

**WACO HABITAT FOR HUMANITY**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**JUNE 30, 2023 AND 2022**  
**WITH INDEPENDENT AUDITOR'S REPORT**



**WACO HABITAT FOR HUMANITY**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Waco Habitat for Humanity

### ***Opinion***

We have audited the financial statements of Waco Habitat for Humanity (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Waco Habitat for Humanity as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit 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 Waco Habitat for Humanity and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Waco Habitat for Humanity's ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***Auditor's Responsibilities 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 auditor's 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.

## OFFICE LOCATIONS

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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 Waco Habitat for Humanity'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 Waco Habitat for Humanity'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.

***Report on Summarized Comparative Information***

We have previously audited Waco Habitat for Humanity's June 30, 2022 financial statements, and our report dated January 10, 2023, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented on the statement of activities for the year ended June 30, 2022, is consistent, in all material respects, with the audited statement of activities from which it has been derived.

*Pattillo, Brown & Hill, L.L.P.*

Waco, Texas  
December 20, 2023

# **FINANCIAL STATEMENTS**

**WACO HABITAT FOR HUMANITY**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2023 AND 2022**

	2023	2022
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,888,817	\$ 1,059,031
Grants receivable	-	500,000
Other receivables	17,040	18,236
Prepaid expenses	-	4,298
Current installments of non-interest bearing mortgage loans	<u>135,000</u>	<u>140,000</u>
Total current assets	<u>2,040,857</u>	<u>1,721,565</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	255,251	187,751
Buildings	1,360,088	1,324,613
Equipment	108,956	117,524
ReStore equipment	109,886	109,886
Construction in progress	-	7,179
Less: accumulated depreciation	<u>( 686,983)</u>	<u>( 656,483)</u>
Total property and equipment	<u>1,147,198</u>	<u>1,090,470</u>
<b>OTHER ASSETS</b>		
Homes under construction	434,548	405,093
Vacant lots	67,298	37,998
Escrow receivable	74,152	110,272
Beneficial interest in assets held by Waco Foundation	133,521	122,371
Non-interest bearing mortgage loans, less current installments	1,892,069	1,814,409
Less: discount on mortgages	<u>( 1,190,397)</u>	<u>( 1,130,189)</u>
Total other assets	<u>1,411,191</u>	<u>1,359,954</u>
Total assets	<u>\$ 4,599,246</u>	<u>\$ 4,171,989</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Sales tax payable	\$ 6,213	\$ 4,936
Other payables	68,642	73,944
Current maturities of notes payable	<u>3,557</u>	<u>3,460</u>
Total current liabilities	<u>78,412</u>	<u>82,340</u>
<b>LONG-TERM DEBT, LESS CURRENT MATURITIES</b>	<u>148,438</u>	<u>151,995</u>
Total liabilities	<u>226,850</u>	<u>234,335</u>
<b>NET ASSETS</b>		
Without donor restriction:		
Board designated for endowment	133,521	122,371
Undesignated	<u>4,238,875</u>	<u>3,815,283</u>
Total without donor restrictions	<u>4,372,396</u>	<u>3,937,654</u>
Total net assets	<u>4,372,396</u>	<u>3,937,654</u>
Total liabilities and net assets	<u>\$ 4,599,246</u>	<u>\$ 4,171,989</u>

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



**WACO HABITAT FOR HUMANITY**

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

(With Summarized Financial Information for the Year Ended June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
<b>REVENUE, GAINS AND OTHER SUPPORT</b>				
Foundation contributions	\$ 133,005	\$ -	\$ 133,005	\$ 10,170
Public contributions	4,500	-	4,500	4,500
Other contributions	592,071	-	592,071	1,204,063
ReStore:				
ReStore sales	721,078	-	721,078	603,891
ReStore in-kind donations	3,216	-	3,216	-
ReStore expenses	<u>( 511,334)</u>	<u>-</u>	<u>( 511,334)</u>	<u>( 459,412)</u>
ReStore net gain	<u>212,960</u>	<u>-</u>	<u>212,960</u>	<u>144,479</u>
Mortgage loans on homes	299,000	-	299,000	85,201
Repair and ramps	4,617	-	4,617	11,829
In-kind donations	8,734	-	8,734	46,509
Discount amortization	78,387	-	78,387	116,536
Other income	<u>314,225</u>	<u>-</u>	<u>314,225</u>	<u>59,994</u>
Total revenue, gains and other support	<u>1,647,499</u>	<u>-</u>	<u>1,647,499</u>	<u>1,683,281</u>
<b>EXPENSES</b>				
<b>Program Services</b>				
New home construction and rehabs	755,629	-	755,629	371,888
Critical home repair and ramps	44,273	-	44,273	50,415
Family services	99,143	-	99,143	91,286
<b>Supporting Services</b>				
Management and general expenses	246,830	-	246,830	215,789
Fundraising expenses	<u>66,882</u>	<u>-</u>	<u>66,882</u>	<u>45,490</u>
Total expenses	<u>1,212,757</u>	<u>-</u>	<u>1,212,757</u>	<u>774,868</u>
<b>CHANGE IN NET ASSETS</b>	434,742	-	434,742	908,413
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>3,937,654</u>	<u>-</u>	<u>3,937,654</u>	<u>3,029,241</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 4,372,396</u>	<u>\$ -</u>	<u>\$ 4,372,396</u>	<u>\$ 3,937,654</u>

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

**WACO HABITAT FOR HUMANITY**

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2023

	Program Services			Support Services		Total
	New Home Construction and Rehabs	Critical Home Repair and Ramps	Family Services	Management and General	Fundraising	
House construction	\$ 373,749	\$ -	\$ -	\$ -	\$ -	\$ 373,749
Home repairs and ramps	-	44,083	-	-	-	44,083
Tithe for international homes	37,750	-	-	-	-	37,750
Salaries	99,722	-	48,132	106,152	26,277	280,283
Retirement	2,130	-	1,404	3,185	788	7,507
Employee benefits	16,187	-	3,124	9,364	-	28,675
Payroll taxes	7,564	-	3,500	9,037	1,793	21,894
Accounting and legal fees	17	-	773	46,902	-	47,692
Advertising and promotion	10	-	104	1,000	45	1,159
Office expenses	7,498	-	3,657	5,887	8,382	25,424
Information technology	5,327	-	3,403	3,554	555	12,839
Occupancy	8,077	-	4,224	13,591	960	26,852
Travel	12,954	-	-	904	-	13,858
Conferences, conventions, and meetings	837	-	661	1,316	470	3,284
Depreciation and amortization	11,199	-	6,030	7,342	1,723	26,294
Insurance	6,110	-	442	12,961	442	19,955
Mortgage discount	138,595	-	-	-	-	138,595
In-kind expense	8,734	-	-	-	-	8,734
Other expenses	19,169	190	23,689	25,635	25,447	94,130
<b>Total expenses</b>	<b>\$ 755,629</b>	<b>\$ 44,273</b>	<b>\$ 99,143</b>	<b>\$ 246,830</b>	<b>\$ 66,882</b>	<b>\$ 1,212,757</b>

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

**WACO HABITAT FOR HUMANITY**

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

	Program Services			Support Services		Total
	New Home Construction and Rehabs	Critical Home Repair and Ramps	Family Services	Management	Fundraising	
House construction	\$ 113,598	\$ -	\$ -	\$ -	\$ -	\$ 113,598
Home repairs and ramps	-	50,415	-	-	-	50,415
Tithe for international homes	18,000	-	-	-	-	18,000
Salaries	88,918	-	58,842	96,699	21,630	266,089
Retirement	282	-	1,765	1,933	649	4,629
Employee benefits	8,178	-	4,250	2,108	-	14,536
Payroll taxes	13,612	-	4,352	3,325	1,449	22,738
Accounting and legal fees	-	-	36	18,825	-	18,861
Advertising and promotion	50	-	39	500	-	589
Office expenses	12,544	-	7,164	8,799	1,375	29,882
Information technology	3,217	-	2,627	2,511	392	8,747
Occupancy	8,152	-	3,502	13,049	796	25,499
Travel	7,489	-	-	2,620	-	10,109
Conferences, conventions, and meetings	990	-	2,111	1,464	134	4,699
Depreciation and amortization	11,099	-	5,976	7,952	1,708	26,735
Insurance	3,528	-	-	10,366	-	13,894
Mortgage discount	18,372	-	-	-	-	18,372
In-kind expense	46,509	-	-	-	-	46,509
Other expenses	17,350	-	622	45,638	17,357	80,967
<b>Total expenses</b>	<b>\$ 371,888</b>	<b>\$ 50,415</b>	<b>\$ 91,286</b>	<b>\$ 215,789</b>	<b>\$ 45,490</b>	<b>\$ 774,868</b>

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

**WACO HABITAT FOR HUMANITY**

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 434,742	\$ 908,413
Depreciation and amortization	43,523	43,140
Loss on disposition of fixed assets	( 4,500)	-
(Acquisition) disposition of vacant lots and donated buildings	( 29,300)	3,566
Unrealized (gain) loss on investments	( 11,150)	14,755
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in mortgage receivables, net	( 12,452)	76,801
(Increase) decrease in receivables	501,196	( 518,236)
(Increase) decrease in prepaid expenses	4,298	( 4,298)
(Increase) decrease in houses under construction	( 29,455)	( 214,147)
Increase (decrease) in other payables	( 4,025)	( 637)
Increase (decrease) in escrow accounts	<u>36,120</u>	<u>34,606</u>
Net cash provided by operating activities	<u>928,997</u>	<u>343,963</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on notes payable	<u>( 3,460)</u>	<u>( 303,648)</u>
Net cash used by financing activities	<u>( 3,460)</u>	<u>( 303,648)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of fixed assets	( 100,251)	( 12,530)
Disposition of equipment	<u>4,500</u>	<u>-</u>
Net cash used by investing activities	<u>( 95,751)</u>	<u>( 12,530)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	829,786	27,785
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,059,031</u>	<u>1,031,246</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ <u>1,888,817</u>	\$ <u>1,059,031</u>

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

# WACO HABITAT FOR HUMANITY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

### 1. ORGANIZATION AND NATURE OF ACTIVITIES

Waco Habitat for Humanity, Inc. ("WHFH", or the "Habitat") is a not-for-profit organization registered in the state of Texas and headquartered in Waco, Texas. It is an affiliate of Habitat for Humanity International, Inc., which is a nonprofit, nondenominational Christian housing organization. WHFH, with the help of volunteer labor and donations of money and materials, brings communities and people together to create and sustain home ownership in McLennan County.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Accounting**

The financial statements of WHFH have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities, in accordance with accounting principles generally accepted in the United States of America ("GAAP").

#### **Basis of Presentation**

Net assets, revenues, gains and losses are classified on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and the changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Such net assets are available for any purpose consistent with the Habitat's mission. Designations of net assets by the governing board do not have the same legal requirements as do restrictions of funds and are included in this category.

*Net Assets With Donor Restrictions* – Net assets subject to specific, donor-imposed restrictions that must be met by actions of the Habitat and/or passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### **Recognition of Donor Restrictions**

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When the restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

#### **Significant Estimates**

The preparation of financial statements in conformity with 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, fair value of investments, and the discount on mortgages. Actual results could differ from those estimates.

#### **Income Tax Status**

WHFH has been granted exemptions from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, no provision for income taxes 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, WHFH 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 WHFH and various positions related to the potential sources of unrelated business taxable income. 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. The previous three years remain subject to examination by tax jurisdictions.

### **Cash and Cash Equivalents**

For purposes of the statements of cash flows, WHFH considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. There were no cash equivalents for the years ended June 30, 2023 and 2022.

### **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 10 to 30 years. These mortgages have been discounted at various rates ranging from 6.0% to 9.0%, based on prevailing market rates at the inception of the mortgages. Mortgage discount expense (amortization of the discount) is recorded using the interest method over the lives of the mortgages.

### **Vacant Lots**

Vacant lots consists of home lots to be developed and costs incurred in conjunction with lot preparation. They are capitalized until the completion of each home. Home lot inventory was \$67,298 and \$37,998 as of June 30, 2023 and 2022, respectively.

### **Buildings and Equipment**

Property and equipment are capitalized at cost if they exceed the \$500 capitalization threshold. Donations of fixed assets are capitalized at fair market value at the date of donation. All assets are depreciated on the straight-line basis over 5 to 40 years.

### **Support and Cost**

Grants, gifts of cash, and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of net activities as net assets released from restrictions.

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, WHFH reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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

### **Homes under Construction**

Homes under construction are 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. Included in land costs are any costs incurred in development. When revenue from the sale of a home is recognized, the corresponding costs are then expensed in the statements of activities as program services.

### **Sale to Homeowners**

Sales of homes to homeowners are recorded at the gross mortgage. The mortgages do not bear interest, but have been discounted based upon applicable rates of interest published by Habitat for Humanity International, Inc. Using the interest method of amortization, these discounts will be recognized as mortgage loan amortization over the term of the mortgages.

### **Home Construction Costs**

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.

### **Prior Year Summarized Information**

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with WHFH's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

### **Functional Allocation of Expenses**

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Habitat.

## **3. MORTGAGE RECEIVABLES**

Mortgages receivable consists of non-interest bearing loans, payable monthly over 20 to 30 years and secured by certain real estate in connection with WHFH's homebuilding initiatives in the Waco, Texas area. The closing costs are included in the mortgage, and an escrow account 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 WHFH at each sale so the financial statements only reflect, at any point in time, the present value of future principal payments to be received. The discount 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 6.0% to 9.0% 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 10 to 30 years; however, no amounts associated with the subordinate lien are reflected in these financial statements. The subordinate lien, or a portion thereof, is collected only under specific circumstances; therefore, the amount collectible is unknown.

The balance of current installments on non-interest bearing mortgage loans as of June 30, 2023 and 2022, of \$135,000 and \$140,000, respectively, represents the installments due within one year. The remaining balance of the non-interest bearing mortgage loans as of June 30, 2023 and 2022, of \$1,892,069 and \$1,814,409 respectively, is represented as other assets.

The discount on mortgage receivables must also be amortized under GAAP. Amortization for the years ended June 30, 2023 and 2022 was \$78,387 and \$116,536, respectively.

#### 4. ACCOUNTS RECEIVABLE

For the years ended June 30, 2023 and 2022, accounts receivable consist of:

	<u>2023</u>	<u>2022</u>
Grants receivable	\$ -	\$ 500,000
Other receivables	17,040	18,236
Less allowance for doubtful accounts	-	-
Total	<u>\$ 17,040</u>	<u>\$ 518,236</u>

#### 5. PROPERTY AND EQUIPMENT

The summary of property and equipment for the years ended June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 255,251	\$ 187,751
Buildings and improvements	1,360,088	1,324,613
Equipment and tools	108,956	117,524
ReStore equipment	109,886	109,886
Construction in progress	-	7,179
	<u>1,834,181</u>	<u>1,746,953</u>
Less accumulated depreciation	<u>( 686,983)</u>	<u>( 656,483)</u>
Total property and equipment	<u>\$ 1,147,198</u>	<u>\$ 1,090,470</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$43,523 and \$43,140, respectively.

#### 6. NOTES PAYABLE

At June 30, 2023 and 2022, the following debt was outstanding:

	<u>2023</u>	<u>2022</u>
SBA Economic Injury Disaster loan payable, with and interest rate of 2.75%, due in monthly installments of \$641, beginning one year from the loan date and maturing June 18, 2050.	\$ <u>151,995</u>	\$ <u>155,455</u>
Less current installments	151,995 <u>( 3,557)</u>	155,455 <u>( 3,460)</u>
Long-term Debt, Excluding Current Installments	<u>\$ 148,438</u>	<u>\$ 151,995</u>

The debt service requirements for the next five years and thereafter are as follows:

<u>Fiscal Year Ending June 30,</u>	
2024	\$ 3,557
2025	3,656
2026	3,758
2027	3,862
2028	3,970
Thereafter	<u>133,192</u>
	<u>\$ 151,995</u>



## **7. SALES TO HOMEOWNERS**

During the years ended June 30, 2023 and 2022, three and one 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 (current year's rate 7.85%). The discount totaled \$138,595 and \$18,372 for 2023 and 2022.

## **8. REVENUE RECOGNITION**

The Habitat earns revenue from a variety of sources. The Habitat's principal sources of revenue are grants, contributions, ReStore sales and sales to homeowners, as discussed above in note 2.

Sales to homeowners and ReStore sales are exchange transactions within the scope of and accounted for under Accounting Standards Codification ("ASC") 606. ASC 606 requires revenue to be recognized when the Habitat satisfies the related performance obligations by transferring a good or service to a customer through a 5-step process:

- 1) Identify the contract with the customer,
- 2) Identify the associated performance obligations,
- 3) Determine the transaction price,
- 4) Allocate the transaction price to the performance obligations, and
- 5) Recognize revenue when the performance obligations have been satisfied and the good or service has been transferred.

Sales to homeowners satisfy performance obligations at a point in time, on the date when the sale formally closes. ReStore sales also satisfy performance obligations at a point in time when control of the goods transfers to the customer at the point-of-sale.

Contributions and the composition of grants received by the Habitat are not exchange transactions and therefore, fall outside the scope of ASC 606. These revenue streams are recognized in accordance with ASC 958, Not-for-profit Entities.

## **9. INVESTMENTS**

The Habitat has an investment account under the management of the Waco Foundation. The funds are the property of the Waco Foundation held by it in its trust capacity. Income earned (less investment fees incurred) accumulates for distribution at the request of the Habitat. The income may, if both the Habitat and the Waco Foundation agree, remain and accumulate with the corpus. The Habitat may request distributions of principal. However, distributions of principal are at the sole discretion of the Waco Foundation. It is intended that assets be held for the benefit of the Habitat as long as the need for funds exist. If, for any reason, the Waco Foundation is terminated, dissolves, ceases to exist or ceases to hold or administer the Habitat's investment fund or otherwise function under the agreement, then the net assets of the investment fund, after allowance for liabilities and expenses, shall be distributed to the Habitat. If the Habitat is not then in existence, funds will be distributed to such organization having similar purposes as the Habitat as the governing board of the Waco Foundation may select.

The Habitat's beneficial interest in assets held by the Waco Foundation was \$133,521 and \$122,371 as of June 30, 2023 and 2022, respectively.

## **10. FAIR VALUE MEASUREMENTS**

FASB ASC 820, Fair Value Measurement, clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this guidance are described below.

- Level 1 – Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities which use observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In estimating fair value, the Habitat utilizes valuation techniques that are consistent with the market approach, the income approach, and/or the cost approach. Such valuation techniques are consistently applied.

The fair value of the investment held at the Waco Foundation (*see Investments footnote above*) is based on the fair value of the fund's net assets as determined by the trustee of the fund, primarily using quoted prices for similar assets in active markets. The following summarizes how the fair values of the investments were determined.

Fair values of assets measured on a recurring basis at June 30, 2023 and 2022 are as follows:

Fair Value Measurements at Reporting Date Using

<u>June 30, 2023</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Quoted Prices for Similar Assets (Level 2)</u>
Assets at Waco Foundation	\$ <u>133,521</u>	\$ <u>-</u>	\$ <u>133,521</u>
Total at June 30, 2023	\$ <u>133,521</u>	\$ <u>-</u>	\$ <u>133,521</u>
 <u>June 30, 2022</u>			
Assets at Waco Foundation	\$ <u>122,371</u>	\$ <u>-</u>	\$ <u>122,371</u>
Total at June 30, 2022	\$ <u>122,371</u>	\$ <u>-</u>	\$ <u>122,371</u>

## 11. DONATED SERVICES AND MATERIALS

A number of unpaid volunteers have made contributions of their time, materials and services in conjunction with the Habitat's programs and services. The value of services provided by the Habitat's many volunteers are not reflected in these financial statements. The value of the contributions meeting the requirements for recognition was \$8,734 and \$46,509 for the years ended June 30, 2023 and 2022, respectively.

ReStore inventory consists of donated home furnishings, building supplies, paint and paint supplies, flooring, and other home improvement items. No amounts have been recognized in the accompanying statements of activities for these goods, however, the revenue generated by donated ReStore items is recognized at the selling price at the time of the sale.

## 12. CONCENTRATION OF CREDIT AND MARKET RISK

WHFH maintains cash balances at several financial institutions located in Texas. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At June 30, 2023 and 2022, WHFH had approximately \$279,712 and \$360,507, respectively, in cash balances not covered by FDIC insurance coverage.

WHFH'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 WHFH that the mortgages receivable will be partially uncollectible. To mitigate the risk of overstating the ability of WHFH 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.

### 13. TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL

WHFH will annually remit a percentage of its unrestricted contributions (excluding in-kind contributions) to Habitat for Humanity International. For the years ended June 30, 2023 and 2022, WHFH contributed \$7,500 and \$7,500, respectively. In addition to these unrestricted contributions to Habitat for Humanity International, WHFH also paid a tithe in the amount of \$37,750 for the year ended June 30, 2023 and \$18,000 for the year ended June 30, 2022. These funds are used to construct homes in economically depressed areas around the world.

### 14. NET ASSETS – ENDOWMENT FUNDS

The Habitat's endowment consists of board designated quasi-endowments invested in funds managed by the Waco Foundation. The funds are the property of the Waco Foundation held by it in its trust capacity. Net distributable income of the funds, defined as the net realized and unrealized appreciation of the funds over the historic dollar value of the assets in the funds is to be distributed to the Habitat at least on an annual basis, unless otherwise requested by the Habitat. The income may, if both the Habitat and the Waco Foundation agree, remain and accumulate with the corpus.

As required by GAAP, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. As of June 30, 2023 and 2022, the Habitat does not have any donor restricted endowment funds, and as such, the endowments are not subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Endowment net asset classification by Type of Fund as of June 30, 2023:

Endowment Type	Without Donor Restriction	With Donor Restriction	Total
Donor Restricted	\$ -	\$ -	\$ -
Board Designated	<u>133,521</u>	<u>-</u>	<u>133,521</u>
Total Endowments	<u>\$ 133,521</u>	<u>\$ -</u>	<u>\$ 133,521</u>

Changes in endowment net assets for the fiscal year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 122,371	\$ -	\$ 122,371
Investment return, net	11,150	-	11,150
Contributions to endowment	-	-	-
Appropriation of endowment assets for expenditure	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 133,521</u>	<u>\$ -</u>	<u>\$ 133,521</u>

Endowment net asset classification by Type of Fund as of June 30, 2022:

Endowment Type	Without Donor Restriction	With Donor Restriction	Total
Donor restricted	\$ -	\$ -	\$ -
Board designated	<u>122,371</u>	<u>-</u>	<u>122,371</u>
Total endowments	<u>\$ 122,371</u>	<u>\$ -</u>	<u>\$ 122,371</u>

Changes in endowment net assets for the fiscal year ended June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 137,126	\$ -	\$ 137,126
Investment return, net	( 14,755)		( 14,755)
Contributions to endowment	-	-	-
Appropriation of endowment assets for expenditure	-	-	-
Endowment net assets, end of year	<u>\$ 122,371</u>	<u>\$ -</u>	<u>\$ 122,371</u>

## 15. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Habitat's financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available could include amounts set aside for long-term investing in quasi-endowments that could be drawn upon if the governing board approves that action.

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash & cash equivalents	\$ 1,888,817	\$ 1,059,031
Beneficial interest in assets held by Waco Foundation	133,521	122,371
Grants receivable	-	500,000
Other receivables	17,040	18,236
Current installments of non-interest bearing mortgage loans	<u>135,000</u>	<u>140,000</u>
Financial assets, at year-end	2,174,378	1,839,638
Less:		
Board-designated net assets	<u>( 133,521)</u>	<u>( 122,371)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,040,857</u>	<u>\$ 1,717,267</u>

## 16. RELATED PARTIES

In the normal course of business, the Habitat has business dealings with individuals who are associated with the Habitat. In the opinion of Management, all business dealings are conducted in an arm's length manner.

## 17. SUBSEQUENT EVENTS

The Habitat has evaluated subsequent events from the financial position date through December 20, 2023, the date the financial statements were available to be issued and noted no items requiring disclosure or recognition.