

WALTER HOVING HOME, INC.
DBA HOVING HOME

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED SEPTEMBER 30, 2025



Hoiving Home
REBUILDING SHATTERED LIVES

WALTER HOVING HOME, INC.
DBA HOVING HOME

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CERTIFIED PUBLIC ACCOUNTANTS

JAMEN WURM, CPA, M.S., PARTNER
KRISTIN CREIGHTON, CPA, PARTNER
EDWARD PATTERSON, CPA, PARTNER

INDEPENDENT AUDITOR'S REPORT

To the Governing Board
Walter Hoving Home, Inc.
dba Hoving Home
Garrison, New York

Opinion

We have audited the accompanying financial statements of Walter Hoving Home, Inc., dba Hoving Home (Hoving Home), which comprise the statement of financial position as of September 30, 2025, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hoving Home as of September 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. 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 Hoving Home and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions,

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hoving Home'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 Hoving Home's ability to continue as a going concern for a reasonable period of time

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

Report on Summarized Comparative Information

We have previously audited Hoving Home's financial statements for the year ended September 30, 2024, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 12, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2025, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Goehner Accountancy
February 11, 2026
Pasadena, California

WALTER HOVING HOME, INC.
 DBA HOVING HOME
 STATEMENT OF FINANCIAL POSITION
 SEPTEMBER 30, 2025
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2024)

ASSETS

	September 30,	
	<u>2025</u>	<u>2024</u>
CURRENT ASSETS		
Cash	\$ 356,556	\$ 1,087,364
Accounts receivable - net	124,899	1,608,876
Contributions receivable	74,001	110,095
Prepaid expenses	<u>274,563</u>	<u>276,317</u>
Total current assets	<u>830,019</u>	<u>3,082,652</u>
PROPERTY AND EQUIPMENT - NET	<u>10,491,511</u>	<u>9,534,762</u>
OTHER ASSETS		
Right of use assets - operating leases	<u>53,220</u>	<u>63,904</u>
TOTAL ASSETS	\$ <u>11,374,750</u>	\$ <u>12,681,318</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 180,382	\$ 448,377
Accrued expenses	260,558	202,128
Deferred revenue	78,864	37,496
Line of credit	-	500,000
Lease liability, current portion	15,286	46,536
Notes payable, current portion	<u>81,455</u>	<u>1,492,443</u>
Total current liabilities	<u>616,545</u>	<u>2,726,980</u>
LONG-TERM LIABILITIES		
Lease liability, less current portion	37,935	17,368
Recoverable subsidy	1,500,000	1,500,000
Notes payable, less current portion	<u>1,392,119</u>	<u>487,351</u>
Total long-term liabilities	<u>2,930,054</u>	<u>2,004,719</u>
TOTAL LIABILITIES	<u>3,546,599</u>	<u>4,731,699</u>
NET ASSETS		
Without donor restriction	7,184,369	7,024,240
With donor restriction	<u>643,782</u>	<u>925,379</u>
Total net assets	<u>7,828,151</u>	<u>7,949,619</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>11,374,750</u>	\$ <u>12,681,318</u>

The accompanying notes are an integral part of this statement.

WALTER HOVING HOME, INC.
 DBA HOVING HOME
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2025
 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2024)

	September 30,			2024
	2025		Total	
	Without donor restriction	With donor restriction		
SUPPORT AND REVENUE				
Contributions	\$ 1,593,686	\$ 1,287,704	\$ 2,881,390	\$ 4,235,229
Gifts-in-kind	665,725	-	665,725	1,013,027
Program service revenue	408,225	-	408,225	432,245
Net merchandise sales	25,733	-	25,733	24,566
Loss on disposition of assets	(10,859)	-	(10,859)	-
Other income	1,349	-	1,349	1,806
Net assets released from restriction:				
Time restrictions	107,003	(107,003)	-	-
Purpose restrictions	1,462,298	(1,462,298)	-	-
	<u>4,253,160</u>	<u>(281,597)</u>	<u>3,971,563</u>	<u>5,706,873</u>
Special events revenue	805,963	-	805,963	699,751
Special events expenses	(192,848)	-	(192,848)	(192,493)
Net revenue from special events	<u>613,115</u>	<u>-</u>	<u>613,115</u>	<u>507,258</u>
Total support and revenue	<u>4,866,275</u>	<u>(281,597)</u>	<u>4,584,678</u>	<u>6,214,131</u>
EXPENSES				
Program services	3,682,380	-	3,682,380	3,839,535
Management and general	543,839	-	543,839	452,640
Fundraising	479,927	-	479,927	499,534
Total expenses	<u>4,706,146</u>	<u>-</u>	<u>4,706,146</u>	<u>4,791,709</u>
CHANGE IN NET ASSETS	160,129	(281,597)	(121,468)	1,422,422
NET ASSETS AT BEGINNING OF YEAR	<u>7,024,240</u>	<u>925,379</u>	<u>7,949,619</u>	<u>6,527,197</u>
NET ASSETS AT END OF YEAR	<u>\$ 7,184,369</u>	<u>\$ 643,782</u>	<u>\$ 7,828,151</u>	<u>\$ 7,949,619</u>

The accompanying notes are an integral part of this statement.

WALTER HOVING HOME, INC.
DBA HOVING HOME
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2025
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2024)

	September 30,				
	2025				2024
	Program services	Management and general	Fundraising	Total	Total
PERSONNEL EXPENSES					
Salaries	\$ 971,835	\$ 309,220	\$ 191,422	\$ 1,472,477	\$ 1,565,143
Payroll taxes and employee benefits	329,143	43,097	45,633	417,873	421,837
Total personnel expenses	1,300,978	352,317	237,055	1,890,350	1,986,980
OTHER EXPENSES					
Conferences, conventions and meetings	7,682	3,983	816	12,481	16,635
Dues, memberships and subscriptions	6,509	5,180	898	12,587	13,578
Fundraising expenses	-	-	99,475	99,475	132,650
Grants and other assistance	18,314	-	-	18,314	10,779
Information technology	27,924	11,497	25,294	64,715	63,345
Insurance	193,436	8,523	3,328	205,287	185,716
Interest	88,706	4,730	3,824	97,260	97,056
Lease expense	144,360	6,209	4,657	155,226	153,731
Medical, wellness and ladies' needs	336,740	-	-	336,740	384,337
Merchant charges	617	3,701	57,368	61,686	61,932
Occupancy and residential	535,653	8,649	5,164	549,466	571,305
Postage and shipping	1,390	11,116	126	12,632	12,214
Professional fees	17,426	96,271	3,197	116,894	77,980
Program outreach and intake	17,380	-	-	17,380	29,540
Supplies	415,889	9,571	3,201	428,661	436,946
Taxes, permits and licenses	30,501	2,023	12,502	45,026	45,013
Telephone and telecommunications	65,332	2,810	2,108	70,250	73,435
Training and development	43,393	5,545	7,525	56,463	63,521
Travel and transportation	28,427	3,032	6,444	37,903	28,753
Vehicle expenses	78,045	2,041	3,337	83,423	96,431
Total other expenses	2,057,724	184,881	239,264	2,481,869	2,554,897
Depreciation	323,678	6,641	3,608	333,927	249,832
TOTAL EXPENSES	\$ 3,682,380	\$ 543,839	\$ 479,927	\$ 4,706,146	\$ 4,791,709

The accompanying notes are an integral part of this statement.

WALTER HOVING HOME, INC.
DBA HOVING HOME
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2025
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2024)

	September 30,	
	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (121,468)	\$ 1,422,422
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation expense	333,927	249,832
Amortized interest	3,317	65,329
Gain (loss) on disposition of assets	10,859	-
Donated stock	(3,083)	(5,265)
Donated property and equipment	(26,881)	(352,290)
Changes in operating assets and liabilities:		
Accounts receivable - net	1,483,977	(1,503,434)
Contributions receivable	36,094	(60,573)
Prepaid expenses	1,754	(56,776)
Accounts payable	(267,995)	260,485
Accrued expenses	58,430	17,605
Deferred revenue	41,368	56
CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,550,299</u>	<u>37,391</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	3,083	5,265
Proceeds from sale of fixed assets	1,000	-
Purchase of fixed assets	<u>(1,275,653)</u>	<u>(3,168,574)</u>
CASH USED FOR INVESTING ACTIVITIES	<u>(1,271,570)</u>	<u>(3,163,309)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing on short-term loan from related party	-	75,000
Borrowing on line of credit	325,000	500,000
Borrowing on notes payable	1,000,000	1,425,000
Capitalized loan fees	(17,388)	(57,175)
Recoverable subsidy	-	1,500,000
Payment on short-term loan to related party	-	(75,000)
Principal payments on notes payable	(1,492,149)	(64,333)
Principal payments on line of credit	<u>(825,000)</u>	<u>(75,000)</u>
CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	<u>(1,009,537)</u>	<u>3,228,492</u>
NET INCREASE (DECREASE) IN CASH	(730,808)	102,574
CASH AT BEGINNING OF PERIOD	<u>1,087,364</u>	<u>984,790</u>
CASH AT END OF PERIOD	<u>\$ 356,556</u>	<u>\$ 1,087,364</u>
SUPPLEMENTARY SCHEDULE:		
CASH PAID FOR INTEREST	\$ 133,591	\$ 37,352
CASH PAID FOR INCOME TAXES	\$ -	\$ -

The accompanying notes are an integral part of this statement.

NATURE OF ORGANIZATION

Walter Hoving Home, Inc., dba Hoving Home (the Organization), a 24-hour residential recovery center located in Garrison, New York; Las Vegas, Nevada; Oxford, New Jersey; Pasadena, California; Fall River, Massachusetts; and Rose Hill, North Carolina, is a non-profit organization serving women ages 17 and over by providing help in overcoming life-controlling problems, including addiction, abuse, and survivors of sex trafficking. The spiritually-based programs are focused on rebuilding broken lives in a safe and supportive environment of warmth, trust, and love. The Organization provides programs and support for complete restoration – teaching and empowering women to make choices that lead to a thriving, healthy and productive life as they re-integrate into society.

The programs and services offered by the Organization include:

Crisis Care – Compassionate crisis intervention and support;

Residential Programs – Comprehensive 12-month program which consists of five phases and embodies a holistic and individualized approach to care, recovery and restoration, including dignified living arrangements, spiritual formation, life and work skills training with career guidance, and personal mentorship throughout the program;

Transitional After-care – Continued support and living arrangements following the residential care programs, including personal mentorship as the women transition back into the workforce and society;

Mother-Child Programs – Residential programs for mothers with young children, where mothers can participate in the recovery and restoration programs while having a safe and loving environment to raise their children and with much-needed support;

Leadership Academy – Training and coursework provided after completion of the recovery programs to equip women for future employment in recovery programs, either at the Organization or other recovery ministries. Currently, approximately one-third of the graduates from the Leadership Academy are on staff at the Organization.

Since the founding of the Organization over 58 years ago, it has welcomed over 26,000 women into its programs, offering opportunities for successful recovery and transformational change. Over the past several years, women in the Organization's programs have come from 32 states across the United States. Most of the women were living below the poverty line when they arrived, requiring a safe, secure, and loving environment for recovery and restoration. The Organization's community of women is ethnically diverse, unified by a shared need for freedom from addiction and healing from trafficking.

The Organization is funded primarily from private sources – individual donors, private foundations, churches, etc. – and neither solicits nor receives any government funding for its programs. Since the Organization opened its doors so many years ago, women have been able to participate in the Organization's programs of recovery and restoration regardless of their ability to pay for the services provided. This differentiates the Organization from most other organizations offering residential recovery fee-based programs in that no one is turned away from the Organization because they lack the funds to cover the costs of the program. Generous contributions from its donors not only enable the Organization to provide the programs and services outlined above, but also achieve a higher success rate than other recovery programs for women.

WALTER HOVING HOME, INC.
 DBA HOVING HOME
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2025

NATURE OF ORGANIZATION (continued)

In light of the demand for the Organization's recovery programs and services in recent years, the Organization conducted a capital campaign from 2022 through 2024 to expand and/or upgrade facilities at its various locations and to increase its entity-wide operational capacity. To this end, approximately \$9 million has been raised/committed through the end of the fiscal year ending September 30, 2025 for these purposes. Capital projects completed include various major renovation projects to facilities in New York and New Jersey, and the acquisition of land in Las Vegas and related pre-construction activities for planned future expansion in Las Vegas. In addition, significant facility infrastructure upgrades are currently underway in California. The Organization has also expanded its operational capacity by opening new program facilities in North Carolina and Massachusetts, hiring community outreach coordinators in Las Vegas and California, and upgrading IT and communication capabilities. Looking ahead to the next few years, the Organization plans to construct a new facility in Las Vegas which, will triple the size of its Residential Programs for women and add a new Mother-Child Program.

LIQUIDITY

The following table reflects the Organization's financial assets as of September 30, 2025, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, or restricted by donors. The Organization evaluates future liquidity requirements based on expected future expenditures, along with capital projects.

Although not included in the liquidity table below, as of September 30, 2025, the Organization has prepaid expenses of \$274,563, consisting primarily of operating expenses and deposits for fundraising events related to the subsequent fiscal year. These prepaid expenses reduce the Organization's cash flow requirements within the next year. In addition, the Organization has incurred costs of capital projects in the amount of \$466,559 related to purpose-restricted contributions totaling \$569,781, which are reflected in the table below. As these assets had not been placed into service as of September 30, 2025, the related purpose restrictions have not been released, in accordance with Generally Accepted Accounting Principles.

The Organization also has access to up to \$500,000 in short-term borrowings under a line of credit, if necessary (see LINE OF CREDIT). The Organization continues to develop its fundraising resources to increase revenues, diversify its funding base, and support long-term sustainability.

Financial assets:

Cash	\$	356,556
Accounts receivable - net		124,899
Contributions receivable		74,001
Less amounts unavailable for general expenditure within one year due to:		
Purpose restriction by donor		<u>(569,781)</u>
Financial assets available to meet cash needs for general expenditure within one year	\$	<u><u>(14,325)</u></u>

WALTER HOVING HOME, INC.
DBA HOVING HOME
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. A summary of significant accounting policies is described below:

BASIS OF ACCOUNTING

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restriction and with donor restriction, as described below:

Without donor restriction includes funds which are expendable for the support of the Organization's operations.

With donor restriction includes funds that have been restricted by donors for specific purposes, for use according to specific timetables, or both. These include both contributions that have already been received as well as those pledged to the Organization to be received in future years.

As of September 30, 2025, \$569,781 was subject to a purpose restriction for the purchase of property and equipment and the expansion of program capacity, and \$74,001 was subject to time restrictions.

CASH

Liquid assets having a maturity of three months or less are included as cash.

FAIR VALUE MEASUREMENTS

Generally accepted accounting principles require that items recorded at fair value be valued as level one, two or three based on the various inputs and methodologies used to value the holdings as summarized below:

Level 1 - quoted prices and active markets for identical holdings

Level 2 - significant observable market-based inputs, other than Level 1 quoted prices, or unobservable inputs that are based on comparable market data

Level 3 - significant observable inputs that are not based on comparable market data

ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses is recorded based on management's experience. At September 30, 2025, the allowance for credit losses was \$5,617.

CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of amounts pledged to the Organization. These receivables are considered fully collectible; accordingly, no allowance for doubtful accounts has been recorded at September 30, 2025.

INVESTMENTS

Investments are reported as follows:

Investments in marketable debt securities, mutual funds, government securities and equity securities with readily determinable fair market values are reported at fair value.

Donated investments are recorded at market value on the date received and thereafter are carried in accordance with the above provisions.

No investments were held by the Organization as of September 30, 2025.

WALTER HOVING HOME, INC.
DBA HOVING HOME
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY AND EQUIPMENT

Property and equipment are reported at cost. Depreciation is computed on a straight-line basis over estimated useful lives of 5 to 50 years. Maintenance and repairs are charged against revenue in the year expenses are incurred, and renewals and betterments exceeding \$3,000 are capitalized.

LOAN FEES

Costs incurred with obtaining financing through banks are capitalized and amortized as a component of interest expense over the lives of the respective financing arrangements using the straight-line method. In accordance with GAAP, these costs are reflected as a direct deduction from the face amount of the related debt obligations. GAAP requires that the effective interest method be used to amortize the costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective interest method.

Loan fees of \$112,400 as of September 30, 2025 are reflected net of accumulated amortization of \$74,005 (see NOTES PAYABLE), resulting in unamortized debt issuance costs of \$38,395. Amortized interest expense for the year ended September 30, 2025 was \$3,317.

REVENUE RECOGNITION

Contributions

Contributions are recorded when cash or unconditional promises-to-give have been received, or when ownership of donated assets is transferred to the Organization. The Organization records contributions as with donor restriction if donors restrict their use for a specific purpose or for use according to a specific time schedule, or both. When donor restrictions expire, that is, when the purpose restriction is fulfilled or the time restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the Statement of Activities as net assets released from restrictions. It is the Organization's policy to record contributions with donor restriction that are received and expended in the same accounting period as contributions with donor restriction and as net assets released from restrictions.

For contributions restricted by donors for the acquisition of property or other long-lived assets, the restriction is considered to be met when the property or other long-lived asset is acquired.

Non-cash contributions (gifts-in-kind) are recorded at fair market value upon receipt, when the contributions are significant in amount and when there is a reasonable basis for valuation.

Program Service Revenue and Merchandise Sales

The Organization recognizes revenue from program fees and other various program activities at a point in time. Revenue is recognized when control of the goods is passed to the consumer or services are rendered. Fee and sales related-revenues are recognized when an agreement for services to be provided is entered into or the title of goods provided has been transferred. Program fees received but not earned are classified as deferred revenue.

SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES

The Organization categorizes leases with contractual terms longer than 12 months as either operating or finance. Lease liabilities are recognized at the present value of the fixed lease payments, reduced by any incentives received. Lease right-of-use (ROU) assets are recognized based on the initial present value of the fixed lease payments, less any lease incentives, plus any direct costs incurred in executing the lease. In measuring the present value, the Organization uses the interest rate stated or implicit in the lease agreement. If the interest rate is not easily determinable based on the terms of the lease agreement, the Organization uses the risk-free rate at the commencement of the lease. When the lease includes an option to extend the lease term, terminate the lease before the contractual expiration date, or purchase the leased asset, and it is reasonably certain that the Organization will exercise the option, the option is considered in determining the classification and measurement of the lease. Lease agreements with lease and non-lease components are combined as a single lease component for all classes of underlying assets.

Costs associated with operating leases are recognized on a straight-line basis over the term of the lease. Finance lease assets are amortized on a straight-line basis over the lease term, with the interest component of the lease included in interest expense. Certain leases include variable payments based on factors such as price indices, common area maintenance, or the lessor's operating costs, which are expensed as incurred.

Leases with an initial term of 12 months or less are expensed on a straight-line basis over the lease term. The Organization does not recognize a ROU asset or lease liability for leases with a term of less than 12 months.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. 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.

CONTRIBUTED SERVICES

Generally accepted accounting principles require the value of donated services to be recorded if those donated services create or enhance nonfinancial assets or require specialized skills. Many volunteers have contributed significant amounts of their time to activities of the Organization. However, when the above requirements were not met, the value of the contributed services was not recorded in the financial statements.

FUNCTIONAL ALLOCATION OF EXPENSES

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, office and occupancy expenses, which are allocated on the basis of time and efforts.

INCOME TAXES

The Organization operates as a non-profit corporation under section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes; accordingly, no provision is made for current or deferred income taxes. The Organization uses the same accounting methods for tax and financial reporting.

WALTER HOVING HOME, INC.
 DBA HOVING HOME
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2025

ACCOUNTS RECEIVABLE AND DEFERRED REVENUE

Opening and closing balances of accounts receivable and deferred revenue consist of the following as of September 30, 2025:

Accounts receivable - gross, beginning of year	\$ <u>1,614,493</u>
Accounts receivable - gross, end of year	\$ <u>130,516</u>
Deferred revenue, beginning of year	\$ 37,496
Previously deferred revenue recognized	(37,496)
Amounts collected with remaining performance obligations	<u>78,864</u>
Deferred revenue, end of year	\$ <u>78,864</u>

PROPERTY AND EQUIPMENT

At September 30, 2025, property and equipment consisted of:

Land	\$ 2,711,144
Land improvements	56,788
Buildings	10,402,236
Furniture and fixtures	783,592
Automobiles	531,942
Water treatment system	668,843
Artwork	469,250
Pre-development building costs	<u>786,717</u>
Total	16,410,512
Less accumulated depreciation	<u>(5,919,001)</u>
Total property and equipment - net	<u>10,491,511</u>
Less debt secured by property and equipment	<u>(1,511,969)</u>
Net investment in property and equipment	\$ <u>8,979,542</u>

Depreciation for the year ended September 30, 2025 was \$333,927.

LINE OF CREDIT

The Organization has a line of credit with Valley National Bank for up to \$500,000. The line bears interest at the bank's prime rate and renews annually. Collateral consists of property located in Oxford, New Jersey. There was no outstanding balance on the line of credit as of September 30, 2025.

Interest expense on the line of credit for the year ended September 30, 2025 was \$27,464, and is included in interest expense on the Statement of Activities. Of this amount, \$4,412 was capitalized in connection with the construction on the Main House in New York.

WALTER HOVING HOME, INC.
 DBA HOVING HOME
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 SEPTEMBER 30, 2025

RECOVERABLE SUBSIDY

In September 2025, the Organization completed the requirements to receive a recoverable subsidy from the Federal Home Loan Bank of New York (FHLB) in the amount of \$1,500,000 for major facility renovations in New York under the bank's Affordable Housing Program. The subsidy is conditional, including a 15-year project retention period during which FHLB can recover a portion or all of the funds should the Organization not comply with the various programmatic and reporting conditions. Additionally, should the Organization sell the related facility prior to the expiration of the project retention period, it would be required to repay the subsidy in full to FHLB.

The 15-year project retention period commences on the date the Certificate of Occupancy is obtained, which was December 23, 2024, and when project occupancy requirements are met. At the end of the retention period, the subsidy will no longer be recoverable by the FHLB, provided all conditions are met, and the Organization will recognize the subsidy as revenue on the Statement of Activities.

NOTES PAYABLE

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Note payable secured by real property in New Jersey; bearing interest at 4.125% per annum; monthly principal and interest payments of \$7,507; maturing March 2032	\$ 70,278	\$ 441,691	\$ 511,969
Note payable secured by real property in California; bearing interest at 6.50% per annum; monthly principal and interest payments of \$6,321; maturing September 2055	<u>11,177</u>	<u>988,823</u>	<u>1,000,000</u>
	<u>\$ 81,455</u>	<u>\$ 1,430,514</u>	\$ 1,511,969
Less: unamortized debt issuance costs			<u>(38,395)</u>
			<u>\$ 1,473,574</u>
At September 30, 2025, future maturities were as follows:			
2026			\$ 81,455
2027			85,158
2028			89,035
2029			93,095
2030			97,347
Thereafter			<u>1,065,879</u>
			<u>\$ 1,511,969</u>

The total interest expense incurred on notes payable was \$102,691 for the year ended September 30, 2025. Of this amount, \$28,446 was capitalized in connection with construction on the Main House in New York.

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NON-CASH TRANSACTIONS

GIFTS-IN-KIND

Gifts-in-kind for the year ended September 30, 2025 reflected on the Statement of Activities were as follows:

Stock	\$	3,083
Property and equipment		26,881
Professional services		32,635
Program supplies		<u>603,126</u>
	\$	<u><u>665,725</u></u>

During the year ended September 30, 2025, the Organization recognized contributions of non-financial assets within revenue, including stock, property and equipment, professional services, and supplies. Unless otherwise noted, gifts-in-kind did not have donor-imposed restrictions.

Property and equipment, and program supplies are valued based upon estimates of fair market value or wholesale values that would be received for selling the items in their principal market, considering their condition and utility for use at the time goods are contributed by the donor, and are considered a level 2 classification. The Organization utilized the donated program supplies in various program operations during the year ended September 30, 2025.

Contributed services recognized consist of services from attorneys and other professional services provided to the Organization for various matters during the year ended September 30, 2025. Contributed services are valued at the estimated fair market value based on current rates for similar services and are considered a level 2 classification.

During the year ended September 30, 2025, the Organization received donated stock valued at \$3,083. The fair value of the donated stock is considered a level 1 classification.

LEASE COMMITMENTS

The Organization leases property and equipment under non-cancellable operating leases expiring through September 2030. The Organization also leases other equipment under short-term lease agreements.

For the year ended September 30, 2025, the Organization recognized the following lease expense:

Operating lease expense	\$	55,771
Short-term lease expense		92,062
Variable lease expense		<u>7,393</u>
Total lease expense	\$	<u><u>155,226</u></u>

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LEASE COMMITMENTS (continued)

Other information regarding cash flows related to operating leases, ROU assets obtained in exchange for new operating lease liabilities, weighted average remaining lease terms for operating leases, as well as weighted average discount rates used in determining present value discounts are as follows:

Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$	53,806
ROU assets obtained in exchange for new operating lease liabilities	\$	40,250
Weighted-average remaining lease term in years for operating leases		4.11
Weighted-average discount rate for operating leases		4.03%

The future maturities of operating lease liabilities are as follows:

	2026	\$	16,981
	2027		12,384
	2028		12,384
	2029		7,860
	2030		<u>7,860</u>
	Less: present value discount		<u>(4,248)</u>
	Total operating lease liabilities	\$	<u><u>53,221</u></u>

PENSION AND RETIREMENT PLAN

The Organization has a money purchase pension plan; however, no contributions were made to the plan during the year ended September 30, 2025.

The Organization has a 401(k) contribution plan. Employees are eligible to make elective deferrals six months after the date of hire. The Organization's matching contribution is discretionary. The Organization recognized employer matching contributions totaling \$12,585 to this plan during the year ended September 30, 2025, which are included in payroll taxes and benefits on the Statement of Functional Expenses.

RELATED PARTY TRANSACTIONS

During the year ended September 30, 2025, the Organization received \$326,568 in contributions from members of its Board of Directors.

CONCENTRATION OF RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits at financial institutions and investments in marketable securities. At times, balances in the Organization's cash and investment accounts may exceed the Federal Deposit Insurance Corporation (FDIC) or Securities Investors Protection Corporation (SIPC) limits.

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SUBSEQUENT EVENTS

In accordance with U.S. GAAP, the Organization has evaluated subsequent events through the date at which these financials statements were available to be issued, and determined that no events occurred that require disclosure.