Bend-Redmond Habitat for Humanity®

CONSOLIDATED FINANCIAL STATEMENTS

Year Ended June 30, 2025

with

Independent Auditors' Report

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Independent Auditors' Report

The Board of Directors
Bend-Redmond Habitat for Humanity

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Bend-Redmond Habitat for Humanity and its affiliate, BAHFH Company, LLC, (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with 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. 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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.

Report on the Audit of the Consolidated Financial Statements - Continued

Responsibilities of Management for the Consolidated Financial Statements - Continued

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 the Organization'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 and *Government 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.

In performing an audit in accordance with generally accepted auditing standards and *Government 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 including 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 the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2025, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Organization's 2024 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 13, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Hoffman, Stewart & Schmidt, P.C.

Lake Oswego, Oregon
December 4, 2025

Bend-Redmond Habitat for Humanity

Consolidated Statement of Financial Position

June 30, 2025 *(With Comparative Amounts for 2024)*	**2025**	**2024**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 252,332	$ 919,435
Cash held for escrow and maintenance *(Note 2)*	50,804	56,328
Investments *(Notes 3 and 20)*	2,281,791	2,157,301
Employer retention credit receivable *(Note 4)*	195,721	538,984
Current portion of contributions and grants receivable *(Note 5)*	702,748	470,790
Current portion of mortgages receivable - net *(Notes 6 and 10)*	20,543	21,397
Resale store inventory	189,905	174,013
Finished homes inventory	366,295	313,252
Land held for sale *(Note 9)*	930,855	930,855
Prepaid expenses and other assets	3,885	3,885
Total current assets	**4,994,879**	**5,586,240**
Cash restricted for a long-term purpose	1,365,428	1,245,053
Contributions and grants receivable - net of current portion *(Note 5)*	59,483	182,125
Mortgages receivable - net of current portion *(Notes 6 and 10)*	102,790	116,973
Construction in progress	4,510,187	1,509,698
Land held for development	4,795,636	3,264,644
Beneficial interest in investments held at Oregon Community Foundation *(Notes 7 and 20)*	44,320	39,939
Land leased to homeowners *(Note 8)*	2,822,000	1,853,000
Property and equipment - net *(Note 9)*	3,282,882	3,469,251
Total assets	**$ 21,977,605**	**$ 17,266,923**

The accompanying notes are an integral part of the consolidated financial statements.

Bend-Redmond Habitat for Humanity
Consolidated Statement of Financial Position - Continued

June 30, 2025 *(With Comparative Amounts for 2024)*	**2025**	**2024**
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses *(Note 2)*	$ 407,943	$ 120,680
Accrued payroll and payroll taxes	240,430	190,578
Refundable advances	275,914	436,000
Current portion of secured borrowings *(Note 10)*	17,919	21,548
Line of credit *(Note 13)*	250,000	-
Total current liabilities	**1,192,206**	**768,806**
Long-term debt *(Note 11)*	5,428,930	2,140,285
Secured borrowings - net of current portion *(Note 10)*	55,781	84,884
Total liabilities	**6,676,917**	**2,993,975**
Commitments and contingencies *(Notes 15 and 16)*		
Net assets:		
Net assets without donor restrictions:		
Undesignated	13,429,261	12,424,040
Designated *(Note 7)*	44,320	39,939
Total net assets without donor restrictions	13,473,581	12,463,979
Net assets with donor restrictions *(Note 14)*	1,827,107	1,808,969
Total net assets	**15,300,688**	**14,272,948**
Total liabilities and net assets	**$ 21,977,605**	**$ 17,266,923**

The accompanying notes are an integral part of the consolidated financial statements.

Bend-Redmond Habitat for Humanity
Consolidated Statement of Activities

Year Ended June 30, 2025 *(With Comparative Totals for 2024)*

	Without Donor Restrictions	With Donor Restrictions	Total 2025	Total 2024
Revenue, gains, and other support:				
Sales of homes	$ 1,981,541	-	$ 1,981,541	$ 2,437,385
Resale Store:				
Inventory sales	1,936,993	-	1,936,993	1,865,956
Less: Cost of goods sold	(1,937,183)	-	(1,937,183)	(1,879,888)
Resale Store - net	(190)	-	(190)	(13,932)
Noncash contributions - Resale Store	1,829,972	-	1,829,972	1,668,559
Contributions and grants	3,058,415	27,420	3,085,835	2,860,034
Noncash contributions - other	24,779	-	24,779	77,329
Amortization of discount on mortgages receivable	6,938	-	6,938	11,792
Net investment return	123,267	-	123,267	93,729
Gain from forgiveness of long-term debt *(Note 11)*	918,285	-	918,285	1,514,043
Other - net *(Note 9)*	183,954	-	183,954	123,729
Net assets released from restrictions *(Note 14)*	9,282	(9,282)	-	-
Net revenue, gains, and other support	**8,136,243**	**18,138**	**8,154,381**	**8,772,668**
Expenses:				
Program services	5,910,693	-	5,910,693	6,703,127
Supporting services	1,215,948	-	1,215,948	999,469
Total expenses	**7,126,641**	**-**	**7,126,641**	**7,702,596**
Increase in net assets	**1,009,602**	**18,138**	**1,027,740**	**1,070,072**
Net assets, beginning of year	12,463,979	1,808,969	14,272,948	13,202,876
Net assets, end of year	**$ 13,473,581**	**$ 1,827,107**	**$ 15,300,688**	**$ 14,272,948**

The accompanying notes are an integral part of the consolidated financial statements.

Bend-Redmond Habitat for Humanity
Consolidated Statement of Functional Expenses

Year Ended June 30, 2025 *(With Comparative Totals for 2024)*

	Program Services			Supporting Services			Total	
	Home-ownership	Resale Store	Total	Management and General	Development	Total	2025	2024
Cost of homes sold	$ 2,631,076	$ -	$ 2,631,076	$ -	$ -	$ -	$ 2,631,076	$ 3,796,987
Cost of goods sold - Resale Store	-	1,937,183	1,937,183	-	-	-	1,937,183	1,879,888
Salaries and wages	672,359	1,117,560	1,789,919	494,723	217,524	712,247	2,502,166	2,236,538
Employee benefits and payroll taxes	139,789	250,026	389,815	109,094	45,507	154,601	544,416	465,837
Internships	58,777	-	58,777	-	-	-	58,777	42,932
Professional services	61,024	13,770	74,794	56,348	3,761	60,109	134,903	71,033
Advertising and promotion	3,781	18,434	22,215	87	18,112	18,199	40,414	25,671
Office expenses	8,161	29,549	37,710	4,336	13,092	17,428	55,138	56,151
Information technology	28,493	35,084	63,577	28,777	7,912	36,689	100,266	91,229
Occupancy	28,760	184,390	213,150	32,696	2,802	35,498	248,648	250,255
Travel	20,653	20,812	41,465	6,948	594	7,542	49,007	59,023
Depreciation	28,443	81,886	110,329	35,366	-	35,366	145,695	147,102
Insurance	45,135	39,711	84,846	2,527	3,948	6,475	91,321	76,497
Allocations to affiliate *(Note 12)*	20,000	-	20,000	-	-	-	20,000	12,000
Fees to affiliate *(Note 12)*	68,000	-	68,000	-	-	-	68,000	-
Outreach and support	4,332	-	4,332	542	5,661	6,203	10,535	22,583
Small tools and equipment	11,759	12,419	24,178	1,625	1,236	2,861	27,039	25,298
Interest expense	-	-	-	7,426	-	7,426	7,426	5,986
Other expenses	142,123	134,387	276,510	41,934	73,370	115,304	391,814	317,474
Total expenses	3,972,665	3,875,211	7,847,876	822,429	393,519	1,215,948	9,063,824	9,582,484
Less: Expenses netted with revenue on the consolidated statement of activities	-	(1,937,183)	(1,937,183)	-	-	-	(1,937,183)	(1,879,888)
Total expenses per consolidated statement of activities	$ 3,972,665	$ 1,938,028	$ 5,910,693	$ 822,429	$ 393,519	$ 1,215,948	$ 7,126,641	$ 7,702,596

The accompanying notes are an integral part of the consolidated financial statements.

Bend-Redmond Habitat for Humanity

Consolidated Statement of Cash Flows

Year Ended June 30, 2025 *(With Comparative Totals for 2024)*	**2025**	**2024**
Cash flows from operating activities:		
Cash receipts:		
Principal payments on mortgages receivable and proceeds received on sales of homes	$ 1,997,993	$ 2,459,499
Resale Store	1,936,993	1,865,956
Contributions and grants	3,031,553	2,629,810
Other	240,749	123,729
	7,207,288	7,078,994
Cash disbursements:		
Land purchases and home construction costs	(5,806,813)	(5,118,042)
Payroll and related expenses	(2,996,731)	(2,669,219)
Interest	(3,895)	(1,918)
Allocations and fees to affiliate	(88,000)	(12,000)
Other	(1,306,186)	(1,066,426)
	(10,201,625)	(8,867,605)
Net cash used by operating activities	**(2,994,337)**	**(1,788,611)**
Cash flows from investing activities:		
Proceeds from sale of equipment	44,563	-
Purchases of property and equipment	(60,684)	(360,807)
Purchases of investments	-	(2,004,860)
Purchase of investments	(5,604)	-
Proceeds from sales of investments	-	7,138
Net cash used by investing activities	**(21,725)**	**(2,358,529)**
Cash flows from financing activities:		
Proceeds from contributions restricted for a long-term purpose	128,143	341,253
Proceeds from notes payable	2,121,930	1,881,043
Payments on secured borrowing and notes payable	(36,263)	(34,548)
Borrowings on line of credit	250,000	-
Net cash provided by financing activities	**2,463,810**	**2,187,748**
Net decrease in cash and cash equivalents and restricted cash - carried forward	**(552,252)**	**(1,959,392)**

The accompanying notes are an integral part of the consolidated financial statements.

Bend-Redmond Habitat for Humanity

Consolidated Statement of Cash flows - Continued

Year Ended June 30, 2025 *(With Comparative Totals for 2024)*	**2025**	**2024**
Net decrease in cash and cash equivalents and restricted cash - carried forward	**$ (552,252)**	**$ (1,959,392)**
Cash and cash equivalents and restricted cash, beginning of year	2,220,816	4,180,208
Cash and cash equivalents and restricted cash, end of year	**$ 1,668,564**	**$ 2,220,816**
Reconciliation to consolidated statement of financial position:		
Cash and cash equivalents	$ 252,332	$ 919,435
Cash held for escrow and maintenance	50,804	56,328
Cash restricted for a long-term purpose	1,365,428	1,245,053
	$ 1,668,564	**$ 2,220,816**
Supplemental disclosure of non-cash investing and financing activity:		
Land held for development financed via long-term debt	$ 2,085,000	$ -

The accompanying notes are an integral part of the consolidated financial statements.

1. Significant Accounting Policies

Organization - Bend-Redmond Habitat for Humanity is an affiliate of Habitat for Humanity International, Inc. (Habitat International), a nondenominational Christian not-for-profit organization whose purpose is to create decent, simple housing for those in need, and to make decent shelter a matter of conscience everywhere. Although Habitat International assists with information, resources, training, publications, and in other ways, Bend-Redmond Habitat for Humanity is primarily and directly responsible for the legal, organizational, fundraising, family selection and nurture, financial, and construction aspects of the work. Bend-Redmond Habitat for Humanity, through its many volunteers, constructs affordable housing in the Bend-Redmond metropolitan area.

Bend-Redmond Habitat for Humanity operates a Resale Store located in Bend, Oregon, which is an outlet for selling donated building materials. Subsequent to June 30, 2025, a second store was opened in Redmond, Oregon.

Basis of Accounting - The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of the Bend-Redmond Habitat for Humanity and its wholly owned subsidiary, BAHFH Company, LLC (collectively, the Organization). The sole purpose of BAHFH Company, LLC, is to acquire and hold mortgage loans and related documents originated by the Organization to comply with the terms of an agreement between BAHFH Company, LLC and Umpqua Bank. All intercompany balances and transactions have been eliminated upon consolidation.

Basis of Presentation - Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's Board of Directors may designate certain net assets without donor restrictions for specific purposes.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that will be met by actions of the Organization and/or the passage of time.

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 restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

1. Summary of Significant Accounting Policies - Continued

Use of Estimates - The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Significant estimates made by management include the valuation of donated Resale Store inventory, discounts on mortgages receivable, and the allocation of certain expenses by functional classification.

Cash and Cash Equivalents - The Organization considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. Cash restricted for a long-term purpose consists of funds received from donors that are restricted for the acquisition of a Resale Store building in Redmond, Oregon.

Investments - Investments in marketable securities are carried at fair value in the accompanying consolidated statement of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying consolidated statement of activities. Certificates of deposit are stated at amortized cost plus accrued interest, which approximates fair value. Cash and cash equivalents are included in the Organization's investment portfolio, and therefore they are classified with investments on the consolidated statement of financial position. Cash and cash equivalents included with investments are reported at cost.

Fair Value Measurements - GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value, and Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs, other than quoted prices, that are observable for the asset; and
- Inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology that are unobservable and significant to the fair value measurement.

1. Summary of Significant Accounting Policies - Continued

Fair Value Measurements - Continued - In determining the fair value of its investments, the Organization uses appropriate valuation techniques based on available inputs. The Organization maximizes its use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Accordingly, when available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. If market data is not readily available, fair value is based upon other significant unobservable inputs such as inputs that reflect the Organization’s own assumptions about the inputs market participants would use in valuing the investment. As required, investments valued using unobservable inputs are classified to the lowest level of any input that is most significant to the valuation. Thus, a valuation may be classified as Level 3 even though the valuation may include significant inputs that are readily observable.

Resale Store Inventory - The Organization’s Resale Store sells predominantly donated materials to the public. Donated inventories are valued at fair value based on their expected selling price. Purchased inventories are valued at the lower of cost or net realizable value.

Construction in Progress - Construction in progress represents costs incurred to build or rehabilitate homes for eventual sale to qualifying families. Once completed homes are sold, the accumulated cost attributable to each home sold is charged to expense as cost of homes sold.

Land Held for Development - Land held for development represents the cost of land purchased by the Organization as a future site for home construction. As the land is developed and home construction begins, it is transferred to construction in progress.

Property and Equipment - Property and equipment are recorded at cost, if purchased, and at estimated fair value, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 7 years for personal property, and 30 years for real property. Maintenance and repairs are charged to expense when incurred; major renewals and betterments are capitalized.

Contributions and Grants - The Organization recognizes contributions and grants when cash, securities or other assets; an unconditional promise to give (including grants); or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

1. Summary of Significant Accounting Policies - Continued

Contributions and Grants - Continued - The Organization has received grants from governmental agencies that are conditioned upon certain performance requirements or the incurrence of allowable qualifying expenses. At June 30, 2025, conditional grants of approximately $395,000 have not been recognized as revenue in the accompanying consolidated financial statements (which, as of June 30, 2025, $275,914 had been received and reported on the consolidated statement of financial position as refundable advances). Of this amount, $207,000 is conditioned upon the incurrence of allowable qualifying expenses. The remaining $188,000 is conditioned upon certain performance requirements.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues in the net assets with donor restrictions class, and a reclassification to net assets without donor restrictions is made to reflect the expiration of such restrictions.

The Organization reports contributions of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when acquired long-lived assets are placed in service.

Noncash Contributions - Contributions of assets other than cash are recorded at their estimated fair value. Contributions of donated services that create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation, are recorded at their estimated fair values in the period received.

1. Summary of Significant Accounting Policies - Continued

Noncash Contributions - Continued - Noncash contributions consisted of the following during the years ended June 30:

	2025	2024
Donated goods - Resale Store	$ 1,829,972	$ 1,668,559
Construction services	9,827	51,309
Other professional services and donated goods	14,952	26,020
	$ 1,854,751	$ 1,745,888

The Organization intends to monetize the donated Resale Store goods. The value of donated goods is based on their expected selling price. Construction services and other professional services are valued at standard hourly rates charged for those services. The services were utilized by the Organization in its programs and supporting services.

There were no donor-imposed restrictions associated with the noncash contributions.

A substantial number of volunteers donate significant amounts of their time to the Organization for general construction and office labor. However, as these services do not require specialized skills or materially enhance the value of nonfinancial assets, the value of such services is not recorded in the consolidated financial statements.

Revenue Recognition - Sales of homes to homeowners are recognized at a point in time, which is the time a home is sold and title passes to a qualified homebuyer. Currently, most homeowners finance the purchase of their home by obtaining third-party financing, proceeds from which are paid to the Organization at closing. Previously, homeowners financed the purchase of their home with a non-interest-bearing mortgage receivable issued by the Organization. Mortgages issued were discounted at various rates ranging from 7.75 to 7.81 percent. Discounts are amortized using the effective interest method over the lives of the mortgages, and the amortization of mortgage discount is recognized as revenue.

Resale Store sales are also recognized at a point in time, which is when control is transferred to the customer. The amount recorded as revenue reflects the consideration the Organization receives in exchange for its inventory.

1. Summary of Significant Accounting Policies - Continued

Mortgages Receivable - Mortgages receivable consist of non-interest bearing mortgages, which are secured by real estate and payable in monthly installments over the life of the mortgage. At each reporting date, the Organization recognizes an expected allowance for credit losses, if necessary. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. Mortgages receivable are evaluated individually when they do not share similar risk characteristics which could exist in circumstances where amounts are considered at risk or uncollectible.

The Organization considers homeowners to be delinquent if they are 30 days past due on their mortgage payment. Every effort is made to assist homeowners who have become delinquent in their mortgage payments. However, foreclosure proceedings may be initiated and/or the Organization may accept a deed in lieu of foreclosure where homeowner mortgage payments are seriously delinquent. Properties acquired through foreclosure or a deed in lieu of foreclosure are generally refurbished and sold to other families in need of decent, affordable housing. Consequently, no allowance for credit losses has been established for mortgages receivable at June 30, 2025.

In connection with the sale of homes, in some cases the Organization also issues a second mortgage. These second mortgages represent the difference between the original mortgage and the appraised value of the home. They are due to the Organization, either in part or in full, only if the homeowner does not comply with the terms of the original mortgage. The second mortgage is to protect the value of the collateral. At June 30, 2025, the Organization has not recorded a receivable related to second mortgages that are due either in part or in full if the homeowner does not comply with terms of the original mortgage, as management has determined that no triggering events have occurred that would require they be recognized in the consolidated financial statements.

Transfers of Mortgages Receivable - The Organization follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 860*, Accounting for Transfers and Servicing of Financial Assets* and accounts for transfers of mortgages receivable as sales when it has surrendered control over the related assets. Whether control has been relinquished requires, among other things, an evaluation of relevant legal considerations and an assessment of the nature and extent of the Organization's continuing involvement with the mortgages transferred. Gains and losses from transfers reported as sales are included in net gain on sale of mortgages receivable in the accompanying consolidated statements of activities. There were no transfers of mortgages receivable that qualified as sales during the year ended June 30, 2025.

Transfers of mortgage receivables that do not qualify for sale accounting are reported as secured borrowings. Accordingly, the related assets remain on the Organization's consolidated statement of financial position and continue to be reported and accounted for as if the transfer had not occurred. Cash proceeds from these transfers are reported as liabilities, with attributable interest expense recognized over the life of the related transactions. The Organization has transferred mortgages receivable that qualified as secured borrowings as described in *Note 10*.

1. Summary of Significant Accounting Policies - Continued

Warranties - The Organization provides a one-year warranty on all of its homes. The warranty is generally for defects in materials and/or workmanship. Warranty costs are expensed as incurred. The Organization has experienced minimal warranty costs and therefore does not believe an accrual for such costs is necessary.

Advertising Costs - Advertising costs are charged to expense when incurred.

Income Taxes - Bend-Redmond Habitat for Humanity is exempt from federal and state income taxation under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. In addition, Bend-Redmond Habitat for Humanity qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). BAHFH Company, LLC is a disregarded entity for federal and state income tax purposes.

Functional Allocation of Expenses - Costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of functional expenses. The consolidated statement of functional expenses reports certain categories of expenses that are attributable to more than one program and supporting service function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square-footage basis, and salaries and wages and employee benefits and payroll taxes, which are allocated on the basis of estimated time and effort.

Summarized Financial Information for 2024 - The consolidated financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2024, from which the summarized financial information was derived.

Reclassifications - Certain reclassifications have been made to the 2024 information to conform with the 2025 presentation.

Subsequent Events - Management has evaluated subsequent events through December 4, 2025, the date the consolidated financial statements were available to be issued.

2. Escrow and Maintenance Accounts

The Organization maintains escrow and maintenance accounts on behalf of homeowners. These accounts are used to collect homeowner deposits to be used to pay escrow expenses (such as property taxes and homeowners' insurance premiums). At June 30, 2025, the total balance of these accounts was $50,804. A corresponding liability is included with accounts payable and accrued expenses on the accompanying consolidated statement of financial position.

3. Investments

A summary of investments by type is as follows at June 30:

	2025	**2024**
Investments carried at fair value:		
US Treasury notes	$ -	$ 1,272,141
Mutual and exchange traded funds:		
Domestic	51,635	44,446
Fixed income	12,080	11,432
International	25,493	19,323
Money market fund	2,192,547	39,988
Total investments carried at fair value	2,281,755	1,387,330
Investments carried at cost plus accrued interest:		
Certificates of deposit	-	499,580
Cash and cash equivalents	36	270,391
	$ 2,281,791	$ 2,157,301

4. Employer Retention Credit

Employer retention credits totaling $538,984 were applied for and recognized as revenue during the year ended June 30, 2023. At June 30, 2025, $195,721 of this amount was not yet collected, and was recorded as a receivable on the accompanying consolidated statement of financial position.

5. Contributions and Grants Receivable

Contributions and grants receivable are expected to be received as follows at June 30:

	2025	2024
Less than one year	$ 749,848	$ 595,102
One year to five years	15,000	60,430
	764,848	655,532
Less present value discount (discounted at a rate of 3 percent)	(2,617)	(2,617)
Net contributions and grants receivable	762,231	652,915
Less current portion	(702,748)	(470,790)
Long-term portion	$ 59,483	$ 182,125

At June 30, 2025 and 2024, contributions receivable totaling $59,483 and $182,125, respectively, are restricted for the acquisition of a Resale Store building in Redmond, Oregon. Since the contributions receivable are restricted for a long-term purpose, they have been classified as long-term in the accompanying consolidated statement of financial position.

6. Mortgages receivable - Net

A summary of mortgages receivable is as follows at June 30:

	2025	2024
Mortgages receivable	$ 149,143	$ 171,118
Discount on mortgages receivable	(25,810)	(32,748)
Mortgages receivable - net of discount	123,333	138,370
Less current portion	(20,543)	(21,397)
Long-term portion	$ 102,790	$ 116,973

At June 30, 2025, there were no mortgage principal payments in arrears.

At June 30, 2025, mortgages receivable (excluding discounts) totaling $82,510, have been pledged to Umpqua Bank under the secured borrowing transaction described in *Note 10*.

7. Beneficial Investments Held by Oregon Community Foundation (OCF)

The Organization transferred funds to OCF and established an endowment fund (the fund). The agreement with OCF stipulates OCF maintains variance power over the fund and shall be held and owned by OCF. The agreement also provides that, upon written request from a majority of the Organization's Board of Directors, additional distributions may be made, even to the exhaustion of the fund, if in the sole judgement of the Board of Directors of OCF the requested distribution is consistent with the objectives and purpose of the Organization. Accordingly, the fund is classified as net assets without donor restriction but has been designated by the Organization's Board of Directors as the fund functions as an endowment.

The Organization is eligible for distributions based on a percentage of the fund's fair value. During the year ended June 30, 2025, no distributions were made. The change in value of the fund has included in net investment return on the accompanying consolidated statement of activities.

The changes in the fund were as follows during the years ended June 30:

	2025	2024
Balance, beginning of year	$ 39,939	$ 36,162
Change in value	4,381	3,777
Balance, end of year	$ 44,320	$ 39,939

8. Land Leased to Homeowners

To promote current and future affordability to homeowners, the Organization retained title to certain land as opposed to selling homes including the land. In lieu of selling the land, the Organization entered into a long-term land lease arrangement with the homeowners at a nominal annual rental amount. All land lease arrangements are for a term of 99 years. Concurrent with the recognition of the sale, the cost of the land was transferred from construction in progress to land leased to homeowners on the accompanying consolidated statement of financial position. At June 30, 2025, land leased to homeowners totaled $2,822,000.

9. Property and Equipment - Net

	2025	2024
Land	$ 1,484,606	$ 1,484,606
Building	1,540,265	1,540,265
Accessory dwelling units	675,000	675,000
Equipment	116,134	114,844
Vehicles	293,044	305,160
Furniture and fixtures	144,495	132,306
Construction in progress	-	99,791
	4,253,544	4,351,972
Less accumulated depreciation and amortization	(970,662)	(882,721)
Property and equipment - net	$ 3,282,882	$ 3,469,251

During the year ended June 30, 2025, the Organization's management determined the capitalized construction in progress costs no longer had a future benefit, and therefore, the costs were written off. A loss of $99,791 was recognized and was netted with other income in the consolidated statement of activities.

At June 30, 2025, the Organization had $930,855 in land held for sale.

10. Secured Borrowing

During the year ended June 30, 2013, the Organization entered into an agreement with Umpqua Bank to sell certain mortgages receivable. In accordance with the agreement, the Organization has the obligation to cure a default, and if it cannot do so, it shall, at its option, either repurchase the affected mortgage at the repurchase price, or provide a substitute mortgage. Accordingly, the sale was classified as a secured borrowing transaction.

When sold, the mortgages receivable were discounted at 3 percent. The difference between the cash proceeds and the aggregate unpaid principal balance of the mortgages sold was recorded as a discount and is being amortized over the life of the mortgages sold.

Installment payments are due monthly in accordance with the amortization schedules of the underlying mortgages receivable that were sold.

Future principal payments of mortgages receivable associated with secured borrowing are as follows as of June 30, 2025:

Years Ending June 30,	**Amount**
2026	$ 17,919
2027	15,070
2028	14,415
2029	12,449
2030	9,241
Thereafter	10,697
	79,791
Less unamortized discount	(6,091)
	73,700
Less current portion	(17,919)
Long-term portion	$ 55,781

11. Long-Term Debt - Net

	2025	2024
Notes payable to the City of Bend, Oregon, at zero percent interest, secured by certain homes included in land held for development, and due June 2026. During the year ended June 30, 2025, $150,000 of the loan proceeds were recognized as a gain from loan forgiveness since the liability was transferred to a homeowner upon the sale of a home. The remaining balance can be forgiven provided the home is sold to a qualifying family.	$ 150,000	$ -
Notes payable to the Oregon Housing and Community Services Department (OHCS), at zero percent interest, secured by certain homes included in construction in progress and land held for development, and due through June 2047. During the year ended June 30, 2025, $768,285 of the loan proceeds were recognized as a gain from loan forgiveness since conditions for loan forgiveness were substantially met. The remaining balance can be forgiven on a prorated basis per housing unit, provided each house is sold to a qualifying family and other requirements specified in loan agreement have been met.	2,856,930	768,285
Notes payable to OHCS, at 1 percent interest, secured by certain homes included in construction in progress and land held for development, and due through May 2033, or upon the sale or transfer of the property to an ineligible homebuyer per the terms of the loan agreement.	2,422,000	1,372,000
	$ 5,428,930	$ 2,140,285

12. Allocations and Fees to Affiliate

During the year ended June 30, 2025, the Organization contributed $20,000 of unrestricted funds to Habitat International. In addition, Habitat International charged fees totaling $68,000.

These payments supported Habitat International's efforts to build homes in economically disadvantaged communities and advance other strategic initiatives. As such, both the contributions and fees are included in program expenses in the consolidated statement of activities.

13. Line of Credit

The Organization has a $2,500,000 line of credit with First Interstate Bank bearing interest at 7.5 percent. The line of credit is secured by the Organization's property and matures January 2026. At June 30, 2025, the amount outstanding was $250,000.

The line of credit contains covenants regarding financial ratios. At June 30, 2025, the Organization believes it met these covenants.

14. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30:

	2025	2024
Resale Store building acquisition	$ 1,809,319	$ 1,808,969
Global Village	17,788	-
	$ 1,827,107	$ 1,808,969

During the year ended June 30, 2025, net assets totaling $9,282, were released from donor restrictions by the incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors.

In September 2025, the Organization purchased property in Redmond, Oregon for approximately $2.2 million for a new Resale Store. Net assets that were restricted by donors for the acquisition of the Resale Store building will be released from restriction when the property is placed into service.

15. Contingencies

The Organization has either acquired properties directly or received funding for properties from governmental agencies. These governmental agencies have imposed a restriction that requires the properties be occupied by low-income families for a period of 30 years, depending on the agreement with the governmental agency. Failure to comply with this restriction during the time-period specified in the agreement could require the Organization to return funding from the governmental agency. However, as of June 30, 2025, the Organization has complied with the aforementioned restriction, and has the intention and ability to continue to comply with the restriction. Accordingly, management believes risk of loss to the Organization under these agreements is remote.

Amounts received from government grants are subject to audit and potential adjustment by these agencies. It is management's belief that no material amounts will be required to be returned in the future.

16. Employee Retirement Plan

The Organization provides retirement benefits to employees through its SIMPLE IRA plan. The Organization matches employee contributions up to 3 percent of compensation. For the year ended June 30, 2025, total contributions by the Organization totaled $50,626.

17. Financial Instruments with Concentrations of Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash and cash equivalents (including restricted cash), investments, and contributions and grants receivable. Concentrations of risk with respect to contributions and grants receivable are limited through various monitoring procedures. At June 30, 2025, and on occasion throughout the year, cash and cash equivalents exceeded federally insured limits.

The Organization's investments (including its beneficial interest in investments held at OCF) are exposed to various risks, such as interest rate, market, and credit risk. The value, liquidity, and related income of these assets are sensitive to changes in economic conditions and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates. Due to the level of risk associated with certain investment securities, it is at least reasonably possible changes in the values of such assets will occur in the near-term and such changes could materially affect account balances and amounts reported in the consolidated financial statements.

At June 30, 2025, a majority of contributions and grants receivable was due from a government agency and not considered a significant concentration risk by management.

18. Revenue Concentration

During the year ended June 30, 2025, 55 percent of the Organization's contributions and grants was received from one government agency.

19. Liquidity and Availability of Resource

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the consolidated statement of financial position date, consist of the following at June 30:

	2025	2024
Cash and cash equivalents	$ 252,332	$ 919,435
Investments	2,281,791	2,157,301
Employer retention tax credit receivable	195,721	538,984
Current portion of contributions and grants receivable	702,748	470,790
Current portion of mortgages receivable not pledged as collateral	6,058	4,422
Total financial assets available within one year	$ 3,438,650	$ 4,090,932

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Additionally, to help manage unanticipated liquidity needs, the Organization has a $2,500,000 line of credit with First Interstate Bank (*Note 13*).

20. Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, the Organization's assets that are measured at fair value on a recurring basis as of June 30, 2025:

	Level 1	Level 3	Total
Investments carried at fair value:			
Mutual and exchange traded funds and money market fund	$ 2,281,755	$ -	$ 2,281,755
Beneficial interest in investments held at OCF	-	44,320	44,320
	$ 2,281,755	$ 44,320	$ 2,326,075

Level 1 Measurements - Fair value of Level 1 assets described above is determined by reference to quoted market prices or other relevant market data as provided by the broker.

Level 3 Measurements - Beneficial interest in investments held at OCF represent the Organization's share of a pooled investment portfolio managed by OCF. The Organization's share of the pooled investment portfolio is not actively traded, and significant other observable inputs are not available. However, the underlying investments of OCF are measured by management of OCF using a variety of valuation methods including Level 1, Level 2, and Level 3 inputs.

During the year ended June 30, 2025, there were no purchases, sales, or transfers into or out of the Level 3 classification.