

HABITAT FOR HUMANITY  
OF WILLIAMSON COUNTY TEXAS, INC.

INDEPENDENT AUDITORS' REPORT  
AND  
FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

HABITAT FOR HUMANITY  
OF WILLIAMSON COUNTY TEXAS, INC.

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
STATEMENTS OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	
Year ended June 30, 2022	4
Year ended June 30, 2021	5
STATEMENT OF FUNCTIONAL EXPENSES	
Year ended June 30, 2022	6
Year ended June 30, 2021	7
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9



## **Independent Auditors' Report**

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

### **Opinion**

We have audited the accompanying financial statements of Habitat for Humanity of Williamson County Texas, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Williamson County Texas, Inc. as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits 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 Habitat for Humanity of Williamson County Texas, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Emphasis of Matter**

As discussed in Note 15 to the financial statements, Habitat for Humanity of Williamson County, Texas, Inc. corrected its amortization of mortgage discounts as of June 30, 2021, which resulted in a correction of beginning net assets as of July 1, 2021. Our opinion is not modified with respect to this matter.

### **Responsibilities of Management 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.

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 Habitat for Humanity of Williamson County Texas, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are issued.

### **Auditors' Responsibility 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 Habitat for Humanity of Williamson County Texas, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity of Williamson County Texas, Inc.'s ability to continue as a going concern for a reasonable period of time.

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



Austin, Texas

February 6, 2023

**HABITAT FOR HUMANITY  
OF WILLIAMSON COUNTY TEXAS, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2022 AND 2021**

	2022	2021
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents - unrestricted	\$ 513,543	\$ 418,325
Mortgages receivable, current portion (net of discount)	83,565	96,739
Accounts receivable	192,158	164,164
Prepaid expenses	16,417	16,754
Inventory	24,489	16,110
Total Current Assets	830,172	712,092
Property and Equipment		
Land	370,821	-
Buildings and improvements	943,161	-
Furniture and fixtures	10,679	10,679
Equipment	117,619	112,653
Leasehold improvements	-	113,982
Less accumulated depreciation	(157,077)	(123,605)
Net Property and Equipment	1,285,203	113,709
Other Assets		
Construction in progress	154,683	44,432
Land for development	504,667	389,841
Mortgages receivable, long-term portion (net of discount)	906,439	1,028,873
Leasehold deposits	-	1,000
Total Other Assets	1,565,789	1,464,146
<b>Total Assets</b>	<b>\$ 3,681,164</b>	<b>\$ 2,289,947</b>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts payable	\$ 52,838	\$ 56,944
Lines of Credit	204,050	46,372
Williamson County CDBG program payable	44,503	37,256
Notes payable, current portion (net of discount)	47,712	37,023
Homeowners' down payment	1,500	1,500
Homeowners' escrow accounts	128,374	144,809
Accrued expenses	2,816	12,800
Deferred revenue	50,000	50,000
Total Current Liabilities	531,793	386,704
Notes Payable (net of discount and current portion)	1,278,915	254,454
Total Liabilities	1,810,708	641,158
Net Assets:		
Without donor restrictions	1,651,622	1,454,136
With donor restrictions	218,834	194,653
Total Net Assets	1,870,456	1,648,789
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,681,164</b>	<b>\$ 2,289,947</b>

The accompanying notes are an integral part of these financial statements.

**HABITAT FOR HUMANITY  
OF WILLIAMSON COUNTY TEXAS, INC.  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and Gains</b>			
Support and revenue			
Grant revenue	\$ 9,733	\$ 443,661	\$ 453,394
Contributions	313,852	269,944	583,796
Contributions of nonfinancial assets	672,828	-	672,828
ReStore income	617,428	-	617,428
Sale to homeowners (net of discount of \$40,868)	43,852	-	43,852
Mortgage discount amortization	167,583	-	167,583
Other program income	328,361	99,963	428,324
Interest income	10,950	-	10,950
Gain (loss) from sale of home	-	-	-
Total Support and Revenue	<u>2,164,587</u>	<u>813,568</u>	<u>2,978,155</u>
Net assets released from restrictions			
Satisfaction of purpose restrictions	789,387	(789,387)	-
Total Revenue and Gains	<u>2,953,974</u>	<u>24,181</u>	<u>2,978,155</u>
<b>Expenses and Losses</b>			
Program services			
Home Ownership	753,342	-	753,342
Home Repair	523,624	-	523,624
ReStore	1,083,262	-	1,083,262
Total Program Services	<u>2,360,228</u>	<u>-</u>	<u>2,360,228</u>
Supporting services			
General and administrative	190,069	-	190,069
Development and fundraising	206,191	-	206,191
Total Supporting Services	<u>396,260</u>	<u>-</u>	<u>396,260</u>
Total Expenses and Losses	<u>2,756,488</u>	<u>-</u>	<u>2,756,488</u>
Increases (decreases) in net assets	197,486	24,181	221,667
<b>Net Assets, Beginning of the Year</b>	<u>1,454,136</u>	<u>194,653</u>	<u>1,648,789</u>
<b>Net Assets, End of the Year</b>	<u>\$ 1,651,622</u>	<u>\$ 218,834</u>	<u>\$ 1,870,456</u>

The accompanying notes are an integral part of these financial statements.

**HABITAT FOR HUMANITY  
OF WILLIAMSON COUNTY TEXAS, INC.  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and Gains</b>			
Support and revenue			
Grant revenue	\$ 12,173	\$ 318,917	\$ 331,090
Contributions	129,535	229,030	358,565
Contributions of nonfinancial assets	649,369	-	649,369
ReStore income	567,281	-	567,281
Sale to homeowners (net of discount of \$69,556)	77,804	-	77,804
Mortgage discount amortization	224,023	-	224,023
Other program income	191,880	30,000	221,880
Interest income	880	-	880
Gain (loss) from sale of home	3,502	-	3,502
Total Support and Revenue	<u>1,856,447</u>	<u>577,947</u>	<u>2,434,394</u>
Net assets released from restrictions			
Satisfaction of purpose restrictions	555,890	(555,890)	-
Total Revenue and Gains	<u>2,412,337</u>	<u>22,057</u>	<u>2,434,394</u>
<b>Expenses and Losses</b>			
Program services			
Home Ownership	566,570	-	566,570
Home Repair	334,553	-	334,553
ReStore	1,140,718	-	1,140,718
Total Program Services	<u>2,041,841</u>	<u>-</u>	<u>2,041,841</u>
Supporting services			
General and administrative	157,000	-	157,000
Development and fundraising	148,800	-	148,800
Total Supporting Services	<u>305,800</u>	<u>-</u>	<u>305,800</u>
Total Expenses and Losses	<u>2,347,641</u>	<u>-</u>	<u>2,347,641</u>
Increases (decreases) in net assets	64,696	22,057	86,753
<b>Net Assets, Beginning of the Year</b>	<u>1,389,440</u>	<u>172,596</u>	<u>1,562,036</u>
<b>Net Assets, End of the Year</b>	<u>\$ 1,454,136</u>	<u>\$ 194,653</u>	<u>\$ 1,648,789</u>

The accompanying notes are an integral part of these financial statements.

**HABITAT FOR HUMANITY  
OF WILLIAMSON COUNTY TEXAS, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2022**

	Program Services			Supporting Services		Total
	Home Ownership	Home Repair	ReStore	General and Administrative	Development and Fundraising	
Advertising	\$ 3,637	\$ 96	\$ 18,895	\$ 743	\$ 14,492	\$ 37,863
Automobile	2,763	144	9,852	74	-	12,833
Bank charges	424	-	10,186	246	15,596	26,452
Construction	121,917	-	-	-	-	121,917
Contract labor	-	-	16,940	-	1,175	18,115
Cost of goods sold	-	-	615,174	-	-	615,174
Cost of land transferred	32,296	-	-	-	-	32,296
Cost of homes transferred	310,256	-	-	-	-	310,256
Depreciation	4,776	-	11,207	17,489	-	33,472
Donor recognition	-	-	-	-	243	243
Future homeowner application/education	136	-	-	-	-	136
HFH International SOSI	3,000	3,000	3,000	3,000	3,000	15,000
HFH International Tithe	2,500	-	-	-	-	2,500
Home dedications	172	-	-	-	-	172
Insurance	15,802	1,268	12,053	4,251	1,450	34,824
Interest	2,553	4,709	4,787	598	558	13,205
Legal and professional	11,272	-	-	21,450	2,000	34,722
Loan servicing	14,881	-	-	-	-	14,881
Mortgage assistance	5,503	-	-	-	-	5,503
Mortgage discount	28,687	-	-	-	-	28,687
Other employee benefits	5,115	12,726	30,147	12,551	7,530	68,069
Other expense	5,932	-	9,666	-	-	15,598
Payroll expenses	9,756	7,766	17,370	20,098	8,639	63,629
Postage	65	58	-	632	373	1,128
Rent	6,873	3,094	29,233	3,124	3,094	45,418
Repairs and maintenance	5,191	402,569	19,869	7,795	684	436,108
Salaries	122,762	83,854	230,410	80,474	111,445	628,945
Small tools	5,321	-	-	-	-	5,321
Supplies	6,529	1,297	12,109	6,239	27,627	53,801
Telephone and fax	1,772	-	-	4,412	1,021	7,205
Training	2,197	468	161	1,207	349	4,382
Travel	1,379	70	1,513	1,540	217	4,719
Utilities & occupancy	6,680	2,015	27,647	4,146	6,698	47,186
Volunteer expenses	13,195	490	3,043	-	-	16,728
	<u>\$ 753,342</u>	<u>\$ 523,624</u>	<u>\$1,083,262</u>	<u>\$ 190,069</u>	<u>\$ 206,191</u>	<u>\$ 2,756,488</u>

The accompanying notes are an integral part of these financial statements.



**HABITAT FOR HUMANITY  
OF WILLIAMSON COUNTY TEXAS, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021**

	Program Services			Supporting Services		Total
	Home Ownership	Home Repair	ReStore	General and Administrative	Development and Fundraising	
Advertising	\$ 898	\$ -	\$ 18,049	\$ 816	\$ 2,359	\$ 22,122
Automobile	35	-	5,484	136	-	5,655
Bank charges	-	-	10,310	-	8,627	18,937
Construction	15,769	255,571	-	-	-	271,340
Contract labor	-	-	43,953	-	4,600	48,553
Cost of goods sold	-	-	566,631	-	-	566,631
Cost of land transferred	115,487	-	-	-	-	115,487
Cost of homes transferred	172,089	-	-	-	-	172,089
Depreciation	3,475	-	13,474	8,864	-	25,813
Donor recognition	-	-	-	-	348	348
Future homeowner application/education	710	-	-	-	-	710
HFH International SOSI	3,000	3,000	3,000	3,000	3,000	15,000
HFH International Tithe	1,250	-	-	-	-	1,250
Home dedications	69	-	-	-	-	69
Insurance	17,382	1,324	12,029	4,247	2,297	37,279
Interest	162	1,575	1,272	-	-	3,009
Legal and professional	2,678	-	-	10,858	1,263	14,799
Loan servicing	13,434	-	-	-	-	13,434
Mortgage assistance	28,978	-	-	-	-	28,978
Mortgage discount	21,750	-	-	-	-	21,750
Other employee benefits	7,377	7,377	28,387	10,640	7,206	60,987
Other expense	4,199	-	10,733	1,897	-	16,829
Payroll expenses	8,749	4,072	17,065	15,724	7,879	53,489
Postage	450	-	-	484	1,089	2,023
Rent	15,544	4,411	114,917	4,411	4,411	143,694
Repairs and maintenance	1,249	78	26,244	1,494	-	29,065
Salaries	114,801	52,921	213,772	81,192	101,724	564,410
Small tools	-	-	-	-	-	-
Supplies	1,784	812	12,286	4,185	860	19,927
Telephone and fax	1,082	198	-	4,379	819	6,478
Training	1,777	-	77	2,086	229	4,169
Travel	5,375	428	1,849	-	98	7,750
Utilities and occupancy	1,990	1,991	40,182	2,587	1,991	48,741
Volunteer expenses	5,027	795	1,004	-	-	6,826
	<u>\$ 566,570</u>	<u>\$ 334,553</u>	<u>\$1,140,718</u>	<u>\$ 157,000</u>	<u>\$ 148,800</u>	<u>\$ 2,347,641</u>

The accompanying notes are an integral part of these financial statements.

**HABITAT FOR HUMANITY  
OF WILLIAMSON COUNTY TEXAS, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 221,667	\$ 86,753
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation expense	33,472	25,813
(Gain) loss on disposal of property	-	9,035
Forgiveness of PPP loan	-	(106,765)
Amortization of mortgage receivable discount	(167,583)	(224,023)
Amortization of notes payable discount	28,687	28,687
(Increase) decrease in operating assets:		
Accounts receivable	(27,994)	34,575
Mortgages receivable-net	303,191	317,841
Prepaid expenses	337	45,920
Inventory	(8,379)	870
Construction in progress	(110,251)	62,160
Land for development	(114,826)	100,027
Leasehold deposits	1,000	8,213
(Decrease) increase in operating liabilities		
Accounts payable	(4,106)	16,357
Williamson County CDBG program payable	7,247	6,460
Accrued expenses	(9,984)	57
Deferred revenue	-	(41,269)
Homeowner escrow and deposits	(16,435)	9,101
Homeowner down payment	-	1,500
Net cash provided by (used in) operating activities	<u>136,043</u>	<u>381,312</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sale of property	-	7,000
Purchase of property and equipment	(124,966)	(12,796)
Net cash provided by (used in) investing activities	<u>(124,966)</u>	<u>(5,796)</u>
<b>Cash Flows from Financing Activities:</b>		
Net change in lines of credit	157,678	(17,140)
Proceeds from new notes payable	-	-
Principal payments made on notes payable	(73,537)	(285,530)
Net cash provided by (used in) financing activities	<u>84,141</u>	<u>(302,670)</u>
<b>Net increase (decrease) in cash and cash equivalents - unrestricted</b>	<u>95,218</u>	<u>72,846</u>
<b>Cash and cash equivalents, beginning of year - unrestricted</b>	<u>418,325</u>	<u>345,479</u>
<b>Cash and cash equivalents, end of year - unrestricted</b>	<u>\$ 513,543</u>	<u>\$ 418,325</u>
<b>Supplemental disclosures of cash flow information:</b>		
Property purchased with long-term debt financing	<u>\$ 1,080,000</u>	<u>\$ -</u>
Cash paid during the year for:		
Interest	<u>\$ 13,205</u>	<u>\$ 3,009</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**HABITAT FOR HUMANITY  
OF WILLIAMSON COUNTY TEXAS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

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. HFHWC operated an additional ReStore in Round Rock from July 30, 2016, until March 27, 2021. 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.

**Summary of Significant Accounting Policies**

**Basis of Presentation**

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 (GAAP). 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, *Financial Statements for Not-for-Profit Organization*. Under FASB 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 or Board of Director recommendation, designation or preference.

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

**HABITAT FOR HUMANITY  
OF WILLIAMSON COUNTY TEXAS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Basis of Presentation - continued**

*With Donor Restrictions* - net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. HFHWC did not have any net assets with perpetual restrictions at June 30, 2022 and 2021.

Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support within net assets with donor restrictions with complementary release from restrictions.

**Contributions**

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 or release from designation 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 with 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 permanent assets are placed in service or completed.

**Cash and Equivalents**

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**

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 7.23% to 8.18%, 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**

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 \$33,472 and \$25,813 for the years ended June 30, 2022 and 2021, respectively.

**HABITAT FOR HUMANITY  
OF WILLIAMSON COUNTY TEXAS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Property and Equipment - continued**

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 \$504,667 and \$389,841 as of June 30, 2022 and 2021, respectively.

**Construction in Progress**

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 Statements 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.

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

**Revenue Recognition**

Revenue is recognized in the period in which it is earned. As of June 30, 2022, and 2021, HFHWC received contributions for future periods amounting to \$50,000 and \$50,000, respectively.

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

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.

**Functional Accounting**

The costs of providing the various programs and activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or that relate to a specific source of revenue are allocated directly to that program. Allocation of other expenses is based on time and effort.

**HABITAT FOR HUMANITY  
OF WILLIAMSON COUNTY TEXAS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Federal Income Taxes**

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 on or before June 30, 2019.

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 2022 and 2021.

**Use of Estimates**

The preparation of financial statements in conformity with the GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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, the fair value of contributed nonfinancial assets, and the unamortized discount for non-interest bearing mortgage loans receivable and payable. Actual results could differ from those estimates.

**Subsequent Events**

Subsequent events are events or transactions that occur after the Statement of Financial Position date but before the financial statements are issued. Management has evaluated subsequent events for disclosure through the date of the independent auditor's report, which is the date the financial statements were available to be issued (See Note 16)

**Recently Issued Accounting Pronouncements**

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the Statement of Financial Position upon the commencement of all leases, except for short-term leases. In 2020, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2021. Early adoption is permitted. HFHWC is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

**HABITAT FOR HUMANITY  
OF WILLIAMSON COUNTY TEXAS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Recently Issued Accounting Pronouncements - continued**

In August 2018, the FASB issued guidance entitled “*Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Cost.*” The guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by this guidance. This guidance becomes effective for non-public entities for annual periods beginning after December 15, 2020. The guidance also requires an entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement. It further specifies where to present expense and payments in the financial statements. The guidance is to be applied on a retrospective or prospective basis to all implementation costs incurred after the date of adoption. HFHWC has adopted the standard on a prospective basis and this guidance did not materially impact HFHWC's financial condition.

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU is expected to increase transparency around contributed nonfinancial assets (also known as “gifts-in-kind”) received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. HFHWC adopted the ASU during the year ended June 30, 2022, and applied the ASU retrospectively to the year ended June 30, 2021. There was no material impact on HFHWC's financial condition.

**2. 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. 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 7.23% to 8.18% 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 unless the home is sold by the homeowner or sold at foreclosure; therefore, the amount collectible is unknown.

**HABITAT FOR HUMANITY  
OF WILLIAMSON COUNTY TEXAS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**2. MORTGAGES RECEIVABLE - Continued**

Future minimum principal payments due are as follows:

Year ending June 30	Gross Receipts	Discount Amortization	Net Minimum Principal Payments
2023	\$ 170,399	\$ (86,834)	\$ 83,565
2024	165,787	(82,356)	83,431
2025	161,523	(79,641)	81,882
2026	161,457	(76,838)	84,619
2027	157,103	(73,714)	83,389
2028 and beyond	1,161,335	(588,217)	573,118
	<u>\$ 1,977,604</u>	<u>\$ (987,600)</u>	<u>\$ 990,004</u>

The future minimum principal payments noted above are as of June 30, 2022. The receivable balance at each respective fiscal year end is based on current mortgage payments. Management expects the balance to increase during future periods.

**3. LINES OF CREDIT**

HFHWC has an available revolving line of credit at BancorpSouth in the amount of \$150,000 which was renewed to have a maturity date of November 15, 2022 with an interest rate of 6.5%. 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. This line of credit is primarily used to pay for materials and services within the Home Repair Program. There was \$112,458 and \$46,372 outstanding on this line of credit as of June 30, 2022 and 2021. (See Note 16)

HFHWC has an available revolving line of credit at SouthStar Bank in the amount of \$150,000 which was renewed to have a maturity date of June 30, 2023 and a current interest rate of 5.75%. The line of credit is used for land acquisition and land development costs that will be reimbursed by an outside source and is secured by the land purchased with the proceeds of the line of credit. There was \$91,592 and \$0 outstanding on this line of credit as of June 30, 2022 and 2021.



**HABITAT FOR HUMANITY  
OF WILLIAMSON COUNTY TEXAS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**4. NOTES PAYABLE**

Notes payable, net of discount, consists of the following at June 30, 2022 and 2021:

	2022	2021
Notes payable to Texas Department of Housing and Community Affairs (TDHCA) in the original amounts \$773,500 and \$773,500 as of June 30, 2022 and 2021, respectively, non-interest bearing, discount calculated based on a hypothetical imputed interest rate ranging between 7.23% and 8.14%, the rate is provided annually by Habitat for Humanity International resulting in a discount of \$243,725 and \$262,234 as of June 30, 2022 and 2021, respectively. HFHWC remits monthly payments of \$3,125 and the loans mature February 2027 through May 2044.	\$ 254,454	\$ 273,453
Note payable to Bancorp South in the original amount of \$192,000; interest rate at 4.5%; due April 5, 2022. Secured by mortgages receivable.	-	18,024
Note payable to First Texas Bank in the original amount of \$1,080,000; interest rate at 3.25% that will vary every five years based on the WSJ Prime Rate; due March 8, 2047. Secured by real property. (See Note 8)	1,072,173	-
Total outstanding balance	1,326,627	291,477
Less: current portion	(47,712)	(37,023)
Total long-term debt	\$ 1,278,915	\$ 254,454

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

Year ending June 30,	
2023	\$ 47,712
2024	48,568
2025	49,635
2026	50,646
2027	50,815
Thereafter	1,079,251
	\$ 1,326,627

**HABITAT FOR HUMANITY  
OF WILLIAMSON COUNTY TEXAS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**5. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following as of June 30, 2022 and 2021:

	2022	2021
Net assets with donor restrictions:		
Grants	\$ 26,101	\$ 77,709
Home construction contributions	192,733	116,944
Total net assets with donor restrictions	\$ 218,834	\$ 194,653

**6. SALES TO HOMEOWNERS**

During each of the years ended June 30, 2022 and 2021, two homes were sold to qualifying applicants. 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, with the current year's rate of 7.49%. The discount totaled \$167,583 for 2022 and \$224,023 for 2021.

**7. CONTRIBUTED NONFINANCIAL ASSETS**

HFHWC received the following contributed nonfinancial assets included in the Statements of Activities for the years ended June 30, 2022 and 2021:

	2022	2021
Used building materials, appliances, furniture, home décor, and other items for sale in the ReStore	\$ 615,174	\$ 573,256
Building materials and supplies in the construction of homes to be sold	57,654	76,113
	\$ 672,828	\$ 649,369

Contributed used building materials, appliances, furniture, home décor, and other items are placed for immediate sale in the ReStore to provide funding for the programs of HFHWC. Contributed items are valued at the amount realized upon sale of the merchandise at the ReStore.

Contributed building materials used in the construction of homes to be sold are capitalized in the total costs of construction in progress for the property in which the materials are used. Contributed items are valued at the estimated retail price for similar products.

**HABITAT FOR HUMANITY  
OF WILLIAMSON COUNTY TEXAS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**8. OPERATING LEASES**

In Round Rock, space was leased for the Round Rock ReStore through March 2021. In Georgetown, HFHWC leased two warehouses for administration, program activities, equipment storage, and the Georgetown ReStore through March 2022. The leases were strict operating leases with expirations through May 31, 2022. In March 2022, HFHWC purchased the property which was leased with financing. (See Note 4) Upon purchase, any leasehold improvements were reclassified as building improvements. Operating lease expenses of \$45,418 and \$143,694 were incurred during fiscal years 2022 and 2021, respectively.

**9. ADVERTISING**

HFHWC uses advertising to promote its programs and fundraising through public advertising, end of year campaigns, and electronic newsletters. Advertising expenses are expensed as incurred. For the year ended June 30, 2022 and 2021, advertising expenses of \$37,863 and \$22,122 was incurred, respectively.

**10. FORECLOSURE ON HOMES**

If a homeowner is in default on a mortgage loan and HFHWC determines that further loss mitigation is not reasonable under the circumstances, HFHWC may decide to foreclose and recycle the house for another qualified family if financially possible. In these transactions, HFHWC must establish a fair market value of the house by obtaining an appraisal for the house "as is". No houses were foreclosed during years ending June 30, 2022 or 2021.

**11. 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, 2022, there were no funds in excess of insured limits.

HFHWC home ownership program'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, 2022, HFHWC has a 93% success rate of its homeowners maintaining home ownership. HFHWC has completed the foreclosure process six times since the organization's inception in 1999.

**HABITAT FOR HUMANITY  
OF WILLIAMSON COUNTY TEXAS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**12. HOME CONSTRUCTION AND HOME PRESERVATION/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, 2022 and 2021, is as follows:

	<u>New Home Construction</u>	
	<u>June 30, 2022</u>	<u>June 30, 2021</u>
New homes started in prior years, sold in current year	2	1
New homes started, completed, and sold	1	1
New homes started, completed, and not sold	-	-
New homes started, not completed	1	2

Home repair activity for the year ended June 30, 2022 and 2021, is as follows:

	<u>Home Repairs</u>	
	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Home preservation/repairs started in prior years, completed in current year	10	20
Home preservation/repairs started and completed in current year	45	31
Home preservation/repairs started in current year but not completed	10	21

**13. TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL**

HFHWC annually remits a Board of Directors approved amount per house sold for 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 years ended June 30, 2022 and 2021, Habitat contributed \$2,500 and \$1,250 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 each of the years ended June 30, 2022 and 2021.

**HABITAT FOR HUMANITY  
OF WILLIAMSON COUNTY TEXAS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**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.

	2022	2021
Financial assets at year end		
Cash and cash equivalents	\$ 513,543	\$ 418,325
Mortgages receivable (net of discount)	990,004	1,125,612
Accounts receivable	192,158	164,164
	1,695,705	1,708,101
Less those unavailable for general expenditures within one year, due to:		
Mortgages receivables due after one year	906,439	1,028,873
Donor-restricted to home preservation/repairs	23,791	73,510
Donor-restricted to home construction	192,733	116,944
Donor-restricted to purchase tools	368	-
Donor-restricted to payroll expenses	1,942	4,199
	1,125,273	1,223,526
Financial assets available to meet cash needs for general expenditure within one year	\$ 570,432	\$ 484,575

**15. PRIOR PERIOD CORRECTION**

HFHWC has restated its previously issued 2021 financial statements for matters related to unamortized mortgage discounts and mortgage discount amortization income. The accompanying financial statements for 2021 have been restated to reflect the corrections.

The effect on HFHWC's previously issued 2021 financial statements is summarized as follows:

	Previously Reported	Increase (Decrease)	Restated
<u>Statement of Financial Position</u>			
Mortgages receivable (net of discount)	\$ 1,222,099	\$ (96,487)	\$ 1,125,612
Prepaid expenses	2,523	14,231	16,754
Total Assets	2,372,203	(82,256)	2,289,947

**HABITAT FOR HUMANITY  
OF WILLIAMSON COUNTY TEXAS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022 AND 2021**

**15. PRIOR PERIOD CORRECTION - Continued**

	Previously Reported	Increase (Decrease)	Restated
Net Assets:			
Without donor restrictions	\$ 1,486,392	\$ (32,256)	\$ 1,454,136
With donor restrictions	244,653	(50,000)	194,653
Total Net Assets	<u>1,731,045</u>	<u>(82,256)</u>	<u>1,648,789</u>
 <u>Statement of Activities</u>			
Revenues and Gains			
Sale to homeowners	\$ 147,360	\$ (69,556)	\$ 77,804
Mortgage discount amortization	193,644	30,379	224,023
Contributions of nonfinancial assets	642,365	7,004	649,369
Other program income	198,884	22,996	221,880
Total Revenues and Gains	<u>2,443,571</u>	<u>(9,177)</u>	<u>2,434,394</u>
Expenses and Losses			
Home Ownership	493,491	73,079	566,570
Total Expenses and Losses	<u>2,274,562</u>	<u>73,079</u>	<u>2,347,641</u>
Increases (decreases) in net assets	<u>169,009</u>	<u>(82,256)</u>	<u>86,753</u>

**16. EVALUATION OF SUBSEQUENT EVENTS**

HFHWC renewed the revolving line of credit at BancorpSouth in the amount of \$150,000 to have a maturity date of February 15, 2023, with an interest rate of 6.5%