

**AUSTIN HABITAT FOR HUMANITY, INC.
(A Nonprofit Corporation)**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

As of and for the Years Ended December 31, 2020 and 2019

And Report of Independent Auditor

AUSTIN HABITAT FOR HUMANITY, INC.

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Report of Independent Auditor

To the Board of Directors
Austin Habitat for Humanity, Inc.
Austin, Texas

We have audited the accompanying consolidated financial statements of Austin Habitat for Humanity, Inc. and its subsidiaries (the “Organization”), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Austin Habitat for Humanity, Inc. and its subsidiaries as of December 31, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Consolidated Financial Statements

The consolidated financial statements of the Organization as of and for the year ended December 31, 2019, were audited by other auditors whose report dated July 29, 2020 expressed an unmodified opinion on those statements.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating schedules of financial position information and consolidating schedule of activities information on pages 22 through 25, respectively, are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in blue ink, appearing to read "Cheng Zoukang LLP".

Austin, Texas
July 7, 2021

AUSTIN HABITAT FOR HUMANITY, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 4,550,715	\$ 2,042,762
Investments, at fair value	16,972	16,204
Accounts receivable	383,072	615,099
Pledges receivable, net	121,000	234,387
Mortgages receivable, current portion, net	789,238	887,959
ReStore inventory	852,421	842,554
Home construction in progress	2,960,958	671,834
Prepaid expenses and other current assets	213,751	300,205
Total Current Assets	9,888,127	5,611,004
Land held for development	4,958,354	5,073,385
Pledges receivable, long-term portion, net	212,385	243,498
Other long-term assets	-	240,790
Mortgages receivable, long-term portion, net	8,994,125	9,658,437
Notes receivable, 2 nd liens, net	1,004,990	968,843
Property and equipment, net	9,763,461	9,811,870
Total Assets	\$ 34,821,442	\$ 31,607,827
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 321,319	\$ 274,295
Accrued expenses	669,113	767,640
Deferred revenue	4,313,620	3,130,982
Line of credit	1,000,000	-
Capital lease obligation, current portion	36,378	35,304
Notes payable - TDHCA, current portion	111,816	108,816
Long-term debt, current portion	-	2,272
Paycheck Protection Program loan	768,200	-
Total Current Liabilities	7,220,446	4,319,309
Capital lease obligation, long-term portion	153,489	186,943
Notes payable - TDHCA, long-term portion	1,379,912	1,373,638
Long-term debt, net of unamortized debt issuance costs	5,327,414	5,310,967
Total Liabilities	14,081,261	11,190,857
Net Assets:		
Without donor restrictions	19,506,160	18,772,496
With donor restrictions	1,234,021	1,644,474
Total Net Assets	20,740,181	20,416,970
Total Liabilities and Net Assets	\$ 34,821,442	\$ 31,607,827

AUSTIN HABITAT FOR HUMANITY, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues:			
Contributions and Other Income:			
Contributions	\$ 1,787,301	\$ 1,017	\$ 1,788,318
Home building sponsorship revenues	1,084,589	-	1,084,589
Investment income	6,862	-	6,862
Other income	371,783	-	371,783
Net assets released from restrictions	411,470	(411,470)	-
Total Contributions and Other Income	<u>3,662,005</u>	<u>(410,453)</u>	<u>3,251,552</u>
ReStore Revenues:			
ReStore sales	5,501,709	-	5,501,709
In-kind donation of inventory	2,912,667	-	2,912,667
Cost of goods sold	(4,263,940)	-	(4,263,940)
Sales discounts and refunds	(262,474)	-	(262,474)
Total ReStore Revenues, net	<u>3,887,962</u>	<u>-</u>	<u>3,887,962</u>
Low-Cost Housing Revenues:			
Home sales	1,188,028	-	1,188,028
In-kind contributions of labor and construction materials	519,172	-	519,172
Mortgage discount and amortization	201,579	-	201,579
Other housing revenues	2,795	-	2,795
Cost of homes sold	(1,462,595)	-	(1,462,595)
Total Low-Cost Housing Revenues, net	<u>448,979</u>	<u>-</u>	<u>448,979</u>
Total Revenues	<u>7,998,946</u>	<u>(410,453)</u>	<u>7,588,493</u>
Expenses:			
Low-cost housing program	2,425,699	-	2,425,699
ReStore program	3,314,697	-	3,314,697
Fundraising	793,081	-	793,081
Management and general	731,805	-	731,805
Total Expenses	<u>7,265,282</u>	<u>-</u>	<u>7,265,282</u>
Change in net assets	733,664	(410,453)	323,211
Net assets, beginning of year	<u>18,772,496</u>	<u>1,644,474</u>	<u>20,416,970</u>
Net assets, end of year	<u>\$ 19,506,160</u>	<u>\$ 1,234,021</u>	<u>\$ 20,740,181</u>

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

AUSTIN HABITAT FOR HUMANITY, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues:			
Contributions and Other Income:			
Contributions	\$ 1,139,777	\$ 771,141	\$ 1,910,918
In-kind contributions	332,955	-	332,955
Home building sponsorship revenues	1,719,732	-	1,719,732
Investment income	25,514	-	25,514
Other income	649,999	-	649,999
Net assets released from restrictions	<u>793,687</u>	<u>(793,687)</u>	<u>-</u>
Total Contributions and Other Income	<u>4,661,664</u>	<u>(22,546)</u>	<u>4,639,118</u>
ReStore Revenues:			
ReStore sales	5,327,118	-	5,327,118
In-kind donation of inventory	3,250,770	-	3,250,770
Cost of goods sold	(4,343,061)	-	(4,343,061)
Sales discounts and refunds	<u>(295,930)</u>	<u>-</u>	<u>(295,930)</u>
Total ReStore Revenues, net	<u>3,938,897</u>	<u>-</u>	<u>3,938,897</u>
Low-Cost Housing Revenues:			
Home sales	2,579,019	-	2,579,019
In-kind contributions of labor and construction materials	821,603	-	821,603
Mortgage discount and amortization	(347,212)	-	(347,212)
Other housing revenues	2,590	-	2,590
Cost of homes sold	<u>(3,490,413)</u>	<u>-</u>	<u>(3,490,413)</u>
Total Low-Cost Housing Revenues, net	<u>(434,413)</u>	<u>-</u>	<u>(434,413)</u>
Total Revenues	<u>8,166,148</u>	<u>(22,546)</u>	<u>8,143,602</u>
Expenses:			
Low-cost housing program	2,326,496	-	2,326,496
ReStore program	3,312,279	-	3,312,279
Fundraising	746,780	-	746,780
Management and general	<u>1,036,213</u>	<u>-</u>	<u>1,036,213</u>
Total Expenses	<u>7,421,768</u>	<u>-</u>	<u>7,421,768</u>
Change in net assets	744,380	(22,546)	721,834
Net assets, beginning of year	<u>18,028,116</u>	<u>1,667,020</u>	<u>19,695,136</u>
Net assets, end of year	<u>\$ 18,772,496</u>	<u>\$ 1,644,474</u>	<u>\$ 20,416,970</u>

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

AUSTIN HABITAT FOR HUMANITY, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Low-cost Housing	ReStore	Fundraising	Management and General	Total
Salaries and related	\$ 1,650,251	\$ 2,195,034	\$ 588,463	\$ 484,474	\$ 4,918,222
Advertisements	729	88,024	117,657	641	207,051
Office expenses	44,305	160,094	18,227	31,325	253,951
Information technology	53,093	63,766	17,542	24,594	158,995
Occupancy	99,275	296,300	2,221	5,299	403,095
Travel	6,771	17,474	2,183	2,851	29,279
Conference, conventions, and meetings	1,343	10,753	1,038	14,926	28,060
Interest and amortization	12,864	141,534	6,978	8,209	169,585
Tithe to HFHI	91,333	-	-	-	91,333
Depreciation	27,485	213,431	10,161	15,529	266,606
Insurance	61,081	95,928	2,125	2,421	161,555
Warrant work	18,597	-	-	-	18,597
Tools and equipment	7,918	440	-	-	8,358
Professional services	63,057	9,726	11,233	106,736	190,752
Dues and subscriptions	17,100	10,725	13,277	22,536	63,638
Home repair program	260,731	-	1,236	-	261,967
Other expense	9,766	11,468	740	12,264	34,238
Total	\$ 2,425,699	\$ 3,314,697	\$ 793,081	\$ 731,805	\$ 7,265,282

AUSTIN HABITAT FOR HUMANITY, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Low-cost Housing	ReStore	Fundraising	Management and General	Total
Salaries and related	\$ 1,401,812	\$ 2,129,199	\$ 451,632	\$ 732,174	\$ 4,714,817
Advertisements	10,589	112,265	161,531	892	285,277
Office expenses	53,354	157,175	12,470	54,912	277,911
Information technology	23,230	20,723	10,855	4,358	59,166
Occupancy	121,399	309,645	5,247	7,217	443,508
Travel	13,170	36,176	4,010	17,979	71,335
Conference, conventions, and meetings	6,048	8,529	2,799	13,790	31,166
Interest and amortization	32,581	181,916	14,701	59,872	289,070
Tithe to HFHI	77,008	-	-	-	77,008
Depreciation	24,283	205,021	11,430	15,259	255,993
Insurance	56,220	76,060	2,529	2,266	137,075
Warrant work	32,902	-	-	-	32,902
Tools and equipment	10,460	1,660	-	-	12,120
Professional services	65,554	41,824	21,143	91,852	220,373
NMTC transaction fees	12,180	-	-	-	12,180
Dues and subscriptions	13,355	12,505	4,932	27,398	58,190
Home repair program	369,709	-	1,991	1,044	372,744
Other expense	2,642	19,581	41,510	7,200	70,933
Total	\$ 2,326,496	\$ 3,312,279	\$ 746,780	\$ 1,036,213	\$ 7,421,768

AUSTIN HABITAT FOR HUMANITY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 323,211	\$ 721,834
Adjustments to reconcile change in net assets to net cash flows from operations:		
Noncash interest expense	16,447	105,714
Depreciation	266,606	255,993
Gain on extinguishment of debt	-	(383,120)
Appreciation in investments	(768)	-
Gain on sale of mortgage notes receivable	(181,448)	-
(increase) decrease in operating assets:		
Accounts receivable	232,027	(235,692)
Pledges receivable	144,500	153,620
Mortgages receivable	43,021	(829,254)
ReStore inventory	(9,867)	(34,525)
Home construction in progress	(2,289,124)	277,269
Prepaid expenses and other	86,454	72,218
Land held for development	115,031	(393,133)
Notes receivable, 2 nd liens	(36,147)	(86,638)
Other long-term assets	240,790	(48,153)
(Increase) decrease in operating liabilities:		
Accounts payable	47,024	(96,261)
Accrued expenses	(98,527)	(40,291)
Deferred revenue	1,182,638	427,214
Notes payable - TDHCA	9,274	140,558
Net cash from operating activities	<u>91,142</u>	<u>7,353</u>
Cash flows from investing activities:		
Sales of investments	-	1,519,798
Purchases of property and equipment	(218,197)	(562,169)
Proceeds from the sale of mortgage notes receivable	901,460	-
Net cash from investing activities	<u>683,263</u>	<u>957,629</u>
Cash flows from financing activities:		
Draws on line of credit	1,000,000	5,312,919
Payments on long-term debt	(2,272)	(6,413,986)
Payments on capital lease obligation	(32,380)	(37,186)
Proceeds from Paycheck Protection Program loan	768,200	-
Net cash from financing activities	<u>1,733,548</u>	<u>(1,138,253)</u>
Net increase (decrease) in cash and cash equivalents	2,507,953	(173,271)
Cash and cash equivalents, beginning of year	2,042,762	2,216,033
Cash and cash equivalents, end of year	<u>\$ 4,550,715</u>	<u>\$ 2,042,762</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 155,090</u>	<u>\$ 212,545</u>

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

AUSTIN HABITAT FOR HUMANITY, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 1—Organization

Austin Habitat for Humanity, Inc. (“AHFH”) is a nonprofit, affordable housing developer dedicated to the elimination of substandard housing in and around Austin, Texas. It is affiliated with Habitat for Humanity International, Inc. (“HFHI”) based in Americus, Georgia. AHFH was incorporated in 1985 under the laws of the state of Texas. While adhering to the policies and procedures prescribed by HFHI, AHFH exists as a separate corporation with its own Board of Directors (the “Board”). Local policies, strategies, operations, and fundraising are the responsibility of each affiliate.

Austin Neighborhood Alliance for Habitat, Inc., (the “Alliance”) is a wholly owned non-profit corporation formed to support AHFH. The Alliance receives federal financial assistance to acquire land and develop infrastructure for homes.

HomeBase Texas (“HomeBase”) is a wholly owned non-profit corporation that provides affordable homeownership opportunities to homeowners by partnering with outside developers, builders, and agencies.

Low-Cost Housing Program – To be considered for home ownership, families must be low-income families who demonstrate a need for better housing, an ability to make mortgage payments, and a willingness to work in partnership with AHFH. The partnership consists, in part, of each family completing 300 hours of “sweat equity” and meeting monthly mortgage payments. AHFH acquires the land, finds and qualifies the families, raises the funding, finds and supervises construction volunteers, builds the houses, and funds the mortgages. Houses are sold resulting in either a no interest or zero profit on the mortgage. By policy of HFHI, AHFH may accept government support for land, infrastructure improvements and construction.

ReStore Program – AHFH also operates two ReStores in Austin and San Marcos as well as an online store, ShopAustinRestore.com. The ReStore program provides access to quality building materials, new and used, household goods, clothing, etc., to the general public to help them create a better human habitat in which to live and work. The ReStore receives donated materials, purchases items, and sells them.

Note 2—Summary of significant accounting policies

Basis of Presentation – The consolidated financial statements are presented in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) as defined by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”).

Consolidation – The Alliance and HomeBase financial statements are consolidated into the financial statements of AHFH because AHFH has control over and an economic interest in the Alliance and HomeBase. AHFH and its affiliates, the Alliance and HomeBase, are collectively referred to as the Organization. All significant intercompany accounts and transactions have been eliminated in consolidation.

Net Asset Classification – In accordance with FASB ASC Topic 958, *Not-for-Profit Entities*, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions – Net assets that are not subject to stipulations. Net assets without donor stipulations may be used for any purpose or designated for specific purposes by the Organization. As of December 31, 2020 and 2019, AHFH had no Board designated net assets.

Net Assets With Donor Restrictions – Net assets at are subject to donor-imposed stipulations, which limit their use by the Organization to a specific purpose and/or the passage of time.

AUSTIN HABITAT FOR HUMANITY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 2—Summary of significant accounting policies (continued)

Use of Estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates include the fair value of investments, allowances for uncollectable receivables, useful lives of property and equipment, functional expense allocation, and the valuation of in-kind services and materials.

Advertising Costs – Advertising costs are expensed when incurred. Advertising expense for the years ended December 31, 2020 and 2019 were \$207,051 and \$285,277, respectively.

Fair Value Measurements – The Organization measures and discloses fair value measurements in accordance with the authoritative literature. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 – Inputs based on quoted market prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 – Unobservable inputs that reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

Cash and Cash Equivalents – The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments, at fair value – Investments are all held in mutual funds and are carried at fair market value as level one investments, which are based on quoted market prices. Any changes in market value are reported in the consolidated statements of activities as increases or decreases to investment income.

Accounts Receivable – Accounts receivable is recorded at the amount the Organization expects to collect on outstanding balances. The Organization has not recorded an allowance for uncollectible accounts receivable at December 31, 2020 or 2019 as management believes all balances to be collectible.

Pledges Receivable – Pledges receivable is recorded at the amount the Organization expects to receive from donors. Promises to give are recorded at fair value if expected to be collected in one year and at net present value if expected to be collected in more than one year. Although the Organization has not experienced material uncollectible amounts in the past, an allowance for uncollectible pledges receivable has been established. The allowance at December 31, 2020 and 2019, was \$79,615 and \$78,337, respectively. The Organization did not apply a net present value discount on the pledges receivable balance as of December 31, 2020 and 2019 as management considered the amount to be insignificant.

AUSTIN HABITAT FOR HUMANITY, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 2—Summary of significant accounting policies (continued)

Home Sales and Mortgages Receivable – Home sales represent the sale to qualified families of houses built in Austin, Texas, or the Greater Austin Area, by the Organization. Homes are sold at affordable prices and the sales are financed by the Organization utilizing non-interest bearing 15 to 35-year mortgages due in monthly installments from the families. The mortgages are secured by the underlying real estate and are carried at the unpaid principal balances. On certain older loans, a “soft” (0% interest, deferred, forgivable after 30 years) second mortgage was used to secure the difference between the affordable mortgage amount and the market value. This practice ended in 2016 with the addition of a deed restriction that effectively locked this equity into the property, making it inaccessible to the homeowner at resale.

Mortgages receivable is discounted based upon prevailing market interest rates for low-income housing at the inception of the mortgages. The financing discounts are amortized and reflected as mortgage discount and amortization in the accompanying consolidated statements of activities when mortgage payments are collected. The Organization monitors the mortgages on a monthly basis and considers all mortgages to be collectible, thus no allowance for loan losses has been recorded. The Organization maintains a partner relationship with the mortgagees (“partner families”). However, the Organization will consider foreclosure proceedings on any delinquent accounts if the partner family ceases to have the ability to pay and make payments on the mortgage or no longer has a willingness to partner with the Organization. At December 31, 2020 and 2019, the Organization had no investment in foreclosed loans.

Notes Receivable, 2nd Liens – Notes receivable is a deferred repayable 2nd lien with the first payment due after 30 years, amortizing over five years thereafter. The 2nd lien is attached to a home sale to qualified applicants under the HomeBase Texas program. The first lien is provided for by a traditional third party lender. The second lien is due and payable between 20 to 30 years to allow for the first lien to have been paid off and provides a subsidy that allows the home sale to meet the affordability requirements of the HomeBase Texas program. These notes are discounted based upon prevailing market interest rates for low-income housing at the inception of the mortgages. The Organization has not recorded an allowance for uncollectible notes receivable at December 31, 2020 or 2019 as management believes all balances to be collectible.

ReStore Inventory – ReStore inventory consists of donated building materials, household items and clothing as well as purchased building materials available for sale. Donated inventory is recorded as in-kind contributions at fair value when received based on estimated sales value. Purchased inventory is stated at the lower of cost or market determined by the first-in first-out method.

Home Construction in Progress – Home construction in progress represents home construction and land costs incurred on incomplete homes in progress and completed homes not yet conveyed to the recipient family. Once sold and conveyed, the home costs are expensed to cost of homes sold in the accompanying consolidated statements of activities.

Land Held for Development – Land held for development includes the costs of purchasing and developing land. These costs are capitalized to this account until the lot is build ready. Once construction of a home on a lot is completed, the cost of the associated lot is expensed in cost of homes sold on the accompanying consolidated statement of activities.

Property and Equipment – Property and equipment consists of land, buildings, and equipment. Property and equipment additions are recorded at cost if purchased or estimated fair value if donated less accumulated depreciation. The Organization capitalizes all additions over \$1,000 and expenses maintenance and repairs that do not improve or extend the useful lives of the respective assets. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. Estimated useful lives are three to five years for computer equipment; five years for building improvements, software, and vehicles; three to seven years for tools and construction equipment; and twenty to forty years for completed houses and buildings. Property and equipment under capital lease is amortized over the shorter of the lease term or the expected useful life of the asset.

AUSTIN HABITAT FOR HUMANITY, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 2—Summary of significant accounting policies (continued)

Long-lived assets subject to amortization are reviewed for impairment whenever events or circumstances indicate that the amount recorded may not be recoverable. An impairment loss is recognized by the amount in which the carrying amount of the asset exceeds fair value, if the carrying amount of the asset is not recoverable. Management believes there has been no impairment of such assets as of December 31, 2020 and 2019.

Debt Issuance Costs – Debt issuance costs associated with long-term debt are recorded as a reduction of the related debt balance and amortized to interest expense over the term of the related arrangement.

Notes Payable - TDHCA – The Texas Department of Housing and Community Affairs Department (“TDHCA”) administers the Owner- Builder Loan Program, also known as the Texas Bootstrap Loan Program (“Bootstrap Program”). The Bootstrap Program is a self-help housing construction program that provides the owners and builders of very low-income families an opportunity to purchase or refinance real property on which to build new housing or repair their existing homes through “sweat equity.” Owner builder’s household income may not exceed 60% of Area Median Family Income. The Bootstrap Program notes payable are discounted based upon prevailing market interest rates at the inception of the mortgage. The financing discounts are amortized and reflected as mortgage discount and amortization in the accompanying consolidated statements of activities as the mortgage payments are made.

ReStore Sales Revenue – The Organization operates two thrift retail stores and has an online presence with its ShopAustinReStore.com website and various online shopping websites such as eBay, Etsy, etc. The stores provide access to quality building materials, new and used household goods, clothing, furnishings, and other construction materials and is open to the general public. The stores receive donated materials and purchase items for resale. Sales are recognized on a daily basis as they occur.

Contribution Revenue – All contributions, including home building sponsorship revenues and noncash contributions, are recorded at their fair value and are considered to be available for operations of the Organization unless specifically restricted by the donor. Unconditional promises to give cash and other assets are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or restricted purpose is accomplished, the related net assets are reclassified to net assets without donor restrictions. This is reported in the accompanying consolidated statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire within the fiscal year in which the contributions are received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Government Grant Revenue – The Organization receives funding from governmental financial assistance programs that supplement its traditional funding sources. The awards provide for reimbursement of qualifying costs incurred, as defined in the underlying award agreements. The Organization recognizes revenue from these awards as services are rendered and expenses are incurred.

The Organization also receives funding in the form of forgivable loans from the City of Austin through the Austin Housing Finance Corporation for the purpose of constructing, rehabilitating, and preserving affordable housing. The Organization recognizes revenue at the time the loan is forgiven which is when a home is sold to an income qualified buyer.

Home Building Sponsorship Revenues – The Organization sells sponsorship opportunities to local businesses and organizations to underwrite the costs of constructing a house. In addition to recognition as an Austin Habitat for Humanity partner, typically the sponsorship includes the option for the entity to volunteer on the build site. Sponsorship revenues are recognized in the year that the house is constructed.

AUSTIN HABITAT FOR HUMANITY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 2—Summary of significant accounting policies (continued)

In-Kind Contributions of Labor – A substantial number of volunteers have made significant contributions of their time to the Organization’s program and supporting services. Donated services are recognized as contributions if the services (1) create or enhance non-financial assets, or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Under those criteria, volunteer time and professional services donated to construct homes is recognized as contribution revenue and capitalized as home construction in progress. When homes are transferred to recipient families, home construction in progress is recorded as a component of cost of homes sold within the accompanying consolidated statements of activities.

Functional Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain expenses are allocated between functional categories based on management’s estimates. Expenses relating to more than one function are allocated to low-cost housing program, ReStore program, fundraising, and management and general based on employee time and effort estimates. Allocations to low-cost housing and ReStore programs are for activities that result in services being distributed to beneficiaries, donors, or others that fulfill the mission of the Organization. Allocations to management and general expenses include accounting, general management and oversight, audit, budgeting, human resources, legal and admin support of the Board of Directors. Allocations for fundraising are primarily for fundraising activities for operations. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide overall support and direction of the Organization.

Federal Income Taxes – AHFH, the Alliance, and HomeBase are all non-profit organizations exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except with respect to any unrelated business income. AHFH, the Alliance and HomeBase did not incur any tax liabilities for unrelated business income during the years ended December 31, 2020 or 2019. The Board assesses uncertainties in income taxes in its consolidated financial statements and uses a threshold of more-likely-than-not for recognition and derecognition of tax positions taken. Management determined no uncertain tax positions have been taken. There is no provision or liability for federal income taxes in the accompanying consolidated financial statements related to the Organization. AHFH, the Alliance, and HomeBase file Form 990 tax returns in the U.S. federal jurisdiction and are subject to routine examinations of its returns. However, there are no examinations currently in progress. The Board’s management believes it is no longer subject to income tax examinations for years prior to 2017.

Recent Accounting Pronouncements – In May 2014, FASB issued Accounting Standards Update (“ASU”) 2014-09, *Revenue Recognition* (Topic 606). This ASU provides a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. The core principle of this ASU is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU is effective for annual periods beginning after December 15, 2018. The Organization adopted this ASU on January 1, 2019 using the full retrospective method and the implementation of this ASU did not have a significant impact on the Organization’s consolidated financial statements or disclosures.

In February 2016, FASB issued ASU 2016-02, *Leases* (Topic 842). This ASU requires a lessee to recognize on its balance sheet a right-of-use asset and a lease liability under most operating leases. For private companies, the ASU is effective for annual periods beginning after December 15, 2021. Early adoption is permitted. The Organization is currently evaluating the effects that the adoption of ASU 2016-02 will have on its consolidated financial statements.

AUSTIN HABITAT FOR HUMANITY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 2—Summary of significant accounting policies (continued)

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958). This ASU is intended to clarify and improve the scope and the accounting guidance for contributions received and made, primarily by not-for-profit organizations. The amendments in this ASU provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. ASU 2018-18 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Organization elected to early adopt this ASU in 2019. The adoption of this standard did not have a significant impact on the Organizations consolidated financial statements or disclosures.

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. It also requires a disclosure of disaggregated contributions of nonfinancial assets by category that depicts the type of contributed nonfinancial assets. This distinction will increase transparency of contributions recognized. This standard will be effective for fiscal years beginning after June 15, 2021. The Organization is currently evaluating the effects the adoption of ASU 2020-07 will have on its consolidated financial statements.

Management's Review – The Organization evaluates events that occur subsequent to the statement of financial position date of periodic reports, but before financial statements are issued for periods ending on such dates, for possible adjustment to such financial statements or other disclosure. This evaluation generally occurs through the date at which the Organization's consolidated financial statements are available for issuance. For the consolidated financial statements as of and for the year ending December 31, 2020, this date was July 7, 2021.

Note 3—Liquidity

The Organization's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	\$ 4,550,715
Investments, at fair value	16,972
Accounts receivable, net	383,072
	<u>\$ 4,950,759</u>

Receivable balances are expected to be collected within one year. The Organization has a goal to maintain financial assets on hand to meet five months of normal operating expenses, which are, on average, approximately \$2.5 million. Total net assets without donor restrictions as of December 31, 2020 were approximately \$19.5 million. The Organization also maintains an available line of credit of \$2 million with Frost Bank. This is sufficient capital to fund the anticipated growth of the Organization over the next twelve months as well as any unanticipated contingencies or losses.

AUSTIN HABITAT FOR HUMANITY, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 4—Concentrations of credit risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, investments, and its receivables.

The Organization maintains its cash and cash equivalents with a limited number of high-quality financial institutions that are insured by the Federal Deposit Insurance Corporation. As of December 31, 2020 and 2019, the Organization had cash and cash equivalents in excess of insured limits of approximately \$3,904,000 and \$1,028,000, respectively. Management believes no significant risk exists with respect to cash and cash equivalents.

Investments do not represent a significant concentration of credit risk due to the diversification of the Organization's portfolio among instruments and issues. However, investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the statement of financial position.

The Organization does not maintain collateral for its receivables except for mortgages and notes receivable and does not believe significant risk exists at December 31, 2020 or 2019. Credit risk for mortgages and notes receivable is concentrated because substantially all of the balances are due from individuals located in the same geographic region. Management considered the collateral pledged from mortgages and notes receivable to be adequate at December 31, 2020 and 2019.

Note 5—Related party transactions and affiliations

Contributions from members of the Board for the years ended December 31, 2020 and 2019 were \$78,012 and \$166,558, respectively. Pledges receivable from the Board and employees of AHFH for the years ended December 31, 2020 and 2019 were \$412,000 and \$425,222, respectively. Expenses paid by the Organization for services provided by Board related businesses for the years ended December 31, 2020 and 2019 were \$679,544 and \$480,028, respectively.

The Organization operates within a covenant agreement with HFHI. The Organization tithes to support HFHI's international homebuilding work. Tithes to HFHI totaled \$91,333 and \$77,008 for the years ended December 31, 2020 and 2019, respectively.

The United States Department of Housing and Urban Development ("HUD") has awarded grants to HFHI under the Self-Help Home Ownership Program ("SHOP") for land acquisition and infrastructure improvements for houses. Grant funds are passed through by HFHI directly to participating U.S. affiliates in the form of a 75% grant and 25% loan. Notes payable to HFHI under SHOP arrangements totaled \$-0- and \$2,272 at December 31, 2020 and 2019, respectively, and are included in notes payable in the consolidated statements of financial position.

AUSTIN HABITAT FOR HUMANITY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 6—Mortgages and notes receivable

Mortgages receivable consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Gross mortgages receivable	\$ 15,318,457	\$ 16,579,207
Financing discount based on imputed interest at rates ranging from 4% to 8%	<u>(5,535,094)</u>	<u>(6,032,811)</u>
Mortgages receivable, net of unamortized discount	9,783,363	10,546,396
Current portion of mortgages receivable	<u>(789,238)</u>	<u>(887,959)</u>
	<u>\$ 8,994,125</u>	<u>\$ 9,658,437</u>

Mortgages receivable were valued using the income approach and inputs were considered Level 2 under the fair value hierarchy. Gross undiscounted future mortgage payments scheduled to be collected at December 31, 2020 are as follows:

2021	\$ 789,238
2022	778,834
2023	763,614
2024	755,080
2025	747,494
Thereafter	<u>11,484,197</u>
	<u>\$ 15,318,457</u>

Notes receivable on 2nd liens consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Gross notes receivable for 2 nd liens	\$ 3,110,446	\$ 3,110,446
Financing discount based on imputed interest at rates ranging from 4% to 8%	<u>(2,105,456)</u>	<u>(2,141,603)</u>
Notes receivable on 2 nd liens, net of unamortized discount	<u>\$ 1,004,990</u>	<u>\$ 968,843</u>

During 2020, the Organization sold 40 mortgages without recourse to a financial institution for \$901,460. These mortgages had balances of \$1,023,832 (\$893,750 net of unamortized discount) as of the cut-off date for the transaction. The Organization recorded a gain on the sale of mortgages of \$181,448 for the year ended December 31, 2020. As per the terms of the sale agreements, AHFH remains responsible for the servicing of these mortgage notes receivable. The mortgage notes receivable sold are no longer included as assets in the consolidated statements of financial position.

AUSTIN HABITAT FOR HUMANITY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 7—ReStore inventory

ReStore inventory consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Donated goods	\$ 248,911	\$ 248,911
Purchased materials	603,510	593,643
	<u>\$ 852,421</u>	<u>\$ 842,554</u>

Note 8—Property and equipment

Property and equipment consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Land	\$ 3,678,393	\$ 3,678,393
Buildings and improvements	6,943,306	6,778,684
Equipment	551,622	510,547
Trucks	279,185	295,491
	11,452,506	11,263,115
Accumulated depreciation	<u>(1,689,045)</u>	<u>(1,451,245)</u>
Total property and equipment, net	<u>\$ 9,763,461</u>	<u>\$ 9,811,870</u>

Property and equipment financed under capital lease obligations totaled \$189,867 and \$222,247, net of accumulated amortization of \$169,830 and \$137,450, as of December 31, 2020 and 2019, respectively. Total depreciation and amortization expense associated with capital leases was \$266,606 and \$255,993 for the years ended December 31, 2020 and 2019, respectively.

Note 9—Pledges receivable

The Organization received pledges to cover the costs of a capital campaign to fund new ReStores and future purchases of land. Pledges are stated at their realizable value, net of an allowance for uncollectible pledges. The Organization did not record a discount on long term pledges given the nominal impact on the consolidated financial statements.

Net pledges receivable consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Capital campaign pledges	\$ 413,000	\$ 556,222
Less allowance for doubtful collections	<u>(79,615)</u>	<u>(78,337)</u>
Pledges receivable, net	<u>\$ 333,385</u>	<u>\$ 477,885</u>

AUSTIN HABITAT FOR HUMANITY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 9—Pledges receivable (continued)

Pledges receivable maturity dates at December 31 were as follows:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 121,000	\$ 234,387
One to five years	292,000	321,835
	<u>\$ 413,000</u>	<u>\$ 556,222</u>

Note 10—Long-term debt

Long-term debt consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Notes payable to HFHI under SHOP grants	\$ -	\$ 2,272
Promissory note to banking institution	5,457,871	5,457,871
Total debt	5,457,871	5,460,143
Unamortized debt issuance costs	(130,457)	(146,904)
Total debt, net of unamortized debt issuance costs	5,327,414	5,313,239
Current portion of debt, net	-	(2,272)
Long-term debt, net	<u>\$ 5,327,414</u>	<u>\$ 5,310,967</u>

The notes payable to HFHI is a non-interest bearing and unsecured loan under SHOP for land acquisition and infrastructure improvements for houses.

On May 1, 2014, the Organization entered into a loan agreement for \$5,500,000 with Wells Fargo Bank for the purpose of financing the acquisition of the land and building for the Austin ReStore. The promissory note was a fixed interest rate note (3.82% at December 31, 2019) with escalating monthly payments due through the maturity date of June 1, 2039. This note was secured by the Austin ReStore's land and building. On December 30, 2019, the Organization refinanced this loan with Frost Bank. The new loan has a fixed interest rate of 3.03% and matures on December 30, 2029. Interest only shall be due and payable monthly on the last day of the month beginning on January 30, 2020 until December 30, 2021 at which time monthly installments of both principal and interest will be due and payable until the maturity date. This note is secured by the Austin ReStore's land and building in addition to the construction of a new warehouse in south Austin. The principal amount of this note is \$7,500,000 and the Organization was advanced \$5,457,871 as of December 31, 2020.

AUSTIN HABITAT FOR HUMANITY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 10—Long-term debt (continued)

Future maturities of long-term debt at December 31, 2020 are as follows:

2021	\$	-
2022		254,049
2023		261,855
2024		269,900
2025		278,193
Thereafter		4,393,874
		<u>5,457,871</u>
	\$	<u>5,457,871</u>

The credit facility (see Note 12), notes payable, and other long-term debt agreements contain certain financial covenants, including requirements for liquidity, earnings, and fixed charge coverage. The agreements also contain additional conditions limiting indebtedness, capital expenditures, and various other covenants as defined in the agreements. Failure to comply with the covenants could result in the debt being called by the lenders. As of December 31, 2020, and through the date of this report, the Organization was in compliance with such covenants.

Note 11—Paycheck Protection Program loan

In April 2020, the Organization received approximately \$768,200 of proceeds from a note payable funded under the Paycheck Protection Program (“PPP”) as part of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). The note bears interest at 1% per annum and matures in April 2022. Under the terms of the CARES Act, PPP loan recipients can apply for, and be granted, forgiveness of all or a portion of the loans granted under the PPP loan. Such forgiveness is determined, subject to limitations and ongoing rulemaking by the U.S. Small Business Administration (“SBA”), based on the use of loan proceeds for payroll costs and mortgage interest, rent or utility costs, and the maintenance of employee and compensation levels. The Organization applied for forgiveness with the SBA and received correspondence from the SBA in April 2021 that the PPP loan had been forgiven in full.

Note 12—Credit facility and letters of credit

The Organization maintains a twelve-month revolving credit facility with a bank, renewable annually, that charges interest at a variable rate. During the year ended December 31, 2017, the Organization amended the facility to extend the maturity date to April 2019. As amended, the maximum principal amount available under the line of credit is \$2,000,000. The credit facility was further amended on March 18, 2019 to extend the maturity date to April 15, 2021. On December 30, 2019, this credit facility was extinguished concurrently with the refinancing of the Organization’s promissory note (see Note 10).

On December 30, 2019, the Organization entered into a new credit facility with Frost Bank. The new credit facility has a maximum principal amount available of \$2,000,000 with a maturity date of December 30, 2020. The credit facility was amended in December 2020 to extend the maturity date to December 31, 2021. The annual interest rate for the new credit facility is a variable rate based on LIBOR plus 1.5% (0.15% at December 31, 2020). No amounts have been drawn against this facility at December 31, 2020.

AUSTIN HABITAT FOR HUMANITY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 12—Credit facility and letters of credit (continued)

In April 2020, the Organization entered into a revolving line of credit with a community foundation to complete construction of its Philomena row homes in the Mueller subdivision. The revolving line of credit has a maximum borrowing capacity of \$1,000,000 and borrowings bear interest at 1%. The revolving line of credit matures in April 2022. Quarterly interest only payments are required beginning July 2020 and continue through maturity. All unpaid principal and accrued but unpaid interest is due and payable upon maturity. As of December 31, 2020, AHFH had a balance of \$1,000,000 outstanding on this revolving line of credit.

During the normal course of business, the Organization entered into letters of credit with financial institutions totaling \$462,730 at December 31, 2020 and 2019, pursuant to subdivision construction agreements with the City of Austin. The letters of credit expired in April 15, 2020, and the amount of \$462,730 was renewed through January 21, 2022. The letters specify that amounts may be drawn by the City of Austin Watershed Protection and Development Review Department. There have been no amounts drawn under these letters of credit.

Note 13—Notes payable - TDHCA

Notes payable to TDHCA consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Gross notes payable - TDHCA	\$ 2,313,045	\$ 2,332,236
Financing discount based on imputed interest at rates ranging from 4% to 8%	<u>(821,317)</u>	<u>(849,782)</u>
Mortgages receivable, net of unamortized discount	1,491,728	1,482,454
Current portion of mortgages receivable	<u>(111,816)</u>	<u>(108,816)</u>
	<u>\$ 1,379,912</u>	<u>\$ 1,373,638</u>

Notes payable to TDHCA were valued using the income approach and inputs were considered Level 2 under the fair value hierarchy. Gross undiscounted future mortgage payments scheduled to be collected from mortgagees and remitted to TDHCA at December 31, 2020 are as follows:

2021	\$ 111,816
2022	111,816
2023	111,816
2024	111,816
2025	111,816
Thereafter	<u>1,753,965</u>
	<u>\$ 2,313,045</u>

AUSTIN HABITAT FOR HUMANITY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 14—Net assets with donor restrictions

Net assets with donor restrictions were available for the following purposes at December 31:

	<u>2020</u>	<u>2019</u>
Capital campaign	\$ 1,013,438	\$ 1,182,844
Special events	211,580	400,202
UT Campus Chapter	9,003	9,790
OWANA	-	51,638
	<u>\$ 1,234,021</u>	<u>\$ 1,644,474</u>

Net assets released from restrictions consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Capital campaign	\$ (169,405)	\$ (410,661)
Special events	(188,625)	(323,701)
UT Campus Chapter	(786)	(6,276)
OWANA	(52,654)	(53,049)
Net assets released from restrictions	<u>\$ (411,470)</u>	<u>\$ (793,687)</u>

Note 15—Retirement plan

The Organization sponsors a 401(k) plan that covers substantially all employees. The Organization's contributions to the plan for the years ended December 31, 2020 and 2019 were \$151,659 and \$136,607, respectively.

Note 16—Lease commitments

The Organization leases retail space, a construction warehouse, telephone equipment, and a copier under various noncancelable operating leases. Rent expense under these leases totaled \$279,288 and \$275,712 for the years ended December 31, 2020 and 2019, respectively, which are reflected as occupancy and office expenses in the accompanying statements of functional expenses. In October 2018, AHFH entered into a new operating lease for the San Marcos ReStore location which opened to the public on December 13, 2018. In December 2020, AHFH entered into a new operating lease for a third ReStore location which is planned to open to the public in September 2021. The operating lease for the third ReStore commences in September 2021.

Future minimum payments under operating leases consisted of the following as of December 31, 2020

2021	\$ 361,947
2022	563,600
2023	578,383
2024	594,396
2025	612,869
Thereafter	<u>3,030,642</u>
	<u>\$ 5,741,837</u>

AUSTIN HABITAT FOR HUMANITY, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 16—Lease commitments (continued)

The Organization also has a noncancelable capital lease agreement for solar panels. Future minimum payments under the capital lease consisted of the following as of December 31, 2020:

2021	\$ 41,575
2022	41,575
2023	41,575
2024	41,575
2025	<u>38,111</u>
Total minimum lease payments	204,411
Less amount representing interest (3% annually)	<u>(14,544)</u>
Total capital lease obligations	189,867
Less current portion of capital lease obligations	<u>(36,378)</u>
Long term portion of capital lease obligation	<u><u>\$ 153,489</u></u>

Note 17—Contingencies

The Organization receives government grants for specific purposes that are subject to review and audit by government agencies. The Organization is also funded by grants and contracts that are subject to review and audit by the grantor agencies. These contracts have certain compliance requirements and, should audits by the government or grantor agencies disclose any areas of substantial noncompliance, the Organization may be required to refund any disallowed costs.

Note 18—Federal income taxes

The Organization is subject to federal income taxes on unrelated business income, which consists of ReStore sales of purchased materials. As of December 31, 2020 and 2019, the Organization has incurred cumulative net operating losses of approximately \$4,000,000 and \$2,600,000, respectively, for federal income tax purposes. These net operating losses may be used to offset future taxable unrelated business income. If not utilized, approximately \$2,182,000 of these losses will expire beginning in 2027. A full valuation allowance has been recorded as utilization is uncertain. The net change in the total valuation allowance for the years ended December 31, 2020 and 2019 was approximately \$1,400,000 and \$108,600, respectively.

Note 19—Subsequent events

In March 2021, the Organization received a second loan in the amount of \$768,200 funded under the PPP as part of the CARES Act. The note bears interest at 1% per annum and matures on March 15, 2026. Per the agreement, the Organization may apply for and receive forgiveness of the \$768,200 received through the PPP based on the Organization using the funds for qualifying purposes.

SUPPLEMENTARY INFORMATION

AUSTIN HABITAT FOR HUMANITY, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

DECEMBER 31, 2020

	Austin Habitat for Humanity	Austin Neighborhood Alliance for Habitat, Inc.	HomeBase Texas	Eliminations	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 4,241,446	\$ -	\$ 309,269	\$ -	\$ 4,550,715
Investments, at fair value	16,972	-	-	-	16,972
Accounts receivable	585,364	5,131,316	145,148	(5,478,756)	383,072
Pledges receivable, net	121,000	-	-	-	121,000
Mortgages receivable, current portion, net	789,238	-	-	-	789,238
ReStore inventory	852,421	-	-	-	852,421
Home construction in progress	2,960,958	-	-	-	2,960,958
Prepaid expenses and other current assets	213,751	-	-	-	213,751
Total Current Assets	9,781,150	5,131,316	454,417	(5,478,756)	9,888,127
Land held for development	4,958,354	-	-	-	4,958,354
Pledges receivable, long-term portion, net	212,385	-	-	-	212,385
Mortgages receivable, long-term portion, net	8,994,125	-	-	-	8,994,125
Notes receivable, 2 nd lien, net	-	-	1,004,990	-	1,004,990
Property and equipment, net	9,763,461	-	-	-	9,763,461
Total Assets	\$ 33,709,475	\$ 5,131,316	\$ 1,459,407	\$ (5,478,756)	\$ 34,821,442

See report of independent auditor.

AUSTIN HABITAT FOR HUMANITY, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2020

	Austin Habitat for Humanity	Austin Neighborhood Alliance for Habitat, Inc.	HomeBase Texas	Eliminations	Total
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Accounts payable	\$ 294,966	\$ -	\$ 26,353	\$ -	\$ 321,319
Accrued expenses	669,113	-	347,440	(347,440)	669,113
Deferred revenue	4,313,620	-	-	-	4,313,620
Line of credit	1,000,000	-	-	-	1,000,000
Capital lease obligation, current portion	36,378	-	-	-	36,378
Notes payable - TDHCA, current portion	111,816	-	-	-	111,816
Long-term debt, current portion	5,131,316	-	-	(5,131,316)	-
Paycheck Protection Program loan	768,200	-	-	-	768,200
Total Current Liabilities	12,325,409	-	373,793	(5,478,756)	7,220,446
Capital lease obligation, long-term portion	153,489	-	-	-	153,489
Notes payable - TDHCA, long-term portion	1,379,912	-	-	-	1,379,912
Long-term debt, net of debt issuance costs	5,327,414	-	-	-	5,327,414
Total Liabilities	19,186,224	-	373,793	(5,478,756)	14,081,261
Net Assets:					
Without donor restrictions	13,289,230	5,131,316	1,085,614	-	19,506,160
With donor restrictions	1,234,021	-	-	-	1,234,021
Total Net Assets	14,523,251	5,131,316	1,085,614	-	20,740,181
Total Liabilities and Net Assets	\$ 33,709,475	\$ 5,131,316	\$ 1,459,407	\$ (5,478,756)	\$ 34,821,442

See report of independent auditor.

AUSTIN HABITAT FOR HUMANITY, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	Austin Habitat for Humanity	Austin Neighborhood Alliance for Habitat, Inc.	HomeBase Texas	Eliminations	Total
Revenues:					
Contributions and Other Income:					
Contributions	\$ 1,778,318	\$ -	\$ 10,000	\$ -	\$ 1,788,318
Home building sponsorship revenues	1,084,589	-	-	-	1,084,589
Investment income	5,319	-	1,543	-	6,862
Other income	590,821	-	51,550	(270,588)	371,783
Total Contributions and Other Income	<u>3,459,047</u>	<u>-</u>	<u>63,093</u>	<u>(270,588)</u>	<u>3,251,552</u>
ReStore Revenues:					
ReStore sales	5,501,709	-	-	-	5,501,709
In-kind donation of inventory	2,912,667	-	-	-	2,912,667
Cost of goods sold	(4,263,940)	-	-	-	(4,263,940)
Sales discounts and refunds	(262,474)	-	-	-	(262,474)
Total ReStore Revenues, net	<u>3,887,962</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,887,962</u>
Low-Cost Housing Revenues:					
Home sales	1,188,028	-	-	-	1,188,028
In-kind contributions of labor and construction materials	519,172	-	-	-	519,172
Mortgage discount and amortization	165,432	-	36,147	-	201,579
Other housing revenues	-	-	2,795	-	2,795
Cost of homes sold	(1,462,595)	-	-	-	(1,462,595)
Total Low-Cost Housing Revenues, net	<u>410,037</u>	<u>-</u>	<u>38,942</u>	<u>-</u>	<u>448,979</u>
Total Revenues	<u>7,757,046</u>	<u>-</u>	<u>102,035</u>	<u>(270,588)</u>	<u>7,588,493</u>

See report of independent auditor.

AUSTIN HABITAT FOR HUMANITY, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES (CONTINUED)

YEAR ENDED DECEMBER 31, 2020

	Austin Habitat for Humanity	Austin Neighborhood Alliance for Habitat, Inc.	HomeBase Texas	Eliminations	Total
Expenses:					
Low-cost housing program	\$ 2,425,699	\$ -	\$ -	\$ -	\$ 2,425,699
ReStore program	3,313,769	-	928	-	3,314,697
Fundraising	793,081	-	-	-	793,081
Management and general	728,528	-	273,865	(270,588)	731,805
Total Expenses	<u>7,261,077</u>	<u>-</u>	<u>274,793</u>	<u>(270,588)</u>	<u>7,265,282</u>
Change in net assets	495,969	-	(172,758)	-	323,211
Net assets, beginning of year	14,027,282	5,131,316	1,258,372	-	20,416,970
Net assets, end of year	<u>\$ 14,523,251</u>	<u>\$ 5,131,316</u>	<u>\$ 1,085,614</u>	<u>\$ -</u>	<u>\$ 20,740,181</u>