

HABITAT FOR HUMANITY
OF WILLIAMSON COUNTY TEXAS, INC.

INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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, 2024	4
Year ended June 30, 2023	5
STATEMENT OF FUNCTIONAL EXPENSES	
Year ended June 30, 2024	6
Year ended June 30, 2023	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, 2024 and 2023, 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, 2024 and 2023, 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 31, 2025

**HABITAT FOR HUMANITY
OF WILLIAMSON COUNTY TEXAS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023**

	2024	2023
Assets		
Current Assets:		
Cash and cash equivalents	\$ 385,298	\$ 512,255
Mortgages receivable, current portion (net of discount)	77,497	65,819
Accounts receivable	178,274	242,635
Pledges receivable	-	75,000
Prepaid expenses	30,749	21,902
Inventory	17,251	24,800
Total Current Assets	689,069	942,411
Property and Equipment		
Land	370,821	370,821
Buildings and improvements	943,161	943,161
Furniture and fixtures	13,677	13,677
Equipment	94,174	117,622
Land improvements	31,852	31,852
Less accumulated depreciation	(231,551)	(206,601)
Net Property and Equipment	1,222,134	1,270,532
Other Assets		
Construction in progress	31,043	-
Land for development	1,039,434	858,925
Mortgages receivable, long-term portion (net of discount)	711,120	830,111
Total Other Assets	1,781,597	1,689,036
Total Assets	\$ 3,692,800	\$ 3,901,979
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 38,434	\$ 42,733
Lines of Credit	-	136,949
Williamson County CDBG program payable	45,927	45,927
Notes payable, current portion (net of discount)	48,254	45,868
Homeowners' escrow accounts	123,310	129,122
Accrued expenses	5,099	5,556
Deferred revenue	50,000	50,000
Total Current Liabilities	311,024	456,155
Notes Payable (net of discount and current portion)	1,166,159	1,211,957
Total Liabilities	1,477,183	1,668,112
Net Assets:		
Without donor restrictions	1,858,215	1,814,831
With donor restrictions	357,402	419,036
Total Net Assets	2,215,617	2,233,867
Total Liabilities and Net Assets	\$ 3,692,800	\$ 3,901,979

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, 2024**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Gains			
Support and revenue			
Grant revenue	\$ 171,993	\$ 133,350	\$ 305,343
Contributions	270,151	56,244	326,395
Contributions of nonfinancial assets	426,983	5,971	432,954
ReStore income (net of discounts of \$41,730)	437,293	-	437,293
Sale to homeowners	-	-	-
Mortgage discount amortization	100,874	-	100,874
Other program income	92,810	131,931	224,741
Interest income	2,405	-	2,405
Gain from sale of property and equipment	9,218	-	9,218
Total Support and Revenue	<u>1,511,727</u>	<u>327,496</u>	<u>1,839,223</u>
Net assets released from restrictions			
Satisfaction of purpose restrictions	389,130	(389,130)	-
Total Revenue and Gains	<u>1,900,857</u>	<u>(61,634)</u>	<u>1,839,223</u>
Expenses and Losses			
Program services			
Home Ownership	175,593	-	175,593
Home Repair	462,365	-	462,365
ReStore	849,704	-	849,704
Total Program Services	<u>1,487,662</u>	<u>-</u>	<u>1,487,662</u>
Supporting services			
General and administrative	190,899	-	190,899
Development and fundraising	178,912	-	178,912
Total Supporting Services	<u>369,811</u>	<u>-</u>	<u>369,811</u>
Total Expenses and Losses	<u>1,857,473</u>	<u>-</u>	<u>1,857,473</u>
Increases (decreases) in net assets	43,384	(61,634)	(18,250)
Net Assets, Beginning of the Year	<u>1,814,831</u>	<u>419,036</u>	<u>2,233,867</u>
Net Assets, End of the Year	<u>\$ 1,858,215</u>	<u>\$ 357,402</u>	<u>\$ 2,215,617</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, 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
Gain from sale of property and equipment	-	-	-
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	395,470	-	395,470
Home Repair	443,017	-	443,017
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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024**

	Program Services			Supporting Services		Total
	Home Ownership	Home Repair	ReStore	General and Administrative	Development and Fundraising	
Advertising	\$ 870	\$ 230	\$ 6,508	\$ 230	\$ 4,722	\$ 12,560
Automobile	768	-	4,382	-	-	5,150
Bank charges	-	-	7,394	1,095	2,523	11,012
Construction	-	342,805	-	-	-	342,805
Contract labor	1,464	1,464	1,903	1,464	1,464	7,759
Cost of goods sold	-	-	430,325	-	-	430,325
Cost of land transferred	-	-	-	-	-	-
Cost of homes transferred	-	-	-	-	-	-
Depreciation	9,661	8,053	14,858	8,817	6,226	47,615
Donor recognition	1,129	109	969	109	110	2,426
Future homeowner application/education	426	-	190	65	20	701
Habitat Texas fee	1,362	1,362	1,362	207	207	4,500
HFH International SOSI	4,538	4,538	4,538	693	693	15,000
HFH International Tithe	1,250	-	-	-	-	1,250
Home dedications	-	-	-	-	-	-
Impact research	4,000	-	-	-	-	4,000
Insurance	10,185	7,156	15,461	6,300	6,025	45,127
Interest	8,063	3,832	18,477	3,616	2,351	36,339
Legal and professional	3,561	-	-	58,962	-	62,523
Loan servicing	9,578	-	-	-	-	9,578
Mortgage discount	26,231	-	-	-	-	26,231
Other employee benefits	8,779	10,234	28,971	10,710	12,323	71,017
Other expense	439	682	6,197	2,317	925	10,560
Payroll expenses	5,631	5,884	21,631	8,240	8,683	50,069
Postage	61	58	133	157	412	821
Rent	-	-	-	-	-	-
Repairs and maintenance	3,006	888	18,554	54	55	22,557
Salaries	63,880	69,062	238,020	81,024	100,600	552,586
Small tools	727	4	-	-	-	731
Supplies	192	192	1,363	1,308	27,237	30,292
Telephone and fax	1,813	1,792	2,393	2,789	2,467	11,254
Training	78	36	36	549	230	929
Travel	27	-	1,013	65	248	1,353
Utilities and occupancy	7,625	3,189	24,618	1,158	1,122	37,712
Volunteer expenses	249	795	408	970	269	2,691
	<u>\$ 175,593</u>	<u>\$ 462,365</u>	<u>\$ 849,704</u>	<u>\$ 190,899</u>	<u>\$ 178,912</u>	<u>\$ 1,857,473</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	3,055	296,907	-	-	-	299,962
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	-	-	-	-	-	-
Habitat Texas fee	-	-	-	-	-	-
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 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	-	-	16,132	4,292	1,287	21,711
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
	<u>\$ 395,470</u>	<u>\$ 443,017</u>	<u>\$ 1,099,170</u>	<u>\$ 234,701</u>	<u>\$ 233,981</u>	<u>\$ 2,406,339</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, 2024 AND 2023**

	2024	2023
Cash Flows from Operating Activities:		
Change in net assets	\$ (18,250)	\$ 363,411
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation expense	47,615	49,524
(Gain) loss on sale of property and equipment	(9,218)	-
Amortization of mortgage receivable discount	(100,874)	(120,390)
Amortization of notes payable discount	26,231	18,509
(Increase) decrease in operating assets:		
Accounts receivable	64,361	(50,477)
Pledges receivable	75,000	(75,000)
Mortgages receivable-net	208,187	214,464
Prepaid expenses	(8,847)	(5,485)
Inventory	7,549	(311)
Construction in progress	(31,043)	154,683
Land for development	(180,509)	(354,258)
(Decrease) increase in operating liabilities		
Accounts payable	(4,299)	(10,105)
Williamson County CDBG program payable	-	1,424
Accrued expenses	(457)	2,740
Homeowner escrow and deposits	(5,812)	748
Homeowner down payment	-	(1,500)
Net cash provided by operating activities	69,634	187,977
Cash Flows from Investing Activities:		
Proceeds from sale of property	10,001	-
Purchase of property and equipment	-	(34,853)
Net cash used in investing activities	10,001	(34,853)
Cash Flows from Financing Activities:		
Net change in lines of credit	(136,949)	(67,101)
Principal payments made on notes payable	(69,643)	(87,311)
Net cash (used in) provided by financing activities	(206,592)	(154,412)
Net increase (decrease) in cash and cash equivalents	(126,957)	(1,288)
Cash and cash equivalents, beginning of year	512,255	513,543
Cash and cash equivalents, end of year	\$ 385,298	\$ 512,255
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 36,339	\$ 44,486

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, 2024 AND 2023**

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:

Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of HFHWC. These net assets may be used at the discretion of HFHWC's management.

**HABITAT FOR HUMANITY
OF WILLIAMSON COUNTY TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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, whereby the donor has stipulated the funds be maintained in perpetuity. HFHWC did not have any net assets with perpetual restrictions at June 30, 2024 and 2023.

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 Statements of 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.

Accounts Receivable

Accounts receivable is recorded at the amount HFHWC expects to collect on outstanding balances included homeowner escrows held on behalf of HFHWC by a third party mortgage processor. The allowance for credit losses is based on the HFHWC's assessment of the collectability of customer accounts receivable. In accordance with ASC Topic 326: *Financial Instruments - Credit Losses*, HFHWC makes ongoing estimates relating to the collectability of accounts receivable and records an allowance for estimated losses expected from the inability of its customers to make required payments. HFHWC establishes expected credit losses by evaluating historical levels of credit losses, current economic conditions that may affect a customer's ability to pay, and creditworthiness of significant customers. These inputs are used to determine a range of expected credit losses and an allowance is recorded within the range. Accounts receivable are written off when there is no reasonable expectation of recovery. As of June 30, 2024 and 2023, HFHWC believes all accounts receivable to be collectible.

**HABITAT FOR HUMANITY
OF WILLIAMSON COUNTY TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Home Sales and Mortgages Receivable

Home sales represent the sale of houses built in Williamson County, Texas by HFHWC to qualified families. Homes are sold at affordable prices and the sales are financed by HFHWC.

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 income (amortization of the discount) is recorded using the straight-line method over the lives of the mortgages and represents the imputed interest income.

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.

Reserve for Credit Losses

Mortgages receivable collectability is evaluated using a combination of factors, including past due status based on contractual terms, trends in write-offs and changes in the general market or business conditions that HFHWC has exposure to. Specific events, such as bankruptcies, are also considered when applicable. Adjustments to the reserve for credit losses are made, when necessary, based on the results of analysis, the aging of receivables and historical and industry trends. HFHWC periodically evaluates the impact of observable external factors on the collectability of the mortgages receivable to determine if adjustments to the reserve for credit losses should be made based on current conditions or reasonable and supportable forecasts.

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 \$47,615 and \$49,524 for the years ended June 30, 2024 and 2023, 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 \$1,039,434 and \$858,925 as of June 30, 2024 and 2023, 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.

**HABITAT FOR HUMANITY
OF WILLIAMSON COUNTY TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Construction in Progress - continued

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.

Land for development

Land held for development includes the costs of purchasing and developing land. Costs incurred to improve land are capitalized when incurred. Once construction of a home on a lot is completed, the cost of the associated lot is expensed in cost of land transferred on the accompanying Statements of Functional Expenses.

Revenue Recognition

Revenue is recognized in the period in which it is earned. As of June 30, 2024, and 2023, 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.

Contributions are recognized upon receipt or upon promise to give. Conditional contributions are recognized when the condition has been met. HFHWC has received a total of \$75,000 of conditional promises to give related to meeting a construction milestone for its homeownership program. As the condition has not yet been met, this amount is not recognized in these financial statements.

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, 2021.

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.

**HABITAT FOR HUMANITY
OF WILLIAMSON COUNTY TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Federal Income Taxes - continued

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 2024 and 2023.

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. See Note 14.

Recently Issued Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct writedown. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of activities and changes in net assets as the amounts expected to be collected change. ASU 2016-13 is effective for HFHWC as of July 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**HABITAT FOR HUMANITY
OF WILLIAMSON COUNTY TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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.

The amounts presented in the Statements of Financial Position are net of unamortized discounts arising from imputed interest on June 30, 2024 and 2023, as follows:

	2024	2023
Mortgages receivable (face value)	\$ 1,583,645	\$ 1,791,832
Unamortized discounts	(795,028)	(895,902)
Mortgages receivable, net of discounts	<u>\$ 788,617</u>	<u>\$ 895,930</u>

The following table shows the aging of mortgages receivable at June 30, 2024 and 2023:

	2024	2023
31-60 days past due	\$ 145,416	\$ 101,452
61-90 days past due	7,359	183,691
Greater than 90 days past due	-	59,485
Total past due	152,775	344,628
Not past due or less than 30 days past due	1,430,870	1,447,204
Total mortgages receivable	<u>\$ 1,583,645</u>	<u>\$ 1,791,832</u>

The future minimum principal payments as of June 30, 2024 at each respective fiscal year end is based on current mortgage payments. Future minimum principal payments due are as follows:

Year ending June 30	Gross Receipts	Discount Amortization	Net Minimum Principal Payments
2025	\$ 153,319	\$ (75,822)	\$ 77,497
2026	153,254	(74,640)	78,614
2027	149,153	(73,012)	76,141
2028	140,605	(69,078)	71,527
2029	128,124	(63,338)	64,786
2030 and beyond	859,190	(439,138)	420,052
	<u>\$ 1,583,645</u>	<u>\$ (795,028)</u>	<u>\$ 788,617</u>

**HABITAT FOR HUMANITY
OF WILLIAMSON COUNTY TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

3. LINES OF CREDIT

HFHWC had 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 was used for short-term loans for amounts that will be reimbursed by an outside source and was secured by mortgages and receivables. This line of credit was primarily used to pay for materials and services within the Home Repair Program. There was \$0 and \$115,136 balance on this line of credit as of June 30, 2024 and 2023. The line of credit matured without renewal.

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, 2025, and a current interest rate of 9.50%. 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 \$0 and \$21,813 balance on this line of credit as of June 30, 2024 and 2023.

4. NOTES PAYABLE

Notes payable, net of discount, consists of the following at June 30, 2024 and 2023:

	2024	2023
Notes payable to Texas Department of Housing and Community Affairs (TDHCA) in the original amount of \$773,500, 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 \$198,985 and \$225,216 as of June 30, 2024 and 2023, respectively. HFHWC remits monthly payments of \$3,125 and the loans mature February 2027 through May 2044.	\$ 203,424	\$ 212,003
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.	1,010,989	1,045,822
Total outstanding balance	1,214,413	1,257,825
Less: current portion	(48,254)	(45,868)
Total long-term debt	\$ 1,166,159	\$ 1,211,957

**HABITAT FOR HUMANITY
OF WILLIAMSON COUNTY TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

4. NOTES PAYABLE - Continued

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

Year ending June 30,	
2025	\$ 48,254
2026	49,265
2027	49,754
2028	49,454
2029	50,273
Thereafter	967,413
	\$ 1,214,413

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of June 30, 2024 and 2023:

	2024	2023
Net assets with donor restrictions:		
Homeownership	\$ 299,671	\$ 351,718
Home repair	51,807	63,318
Miscellaneous	5,924	4,000
Total net assets with donor restrictions	\$ 357,402	\$ 419,036

6. SALES TO HOMEOWNERS

During the year ended June 30, 2023 one home was sold to qualifying applicants. The resulting mortgage is non-interest bearing and the presentation of the book value has been discounted based upon the prevailing market rates for low-income housing at the inception of the mortgage, with the discount rate of 7.85%. There were no homes sold in the year ended June 30, 2024. The discount on sales of homes totaled \$28,692 for the year ended June 30, 2023.

7. CONTRIBUTED NONFINANCIAL ASSETS

HFHWC received the following contributed nonfinancial assets included in the Statements of Activities for the years ended June 30, 2024 and 2023:

	2024	2023
Used building materials, appliances, furniture, home décor, and other items for sale in the ReStore	\$ 421,136	\$ 624,700
Building materials and supplies in the construction of homes to be sold	11,818	4,493
	\$ 432,954	\$ 629,193

**HABITAT FOR HUMANITY
OF WILLIAMSON COUNTY TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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, 2024 and 2023, advertising expenses of \$12,560 and \$37,798 was incurred, respectively.

9. FORECLOSURE ON HOMES

If a homeowner is in default on a mortgage loan after 120 days 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, 2024 or 2023.

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, 2024, HFHWC has a 94% success rate of its homeowners maintaining home ownership. HFHWC has completed the foreclosure process six times since HFHWC's inception in 1999.

**HABITAT FOR HUMANITY
OF WILLIAMSON COUNTY TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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

Real estate costs, building materials, and contract labor are recorded at cost when incurred.

New home construction activity for the year ended June 30, 2024 and 2023, is as follows:

	<u>New Home Construction</u>	
	<u>June 30, 2024</u>	<u>June 30, 2023</u>
New homes started in prior years, sold in current year	-	1
New homes started, completed, and sold	-	-
New homes started, completed, and not sold	-	-
New homes started, not completed	-	-

Repairs were done on owner occupied houses throughout Williamson County. Home repair activity for the year ended June 30, 2024 and 2023, is as follows:

	<u>Home Repairs</u>	
	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Home preservation/repairs started in prior years, completed in current year	9	10
Home preservation/repairs started and completed in current year	61	41
Home preservation/repairs started in current year but not completed	6	9

Response to the destruction or damage to owner occupied houses (not built by HFHWC) in Williamson County caused by a natural disaster. Disaster response activity for the year ended June 30, 2024 and 2023, is as follows:

	<u>Disaster Response</u>	
	<u>June 30, 2024</u>	<u>June 30, 2023</u>
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, 2024 and 2023, Habitat contributed \$1,250 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 and \$15,000 for each of the years ended June 30, 2024 and 2023.

**HABITAT FOR HUMANITY
OF WILLIAMSON COUNTY TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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.

	2024	2023
Financial assets at year end		
Cash and cash equivalents	\$ 385,298	\$ 512,255
Mortgages receivable (net of discount)	788,617	895,930
Accounts receivable	178,274	242,635
Pledges receivable	-	75,000
	1,352,189	1,725,820
Less those unavailable for general expenditures within one year, due to:		
Mortgages receivables due after one year	\$ 711,120	\$ 830,111
Donor-restricted net assets	357,402	419,036
	1,068,522	1,249,147
Financial assets available to meet cash needs for general expenditure within one year	\$ 283,667	\$ 476,673

14. SUBSEQUENT EVENTS

On September 10, 2024, HFHWC entered into a note payable with a benefactor for \$50,000 at an interest rate of 5% to be spent towards the ReStore renovations. The note matures on October 31, 2027.