

HABITAT FOR HUMANITY
OF WILLIAMSON COUNTY TEXAS, INC.

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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, 2023	4
Year ended June 30, 2022	5
STATEMENT OF FUNCTIONAL EXPENSES	
Year ended June 30, 2023	6
Year ended June 30, 2022	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, 2023 and 2022, 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, 2023 and 2022, 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 Auditors' 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.

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

January 12, 2024

**HABITAT FOR HUMANITY
OF WILLIAMSON COUNTY TEXAS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022**

	2023	2022
Assets		
Current Assets:		
Cash and cash equivalents	\$ 512,255	\$ 513,543
Mortgages receivable, current portion (net of discount)	65,819	83,565
Accounts receivable	242,635	192,158
Pledges receivable	75,000	-
Prepaid expenses	21,902	16,417
Inventory	24,800	24,489
Total Current Assets	942,411	830,172
Property and Equipment		
Land	370,821	370,821
Buildings and improvements	943,161	943,161
Furniture and fixtures	13,677	10,679
Equipment	117,622	117,619
Land improvements	31,852	-
Less accumulated depreciation	(206,601)	(157,077)
Net Property and Equipment	1,270,532	1,285,203
Other Assets		
Construction in progress	-	154,683
Land for development	858,925	504,667
Mortgages receivable, long-term portion (net of discount)	830,111	906,439
Total Other Assets	1,689,036	1,565,789
Total Assets	\$ 3,901,979	\$ 3,681,164
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 42,733	\$ 52,838
Lines of Credit	136,949	204,050
Williamson County CDBG program payable	45,927	44,503
Notes payable, current portion (net of discount)	45,868	47,712
Homeowners' down payment	-	1,500
Homeowners' escrow accounts	129,122	128,374
Accrued expenses	5,556	2,816
Deferred revenue	50,000	50,000
Total Current Liabilities	456,155	531,793
Notes Payable (net of discount and current portion)	1,211,957	1,278,915
Total Liabilities	1,668,112	1,810,708
Net Assets:		
Without donor restrictions	1,814,831	1,651,622
With donor restrictions	419,036	218,834
Total Net Assets	2,233,867	1,870,456
Total Liabilities and Net Assets	\$ 3,901,979	\$ 3,681,164

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, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Gains			
Support and revenue			
Grant revenue	\$ 61,090	\$ 734,094	\$ 795,184
Contributions	215,662	160,452	376,114
Contributions of nonfinancial assets	629,193	-	629,193
ReStore income (net of discounts of \$126,349)	624,870	-	624,870
Sale to homeowners (net of discount of \$28,692)	14,508	-	14,508
Mortgage discount amortization	120,390	-	120,390
Other program income	3,771	203,322	207,093
Interest income	2,398	-	2,398
Total Support and Revenue	<u>1,671,882</u>	<u>1,097,868</u>	<u>2,769,750</u>
Net assets released from restrictions			
Satisfaction of purpose restrictions	897,666	(897,666)	-
Total Revenue and Gains	<u>2,569,548</u>	<u>200,202</u>	<u>2,769,750</u>
Expenses and Losses			
Program services			
Home Ownership	394,958	-	394,958
Home Repair	443,529	-	443,529
ReStore	1,099,170	-	1,099,170
Total Program Services	<u>1,937,657</u>	<u>-</u>	<u>1,937,657</u>
Supporting services			
General and administrative	234,701	-	234,701
Development and fundraising	233,981	-	233,981
Total Supporting Services	<u>468,682</u>	<u>-</u>	<u>468,682</u>
Total Expenses and Losses	<u>2,406,339</u>	<u>-</u>	<u>2,406,339</u>
Increases (decreases) in net assets	163,209	200,202	363,411
Net Assets, Beginning of the Year	<u>1,651,622</u>	<u>218,834</u>	<u>1,870,456</u>
Net Assets, End of the Year	<u>\$ 1,814,831</u>	<u>\$ 419,036</u>	<u>\$ 2,233,867</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, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Gains			
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 (net of discounts of \$125,002)	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
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>
Expenses and Losses			
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
Net Assets, Beginning of the Year	<u>1,454,136</u>	<u>194,653</u>	<u>1,648,789</u>
Net Assets, End of the Year	<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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023**

	Program Services			Supporting Services		Total
	Home Ownership	Home Repair	ReStore	General and Administrative	Development and Fundraising	
Advertising	\$ 372	\$ 93	\$ 29,268	\$ 419	\$ 7,646	\$ 37,798
Automobile	259	-	7,764	13	70	8,106
Bank charges	312	6	9,100	1,564	13,779	24,761
Construction	983	512	-	-	-	1,495
Contract labor	-	-	844	-	455	1,299
Cost of goods sold	-	-	624,700	-	-	624,700
Cost of land transferred	25,122	-	-	-	-	25,122
Cost of homes transferred	163,727	-	-	-	-	163,727
Depreciation	8,093	8,236	17,886	8,950	6,359	49,524
Donor recognition	-	-	-	-	-	-
Future homeowner application/education	-	-	-	-	-	-
HFH International SOSI	5,000	5,000	5,000	-	-	15,000
HFH International Tithe	1,250	-	-	-	-	1,250
Home dedications	44	-	-	-	-	44
Impact research	6,000	-	-	-	-	6,000
Insurance	21,980	1,285	11,940	2,777	244	38,226
Interest	11,217	7,746	20,247	2,699	2,577	44,486
Legal and professional	-	-	-	14,356	1,237	15,593
Loan servicing	10,288	-	-	-	-	10,288
Mortgage assistance	-	-	-	-	-	-
Mortgage discount	18,509	-	-	-	-	18,509
Other employee benefits	6,813	12,896	33,730	16,948	16,431	86,818
Other expense	5,031	-	8,944	8,840	-	22,815
Payroll expenses	5,717	7,878	19,187	37,415	10,977	81,174
Postage	112	106	-	362	604	1,184
Rent	242	-	-	-	2,404	2,646
Repairs and maintenance	1,560	296,907	16,132	4,292	1,287	320,178
Salaries	78,030	96,939	252,615	113,694	136,948	678,226
Small tools	53	-	-	-	-	53
Supplies	4,718	3,289	10,548	7,684	24,775	51,014
Telephone and fax	1,415	-	-	4,736	1,073	7,224
Training	287	222	19	1,153	197	1,878
Travel	1,885	152	577	109	504	3,227
Utilities and occupancy	11,302	1,370	28,228	8,690	6,414	56,004
Volunteer expenses	4,637	892	2,441	-	-	7,970
	\$ 394,958	\$ 443,529	\$1,099,170	\$ 234,701	\$ 233,981	\$ 2,406,339

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
Impact research	-	-	-	-	-	-
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 and occupancy	6,680	2,015	27,647	4,146	6,698	47,186
Volunteer expenses	13,195	490	3,043	-	-	16,728
	\$ 753,342	\$ 523,624	\$1,083,262	\$ 190,069	\$ 206,191	\$ 2,756,488

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, 2023 AND 2022**

	2023	2022
Cash Flows from Operating Activities:		
Change in net assets	\$ 363,411	\$ 221,667
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation expense	49,524	33,472
Amortization of mortgage receivable discount	(120,390)	(167,583)
Amortization of notes payable discount	18,509	28,687
(Increase) decrease in operating assets:		
Accounts receivable	(50,477)	(27,994)
Pledges receivable	(75,000)	-
Mortgages receivable-net	214,464	303,191
Prepaid expenses	(5,485)	337
Inventory	(311)	(8,379)
Construction in progress	154,683	(110,251)
Land for development	(354,258)	(114,826)
Leasehold deposits	-	1,000
(Decrease) increase in operating liabilities		
Accounts payable	(10,105)	(4,106)
Williamson County CDBG program payable	1,424	7,247
Accrued expenses	2,740	(9,984)
Deferred revenue	-	-
Homeowner escrow and deposits	748	(16,435)
Homeowner down payment	(1,500)	-
Net cash provided by operating activities	187,977	136,043
Cash Flows from Investing Activities:		
Purchase of property and equipment	(34,853)	(124,966)
Net cash used in investing activities	(34,853)	(124,966)
Cash Flows from Financing Activities:		
Net change in lines of credit	(67,101)	157,678
Principal payments made on notes payable	(87,311)	(73,537)
Net cash (used in) provided by financing activities	(154,412)	84,141
Net increase (decrease) in cash and cash equivalents	(1,288)	95,218
Cash and cash equivalents, beginning of year	513,543	418,325
Cash and cash equivalents, end of year	\$ 512,255	\$ 513,543
Supplemental disclosures of cash flow information:		
Property purchased with long-term debt financing	\$ -	\$ 1,080,000
Cash paid during the year for:		
Interest	\$ 44,486	\$ 13,205

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, 2023 AND 2022**

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 (Homeownership Program). Sustaining home ownership opportunity is provided through the Home Repair Program and the ReStore Program. The Home Repair Program assists families who own their home but does not have the ability, skills or resources to repair the home.

Since 2004, HFHWC has operated the ReStore program through a ReStore location in Georgetown. 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. Donations that can be used in other areas of the organization are transferred to that use rather than being sold to the public. Excess 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. The service area expanded with that merger to include all of Williamson County except the portions with the city limits of Austin and Bartlett.

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:

**HABITAT FOR HUMANITY
OF WILLIAMSON COUNTY TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Presentation - continued

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.

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, whereby the donor has stipulated the funds be maintained in perpetuity. HFHWC did not have any net assets with perpetual restrictions at June 30, 2023 and 2022.

Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support within net assets with donor restrictions and 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. Certificates of Deposit 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.

**HABITAT FOR HUMANITY
OF WILLIAMSON COUNTY TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Mortgages Receivable

Mortgages receivables 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 8.14%, 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 \$49,524 and \$33,472 for the years ended June 30, 2023 and 2022, respectively.

Land inventory consists of lots to be developed and costs incurred in conjunction with new home construction. They are capitalized until completion and sale of each home. Home lot inventory was \$858,925 and \$504,667 as of June 30, 2023 and 2022, 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, 2023, and 2022, 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.

**HABITAT FOR HUMANITY
OF WILLIAMSON COUNTY TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue Recognition - continued

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.

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, 2020.

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 2023 and 2022.

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 auditors' report, which is the date the financial statements were available to be issued.

**HABITAT FOR HUMANITY
OF WILLIAMSON COUNTY TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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. HFHWC has adopted the standard during the year ended June 30, 2023, however, 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 8.14% 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.

Future minimum principal payments due are as follows:

Year ending June 30	Gross Receipts	Discount Amortization	Net Minimum Principal Payments
2024	\$ 147,080	\$ (81,261)	\$ 65,819
2025	159,466	(79,308)	80,158
2026	159,181	(77,653)	81,528
2027	155,774	(76,025)	79,749
2028	145,187	(71,087)	74,100
2029 and beyond	1,025,144	(510,568)	514,576
	<u>\$ 1,791,832</u>	<u>\$ (895,902)</u>	<u>\$ 895,930</u>

The future minimum principal payments noted above are as of June 30, 2023. 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 FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

3. LINES OF CREDIT

HFHWC has an available revolving line of credit at Cadence Bank in the amount of \$150,000 which was renewed to have a maturity date of February 15, 2024, with an interest rate of 7.75%. 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 and receivables. This line of credit is primarily used to pay for materials and services within the Home Repair Program. There was \$115,136 and \$112,458 balance on this line of credit as of June 30, 2023 and 2022.

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, 2024 and a current interest rate of 9.25%. 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 \$21,813 and \$91,592 balance on this line of credit as of June 30, 2023 and 2022.

4. NOTES PAYABLE

Notes payable, net of discount, consists of the following at June 30, 2023 and 2022:

	2023	2022
Notes payable to Texas Department of Housing and Community Affairs (TDHCA) in the original amounts \$773,500 and \$773,500 as of June 30, 2023 and 2022, 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 \$225,216 and \$243,725 as of June 30, 2023 and 2022, respectively. HFHWC remits monthly payments of \$3,125 and the loans mature February 2027 through May 2044.	\$ 212,003	\$ 254,454
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.	1,045,822	1,072,173
Total outstanding balance	1,257,825	1,326,627
Less: current portion	(45,868)	(47,712)
Total long-term debt	\$ 1,211,957	\$ 1,278,915

**HABITAT FOR HUMANITY
OF WILLIAMSON COUNTY TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

4. NOTES PAYABLE - Continued

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

Year ending June 30,	
2024	\$ 45,868
2025	46,935
2026	47,946
2027	48,435
2028	48,135
Thereafter	1,020,506
	\$ 1,257,825

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of June 30, 2023 and 2022:

	2023	2022
Net assets with donor restrictions:		
Homeownership	\$ 401,718	\$ 194,674
Home repair	64,033	23,792
Miscellaneous	6,948	368
Total net assets with donor restrictions	\$ 472,699	\$ 218,834

6. SALES TO HOMEOWNERS

During each of the years ended June 30, 2023 and 2022, one home and two homes, respectively, 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 7.85%. The discount totaled \$120,390 for 2023 and \$167,583 for 2022.

7. CONTRIBUTED NONFINANCIAL ASSETS

HFHWC received the following contributed nonfinancial assets included in the Statements of Activities for the years ended June 30, 2023 and 2022:

	2023	2022
Used building materials, appliances, furniture, home décor, and other items for sale in the ReStore	\$ 624,700	\$ 615,174
Building materials and supplies in the construction of homes to be sold	4,493	57,654
	\$ 629,193	\$ 672,828

**HABITAT FOR HUMANITY
OF WILLIAMSON COUNTY TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

7. CONTRIBUTED NONFINANCIAL ASSETS - Continued

Contributed used building materials, appliances, furniture, home décor, and other items are placed for immediate sale in the ReStore unless another HFHWC program can use the product. Excess revenue is used to support the other programs and overall HFHWC mission. 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.

8. 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 years ended June 30, 2023 and 2022, advertising expenses of \$37,798 and \$37,863 was incurred, respectively.

9. 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, 2023 or 2022.

10. CONCENTRATIONS OF CREDIT RISK AND MARKET RISK

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, 2023, 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.

One of HFHWC's donor's receivable amount accounts for approximately 11% of HFHWC's total current assets at June 30, 2023.

One of HFHWC's donors account for approximately 23% of HFHWC's total revenue for the year ended June 30, 2023.

**HABITAT FOR HUMANITY
OF WILLIAMSON COUNTY TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

11. HOME CONSTRUCTION, HOME PRESERVATION/REPAIRS, AND DISASTER RESPONSE

Real estate costs, building materials, and contract labor are recorded at cost when incurred. HFHWC responses to the destruction or damage to owner occupied houses (not built by HFHWC) in Williamson County caused by a natural disaster. Repairs were done on owner occupied houses throughout Williamson County.

New home construction activity for the year ended June 30, 2023 and 2022, is as follows:

	New Home Construction	
	June 30, 2023	June 30, 2022
New homes started in prior years, sold in current year	1	2
New homes started, completed, and sold	-	1
New homes started, completed, and not sold	-	-
New homes started, not completed	-	1

Home repair activity for the year ended June 30, 2023 and 2022, is as follows:

	Home Repairs	
	June 30, 2023	June 30, 2022
Home preservation/repairs started in prior years, completed in current year	10	10
Home preservation/repairs started and completed in current year	41	45
Home preservation/repairs started in current year but not completed	9	10

Disaster response activity for the year ended June 30, 2023 and 2022, is as follows:

	Disaster Response	
	June 30, 2023	June 30, 2022
Home interior completed	1	-

12. 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, 2023 and 2022, Habitat contributed \$1,250 and \$2,500 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, 2023 and 2022.

**HABITAT FOR HUMANITY
OF WILLIAMSON COUNTY TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

13. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

	2023	2022
Financial assets at year end		
Cash and cash equivalents	\$ 512,255	\$ 513,543
Mortgages receivable (net of discount)	895,930	990,004
Accounts receivable	242,635	192,158
Pledges receivable	75,000	-
	1,725,820	1,695,705
Less those unavailable for general expenditures within one year, due to:		
Mortgages receivables due after one year	830,111	906,439
Donor-restricted net assets	419,036	218,834
	1,249,147	1,125,273
Financial assets available to meet cash needs for general expenditure within one year	\$ 476,673	\$ 570,432