

**HABITAT FOR HUMANITY  
OF WILLIAMSON COUNTY TEXAS, INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED**

**JUNE 30, 2018 AND 2017**

**WITH INDEPENDENT AUDITORS' REPORT**

DIANE W. FULMER, CPA, PC  
109 S. HARRIS ST., STE. 120  
ROUND ROCK, TEXAS 78664  
512-388-0582

HABITAT FOR HUMANITY OF WILLIAMSON COUNTY TEXAS, INC.

INDEX TO THE FINANCIAL STATEMENTS

	PAGE
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statement of Functional Expenses Year Ended June 30, 2018	4
Statement of Functional Expenses Year Ended June 30, 2017	5
Statements of Cash Flows	6
Notes to the Financial Statements	7



**DIANE W. FULMER**  
CPA, PC

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Habitat for Humanity of Williamson County Texas, Inc.

I have audited the accompanying financial statements of Habitat for Humanity of Williamson County Texas, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Williamson County, Texas, Inc. as of June 30, 2018, 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.

**Report on Summarized Comparative Information**

The 2017 financial statements were audited by me dated September 28, 2017. The report expressed an unmodified opinion. In my opinion, the summarized comparative information presented on the Statement of Activities and Changes in Net Assets for the year ended June 30, 2017, is consistent, in all material respects, with the audited Statement of Activities and Changes in Net Assets from which it has been derived.

Diane W. Fulmer, CPA  
Round Rock, Texas  
September 19, 2018

**HABITAT FOR HUMANITY OF WILLIAMSON COUNTY TEXAS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2018 AND 2017**

<b>ASSETS</b>	2018	2017
<b>Current Assets</b>		
Cash and cash equivalents	\$ 329,148	\$ 381,841
Mortgage receivable, current portion (net of discount)	185,272	180,410
Accounts receivable	170,102	117,505
Prepaid expenses	38,944	40,546
Inventory	19,505	18,763
Total Current Assets	742,971	739,065
<b>Property and Equipment</b>		
Furniture and fixtures	27,492	27,492
Equipment	89,481	70,503
Leasehold improvements	76,174	76,174
Less accumulated depreciation	(99,445)	(85,115)
Net Property and Equipment	93,702	89,054
<b>Other Assets</b>		
Construction in progress	110,802	167,192
Home held for sale	212,487	-
Land for development	119,870	213,141
Mortgages receivables (net of discount), long term portion	1,019,975	992,459
Deposits	9,513	9,213
Total Other Assets	1,472,647	1,382,005
<b>Total Assets</b>	<b>\$ 2,309,320</b>	<b>\$ 2,210,124</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 33,942	\$ 25,826
Line of credit	89,841	31,602
City of Round Rock payable	2,507	3,751
Williamson County payable	18,688	11,841
Notes payable, current portion (net of discount)	83,476	102,320
Homeowners downpayment	2,000	2,000
Homeowners escrow accounts	107,379	89,614
Accrued expenses	12,902	13,896
Deferred revenue	62,553	55,398
Total Current Liabilities	413,288	336,248
<b>Noncurrent Liabilities</b>		
Notes payable (net of discount and current portion)	241,181	227,039
Total Noncurrent Liabilities	241,181	227,039
<b>Total Liabilities</b>	654,469	563,287
<b>Net Assets</b>		
Unrestricted	1,464,862	1,545,802
Temporarily restricted	189,989	101,035
Total Net Assets	1,654,851	1,646,837
Total Liabilities and Net Assets	<b>\$ 2,309,320</b>	<b>\$ 2,210,124</b>

The accompanying notes are an integral part to these financial statements

**HABITAT FOR HUMANITY OF WILLIAMSON COUNTY TEXAS, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2018**  
(With Summarized Financial Information for the Year Ended June 30, 2017)

	Unrestricted	Temporarily Restricted	2018 Total	2017 Total
<b>REVENUES AND GAINS</b>				
Support and revenue:				
Grant revenue	\$ -	\$ 188,914	\$ 188,914	\$ 241,129
Contributions	145,830	89,809	235,639	218,602
In-kind contributions	484,538	59,020	543,558	555,716
House construction sponsor	-	-	-	17,898
ReStore income	487,629	-	487,629	451,357
Sale to homeowners	301,478	-	301,478	236,160
Mortgage discount income	69,047	-	69,047	-
Mortgage discount amortization	112,224	-	112,224	95,557
Other program income	14,072	-	14,072	19,775
Interest income	831	-	831	991
Gain on foreclosure	165,310	-	165,310	-
Gain from asset theft	894	-	894	-
Realized gain(loss)	(87)	-	(87)	87
	1,781,766	337,743	2,119,509	1,837,272
Net assets released from restrictions:				
Satisfaction of purpose restrictions	248,789	(248,789)	-	-
<b>TOTAL REVENUES AND GAINS</b>	<b>\$ 2,030,555</b>	<b>\$ 88,954</b>	<b>\$ 2,119,509</b>	<b>\$ 1,837,272</b>
<b>EXPENSES AND LOSSES</b>				
Program Services				
Home building and repairs	901,732	-	901,732	895,550
ReStore	998,748	-	998,748	903,943
Total program services	1,900,480	-	1,900,480	1,799,493
Supporting Services:				
General and administrative	88,437	-	88,437	80,587
Development and fundraising	122,578	-	122,578	119,061
Total supporting services	211,015	-	211,015	199,648
<b>TOTAL EXPENSES</b>	<b>\$ 2,111,495</b>	<b>\$ -</b>	<b>\$ 2,111,495</b>	<b>\$ 1,999,141</b>
<b>INCREASES (DECREASES) IN NET ASSETS</b>	<b>(80,940)</b>	<b>88,954</b>	<b>8,014</b>	<b>(161,869)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,545,802</b>	<b>101,035</b>	<b>1,646,837</b>	<b>1,808,706</b>
<b>NET ASSETS (DEFICIT), END OF YEAR</b>	<b>\$ 1,464,862</b>	<b>\$ 189,989</b>	<b>\$ 1,654,851</b>	<b>\$ 1,646,837</b>

The accompanying notes are an integral part to these financial statements

**HABITAT FOR HUMANITY OF WILLIAMSON COUNTY TEXAS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Home Building and Repairs</u>	<u>ReStore</u>	<u>General and Administrative</u>	<u>Development and Fundraising</u>	
Advertising	\$ -	\$ -	\$ -	\$ 2,024	\$ 2,024
Automobile	29	8,430	-	-	8,459
Bank charges	-	7,274	-	3,544	10,818
Construction	49,069	-	-	-	49,069
Contract labor	-	-	-	-	-
Cost of goods sold	-	483,795	-	-	483,795
Cost of land transferred	98,874	-	-	-	98,874
Cost of homes transferred	317,172	-	-	-	317,172
Home dedications	174	-	-	-	174
Depreciation	5,275	12,062	724	-	18,061
Family selection and election	716	-	-	-	716
Habitat for Humanity International SOSI	7,500	3,750	1,875	1,875	15,000
Habitat for Humanity International tithe	6,000	-	-	-	6,000
Insurance	9,648	10,734	3,758	1,652	25,792
Interest expense	24,275	3,642	191	-	28,108
Legal and professional	5,633	-	8,000	1,100	14,733
Loan servicing	12,370	-	-	-	12,370
Marketing	11,080	17,924	2,998	3,721	35,723
Mortgage discount expense	118,830	-	-	-	118,830
Other employee benefits	9,132	26,328	7,705	6,374	49,539
Other expense	2,651	-	204	-	2,855
Payroll expenses	12,878	20,534	8,359	7,067	48,838
Postage	267	-	360	618	1,245
Printing	-	-	162	2,496	2,658
Rent	16,787	138,018	1,922	1,922	158,649
Repairs and maintenance	2,259	3,698	693	-	6,650
Salaries	155,654	215,914	40,661	86,983	499,212
Small tools	5,684	-	-	-	5,684
Supplies	2,460	8,518	4,353	470	15,801
Telephone and fax	1,390	-	2,984	598	4,972
Training	2,952	520	2,551	677	6,700
Travel	6,528	3,154	257	799	10,738
Utilities & occupancy expenses	3,674	34,453	680	658	39,465
Volunteer expenses	12,771	-	-	-	12,771
	<u>\$ 901,732</u>	<u>\$ 998,748</u>	<u>\$ 88,437</u>	<u>\$ 122,578</u>	<u>\$ 2,111,495</u>

The accompanying notes are an integral part to these financial statements

**HABITAT FOR HUMANITY OF WILLIAMSON COUNTY TEXAS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2017**

	Program Services		Supporting Services		Total
	Home Building and Repairs	ReStore	General and Administrative	Development and Fundraising	
Advertising	\$ -	\$ 63	\$ -	\$ 4,219	\$ 4,282
Automobile	574	5,402	-	-	5,976
Bank charges	-	7,654	-	1,280	8,934
Construction	75,148				75,148
Contract labor	4,317	2,159	1,079	1,079	8,634
Cost of goods sold		448,703			448,703
Cost of land transferred	98,925				98,925
Cost of homes transferred	300,289				300,289
Home dedications	179				179
Depreciation	10,976	-	724	-	11,700
Family selection and election	791				791
Habitat for Humanity International SOSI	7,500	3,750	1,875	1,875	15,000
Habitat for Humanity International tithe	8,000				8,000
Insurance	15,312	6,717	4,262	1,701	27,992
Interest expense	38,963	2,177	-	-	41,140
Legal and professional	3,734	-	5,900	1,950	11,584
Loan servicing	9,168				9,168
Marketing	-	19,250	-	36	19,286
Mortgage discount expense	93,573				93,573
Other employee benefits	7,364	18,182	6,987	5,055	37,588
Other expense	2,617	-	56	-	2,673
Payroll expenses	12,746	17,351	8,001	7,017	45,115
Postage	186	-	304	894	1,384
Printing	190	-	157	4,286	4,633
Rent	15,658	126,095	1,793	1,793	145,339
Repairs and maintenance	2,879	3,667	799	-	7,345
Salaries	149,122	190,259	40,647	83,973	464,001
Small tools	3,143				3,143
Supplies	2,516	16,924	2,405	387	22,232
Telephone and fax	2,096	-	3,384	304	5,784
Training	3,237	617	956	1,169	5,979
Travel	4,322	3,499	555	1,367	9,743
Utilities & occupancy expenses	2,698	31,474	703	676	35,551
Volunteer expenses	19,327	-	-	-	19,327
	<u>\$ 895,550</u>	<u>\$ 903,943</u>	<u>\$ 80,587</u>	<u>\$ 119,061</u>	<u>\$ 1,999,141</u>

The accompanying notes are an integral part to these financial statements

**HABITAT FOR HUMANITY OF WILLIAMSON COUNTY TEXAS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
<b>Cash Flows From Operating Activities:</b>		
Increase (Decrease) in Net Assets	\$ 8,014	\$ (161,869)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash provided by Operating Activities:		
Depreciation	18,061	11,700
Gain from asset theft	(894)	-
(Increase) and Decrease in Operating Assets:		
Accounts receivable	(52,597)	(17,892)
Mortgages receivable-net	(32,378)	(13,869)
Prepaid expenses	1,602	(18,048)
Inventory	(742)	4,528
Construction in progress	56,390	(132,069)
Homes held for sale	(212,487)	-
Land for development	93,271	61,768
Deposits	(300)	(98)
(Decrease) and Increase in Operating Liabilities:		
Accounts payable	8,116	(1,111)
City of Round Rock payable	(1,244)	(1,475)
Williamson County payable	6,847	5,339
Accrued expenses	(994)	(1,138)
Deferred revenue	7,155	5,398
Homeowner escrow and deposits	17,765	10,725
Homeowner downpayment	-	1,000
Net Cash Provided by Operating Activities	(84,415)	(247,111)
<b>Cash Flows From Investing Activities:</b>		
Purchase of fixed assets	(25,907)	(26,524)
Proceeds from asset theft	4,091	-
Net Cash Used in Investing Activities	(21,816)	(26,524)
<b>Cash Flows From Financing Activities:</b>		
Proceeds from long-term debt	268,423	265,155
Payments made on long-term debt	(214,885)	(173,421)
Net Cash Provided by Financing Activities	53,538	91,734
Net Decrease in Cash and Cash Equivalents	(52,693)	(181,901)
Cash at Beginning of Year	381,841	563,742
Cash at End of Year	\$ 329,148	\$ 381,841
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the year for:		
Interest	\$ 28,108	\$ 41,140
Income Taxes	-	-

**Disclosure of accounting policy:**

For purposes of the statement of cash flows, the company considers all highly liquid investments with a maturity date of three months or less to be cash equivalents.

The accompanying notes are an integral part to these financial statements



**HABITAT FOR HUMANITY OF WILLIAMSON COUNTY TEXAS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**Summary of HFHWC and Activities**

Habitat for Humanity of Williamson County Texas, Inc. (HFHWC) is a Texas nonprofit organization. HFHWC's headquarters is located in Georgetown, Texas. It is an affiliate of Habitat for Humanity International, Inc., which is a nonprofit, nondenominational Christian housing organization. HFHWC with the help of volunteer labor and donations of money and materials, brings communities and people together to create and sustain home ownership in Williamson County. Home ownership opportunity is created for a qualified family through new construction or rehab/recycle of an existing home. Sustaining home ownership opportunity is provided for a qualified family who owns their home but does not have the skills or resources to repair the home.

Since 2004, HFHWC has operated the ReStore program through one ReStore location in Georgetown. Beginning in July 2016, an additional ReStore is operating in Round Rock. The ReStore is a retail center that provides donated new and gently used building materials, appliances and furniture to the general public at reduced prices. Proceeds from the ReStore program financially support the programs and mission of HFHWC.

HFHWC is a non-profit organization exempt from federal income taxes under Section 501C(3) of the Internal Revenue Code, and is exempt from federal income taxes and has been classified as a publicly supported organization as described in Section 509(a)(1) and 170(b)(A)(VI). HFHWC was incorporated on February 11, 1999, pursuant to the Texas Non-Profit Corporation Act of the State of Texas. On July 1, 2007, Habitat for Humanity of Greater Round Rock merged with Habitat for Humanity of Greater Georgetown, the surviving corporation, and changed its name to Habitat for Humanity of Williamson County Texas, Inc.

**NOTE 1: Summary of Significant Accounting Policies**

The accompanying financial statements of HFHWC have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States. That is, revenues are recognized when earned and expenses are recognized when incurred.

HFHWC follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities – Presentation of Financial Statements*. Under FASB ASC 958, the HFHWC is required to report information regarding its financial position and activities to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Also in accordance with ASC 958, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

A description of the three net asset categories follows:

Unrestricted – Net assets that are not subject to any donor-imposed restriction.

Temporarily restricted – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**HABITAT FOR HUMANITY OF WILLIAMSON COUNTY TEXAS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

Permanently restricted – Net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization. The Organization has no permanently restricted assets.

For the purpose of the Statements of Cash Flows, HFHWC considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Certificate of Deposits are included in this definition as any penalties for early withdrawal would not have a material effect on the financial statements. Invested cash, cash in accounts of investment custodians, is excluded from this definition.

Mortgages receivable consist of non-interest bearing mortgages, which are secured by real estate and payable in monthly installments. The mortgages have an original maturity of 20 to 30 years. These mortgages have been discounted at various rates ranging from 7.39% to 8.34%, based on prevailing market rates at the inception of the mortgages. Mortgage discount expense (amortization of the discount) is recorded using the straight line method over the lives of the mortgages.

Property and equipment are capitalized at cost if they exceed the \$2,500 capitalization threshold. Fixed assets donated are capitalized at fair market value at the date of donation. All assets are depreciated on the straight-line basis over 3 to 15 years. Depreciation expense amounted to \$18,061 and \$11,700 for the years ended June 30, 2018 and 2017, respectively.

Land inventory consists of home lots to be developed and costs incurred in conjunction with home construction. They are capitalized until completion and sale of each home. Home lot inventory was \$119,870 and \$213,141 as of June 30, 2018 and 2017, respectively. As of June 30, 2018, there was one home held for sale that was acquired as a foreclosure. The amount held as of year ending June 30, 2018 is \$212,487.

Revenue is recognized in the period in which it is earned. As of June 30, 2018 and 2017, HFHWC received contributions for future periods amounting to \$62,553 and \$55,398, respectively.

Grants, gifts of cash, and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of net activities as net assets released from restrictions. The board has the ability to internally designate contributions as needed.

Donations of goods and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Donation of permanent assets have explicit restrictions that specify how the assets are to be used are reported as restricted support. In the absence of explicit donor stipulations about how long-lived assets must be maintained, HFHWC reports expirations of donor restrictions when the donated or acquired long-lived assets are placed.

ReStore revenue is recognized when the donated goods are sold. ReStore expenses are recognized when incurred.

Costs have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**HABITAT FOR HUMANITY OF WILLIAMSON COUNTY TEXAS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

A substantial number of volunteers have made significant contributions of their time to HFHWC's program and supporting services. The value of this contributed time is not reflected in these financial statements since it is susceptible to objective measurement or valuation.

Construction in progress is recorded at cost and includes all direct material, labor, and equipment costs and those indirect costs related to home construction such as indirect labor, supplies and tool costs. Land costs included in construction in progress are stated at cost or fair value at the date of the contribution or purchase. Included in land costs are any costs incurred in acquisition or development. When revenue from the sale of the home is recognized, the corresponding costs are then expensed in the statement of activities as program services.

Each house sale to a qualified family is recorded as a transfer to homeowner at the gross mortgage. These mortgages do not bear interest, but have been discounted based upon applicable rates of interest published by Habitat for Humanity International, Inc. Then using the interest method of amortization, the discount will be recognized as mortgage loan amortization over the term of the mortgages.

Cost incurred in conjunction with home construction are capitalized. Construction costs are expensed during the year a home is sold and included in program services.

The preparation of financial statements in conformity with the U.S. generally accepted accounting principles requires the use of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates included in the financial statements are the useful lives of property and equipment and the unamortized discount for non-interest bearing mortgage loans receivable and payable. Actual results could differ from those estimates.

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with HFHWC's financial statements for the year ended June 30, 2017 from which the summarized information was derived.

HFHWC files its forms 990 in the U.S. federal jurisdiction. HFHWC is no longer subject to examination by the Internal Revenue Service for years before 2015.

HFHWC has been granted exemptions from federal income tax under Section 501(c)(3) of the Internal Revenue Code. As such, no provision for income tax is reflected in the financial statements.

The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, HFHWC may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of HFHWC and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from a tax position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal years 2018 and 2017.

**HABITAT FOR HUMANITY OF WILLIAMSON COUNTY TEXAS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 2: Operating Leases**

In Georgetown, HFHWC leases two warehouses for administration, program activities, equipment storage, and the Georgetown ReStore. In Round Rock, space is leased for the Round Rock ReStore. The leases are strict operating leases that expire on May 31, 2022, and July 31, 2021, respectively. Operating lease expenses of \$158,649, and \$145,339 were incurred during fiscal year 2018 and 2017, respectively. Total future minimum lease payments are as follows as of June 30, 2018:

<u>Year Ending June 30,</u>	<u>Minimum Lease Rentals</u>
2019	\$ 154,609
2020	158,274
2021	161,925
2022	68,569
2023	-
2024 and beyond	-
	<u>\$ 543,376</u>

**NOTE 3: Long-Term Debt**

Long-term debt, net of discount, consists of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Notes payable to Texas Department of Housing and Community Affairs (TDHCA) in the original amount \$734,500 as of both June 30, 2018 and 2017, non-interest bearing, discount calculated based on a hypothetical imputed interest rate ranging between 7.39% and 8.14%, the rate is provided annually by Habitat for Humanity International resulting in a discount of \$263,031 and \$216,320 as of June 30, 2018 and 2017, respectively. HFHWC remits monthly payments of \$2,734 and the loans mature February 2027 through November 2045.	\$ 252,487	\$ 240,693
Note payable to BancorpSouth; interest rate at 4.5%; due April 5, 2022. Secured by mortgages.	<u>72,170</u>	<u>88,666</u>
Total outstanding balance	324,657	329,359
Less current portion	<u>(83,476)</u>	<u>(102,320)</u>
Total long-term debt	<u>\$ 241,181</u>	<u>\$ 227,039</u>

**HABITAT FOR HUMANITY OF WILLIAMSON COUNTY TEXAS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 3: Long-Term Debt (continued)**

Future scheduled maturities of long-term debt are as follows:

	2019	\$	83,476
	2020		11,306
	2021		11,306
	2022		11,306
	2023		11,306
	2024 and beyond		195,957
			\$ 324,657

**NOTE 4: Mortgages Receivable**

Mortgages receivable consists of non-interest bearing loans, payable monthly over 20 or 30 years and secured by certain real estate in connection with the HFHWC's homebuilding initiatives in Williamson County, Texas. The closing costs are included in the mortgage and an escrow is held for taxes and insurance.

The mortgages are non-interest bearing for the life of the loan; however, a discount (calculated based on the imputed interest rate provided annually by Habitat for Humanity International) is recognized by HFHWC at each sale so the financial statements only reflect, at any point in time, the present value of future payments to be received. It is presented on the balance sheet as a reduction to mortgages receivable and is amortized over the life of the mortgage. Discount rates range from 7.39% to 8.34% based on the applicable interest rate published by Habitat for Humanity International, Inc. for the year the loan was made.

In addition to the reported mortgage receivables described above, a subordinate lien is established at the closing of each home for the difference between the appraised value and the actual sales price of the home. The amount of the subordinate lien is forgiven over the life of the loan; however, no amounts associated with the subordinate lien, or a portion thereof, is collected until the mortgage is paid in full or the home is sold; therefore, the amount collectible is unknown.

Future minimum principal payments due are as follows:

Year Ending June 30,	Gross receipts	Discount amortization	Net minimum principal payments
2019	\$ 185,272	\$ 113,312	\$ 71,960
2020	185,272	113,312	71,960
2021	185,272	113,312	71,960
2022	185,272	113,312	71,960
2023	185,272	113,312	71,960
2024 and beyond	1,676,454	831,011	845,443
	\$ 2,602,814	\$ 1,397,571	\$ 1,205,243

The future minimum principal payments noted above are as of June 30, 2018. The receivable balance at each respective fiscal year end is based on current mortgage payments. Management expects the balance to increase during future periods.

**HABITAT FOR HUMANITY OF WILLIAMSON COUNTY TEXAS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 5: Concentrations of Credit Risk and Market Risk**

HFHWC maintains cash balances in several financial institutions located in Texas. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2018 and 2017, HFHWC had no uninsured cash balances.

HFHWC's purpose is to provide housing for low-income homeowners. As such, it is likely that the mortgage holders would be unable to qualify for a mortgage from a traditional financial institution. This poses an inherent risk to HFHWC that the mortgages receivable will be partially uncollectible. To mitigate the risk of overstating the ability of HFHWC to fully collect the mortgages, the notes receivable have been discounted using the prevailing market rate for low-income housing at the inception of the note. Additionally, all notes receivable are collateralized by the real estate associated with the mortgage.

As of June 30, 2018, HFHWC has a 93% success rate of its homeowners maintaining home ownership. HFHWC has completed the foreclosure process five times since the organization's inception in 1999.

**NOTE 6: Home Construction and Repairs**

Real estate costs, building materials and contract labor are recorded at cost when incurred. The administrative costs of developing projects are allocated to the respective projects. Repairs were done on owner occupied houses throughout Williamson County.

New home construction activity for the year ended June 30, 2018 and 2017, is as follows:

	<u>New Home Construction</u>	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>
New homes started in prior years, sold in current year	1	2
New homes started, completed, and sold	2	2
New homes started, completed, and not sold	0	0
New homes started, not completed	2	2

Rehabilitated home construction activity for the year ended June 30, 2018 and 2017 is as follows:

	<u>Rehabilitated Home Construction</u>	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Rehabilitated homes started in prior years, sold in current year	1	0
Rehabilitated homes started, completed, and sold	0	0
Rehabilitated homes started, completed, and not sold	0	0
Rehabilitated homes started, not completed	0	1

**HABITAT FOR HUMANITY OF WILLIAMSON COUNTY TEXAS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 6: Home Construction and Repairs (continued)**

Home repair activity for the year ended June 30, 2018 and 2017 is as follows:

	Home Repairs	
	June 30, 2018	June 30, 2017
Home repairs started in prior years, completed in current year	3	2
Home repairs started and completed in current year	11	14
Home repairs started in current year but not completed	3	3

**NOTE 7: Sales to Homeowners**

During the years ended June 30, 2018 and 2017, 4 and 4 homes were sold to qualifying applicants, respectively. The resulting mortgages are non-interest bearing and the presentation of their book value has been discounted based upon the prevailing market rates for low-income housing at the inception of the mortgages (current year's rate is 7.57%). The discount totaled \$112,224 for 2018 and \$95,557 for 2017.

In addition, during the fiscal year ending June 30, 2018, HFHWC oversaw the construction of 2 homes as a member of the 2015 Memorial Day Flood Event Long Term Recovery Committee. The two homeowners did not have resources to re-build on their own. They did not have to meet HFHWC homeownership program qualifications; however, both families have annual income within 30-50% of Williamson County median income.

**NOTE 8: Advertising**

HFHWC uses advertising to recognize donors and supporters. Advertising expenses are expensed as incurred. For the year ended June 30, 2018 and 2017, advertising expenses of \$2,024 and \$4,282 was incurred, respectively.

**NOTE 9: Restricted Net Assets**

Temporarily restricted net assets consisted of the following as of June 30, 2018 and 2017:

	2018	2017
Temporarily Restricted:		
Grants	\$ 126,692	\$ 48,137
House Sponsorships	63,297	52,898
Total temporarily restricted net assets	\$ 189,989	\$ 101,035

**NOTE 10: Line of Credit**

HFHWC has an available revolving line of credit at a local financial institution in the amount of \$100,000 expiring in August 2019. The line of credit is used for short-term loans for amounts that will be reimbursed by an outside source and is secured by mortgages. There was \$89,842 and \$31,602 outstanding on this line of credit as of June 30, 2018 and 2017.

**HABITAT FOR HUMANITY OF WILLIAMSON COUNTY TEXAS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

**NOTE 11: Transactions with Habitat for Humanity International**

HFHWC annually remits a Board of Directors approved amount per house sold to a qualified family to Habitat for Humanity International as a tithe. These funds are used to construct homes in economically depressed areas around the world. For the year ended June 30, 2018 and 2017, Habitat contributed \$6,000 and \$8,000, respectively. In addition to these unrestricted contributions to Habitat for Humanity International, HFHWC also paid a Stewardship & Organizational Sustainability Fee (SOSI) in the amount of \$15,000 for the year ended June 30, 2018 and \$15,000 for the year ended June 30, 2017.

**NOTE 12: Foreclosure on homes**

If a homeowner is in default on a mortgage loan and HFHWC determines that loss mitigation is not reasonable under the circumstances, HFHWC may decide to foreclose and recycle the house for another qualified family. In these transactions, HFHWC must establish a fair market value of the house by obtaining an appraisal for the house "as is". During 2018, a home was foreclosed on by HFHWC. The appraisal price "as is" is \$212,458. The gain on the foreclosure is \$165,310.

**NOTE 13: Evaluation of Subsequent Events**

HFHWC has evaluated events through September 19, 2018, the date of which the financial statements were available to be issued.