStore merchandise	\$ 1,358,683	\$ 1,291,356	ReStore	None	Estimated wholesale prices of identical or similar products purchased in the region.
Construction services	67,310	5,150	Construction	None	Current rates of services provided by vendors and construction companies.
Construction materials	71,282	47,143	Construction	None	Current rates of materials provided by vendors and construction companies.
	<u>\$ 1,497,275</u>	<u>\$ 1,343,649</u>			

Advertising

Costs of promotion and advertising are expensed as incurred. Advertising and promotion expenses total \$119,878 and \$88,618 for fiscal years ended June 30, 2026 and 2025, respectively.

Note B – Credit Risk

The Organization maintains its cash and cash equivalents in bank deposit accounts. The Organization utilizes ICS (Insured Cash Sweep) sweep accounts to ensure that all deposits remain fully insured, even when the balances exceed federally insured limits. The Organization has not experienced any losses in such accounts.

Note C – Fair Value Measurements

The Organization follows the provisions of ASC 820, Fair Value Measurements and Disclosures, for its financial assets and liabilities. The Organization is required to provide additional disclosures. ASC 820 clarifies that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization utilizes market data or assumptions that market participants would use in pricing the asset or liability. ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

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

Prices for mutual funds are readily available in the active markets in which those securities are traded, and the resulting fair values are categorized as Level 1.

During the year ended June 30, 2026, the Organization purchased a certificate of deposit, which is valued using observable market inputs and is therefore categorized as a Level 2 asset in the fair value hierarchy.

Dorchester Habitat for Humanity, Inc.
Notes to Financial Statements

The Organization does not have any financial assets or liabilities measured at fair value on a recurring basis categorized as Level 3, and there were no transfers in or out of Level 3 during the years ended June 30, 2026 and 2025. There were no changes during the years ended June 30, 2026 and 2025 to the Organization's valuation techniques used to measure asset and liability fair values on a recurring basis.

The following tables present the assets measured at fair value on a recurring basis as of June 30, 2026 and 2025:

Fair Value Measurements at June 30, 2026				
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ -	\$ 950,000	\$ -	\$ 950,000
Mutual funds	70,265	-	-	70,265
Total	<u>\$ 70,265</u>	<u>\$ 950,000</u>	<u>\$ -</u>	<u>\$ 1,020,265</u>

Fair Value Measurements at June 30, 2025				
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 62,180	\$ -	\$ -	\$ 62,180
Total	<u>\$ 62,180</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,180</u>

Note D – Property and Equipment

Property and equipment consisted of the following as of June 30:

	2026	2025
Depreciable Assets:		
Buildings and improvements	\$ 1,721,256	\$ 1,721,256
Equipment	58,421	47,202
Vehicles	150,868	145,284
Total Depreciable Assets	1,930,545	1,913,742
Less: Accumulated depreciation	(833,144)	(779,633)
Total Depreciable Assets, Net	1,097,401	1,134,109
Non-Depreciable Assets:		
Land	241,770	241,770
Total Non-Depreciable Assets	241,770	241,770
Total Property and Equipment, Net	<u>\$ 1,339,171</u>	<u>\$ 1,375,879</u>

Depreciation expense for the years ended June 30, 2026 and 2025 totaled \$72,927 and \$68,893, respectively.

Dorchester Habitat for Humanity, Inc.
Notes to Financial Statements

Note E – Home Construction in Process

Construction in process includes the cost of material and labor incurred from the period during which the house is built to the time it is sold. Once the house is sold, these costs are transferred to the cost of houses sold. Total construction in process at June 30, 2026 and 2025 was \$163,488 and \$136,660, respectively.

Note F – Mortgages Receivable

Mortgages receivable are as follows as of June 30:

	2026		
	Current	Non-current	Total
Mortgages receivable, face value	\$ 205,496	\$ 3,039,561	\$ 3,245,057
Less: Unamortized discount	(107,715)	(1,825,644)	(1,933,359)
Mortgages Receivable, Net	<u>\$ 97,781</u>	<u>\$ 1,213,917</u>	<u>\$ 1,311,698</u>
	2025		
	Current	Non-current	Total
Mortgages receivable, face value	\$ 226,696	\$ 3,785,703	\$ 4,012,399
Less: Unamortized discount	(124,888)	(2,246,569)	(2,371,457)
Mortgages Receivable, Net	<u>\$ 101,808</u>	<u>\$ 1,539,134</u>	<u>\$ 1,640,942</u>

Amortization of the discount is stated as “Imputed interest on mortgages” in the statement of activities, and was \$119,940 and \$193,537 for the years ended June 30, 2026 and 2025, respectively.

During the year ended June 30, 2026, the Organization sold 6 mortgage receivables with an aggregate outstanding balance of \$1,432,400 and \$880,290 of remaining unamortized discount. Proceeds from the sale totaled \$1,217,539 resulting in a gain of \$665,429, which is reported as Gain on sale of mortgage receivables in the accompanying statements of activities.

Additional Mortgages

In addition to the non-interest bearing mortgage received from the sale of each home, the Organization may issue a contingent second mortgage. The second mortgages, issued by the Organization, represent the excess of the market value of the homes over the original loans at the date the second mortgages are executed. A mortgage default resulting in foreclosure will trigger the collection of the second mortgage. Except in the case of a resale or refinance, early satisfaction of the first mortgage of a home in good standing will not usually result in the collection of the second mortgage obligation.

The conditions for release from a second mortgage are stated separately in the terms of the second mortgage, signed by the homeowner. Any second mortgage repayment is considered remote by the Organization, and therefore no receivable has been recorded in the current year’s financial statements. The amount recognized as income on second mortgages was \$31,138 and \$47,200 for the year ended June 30, 2026 and 2025, respectively.

Dorchester Habitat for Humanity, Inc.
Notes to Financial Statements

Note G – Notes Payable

Notes payable as of June 30 consist of:

	<u>2026</u>	<u>2025</u>
On September 21, 2022, the Organization refinanced its loan with Truist Bank to First Capital Bank in the amount of \$468,000. The note bears interest at 2.75% with monthly principal and interest payments of \$4,474. The note matures and any unpaid principal and interest are due on September 21, 2032.		
	\$ 186,473	\$ 241,205
Total Notes Payable	186,473	241,205
Less: Current portion of notes payable	<u>(47,649)</u>	<u>(47,649)</u>
Total Notes Payable, Net of Current Portion	<u>\$ 138,824</u>	<u>\$ 193,556</u>

The principal payments for the next five years are as follows:

Year Ending June 30,	
2027	\$ 47,649
2028	50,549
2029	51,957
2030	<u>36,318</u>
Total	<u>\$ 186,473</u>

Total interest expense for the years ended June 30, 2026 and 2025 totaled \$5,952 and \$7,614, respectively.

Note H – Net Assets with Donor Restrictions

The Organization's net assets with donor restrictions are restricted for the following purposes on June 30:

<u>Donor and Purpose Restriction</u>	<u>2026</u>	<u>2025</u>
Land Capital Campaign Weber Drive	\$ 26,800	\$ 26,800
Financial coaching	<u>6,518</u>	<u>-</u>
Total	<u>\$ 33,318</u>	<u>\$ 26,800</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by the donors. Releases from restrictions for the years ended June 30, 2026 and 2025 were \$0 and \$3,000, respectively.

Dorchester Habitat for Humanity, Inc.
Notes to Financial Statements

Note I – Related Party Transactions

The Organization is an affiliate of Habitat for Humanity International, Inc. (HFHI). Although HFHI assists with information resources, training, publications, and flow through contributions, the Organization is primarily and directly responsible for its operations. The Organization tithed and paid membership fees for the year ended June 30, 2026 and 2025 of \$14,888 and \$11,045, respectively.

The Organization partnered with Habitat for Humanity South Carolina to share costs related to fundraising and other operating activities. The Organization paid \$2,665 and \$3,250 during the years ended June 30, 2026 and 2025, respectively.

Contributions from board members and employees for June 30, 2026 and 2025, totaled \$10,399 and \$12,180, respectively.

Note J – Liquidity and Availability of Financial Assets

The Organization's working capital and cash flows have seasonal variations during the year attributable to the timing of revenue and support. To manage liquidity, the Organization evaluates cash on a regular basis as part of the monthly review of the internal financial statements, and estimates cash needs based on budgeted and current expenses. As part of its liquidity plan, excess cash is invested in short-term investments, such as money market accounts. The Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. These funds are intended to be invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board.

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

	2026	2025
Financial Assets		
Cash and cash equivalents	\$ 821,895	\$ 1,444,465
Accounts receivable	18,387	36,197
Current portion of mortgages receivable, net of discount	97,781	101,808
Investments	1,020,265	62,180
Total Financial Assets	1,958,328	1,644,650
Less amounts not available to be used within one year:		
Net assets with donor restrictions	33,318	26,800
Add back: Net assets with purpose or time restrictions to be met in less than a year	(33,318)	(26,800)
Total amounts not available to be used within one year	-	-
Total Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 1,958,328	\$ 1,644,650

Dorchester Habitat for Humanity, Inc.
Notes to Financial Statements

Note K – Subsequent Events

Management has evaluated events through the date on which the financial statements were available to be issued. Based upon this evaluation, there were no material adjustments to these financial statements.