

**Island Housing Trust Corporation and Subsidiaries**

**Consolidated Financial Statements  
(With Supplementary Information)  
and Independent Auditor's Report**

**December 31, 2025**

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# Island Housing Trust Corporation and Subsidiaries

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Independent Auditor's Report

To the Board of Directors of  
Island Housing Trust Corporation and Subsidiaries

*Opinion*

We have audited the consolidated financial statements ("financial statements") of Island Housing Trust Corporation and Subsidiaries (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 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 accompanying financial statements present fairly, in all material respects, the financial position of Island Housing Trust Corporation and Subsidiaries as of December 31, 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 ("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 Island Housing Trust Corporation and Subsidiaries 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 Island Housing Trust Corporation and Subsidiaries' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 Island Housing Trust Corporation and Subsidiaries' 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 Island Housing Trust Corporation and Subsidiaries' 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 Island Housing Trust Corporation and Subsidiaries' 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 20, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2025 Supplemental Consolidated Schedule of Rental Program Expenses, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*CohnReznick LLP*

Braintree, Massachusetts

June 2, 2026

**Island Housing Trust Corporation and Subsidiaries**

**Consolidated Statement of Financial Position  
As of December 31, 2025  
With Comparative Totals as of December 31, 2024**

	<u>Assets</u>	
	<u>2025</u>	<u>2024</u>
Current assets		
Cash and cash equivalents	\$ 3,208,613	\$ 4,090,071
Restricted cash - escrows	36,676	771,357
Accounts receivable, net	119,833	112,490
Pledge receivables - current	3,209,723	2,406,489
Prepaid expenses	34,603	-
	<hr/>	<hr/>
Total current assets	6,609,448	7,380,407
	<hr/>	<hr/>
Fixed assets		
Property and equipment, net	29,911,036	29,688,828
	<hr/>	<hr/>
Other assets		
Land held for development	3,908,232	3,396,414
Notes receivable, net of allowance of \$5,006,173 and \$2,083,661, respectively	40,034	26,761
Investments, long term	3,707,952	3,577,870
Pledge receivables, net - long-term	2,131,803	2,979,851
Other assets	785,011	-
Restricted cash - reserves	823,426	-
	<hr/>	<hr/>
Total other assets	11,396,458	9,980,896
	<hr/>	<hr/>
Total assets	<u>\$ 47,916,942</u>	<u>\$ 47,050,131</u>

**Island Housing Trust Corporation and Subsidiaries**

**Consolidated Statement of Financial Position  
As of December 31, 2025  
With Comparative Totals as of December 31, 2024**

Liabilities and Net Assets

	<u>2025</u>	<u>2024</u>
Current liabilities		
Accounts payable and accrued expenses	\$ 221,135	\$ 677,260
Lines of credit - current	1,451,316	1,915,000
Notes and mortgages payable - amortizing - current	570,619	134,065
	<u>2,243,070</u>	<u>2,726,325</u>
Total current liabilities		
Long-term liabilities		
Notes and mortgages payable - non-amortizing - long-term	7,078,449	7,117,998
Notes and mortgages payable - amortizing - long-term	7,660,203	6,308,442
Lines of credit - long term	100,000	294,000
	<u>14,838,652</u>	<u>13,720,440</u>
Total long term liabilities		
Total liabilities	<u>17,081,722</u>	<u>16,446,765</u>
Net assets		
Net assets without donor restrictions	24,756,389	24,533,810
Net assets with donor restrictions	6,078,831	6,069,556
	<u>30,835,220</u>	<u>30,603,366</u>
Total net assets		
Total liabilities and net assets	<u>\$ 47,916,942</u>	<u>\$ 47,050,131</u>

See Notes to the Consolidated Financial Statements.

**Island Housing Trust Corporation and Subsidiaries**

**Consolidated Statement of Activities  
For the Year Ended December 31, 2025  
With Comparative Totals for the Year Ended December 31, 2024**

	Without donor restrictions	With donor restrictions	2025 Total	2024 Total
<b>Revenue and support</b>				
Grants and contributions	\$ 1,260,566	\$ 3,957,753	\$ 5,218,319	\$ 8,317,075
Sales of buildings	1,329,209	-	1,329,209	1,100,000
Less: cost of development projects	(1,329,209)	-	(1,329,209)	(1,183,037)
Net sales of buildings	-	-	-	(83,037)
Rental income	1,488,174	-	1,488,174	1,379,784
Ground lease income	45,511	-	45,511	43,800
Contributed goods and services	40,689	-	40,689	52,453
Interest income	91,556	-	91,556	55,101
Investment revenue, net	132,030	-	132,030	160,530
Other earned revenue	545,945	-	545,945	172,465
Net assets released from restrictions	3,948,478	(3,948,478)	-	-
<b>Total revenue and support</b>	<b>7,552,949</b>	<b>9,275</b>	<b>7,562,224</b>	<b>10,098,171</b>
<b>Expenses</b>				
Program services	5,808,610	-	5,808,610	4,045,842
Management and general	1,191,762	-	1,191,762	730,359
Fundraising	298,100	-	298,100	333,781
Special events	31,898	-	31,898	27,035
<b>Total expenses</b>	<b>7,330,370</b>	<b>-</b>	<b>7,330,370</b>	<b>5,137,017</b>
Change in net assets	222,579	9,275	231,854	4,961,154
Net assets, beginning	24,533,810	6,069,556	30,603,366	25,642,212
Net assets, end	<u>\$ 24,756,389</u>	<u>\$ 6,078,831</u>	<u>\$ 30,835,220</u>	<u>\$ 30,603,366</u>

See Notes to the Consolidated Financial Statements.

**Island Housing Trust Corporation and Subsidiaries**

**Consolidated Statement of Functional Expenses  
For the Year Ended December 31, 2025  
With Comparative Totals for the Year Ended December 31, 2024**

	Communication	Housing development	Rental management	Total program services	Management and general	Fundraising	2025 Total	2024 Total
Salaries and wages	\$ 57,136	\$ 462,411	\$ -	\$ 519,547	\$ 561,918	\$ 193,242	\$ 1,274,707	\$ 1,145,565
Payroll taxes and fringe benefits	17,387	140,712	-	158,099	170,991	58,803	387,893	290,752
Professional fees	25,107	34,507	-	59,614	196,780	18,839	275,233	267,261
Conferences	-	-	-	-	11,905	-	11,905	5,619
Insurance	968	3,211	154,789	158,968	11,434	2,199	172,601	107,145
Occupancy	-	-	-	-	17,087	-	17,087	50,325
Grants	-	-	-	-	-	-	-	400,000
Event expense	-	-	-	-	-	31,898	31,898	27,035
Credit loss expense	-	3,051,613	-	3,051,613	-	-	3,051,613	992,548
Property expenses	-	16,066	-	16,066	-	-	16,066	49,935
Depreciation	-	-	692,209	692,209	32,481	-	724,690	685,359
Printing and postage	173	575	-	748	2,228	394	3,370	5,472
Administrative management	19,116	-	180,373	199,489	51,533	1,250	252,272	215,834
Property management fee	-	-	99,277	99,277	-	-	99,277	92,806
Miscellaneous	-	-	49,412	49,412	-	-	49,412	23,672
Interest expense	-	11,442	211,689	223,131	68,932	-	292,063	212,780
Repairs and maintenance	3,054	10,513	400,669	414,236	35,806	6,940	456,982	366,916
Office supplies	3,077	10,207	-	13,284	7,692	6,992	27,968	30,741
Software licensing	2,101	6,972	-	9,073	5,253	4,775	19,101	19,938
Property taxes	-	-	48,470	48,470	4,074	-	52,544	41,636
Telephone	1,020	3,386	12,252	16,658	4,471	2,319	23,448	26,210
Travel	865	2,870	-	3,735	2,161	1,966	7,862	8,452
Utilities	168	556	74,257	74,981	4,232	381	79,594	70,197
Filing fees	-	-	-	-	2,784	-	2,784	819
	<u>\$ 130,172</u>	<u>\$ 3,755,041</u>	<u>\$ 1,923,397</u>	<u>\$ 5,808,610</u>	<u>\$ 1,191,762</u>	<u>\$ 329,998</u>	<u>\$ 7,330,370</u>	<u>\$ 5,137,017</u>

See Notes to the Consolidated Financial Statements.

**Island Housing Trust Corporation and Subsidiaries**

**Consolidated Statement of Cash Flows  
For the Year Ended December 31, 2025  
With Comparative Totals for the Year Ended December 31, 2024**

	2025	2024
Change in net assets	\$ 231,854	\$ 4,961,154
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	724,690	685,359
Credit loss expense	3,051,613	992,548
Net unrealized and realized gains on long term investments	44,480	(16,747)
Changes in asset and liability accounts		
Decrease (increase) in assets		
Accounts receivable, net	(7,343)	(32,610)
Pledge receivables, net	(87,706)	(2,550,816)
Prepaid expenses	(34,603)	850
(Decrease) in liabilities		
Accounts payable and accrued expenses	(456,125)	546,435
Net cash provided by operating activities	3,466,860	4,586,173
Cash flows from investing activities		
Purchase of fixed assets	(3,130,027)	(4,442,717)
Proceeds from sale of buildings	1,671,311	1,100,000
Advances of notes receivable	(2,932,366)	(819,837)
Net (deposits) withdrawals to other assets	(785,011)	-
Purchase of investments	(174,562)	(138,812)
Net cash used in investing activities	(5,350,655)	(4,301,366)
Cash flows from financing activities		
Repayments of notes and mortgages payable	(201,234)	(1,066,128)
(Repayments) proceeds from lines of credit	(657,684)	975,000
Proceeds from notes and mortgages payable	1,950,000	1,590,000
Net cash provided by financing activities	1,091,082	1,498,872
Net (decrease) increase in cash and cash equivalents and restricted cash	(792,713)	1,783,679
Cash and cash equivalents and restricted cash, beginning	4,861,428	3,077,749
Cash and cash equivalents and restricted cash, end	\$ 4,068,715	\$ 4,861,428
Cash and cash equivalents	\$ 3,208,613	\$ 4,090,071
Restricted cash - escrows and reserves	860,102	771,357
Cash and cash equivalents and restricted cash, end	\$ 4,068,715	\$ 4,861,428
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 250,886	\$ 212,780

See Notes to the Consolidated Financial Statements.

## Island Housing Trust Corporation and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2025

#### Note 1 - Summary of significant accounting policies

The 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 ("U.S. GAAP"). The significant accounting policies followed by Island Housing Trust Corporation and Subsidiaries (the "Corporation") ("IHT") are described below to enhance the usefulness of the consolidated financial statements to the reader.

#### Nature of activities

The Corporation was organized on January 8, 2002 to own and lease land for the purpose of developing, building and maintaining affordable housing on Martha's Vineyard, Massachusetts. The Corporation uses the Community Land Trust ("CLT") model and is a state certified non-profit Community Development Corporation ("CDC") whose mission is to create, promote, and sustain permanently affordable housing solutions on the Island of Martha's Vineyard. The Corporation is supported primarily by contributions of cash and property from Massachusetts residents and project grants from municipal and state governments.

IHT has the following program divisions:

*Communications* - Build community awareness, understanding of, and support for Island Housing Trust's mission of building and preserving permanently affordable housing on Martha's Vineyard.

*Rental programs* - Ensure that rental properties are well maintained, properly managed and financially self-sustainable.

*Housing development* - Develop simple, durable, energy efficient housing, both rental and ownership, that are designed and built to be truly affordable to purchase or rent and maintain for generations.

Scotts Grove, LLC, a wholly-owned subsidiary, is an entity created to develop nine low- and moderate-income rental apartments in West Tisbury, Massachusetts.

Hanover House, LLC, a wholly-owned subsidiary, is an entity created to develop fifteen low- and moderate-income rental apartments in Tisbury, Massachusetts.

Perlman House, LLC, a wholly-owned subsidiary, is an entity created to develop seven low- and moderate-income rental apartments in Tisbury, Massachusetts.

Kuehn's Way, LLC, a wholly-owned subsidiary, is an entity created to develop twenty low- and moderate-income rental apartments in Tisbury, Massachusetts.

Bellevue Veterans' Community LLC, is an entity created to acquire and develop a twelve unit affordable housing project, particularly those intended to serve the needs of veterans. IHT is the managing member and owns 50% of the LLC. The entity's only activity during the year ended December 31, 2025 was predevelopment activity.

401SR is an entity created to develop eight low- and moderate-income rental apartments in West Tisbury, Massachusetts. 401SR operated wholly within IHT until receiving its LLC status in early 2026, and is now wholly owned by IHT as 401SR LLC.

## Island Housing Trust Corporation and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2025

#### **Basis of presentation**

The consolidated financial statements include the activity of Island Housing Trust Corporation, Scott's Grove, LLC, Hanover House, LLC, Perlman House, LLC, Bellevue Veterans' Community LLC and Kuehn's Way, LLC (collectively, "IHT"). The consolidated statement of activities reports all changes in net assets, including changes in net assets without donor restrictions, from operating activities. Operating revenues consist of those monies received and other contributions attributable to the Corporation's ongoing efforts. All material intercompany transactions and accounts have been eliminated in consolidation.

IHT's net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The consolidated statement of financial position presents two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) and the consolidated statement of activities displays the change in each class of net assets. The classes of net assets applicable to IHT are presented as follows:

*Net assets without donor restrictions* - Net assets that are not subject to donor imposed restrictions. Net assets without donor restrictions consist of assets and contributions available for the support of operations. These net assets may be designated for specific purposes by the Board of Directors.

*Net assets with donor restriction* - Net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of IHT and/or passage of time. When a restriction expires, 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.

#### **Use of estimates**

In preparing IHT's consolidated financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Revenue recognition**

IHT earns revenue as follows:

*Grants and Contributions* - In accordance with ASC Subtopic 958-605, *Revenue Recognition*, the Corporation must determine whether a grant and a contribution (or a promise) are conditional or unconditional for transactions deemed to be a contribution. A grant and a contribution are considered to be conditional if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Corporation should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

## Island Housing Trust Corporation and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2025

Contributions without donor restrictions are recognized as revenue when received or unconditionally pledged. Contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as services are performed and costs are incurred pro-rata over the period covered by the grant or contribution as time restrictions lapse. As of December 31, 2025, IHT has been awarded a \$100,000 conditional grant that has not been recognized on the accompanying consolidated statement of activities due to the barrier of the terms of the agreement not being met as of year end.

*Contributed property, equipment and Services* - Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by IHT. Donations of property and equipment are recorded as contributions at 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. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, IHT reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. IHT reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

*Rental* - Rental income is derived from rental projects. Rental income is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between IHT and the tenants of the projects are considered to be operating leases.

Substantially all of IHT's revenue is derived from its activities in Massachusetts. During the year ended December 31, 2025, IHT derived approximately 69% of its total revenue from contributions, including 11% of contributions from one town, 20% from rental income, and 11% from other sources. All revenue is recorded at the estimated net realizable amounts.

#### **Cash and cash equivalents and restricted cash and reserves**

IHT considers all highly-liquid investments purchased with an original maturity of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents.

IHT maintains its cash balances at several financial institutions. The cash balances are secured by the Federal Deposit Insurance Corporation ("FDIC"). At times these balances may exceed the federal insurance limits; however, IHT has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these balances as of December 31, 2025. As of December 31, 2025, amounts held with Massachusetts Housing Partnership ("MHP") and MassHousing amounted to \$489,674 and \$370,428, respectively, and are not insured by the FDIC. The deposits held with MHP and MassHousing consists of replacement reserves, operating escrows, repair escrows and tax and insurance escrows.

#### **Restricted cash and reserves**

Restricted cash and reserves are comprised of various escrows and reserves that are required by regulatory and loan agreements.

Additionally, restricted cash consists of participation loan funds held by the lender. The Corporation receives these funds when payment on the loans occur. These funds are linked to the long-term repayment of the loans and represent restricted cash of the Corporation, see Note 10.

## Island Housing Trust Corporation and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2025

#### **Pledge receivables**

Conditional promises to give are not recognized in the consolidated financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. In the absence of donor stipulations to the contrary, promises with payments due in future periods are restricted to use after the due date.

Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful accounts. Management estimates the allowance by review of historical experience and a specific review of collections trends that differ from scheduled collections on individual promises. For the year ended December 31, 2025, bad debt on pledge receivables was immaterial. 21% of pledge receivables were due from two donors as of December 31, 2025.

#### **Land held for development**

Land held for development consists of held-for-sale housing that is recorded at the greater of cost or market value at the time of purchase or donation, unless deed restricted, plus construction costs incurred.

#### **Notes receivable**

The Corporation utilizes a loss rate approach in determining its lifetime expected credit losses on its loans to third parties. This method is used for calculating an estimate of losses based primarily on the Corporation's historical loss experience. In determining its loss rates, the Corporation evaluates information related to its historical losses, adjusted for current conditions and for the period of time that we can reasonably forecast. For the period of time beyond which the Corporation can reasonably forecast the Corporation applies immediate reversion based on the facts and circumstances as of the reporting date. The Corporation has concluded that it can reasonably support a forecast period of all loan segments for two years after the statement of financial position date.

#### **Accounts receivable**

The Corporation carries all of its accounts and grants receivable at an amount equal to uncollected but earned revenue less allowances for credit losses. Accounts and grants receivable outstanding for thirty days or more are deemed delinquent under the aging method. It is the Corporation's policy to charge off uncollectable receivables when management determines the receivable will not be collected.

The Corporation does not have a policy to accrue interest on accounts receivable or to require collateral, except for security deposits on tenant receivables. As of December 31, 2025, the allowance for credit losses was immaterial. As of December 31, 2025, management has determined any allowance would be immaterial.

#### **Fundraising expense**

Fundraising expense relates to the activities of raising general and specific contributions to the Corporation and promoting special events.

## Island Housing Trust Corporation and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2025

#### Property, equipment and depreciation

Property and equipment are recorded at cost or if donated, fair value on the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Improvements, including planned major maintenance activities are capitalized, while expenditures for routine maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation.

The resulting gains and losses are reflected in the accompanying consolidated statement of activities. Major repairs and maintenance over \$5,000 are capitalized as incurred. IHT computes depreciation using the straight-line method over the following estimated lives:

Buildings and improvements	27.5-39 years
Furniture/equipment/software	3-5 years

IHT reports gifts of land, building and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator or possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value. There were no impairment losses recognized during the year ended December 31, 2025.

#### Income taxes

IHT qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and is generally not subject to income tax. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization is not a private foundation under Section 509(a)(1) of the IRC.

Management has analyzed the tax positions taken by the Organization and has concluded that, as of December 31, 2025, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosures in the financial statements.

Generally, the Organization's information/tax returns remain open for possible federal income tax examination for three years after the filing date. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2022 remain open.

Scotts Grove, LLC, Hanover House, LLC, Kuehn's Way, LLC, and Perlman House, LLC are single member limited liability companies that are disregarded for income tax purposes. Their financial activity is reported in the information return of IHT.

Bellevue Veterans' Community, LLC has not yet commenced operations, and as such, has had no tax return requirements as of December 31, 2025.

## Island Housing Trust Corporation and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2025

#### **Investments**

The Corporation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Interest and dividends are recorded when earned. Gains and losses are recognized as incurred or based on fair value changes during the period. Net investment return/(loss) is reported in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct investment expenses. Investments are exposed to risks such as interest rate, credit and overall market volatility.

#### **Fair value measurements**

U.S. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels used to measure fair value are as follows:

Level 1: Quoted prices for identical instruments traded in active markets.

Level 2: Observable inputs other than quoted prices included in Level 1. Assets and liabilities included in this level are valued using quoted prices for similar assets and liabilities in active markets or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant inputs to the valuation model are unobservable.

#### **Recurring measurements**

In accordance with U.S. GAAP, certain assets and liabilities are required to be recorded at fair value on a recurring basis. The Corporation's assets that are adjusted to fair value on a recurring basis are described below. The Corporation currently has no liabilities that are adjusted to fair value on a recurring basis.

The following section describes the valuation methodologies used to measure assets financial assets and liabilities at fair value on a recurring basis.

*Investments:* Quoted market prices are used to determine the fair value of treasury bonds and equity securities and they are included in Level 1. See Note 5 for more details.

#### **Nonrecurring measurements**

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Corporation records assets and liabilities at fair value on a nonrecurring basis as required by U.S. GAAP. During the year ended December 31, 2025, there were no nonrecurring measurements.

#### **Functional allocation of expenses**

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of IHT. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis of estimates of time and effort. Payroll and associated costs are allocated to functions based upon the task being performed.

## Island Housing Trust Corporation and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2025

#### Allowance for credit losses

The Corporation recognizes an allowance for credit losses for financial assets carried at amortized cost to present the net amount expected to be collected as of the consolidated statement of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset (contractual term) which includes consideration of prepayments and based on the Corporation's expectations as of the consolidated statement of financial position date. Assets are written off when the Corporation determines that such financial assets are uncollectible or based on regulatory requirements, whichever is earlier. Write-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, not to exceed the aggregate of the amount previously written off, are included in determining the necessary reserve at the consolidated statement of financial position date, see Note 13 for further details.

#### Summarized financial information for 2024

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Also, the consolidated financial statements do not include a full presentation of the consolidated statement of functional expenses, as certain prior year summarized comparative information is presented in total but not by functional classification. In addition, the consolidated financial statements do not include full consolidated financial statement disclosures for the prior year. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the IHT's consolidated financial statements for the year ended December 31, 2024, from which the summarized information was derived.

#### Note 2 - Liquidity and availability of resources

As part of IHT's liquidity management plan, IHT invests cash in excess of annual requirements in money market funds and treasury bills. The Board regularly reviews the sufficiency of operating reserves against its policy on reserves and may designate a portion of operating surplus to the operating reserves if they do not conform with the policy. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, consist of the following:

Financial assets at year end		
Cash and cash equivalents	\$	3,208,613
Accounts receivable, net		119,833
Investments		3,707,952
Pledges receivable, current		3,209,723
Total		<u>10,246,121</u>
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors		<u>2,128,597</u>
Total		<u>2,128,597</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>8,117,524</u></u>

## Island Housing Trust Corporation and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2025

The Corporation holds various reserves and escrows that are used to fund specific project requirements and obligations. In addition, as part of its liquidity management, the Corporation regularly monitors liquidity required to meet operating needs, commitments and other obligations as they become due. In the event of an unanticipated liquidity need, the Corporation has the ability to draw upon the available lines of credit.

#### Note 3 - Related party transactions

IHT has members of the Board of Directors who from time to time have transactions with other corporations that also do business and/or work for IHT.

A Board member is a member of the Edgartown Affordable Housing Committee ("EAHC") and the Edgartown Affordable Housing Trust ("EAHT"). From time to time the EAHC and EAHT discuss and/or decide on issues that may affect the Corporation. For the year ended December 31, 2025, the Corporation received grant funding from these entities of \$635,161. As of December 31, 2025, the Corporation had outstanding pledges receivables of \$165,650 from these entities expected to be received in 2026.

A Board member is a member of the Oak Bluffs Community Preservation Committee ("OBCPC"). From time to time OBCPC discusses and/or decides on issues that may affect the Corporation. As of December 31, 2025, the Corporation had outstanding pledges receivables of \$200,000 from the OBCPC expected to be received in 2026.

Board members have made investments in the Martha's Vineyard Future Financing ("MVFF") participation loan serviced by the Martha's Vineyard Bank to finance a rental property owned by the Corporation. These investments included the same terms offered to unrelated parties.

#### Note 4 - Donated services, property and facilities

For the year ended December 31, 2025, contributed nonfinancial assets recognized within the consolidated statement of activities included:

	Revenue recognized	Utilization in programs/activities	Donor Restrictions	Valuation Techniques and Inputs
Donated legal services	\$ 40,189	All	None	Fair market value of services provided
Donated goods and services	500	All	None	Fair market value of the services provided and goods at the date of donation
Total	<u>\$ 40,689</u>			

## Island Housing Trust Corporation and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2025

#### Note 5 - Investments

Investments are valued at fair value using Level 1 inputs, unadjusted quoted prices in active markets, and are comprised of the following as of December 31, 2025:

Domestic	
Fixed income - treasury bills	\$ 3,707,952
Total	<u>\$ 3,707,952</u>

Fixed income consists of United States Treasury Bills with various maturity dates through November 2026. It is the Corporation's intention to reinvest the amounts when maturity occurs for long-term stability of the Corporation. As such, the investments are included in investments, long-term in the accompanying consolidated statement of financial position.

#### Note 6 - Rental income

IHT wholly owns ten affordable housing rental properties. Rental income for the year ended December 31, 2025 was \$1,488,174. The expenses related to those rental properties are included in the accompanying consolidated statement of functional expenses within rental management.

#### Note 7 - Land leases

IHT leases parcels of land from DCRHA and the Town of West Tisbury, for an annual fee of \$1.

Lot Size	Location	Term	Start Date
1.3 Acres	Halcyon Way, West Tisbury	51 years	9-Jul-02
1.5 Acres	12 Clam Point Road, West Tisbury	51 years	30-Jul-13
2.86 Acres	565 Edgartown-West Tisbury Road, West Tisbury	51 years	30-Aug-17

During the term of the leases, immaterial annual rental payments are due to DCRHA and are included in occupancy on the accompanying statement of activities. The land leases contain other restrictive covenants relating to the use of the land as more fully described in the agreement. In addition, as additional rent, the Corporation is responsible for paying all charges associated with the property. All leases are considered to be operating leases.

#### Note 8 - Notes, lines of credit and mortgages payable

##### Line of Credit

As of December 31, 2025, IHT holds lines of credit with various lenders, ranging from \$50,000 to \$2,000,000, totaling up to \$2,550,000 of available credit. The interest rates are 1% per annum payable at any time before the due date of the loan. The terms are interest-only before those dates. Maturity dates range from 2026-2030. As of December 31, 2025, total outstanding principal was \$1,551,316.

**Island Housing Trust Corporation and Subsidiaries**

**Notes to Consolidated Financial Statements  
December 31, 2025**

**Amortizing Debt**

As of December 31, 2025, there were permanent loans accruing interest of 2.50% to 3.85%, generally secured by property, with principal and interest due generally monthly, with maturity dates from 2027 to 2053. As of December 31, 2025, total debt balances were \$8,230,822.

**Debt due at maturity only (no payments in term) or upon sale**

As of December 31, 2025, there were loans that were non-interest bearing, generally secured by property, with principal and interest due only at maturity, with maturity dates from 2028 to 2068, or upon sale of property. Certain of these notes are subject to forgiveness after a 15-year period, in accordance with the terms of the respective agreements. As of December 31, 2025, total debt balances were \$2,797,998.

**Debt payable from cash flows**

As of December 31, 2025, there were loans that are payable only from cash flows that were non-interest bearing, generally secured by the property, with maturity dates from 2041 to 2072. As of December 31, 2025, total debt balances were \$4,280,451.

The following are the minimum required principal payments on the notes, lines of credits and mortgages:

<u>Year Ended</u>		
2026	\$	2,021,935
2027		376,089
2028		210,230
2029		1,757,351
2030		462,561
Thereafter		12,032,421
Total	\$	<u>16,860,587</u>

Interest expense for the year ended December 31, 2025 was \$292,063.

**Note 9 - Rental management agreement**

IHT contracted with DCRHA and TCB to provide rental property management services to the rental properties owned by IHT. The units are to be leased to qualified households with incomes at or below a percentage of the area median income as defined by the Department of Housing and Urban Development ("HUD"). The maximum rent for the units shall not exceed a percentage of HUD median rents for the area.

Rental income is to be allocated as follows:

Administrative fees	7% of gross rental income
Management fees	6-8% of gross rental income
Capital reserve requirements	3% of gross rental income
Operating reserve account	5% of gross rental income

The term of each agreement is for three years and shall continue thereafter on mutually agreeable terms from year to year unless sooner terminated.

**Island Housing Trust Corporation and Subsidiaries**

**Notes to Consolidated Financial Statements  
December 31, 2025**

**Note 10 - Real estate sales and acquisitions**

During the year ended December 31, 2025, IHT acquired 40 Old Courthouse Road, West Tisbury, Massachusetts for \$600,000.

During the year ended December 31, 2025, IHT sold the project at 88 Pin Oak Circle, West Tisbury, Massachusetts for \$1,329,209, which is included in sales of buildings on the accompanying consolidated statement of activities.

**Note 11 - Restricted cash and reserves**

Deposits held with MHP and MassHousing, as required by loan agreements, consist of replacement reserves, operating escrows, repair escrows and tax and insurance escrows. The tax and insurance escrows are included in restricted cash - escrows on the accompanying consolidated balance sheet. The replacement reserves, operating escrows and repairs escrows are included in restricted cash - reserves on the accompanying consolidated balance sheet.

**Note 12 - Other assets**

IHT entered into two loans during the year ended December 31, 2025, and simultaneously, IHT purchased participation interests in the same loans ranging from 37.5% to 76.92%. The loan balances are reported as debt, with participation funds classified as other assets, as the debt represents valid payables owed to a third party, with the restricted cash becoming unrestricted upon payments received. Immaterial interest expense reflects only the net cost payable to third-party lenders. As of December 31, 2025, the restricted cash balance connected to these loans was \$785,011 and is included in other assets on the accompanying consolidated statement of financial position.

## Island Housing Trust Corporation and Subsidiaries

### Notes to Consolidated Financial Statements December 31, 2025

#### Note 13 - Property and equipment

Property and equipment consists of the following as of December 31, 2025:

Land	\$	6,786,813
Buildings - rental properties		
6 Water Street, Tisbury		2,065,897
Halcyon Way, West Tisbury		265,936
14 Village Court, Tisbury		1,103,259
12 Clam Point Road, West Tisbury		771,092
565 Edgartown Road, West Tisbury		3,084,783
28 Edgartown Road, Tisbury		2,973,106
20 Edgartown Road, Tisbury		2,386,271
16 Old Courthouse Road, West Tisbury		718,715
937 State Road, Tisbury		9,967,016
Carl Widdis Way, Aquinnah		2,154,427
Office building		1,266,766
Equipment		9,637
Software		6,445
Office furniture		2,352
Total property and equipment		<u>33,562,515</u>
Accumulated depreciation		<u>(3,651,479)</u>
	\$	<u>29,911,036</u>

Depreciation amounted to \$724,690 for the year ended December 31, 2025.

Land being developed totaled \$4,283,232 as of December 31, 2025.

#### Note 14 - Notes receivable

IHT has unallowed for notes receivable as of December 31, 2025 totaling \$40,034 related to immaterial agreements. IHT also has various notes that have been fully allowed for:

IHT has seven interest bearing notes from individuals for second mortgages on properties, which were sold to the individuals by IHT. The original balances of these notes receivable were \$102,632. The notes are secured by the properties and payable when refinanced or at resale. The Corporation has recorded an allowance in the full amount of the notes receivable as of December 31, 2025.

Additionally, the Corporation is a nonmajority owner of Tackenash Knoll LLC (formerly Southern Tier LLC) in Oak Bluffs, Massachusetts and Meshacket LLC in Edgartown, Massachusetts for the purpose of future development of affordable and workforce housing neighborhoods.

The Corporation has provided these properties lines of credit up to \$320,000 and \$290,000, respectively, both of which bore interest at 6% per annum and were due in full in May 2025. As of December 31, 2025, no amount remains outstanding.

**Island Housing Trust Corporation and Subsidiaries**

**Notes to Consolidated Financial Statements  
December 31, 2025**

In addition, the Corporation has extended non-interest bearing Sponsor notes payable to these properties in the total amount of \$9,862,445, of which \$4,917,994 has been advanced as of December 31, 2025. These loans are available to be repaid only from the properties' cash flows, behind other mortgage debt, with unpaid amounts due in full at maturity, which is to be fifty years from permanent loan closing. The Corporation has recorded an allowance in the full amount of these notes receivable as of December 31, 2025.

The Corporation also has development fee agreements with both properties to be earned over time as construction is completed. Total development fees earned during the year ended December 31, 2025, and included in other earned revenue on the accompanying consolidated statement of activities was

**Note 15 - Net assets with donor restrictions**

Net assets with donor restrictions consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of December 31, 2025, net assets with donor restrictions are restricted for the following purposes:

Leadership Circle - time restricted	\$	1,982,500
Tackenash Knoll		800,000
Cat Hollow at Lobster Alley		600,000
Veteran's at Bellevue		840,117
Meshacket		100,000
Leland		150,000
401 State Road		725,970
Time restricted only		880,244
<b>Total</b>	<b>\$</b>	<b>6,078,831</b>

Net assets released from restrictions during the year ended December 31, 2025 were \$3,948,478, of which \$2,359,405 was from program restrictions and \$1,589,074 was from time restrictions.

**Note 16 - Pledge receivables**

Pledge receivables are recorded after being discounted to the anticipated net present value of the future cash flows. Pledge receivables consist of the following as of December 31, 2025:

	Gross Promise	Unamortized discount		Total
2026	\$ 3,209,723	\$ -		\$ 3,209,723
2027	1,025,226	104,405		920,821
2028	740,540	29,622		710,918
2029	328,400	13,136		315,264
2030	92,500	3,700		88,800
Thereafter	100,000	4,000		96,000
	<u>\$ 5,496,389</u>	<u>\$ 154,863</u>		<u>\$ 5,341,526</u>

**Island Housing Trust Corporation and Subsidiaries**

**Notes to Consolidated Financial Statements  
December 31, 2025**

The applicable discount rates ranged between 1% to 4%. There has been no allowance recognized during the year ended December 31, 2025. As of December 31, 2025, 21% of the pledge receivables are due from two municipalities.

**Note 17 - Subsequent events**

The Corporation has performed an evaluation of subsequent events through June 2, 2026, which is the date the Corporation's financial consolidated statements were available to be issued. No material subsequent events have occurred since December 31, 2025 that required recognition or disclosure in these consolidated financial statements.

## **Supplementary Information**

**Island Housing Trust Corporation and Subsidiaries**

**Supplemental Consolidated Schedule of Rental Program Expenses - Unaudited  
For the Year Ended December 31, 2025  
With Comparative Totals for the Year Ended December 31, 2024**

	Rental management										2025	2024
	Halycon Way	14 Village Court	Sepiessa II	Hanover	Water Street	Scotts Grove	16 Old Courthouse	Perlman House	Kuehns Way	Carl Widdis Way		
Insurance	\$ 4,715	\$ 13,026	\$ 7,312	\$ 27,918	\$ 13,537	\$ 21,744	\$ 3,772	\$ 11,350	\$ 41,727	\$ 9,688	\$ 154,789	\$ 91,318
Depreciation	6,819	28,360	19,772	76,852	53,061	79,097	18,429	64,868	290,070	54,881	692,209	653,345
Administrative management	8,159	6,300	3,091	545	6,785	12,841	3,169	45,108	87,095	7,280	180,373	129,193
Property management fee	3,060	6,864	3,360	16,092	7,380	13,320	3,444	8,468	29,345	7,944	99,277	92,806
Interest expense	4,373	12,572	6,559	46,078	12,572	18,585	7,123	13,928	74,978	14,921	211,689	199,222
Repairs and maintenance	19,344	35,897	7,573	83,260	45,867	51,703	17,803	20,779	91,987	26,456	400,669	356,568
Miscellaneous	900	2,109	-	-	5,920	28,469	9,041	2,973	-	-	49,412	23,672
Telephone	-	-	-	10,262	1,990	-	-	-	-	-	12,252	13,012
Utilities	296	3,564	228	9,271	7,873	9,872	904	12,956	29,017	276	74,257	67,252
Property taxes	430	1,202	646	13,401	656	1,937	948	6,355	20,116	2,779	48,470	34,428
<b>Total expenses</b>	<b>\$ 48,096</b>	<b>\$ 109,894</b>	<b>\$ 48,541</b>	<b>\$ 283,679</b>	<b>\$ 155,641</b>	<b>\$ 237,568</b>	<b>\$ 64,633</b>	<b>\$ 186,785</b>	<b>\$ 664,335</b>	<b>\$ 124,225</b>	<b>\$ 1,923,397</b>	<b>\$ 1,660,816</b>

See Independent Auditor's Report.



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