

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

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED**

**JUNE 30, 2019 AND 2018**

**WITH INDEPENDENT AUDITOR'S 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.

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**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, 2019, 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, 2019, 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**

I have previously audited Habitat for Humanity of Williamson County Texas, Inc's 2018 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated September 19, 2018. In my opinion, the summarized comparative information presented on the Statement of Activities and Changes in Net Assets for the year ended June 30, 2018, 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  
October 3, 2019

**HABITAT FOR HUMANITY OF WILLIAMSON COUNTY TEXAS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2019 AND 2018**

<b>ASSETS</b>	2019	2018
<b>Current Assets</b>		
Cash and cash equivalents	\$ 324,542	\$ 329,148
Mortgage receivable, current portion (net of discount)	195,822	185,272
Accounts receivable	145,772	170,102
Prepaid expenses	44,560	38,944
Inventory	16,985	19,505
Total Current Assets	727,681	742,971
<b>Property and Equipment</b>		
Furniture and fixtures	15,087	27,492
Equipment	120,328	89,481
Leasehold improvements	115,054	76,174
Less accumulated depreciation	(98,505)	(99,445)
Net Property and Equipment	151,964	93,702
<b>Other Assets</b>		
Construction in progress	104,689	110,802
Home held for sale	212,487	212,487
Land for development	97,130	119,870
Mortgages receivables (net of discount), long term portion	1,007,672	1,019,975
Deposits	9,213	9,513
Total Other Assets	1,431,191	1,472,647
<b>Total Assets</b>	\$ 2,310,836	\$ 2,309,320
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 31,954	\$ 33,942
Line of credit	-	89,841
City of Round Rock payable	1,513	2,507
Williamson County payable	24,297	18,688
Notes payable, current portion (net of discount)	67,018	83,476
Homeowners downpayment	1,000	2,000
Homeowners escrow accounts	121,077	107,379
Accrued expenses	9,133	12,902
Deferred revenue	92,235	62,553
Total Current Liabilities	348,227	413,288
Long-Term Debt (net of discount and current portion)	254,665	241,181
<b>Total Liabilities</b>	602,892	654,469
<b>Net Assets</b>		
Without donor restrictions	1,568,936	1,464,862
With donor restrictions	139,008	189,989
Total Net Assets	1,707,944	1,654,851
Total Liabilities and Net Assets	\$ 2,310,836	\$ 2,309,320

See accompanying notes.

**HABITAT FOR HUMANITY OF WILLIAMSON COUNTY TEXAS, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
(With Summarized Financial Information for the Year Ended June 30, 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018 Total</u>
<b>REVENUES AND GAINS</b>				
Support and revenue:				
Grant revenue	\$ -	\$ 149,906	\$ 149,906	\$ 188,914
Contributions	196,708	45,757	242,465	235,639
In-kind contributions	421,080	284,236	705,316	543,558
ReStore income	424,777	-	424,777	487,629
Sale to homeowners	242,760	-	242,760	301,478
Mortgage discount income	37,837	-	37,837	69,047
Mortgage discount amortization	113,719	-	113,719	112,224
Other program income	39,217	-	39,217	14,072
Interest income	718	-	718	831
Gain on foreclosure	-	-	-	165,310
Gain from sale of home	29,711	-	29,711	894
Realized gain(loss)	-	-	-	(87)
	<u>1,506,527</u>	<u>479,899</u>	<u>1,986,426</u>	<u>2,119,509</u>
Net assets released from restrictions:				
Satisfaction of purpose restrictions	<u>530,880</u>	<u>(530,880)</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES AND GAINS</b>	<b>\$ 2,037,407</b>	<b>\$ (50,981)</b>	<b>\$ 1,986,426</b>	<b>\$ 2,119,509</b>
<b>EXPENSES AND LOSSES</b>				
Program Services				
Home ownership	557,076	-	557,076	808,863
Home repair	157,403	-	157,403	92,869
ReStore	<u>962,709</u>	<u>-</u>	<u>962,709</u>	<u>998,748</u>
Total program services	1,677,188	-	1,677,188	1,900,480
Supporting Services:				
General and administrative	119,952	-	119,952	88,437
Development and fundraising	<u>136,193</u>	<u>-</u>	<u>136,193</u>	<u>122,578</u>
Total supporting services	<u>256,145</u>	<u>-</u>	<u>256,145</u>	<u>211,015</u>
<b>TOTAL EXPENSES</b>	<b>\$ 1,933,333</b>	<b>\$ -</b>	<b>\$ 1,933,333</b>	<b>\$ 2,111,495</b>
<b>INCREASES (DECREASES) IN NET ASSETS</b>	<b>104,074</b>	<b>(50,981)</b>	<b>53,093</b>	<b>8,014</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b><u>1,464,862</u></b>	<b><u>189,989</u></b>	<b><u>1,654,851</u></b>	<b><u>1,646,837</u></b>
<b>NET ASSETS (DEFICIT), END OF YEAR</b>	<b>\$ <u>1,568,936</u></b>	<b>\$ <u>139,008</u></b>	<b>\$ <u>1,707,944</u></b>	<b>\$ <u>1,654,851</u></b>

See accompanying notes.

**HABITAT FOR HUMANITY OF WILLIAMSON COUNTY TEXAS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Program Services			Supporting Services		Total
	Home Ownership	Home Repair	ReStore	General and Administrative	Development and Fundraising	
Advertising	\$ 538	\$ 375	\$ 2,419	\$ 498	\$ 6,733	\$ 10,563
Automobile	108	23	8,341	23	23	8,518
Bank charges	22	7	7,130	-	4,411	11,570
Community awareness	455	-	-	-	-	455
Construction	901	104,311	-	-	-	105,212
Contract labor	-	-	82,009	-	1,200	83,209
Cost of goods sold	-	-	423,600	-	-	423,600
Cost of land transferred	74,112	-	-	-	-	74,112
Cost of homes transferred	168,927	-	-	-	-	168,927
Home dedications	80	-	-	-	-	80
Depreciation	16,030	-	-	1,330	-	17,360
Donor recognition	-	-	-	-	5,133	5,133
Family selection and election	372	-	-	-	-	372
HFH International SOSI	2,500	2,500	5,000	2,500	2,500	15,000
HFH International Tithes	3,750	-	-	-	-	3,750
Impact research	2,000	-	-	-	-	2,000
Insurance	8,060	2,328	11,463	6,917	1,816	30,584
Interest expense	25,599	-	2,892	-	-	28,491
Legal and professional	1,928	-	-	7,331	1,200	10,459
Loan servicing	18,010	-	-	-	-	18,010
Mortgage discount expense	85,755	-	-	-	-	85,755
Other employee benefits	4,996	2,753	20,350	7,692	6,054	41,845
Other expense	644	-	-	335	-	979
Payroll expenses	8,039	2,880	16,131	9,686	7,461	44,197
Postage	461	2	-	468	343	1,274
Rent	14,871	1,422	135,131	6,148	2,618	160,190
Repairs and maintenance	1,259	206	13,002	335	140	14,942
Salaries	95,306	37,820	182,515	61,952	91,894	469,487
Small tools	205	-	-	-	-	205
Supplies	2,099	666	9,784	6,563	1,732	20,844
Telephone and fax	1,098	269	-	3,623	1,201	6,191
Training	2,097	52	58	649	327	3,183
Travel	6,988	-	2,140	1,006	400	10,534
Utilities & occupancy expenses	1,775	1,006	38,622	2,896	1,007	45,306
Volunteer expenses	8,091	783	2,122	-	-	10,996
	<u>\$ 557,076</u>	<u>\$ 157,403</u>	<u>\$ 962,709</u>	<u>\$ 119,952</u>	<u>\$ 136,193</u>	<u>\$ 1,933,333</u>

See accompanying notes.

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

	Program Services			Supporting Services		Total
	Home Ownership	Home Repair	ReStore	General and Administrative	Development and Fundraising	
Advertising	\$ 8,215	\$ 2,865	\$ 17,924	\$ 3,159	\$ 6,217	\$ 38,380
Automobile	-	29	8,430	-	-	8,459
Bank charges	-	-	7,274	-	3,544	10,818
Construction	11,113	37,956	-	-	-	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
Donor recognition	-	-	-	-	2,024	2,024
Family selection and election	716	-	-	-	-	716
HFH International SOSI	5,625	1,875	3,750	1,875	1,875	15,000
HFH International Tithe	6,000	-	-	-	-	6,000
Insurance	6,030	3,619	10,734	3,758	1,652	25,793
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
Mortgage discount expense	118,830	-	-	-	-	118,830
Other employee benefits	5,619	3,513	26,328	7,705	6,374	49,539
Other expense	2,651	-	-	204	-	2,855
Payroll expenses	9,839	3,040	20,534	8,359	7,067	48,839
Postage	267	-	-	360	618	1,245
Rent	14,865	1,922	138,018	1,922	1,922	158,649
Repairs and maintenance	2,009	251	3,698	693	-	6,651
Salaries	119,199	36,455	215,914	40,661	86,983	499,212
Small tools	5,684	-	-	-	-	5,684
Supplies	2,053	406	8,518	4,353	470	15,800
Telephone and fax	1,268	122	-	2,984	598	4,972
Training	2,798	154	520	2,551	677	6,700
Travel	6,522	6	3,154	257	799	10,738
Utilities & occupancy expenses	3,016	656	34,453	681	658	39,464
Volunteer expenses	12,771	-	-	-	-	12,771
	<u>\$ 808,863</u>	<u>\$ 92,869</u>	<u>\$ 998,748</u>	<u>\$ 88,437</u>	<u>\$ 122,578</u>	<u>\$ 2,111,495</u>

See accompanying notes.

**HABITAT FOR HUMANITY OF WILLIAMSON COUNTY TEXAS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>Cash Flows From Operating Activities:</b>		
Increase (Decrease) in Net Assets	\$ 53,093	\$ 8,014
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash provided by Operating Activities:		
Depreciation	17,360	18,061
Gain from asset theft	-	(894)
(Increase) and Decrease in Operating Assets:		
Accounts receivable	24,330	(52,597)
Mortgages receivable-net	1,753	(32,378)
Prepaid expenses	(5,616)	1,602
Inventory	2,520	(742)
Construction in progress	6,113	56,390
Homes held for sale	-	(212,487)
Land for development	22,740	93,271
Deposits	300	(300)
(Decrease) and Increase in Operating Liabilities:		
Accounts payable	(1,988)	8,116
City of Round Rock payable	(994)	(1,244)
Williamson County payable	5,609	6,847
Accrued expenses	(3,769)	(994)
Deferred revenue	29,682	7,155
Homeowner escrow and deposits	13,698	17,765
Homeowner downpayment	(1,000)	-
Net Cash Provided by Operating Activities	163,831	(84,415)
<b>Cash Flows From Investing Activities:</b>		
Purchase of fixed assets	(75,621)	(25,907)
Proceeds from asset theft	-	4,091
Net Cash Used in Investing Activities	(75,621)	(21,816)
<b>Cash Flows From Financing Activities:</b>		
Proceeds from long-term debt	122,258	268,423
Payments made on long-term debt	(215,074)	(214,885)
Net Cash Provided by Financing Activities	(92,816)	53,538
Net Decrease in Cash and Cash Equivalents	(4,606)	(52,693)
Cash at Beginning of Year	329,148	381,841
Cash at End of Year	\$ 324,542	\$ 329,148
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the year for:		
Interest	\$ 28,491	\$ 28,108
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.

See accompanying notes.



**HABITAT FOR HUMANITY OF WILLIAMSON COUNTY TEXAS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**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 other programs and mission of HFHWC.

HFHWC is a non-profit organization exempt from federal income taxes under Section 501(c)(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 Statement of Financial Accounting Standards (FASC ASC 958), Financial Statements for Not-for-Profit Organization. Under FASC ASC 958, net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

*Without Donor Restrictions:*

Net assets are not subject to donor-imposed stipulations which consist of the following:

Undesignated – funds which have no donor recommendation, designation or preference.

Board designated – funds designated by the Board of Directors for a specific purpose.

*With Donor Restrictions:*

Net assets subject to donor-imposed restrictions that are maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part to specific programs or activities.

**HABITAT FOR HUMANITY OF WILLIAMSON COUNTY TEXAS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

Grants, gifts of cash, and other assets are reported as with donor restrictions 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, net assets with donor restrictions are reclassified to net without donor restrictions 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.

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 \$17,360 and \$18,061 for the years ended June 30, 2019 and 2018, 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 \$97,130 and \$119,870 as of June 30, 2019 and 2018, respectively. As of June 30, 2019, there was one home held for sale that was acquired as a foreclosure. The amount held as of year ending June 30, 2019 is \$212,487.

Revenue is recognized in the period in which it is earned. As of June 30, 2019, and 2018, HFHWC received contributions for future periods amounting to \$92,235 and \$62,553, respectively.

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, 2019 AND 2018**

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, 2018 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 2016.

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 2019 and 2018.

**HABITAT FOR HUMANITY OF WILLIAMSON COUNTY TEXAS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**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 \$160,191 and \$158,649 were incurred during fiscal year 2019 and 2018, respectively. Total future minimum lease payments are as follows as of June 30, 2019:

Year Ending June 30,	Minimum Lease Rentals
2020	\$ 158,274
2021	161,925
2022	68,569
2023	-
2024	-
2025 and beyond	-
	\$ 388,768

**NOTE 3: Long-Term Debt**

Long-term debt, net of discount, consists of the following at June 30, 2019 and 2018:

	2019	2018
Notes payable to Texas Department of Housing and Community Affairs (TDHCA) in the original amount \$824,500 as of June 30, 2019 and \$734,500 as of June 30, 2018, 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 \$277,138 and \$263,031 as of June 30, 2019 and 2018, respectively. HFHWC remits monthly payments of \$2,985 and the loans mature February 2027 through November 2045.	\$ 266,759	\$ 252,487
Note payable to Bancorp South; interest rate at 4.5%; due April 5, 2022. Secured by mortgages.	54,924	72,170
Total outstanding balance	321,683	324,657
Less current portion	(67,018)	(83,476)
Total long-term debt	\$ 254,665	\$ 241,181

**HABITAT FOR HUMANITY OF WILLIAMSON COUNTY TEXAS, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

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

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

2020	\$ 67,018
2021	12,094
2022	12,094
2023	12,094
2024	12,094
2025 and beyond	<u>206,288</u>
	<u>\$ 321,683</u>

**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:

<u>Year Ending June 30,</u>	<u>Gross receipts</u>	<u>Discount amortization</u>	<u>Net minimum principal payments</u>
2020	\$ 195,822	\$ 113,719	\$ 82,103
2021	195,822	113,719	82,103
2022	195,822	113,719	82,103
2023	195,822	113,719	82,103
2024	195,822	113,719	82,103
2025 and beyond	<u>1,593,990</u>	<u>801,011</u>	<u>792,979</u>
	<u>\$ 2,573,100</u>	<u>\$ 1,369,606</u>	<u>\$ 1,203,494</u>

The future minimum principal payments noted above are as of June 30, 2019. 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.  
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**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, 2019 and 2018, 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, 2019, HFHWC has a 91% success rate of its homeowners maintaining home ownership. HFHWC has completed the foreclosure process six 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. Repairs were done on owner occupied houses throughout Williamson County.

New home construction activity for the year ended June 30, 2019 and 2018 is as follows:

	<u>New Home Construction</u>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>
New homes started in prior years, sold in current year	2	1
New homes started, completed, and sold	0	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, 2019 and 2018 is as follows:

	<u>Rehabilitated Home Construction</u>	
	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Rehabilitated homes started in prior years, sold in current year	0	1
Rehabilitated homes started, completed, and sold	0	0
Rehabilitated homes started, completed, and not sold	0	0
Rehabilitated homes started, not completed	0	0

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

Home repair activity for the year ended June 30, 2019 and 2018 is as follows:

	Home Repairs	
	June 30, 2019	June 30, 2018
Home repairs started in prior years, completed in current year	3	3
Home repairs started and completed in current year	23	11
Home repairs started in current year but not completed	3	3

**NOTE 7: Sales to Homeowners**

During the years ended June 30, 2019 and 2018, 2 and 3 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 \$113,719 for 2019 and \$112,224 for 2018.

**NOTE 8: Advertising**

HFHWC uses advertising to promote its programs and fundraising through public advertising, holiday appeal campaigns, and electronic newsletters. Advertising expenses are expensed as incurred. For the year ended June 30, 2019 and 2018, advertising expenses of \$10,563 and \$38,380 was incurred, respectively.

**NOTE 9: Net Assets With Donor Restrictions**

Net assets with donor restrictions consisted of the following as of June 30, 2019 and 2018:

	2019	2018
Net assets with donor restrictions:		
Grants	\$ 92,235	\$ 126,692
Home Construction Sponsorships	46,773	63,297
Total net assets with donor restrictions	<u>\$ 139,008</u>	<u>\$ 189,989</u>

**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 2020. 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 \$0 and \$89,842 outstanding on this line of credit as of June 30, 2019 and 2018.

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**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, 2019 and 2018, Habitat contributed \$3,750 and \$6,000, 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, 2019 and 2018.

**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” was \$212,458. The gain on the foreclosure was \$165,310. No houses were foreclosed during year ending June 30, 2019.

**NOTE 13: Change in Accounting Principle – No Restatement**

As of November 11, 2017, HFHWC changed its capitalization limit of fixed assets to \$2,500. The previous limit was \$1,000. Management adopted this new principle pursuant to IRS regulation changes in asset capitalization limits. Retrospective application of the change in accounting principle is impracticable due to the immateriality of the cumulative effect of the change. No restatement is necessary.

**NOTE 14: Liquidity and Availability of Financial Assets**

The following reflects HFHWC’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	2019	2018
Financial assets at year-end	\$ 666,136	\$ 684,522
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted to home repairs	19,844	47,492
Donor-restricted to home construction	99,773	113,297
Donor-restricted to office expansion	-	13,500
Donor-restricted to painting of leased buildings in GT	10,000	-
Donor-restricted to purchase of scaffolding & trailer	2,191	-
Donor-restricted to volunteer expenses	1,240	1,500
Donor-restricted to travel expense for HFHI team	5,960	14,200
Financial assets available to meet cash needs for general expenditure within one year	\$ 527,128	\$ 494,533



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**NOTE 15: Evaluation of Subsequent Events**

HFHWC has evaluated events through October 3, 2019, the date of which the financial statements were available to be issued.