

**AUSTIN HABITAT FOR HUMANITY, INC.
(A NONPROFIT CORPORATION)**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

As of and for the Years Ended December 31, 2023 and 2022

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

Opinion

We have audited the accompanying consolidated financial statements of Austin Habitat for Humanity, Inc. and its subsidiaries (collectively, the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in *the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 audits.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information in the consolidating schedule of financial position and consolidating schedule of activities on pages 25 through 28, are presented for purposes of additional analysis and are 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 audits 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.

Cherry Bekaert LLP

Austin, Texas
May 10, 2024

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

DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 9,868,536	\$ 13,913,049
Restricted cash	-	842,765
Accounts receivable, net	262,338	280,620
Pledges receivable	185,250	167,500
Mortgages receivable, current portion, net	384,300	392,172
ReStore inventory	2,269,678	2,110,471
Home construction in progress	2,579,793	1,588,943
Prepaid expenses and other current assets	541,123	621,238
Total Current Assets	16,091,018	19,916,758
Land held for development	9,358,758	4,650,591
Land held for investment, at fair value	1,900,000	1,494,282
Mortgages receivable, long-term portion, net	8,022,549	8,312,439
Notes receivable, 2 nd liens, net	-	952,583
Operating lease right-of-use assets	3,940,829	4,510,825
Other long-term assets	-	214,702
Property and equipment, net	14,801,113	14,269,219
Total Assets	\$ 54,114,267	\$ 54,321,399
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 1,094,410	\$ 481,449
Accrued expenses	782,375	1,038,531
Deferred revenue	3,563,621	3,357,761
Financing lease obligation, current portion	39,799	38,624
Operating lease liability, current portion	554,023	529,443
Pass-through donations payable	-	331,000
Line of credit-current	3,000,000	-
Notes payable - TDHCA, net, current portion	106,959	106,959
Long-term debt, current portion	264,071	259,430
Total Current Liabilities	9,405,258	6,143,197
Financing lease obligation, long-term portion	43,303	83,103
Operating lease liability, net, long-term portion	3,482,695	4,036,718
Notes payable - TDHCA, net, long-term portion	1,223,406	1,273,988
Line of credit	-	2,000,000
Long-term debt, net, long-term portion	8,537,937	8,781,571
Total Liabilities	22,692,599	22,318,577
Net Assets:		
Without donor restrictions	30,520,249	30,776,740
With donor restrictions	901,419	1,226,082
Total Net Assets	31,421,668	32,002,822
Total Liabilities and Net Assets	\$ 54,114,267	\$ 54,321,399

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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions and Other Income:			
Contributions	\$ 3,296,635	\$ 7,101	\$ 3,303,736
Home building sponsorship revenues	2,630,989	-	2,630,989
Investment return, net	217,114	-	217,114
Other income	1,535,349	-	1,535,349
Net assets released from restrictions	331,764	(331,764)	-
Total Contributions and Other Income	8,011,851	(324,663)	7,687,188
ReStore Revenues:			
ReStore sales	10,451,924	-	10,451,924
In-kind donation of inventory	10,945,829	-	10,945,829
Cost of goods sold	(13,862,980)	-	(13,862,980)
Sales discounts and refunds	(415,567)	-	(415,567)
Total ReStore Revenues, net	7,119,206	-	7,119,206
Low-Cost Housing Revenues:			
Home sales	7,203,000	-	7,203,000
In-kind contributions of labor and construction materials	1,411,089	-	1,411,089
Mortgage discount and amortization	291,728	-	291,728
Other housing revenues	13,010	-	13,010
Cost of homes sold	(8,707,759)	-	(8,707,759)
Total Low-Cost Housing Revenues, net	211,068	-	211,068
Total Revenues	15,342,125	(324,663)	15,017,462
Expenses:			
Low-cost housing program	4,762,801	-	4,762,801
ReStore program	7,289,905	-	7,289,905
Fundraising	1,427,400	-	1,427,400
Management and general	1,346,927	-	1,346,927
Total Expenses	14,827,033	-	14,827,033
Change in net assets	515,092	(324,663)	190,429
Net assets, beginning of year	30,776,740	1,226,082	32,002,822
Change in accounting principle (Note 2)	(771,583)	-	(771,583)
Net assets, end of year	\$ 30,520,249	\$ 901,419	\$ 31,421,668

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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions and Other Income:			
Contributions	\$ 10,605,851	\$ 1,009,134	\$ 11,614,985
Home building sponsorship revenues	1,907,912	-	1,907,912
Investment return, net	72,205	-	72,205
Other income	762,064	-	762,064
Net assets released from restrictions	517,437	(517,437)	-
Total Contributions and Other Income	13,865,469	491,697	14,357,166
ReStore Revenues:			
ReStore sales	11,307,325	-	11,307,325
In-kind donation of inventory	5,500,224	-	5,500,224
Cost of goods sold	(8,935,434)	-	(8,935,434)
Sales discounts and refunds	(571,614)	-	(571,614)
Total ReStore Revenues, net	7,300,501	-	7,300,501
Low-Cost Housing Revenues:			
Home sales	3,116,900	-	3,116,900
In-kind contributions of labor and construction materials	1,078,455	-	1,078,455
Mortgage discount and amortization	352,815	-	352,815
Other housing revenues	3,345	-	3,345
Cost of homes sold	(3,840,788)	-	(3,840,788)
Total Low-Cost Housing Revenues, net	710,727	-	710,727
Total Revenues	21,876,697	491,697	22,368,394
Expenses:			
Low-cost housing program	4,748,559	-	4,748,559
ReStore program	6,708,399	-	6,708,399
Fundraising	1,339,206	-	1,339,206
Management and general	1,501,881	-	1,501,881
Total Expenses	14,298,045	-	14,298,045
Change in net assets	7,578,652	491,697	8,070,349
Net assets, beginning of year	23,198,088	734,385	23,932,473
Net assets, end of year	\$ 30,776,740	\$ 1,226,082	\$ 32,002,822

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, 2023

	Low-Cost Housing	ReStore	Fundraising	Management and General	Total
Salaries and related	\$ 3,175,801	\$ 4,640,151	\$ 985,192	\$ 849,644	\$ 9,650,788
Advertisements	6,986	219,452	260,517	11,303	498,258
Office expenses	103,904	437,484	19,290	42,572	603,250
Information technology	74,598	82,336	22,690	33,679	213,303
Occupancy	67,250	980,992	5,866	9,354	1,063,462
Travel	25,509	49,051	15,011	18,784	108,355
Conference, conventions, and meetings	53,525	30,813	9,321	56,733	150,392
Interest and amortization	76,901	220,626	6,967	8,783	313,277
Tithe to Habitat for Humanity International	81,500	-	-	-	81,500
Depreciation	118,207	383,264	10,860	48,552	560,883
Insurance	101,513	164,747	3,399	5,725	275,384
Warranty work	72,296	-	-	-	72,296
Tools and equipment	34,989	2,037	-	48	37,074
Professional services	123,698	44,553	14,917	173,765	356,933
Dues and subscriptions	54,752	27,252	52,686	76,992	211,682
Home repair program	588,434	-	-	-	588,434
Other expense	2,938	7,147	20,684	10,993	41,762
Total	<u>\$ 4,762,801</u>	<u>\$ 7,289,905</u>	<u>\$ 1,427,400</u>	<u>\$ 1,346,927</u>	<u>\$ 14,827,033</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, 2022

	Low-Cost Housing	ReStore	Fundraising	Management and General	Total
Salaries and related	\$ 2,293,601	\$ 4,297,084	\$ 844,808	\$ 729,718	\$ 8,165,211
Advertisements	2,795	217,733	272,020	35,463	528,011
Office expenses	95,276	397,418	20,319	70,504	583,517
Information technology	69,318	107,004	30,138	34,085	240,545
Occupancy	122,902	902,364	5,591	8,851	1,039,708
Travel	25,333	67,082	14,837	27,376	134,628
Conference, conventions, and meetings	48,331	29,418	6,590	172,845	257,184
Interest and amortization	16,491	167,233	7,508	7,478	198,710
Tithe to Habitat for Humanity International	1,087,083	-	-	-	1,087,083
Depreciation	33,918	272,763	10,339	63,061	380,081
Insurance	73,959	166,825	2,948	6,289	250,021
Warranty work	19,811	-	-	-	19,811
Tools and equipment	16,303	6,712	-	1,724	24,739
Professional services	123,450	44,942	5,426	253,582	427,400
Dues and subscriptions	40,679	21,378	42,357	55,129	159,543
Home repair program	410,153	-	5,133	-	415,286
Other expense	269,156	10,443	71,192	35,776	386,567
Total	<u>\$ 4,748,559</u>	<u>\$ 6,708,399</u>	<u>\$ 1,339,206</u>	<u>\$ 1,501,881</u>	<u>\$ 14,298,045</u>

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

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

YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 190,429	\$ 8,070,349
Adjustments to reconcile change in net assets to net cash flows from operations:		
Amortization expense	14,496	14,495
Depreciation	560,883	380,081
Financing discount on notes payable - TDHCA	58,419	65,977
Gain on extinguishment of debt	-	(768,200)
Gain on land held for investment	(405,718)	-
Loss on disposal of property and equipment	-	332,898
Change in operating assets and liabilities:		
Accounts receivable	18,282	42,784
Pledges receivable	(17,750)	(100,950)
Mortgages receivable	478,762	719,950
ReStore inventory	(159,207)	(451,293)
Home construction in progress	(990,850)	(731,975)
Prepaid expenses and other current assets	80,115	(83,871)
Land held for development	(4,708,167)	32,559
Land held for sale	-	(165)
Notes receivable, 2 nd liens	-	39,828
Other long-term assets	214,702	(214,702)
Accounts payable	612,961	(177,363)
Accrued expenses	(256,156)	(37,905)
Deferred revenue	205,860	(105,910)
Pass-through donations payable	(331,000)	331,000
Net change in lease assets and liabilities	40,553	55,336
Net cash from operating activities	<u>(4,393,386)</u>	<u>7,412,923</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(1,092,777)</u>	<u>(4,086,134)</u>
Net cash from investing activities	<u>(1,092,777)</u>	<u>(4,086,134)</u>
Cash flows from financing activities:		
Net proceeds on line of credit	1,000,000	2,000,000
Payments on long-term debt	(253,489)	(2,057,532)
Payments on financing lease obligation	(38,625)	(31,762)
Proceeds from issuance of long-term debt	-	2,061,172
Payments on notes payable - TDHCA	<u>(109,001)</u>	<u>(130,007)</u>
Net cash from financing activities	<u>598,885</u>	<u>1,841,871</u>
Change in cash and cash equivalents	(4,887,278)	5,168,660
Cash, cash equivalents and restricted cash, beginning of year	14,755,814	9,587,154
Cash, cash equivalents and restricted cash, end of year	<u>\$ 9,868,536</u>	<u>\$ 14,755,814</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 298,774</u>	<u>\$ 233,342</u>
Prior period change to mortgage and notes receivable, 2nd liens, due to change in accounting principle	<u>\$ 771,583</u>	<u>\$ -</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, 2023 AND 2022

Note 1—Organization

Austin Habitat for Humanity, Inc. (“AHFH”) is a nonprofit, affordable housing developer driven by the vision that everyone needs a decent place to live 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. By policy of HFHI, AHFH may accept government support for land, infrastructure improvements and construction.

ReStore Program – AHFH also operates three ReStores, two in Austin and one in 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 inter-organization 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. The Organization has reserved \$100,000 as board-designated net assets at December 31, 2023 and 2022.

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, 2023 AND 2022

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, 2023 and 2022 were \$498,258 and \$528,011, 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.

Restricted Cash – Restricted cash represents proceeds received from the loan agreement with Frost bank to be used to construct a new warehouse in south Austin (see Note 11).

Supplemental Cash Flow Information – The following table sets forth the Organization's reconciliation of cash and restricted cash reported within the statements of cash flows for the years ended December 31:

	2023	2022
Cash	\$ 9,868,536	\$ 13,913,049
Restricted cash	-	842,765
Total cash and restricted cash shown in the statements of cash flows	<u>\$ 9,868,536</u>	<u>\$ 14,755,814</u>

Accounts Receivable – Accounts receivable is recorded at the amount the Organization expects to collect on outstanding balances. The allowance for credit losses is based on the Organization's assessment of the collectability of customer accounts receivable. In accordance with ASC Topic 326: *Financial Instruments - Credit Losses*, the Organization makes ongoing estimates relating to the collectability of accounts receivable and records an allowance for estimated losses expected from the inability of its customers to make required payments. The Organization establishes expected credit losses by evaluating historical levels of credit losses, current economic conditions that may affect a customer's ability to pay, and creditworthiness of significant customers. These inputs are used to determine a range of expected credit losses and an allowance is recorded within the range. Accounts receivable are written off when there is no reasonable expectation of recovery. As of December 31, 2023 and 2022, the allowance for credit losses was immaterial to the consolidated financial statements.

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

DECEMBER 31, 2023 AND 2022

Note 2—Summary of significant accounting policies (continued)

Pledges Receivable – Pledges receivable is recorded at the amount the Organization expects to receive from donors. Promises to give is 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. The Organization has not experienced material uncollectible amounts in the past, as a result, an allowance was not considered necessary at December 31, 2023 and 2022. The Organization did not apply a net present value discount on the pledges receivable balance as of December 31, 2023 and 2022 as management considered the amount to be insignificant.

Home Sales and Mortgages Receivable – Home sales represent the sale of houses built in Austin, Texas or the Greater Austin Area by the Organization to qualified families. Homes are sold at affordable prices and the sales are financed by third party mortgage companies. Prior to 2021, the Organization financed the sale of home 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.

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.

Reserve for Credit Losses – Mortgages receivable and notes receivable, 2nd liens collectability are evaluated using a combination of factors, including past due status based on contractual terms, trends in write-offs and changes in the general market or business conditions that the Organization has exposure to. Specific events, such as bankruptcies, are also considered when applicable. Adjustments to the reserve for credit losses are made, when necessary, based on the results of analysis, the aging of receivables and historical and industry trends. The Organization periodically evaluates the impact of observable external factors on the collectability of the mortgages receivable and notes receivable, 2nd liens to determine if adjustments to the reserve for credit losses should be made based on current conditions or reasonable and supportable forecasts.

The Organization recorded a reserve for credit losses of \$88,055 and \$268,250 at December 31, 2023 and 2022, respectively, for mortgages receivable and \$952,583 and \$0 at December 31, 2023 and 2022, respectively, for notes receivable, 2nd liens. The Organization maintains a partner relationship with the mortgagees. 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, 2023 and 2022, the Organization had no investment in foreclosed loans.

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. There are no donor-imposed restrictions associated with donated inventory. Purchased inventory is stated at the lower of cost or market determined by the first-in first-out method.

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

DECEMBER 31, 2023 AND 2022

Note 2—Summary of significant accounting policies (continued)

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 and Investment – Land held for development and investment includes the costs of purchasing and developing land. Costs incurred to improve land are capitalized when incurred. Interest incurred on related debt during the construction period is capitalized as incurred. 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 statements of activities.

Land held for investment is recorded at fair value, net of future selling costs. Land held for investment was valued using the sales comparison approach and inputs were considered Level 3 under the fair value hierarchy.

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 buildings. Property and equipment under financing leases are amortized over the shorter of the lease term or the expected useful life of the asset.

Long-lived assets subject to depreciation and 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, 2023 and 2022.

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 three 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.

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

DECEMBER 31, 2023 AND 2022

Note 2—Summary of significant accounting policies (continued)

Contribution Revenue – All contributions, including home building sponsorship revenues, government grant revenue, 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, that is those with a measurable performance or other barrier and a right of return or release, 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 cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the consolidated statements of financial position.

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 they are received.

In-Kind Contributions of Labor and Construction Materials – 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. Volunteer time and professional services donated to construct homes are valued and reported at the estimated fair value in the consolidated financial statements based on current market rate for similar professional services. Contributed construction materials are valued and reported at the estimated fair value in the consolidated financial statements based on estimated fair values. There are no donor-imposed restrictions associated with in-kind contributions of labor and constructions materials. 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.

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

DECEMBER 31, 2023 AND 2022

Note 2—Summary of significant accounting policies (continued)

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. 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 Home Base did not incur any tax liabilities for unrelated business income during the years ended December 31, 2023 or 2022. The Organization 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 Home Base 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.

Recent Accounting Pronouncements –In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments – Credit Losses (Topic 326)* and subsequently related amendments (ASU 2018-19, ASU 2019-04, ASU 2019-05, ASU 2019-10, ASU 2019-11 and ASU 2022-02). This guidance replaces the existing incurred loss impairment guidance and establishes a single allowance framework for financial assets carried at amortized cost based on expected credit losses. The estimate of expected credit losses requires the incorporation of historical information, current conditions, and reasonable and supportable forecasts. The Organization adopted this new accounting standard effective January 1, 2023 and all of the related amendments using the modified retrospective method. The Organization recognized the cumulative effect of initially applying the new credit loss standard to its mortgages receivable and notes receivable, 2nd liens, by recording a \$771,583 adjustment to the opening balance of consolidated net assets. The comparative information has not been restated and continues to be reported under the accounting standards in effect in those reporting periods. There was no significant impact to the Organization's operating results for the current period due to this standard update.

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

DECEMBER 31, 2023 AND 2022

Note 3—Liquidity and availability of resources

The Organization's financial assets available within one year of the consolidated statement of financial position date for general expenditure, that is, without donor or other restrictions limiting their use, are as follows at December 31:

	2023	2022
Cash and cash equivalents	\$ 9,868,536	\$ 13,913,049
Accounts receivable, net	262,338	280,620
Pledges receivable, net	185,250	167,500
Mortgages receivable, current portion, net	384,300	392,172
	<u>10,700,424</u>	<u>14,753,341</u>
Less amounts not available to be used for general expenditures within one year:		
Subject to donor purpose restrictions	(901,419)	(1,226,082)
Subject to board restrictions	<u>(100,000)</u>	<u>(100,000)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 9,699,005</u>	<u>\$ 13,427,259</u>

For purposes of analyzing resources available to meet general expenditures over a one-year period, the Organization considers all expenditures related to its ongoing activities to be general expenditures. Receivable balances are expected to be collected within one year. Total net assets without donor restrictions as of December 31, 2023 were approximately \$30,500,000. The Organization also maintains an available line of credit of \$5,000,000 with Sunflower Bank and a \$2,000,000 with Frost Bank that is available for draw.

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.

As of December 31, 2023 and 2022, the Organization had cash and cash equivalents in excess of insured limits of approximately \$7,561,759 and \$12,724,160, respectively. Management believes no significant risk exists with respect to cash and cash equivalents.

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, 2023 or 2022. 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, 2023 and 2022.

Note 5—Related party transactions and affiliations

Contributions from members of the Board for the years ended December 31, 2023 and 2022 were \$155,686 and \$55,453, respectively. Pledges receivable from the Board and employees of AHFH for the years ended December 31, 2023 and 2022 were \$110,000 and \$27,050, respectively. Expenses paid by the Organization for services provided by Board related businesses for the years ended December 31, 2023 and 2022 were \$651,786 and \$55,453, respectively.

The Organization operates within a covenant agreement with HFHI. The Organization tithes to support HFHI's international homebuilding work. Tithes to HFHI totaled \$81,500 and \$1,087,083 for the years ended December 31, 2023 and 2022, respectively.

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

DECEMBER 31, 2023 AND 2022

Note 6—Mortgages and notes receivable

Mortgages receivable consisted of the following at December 31:

	2023	2022
Gross mortgages receivable	\$ 12,820,781	\$ 13,648,884
Financing discount based on imputed interest at rates ranging from 3.72% to 8.00%	<u>(4,325,877)</u>	<u>(4,676,023)</u>
Mortgages receivable, net of unamortized financing discount	8,494,904	8,972,861
Current portion of mortgages receivable	(384,300)	(392,172)
Reserve for credit losses	<u>(88,055)</u>	<u>(268,250)</u>
	<u><u>\$ 8,022,549</u></u>	<u><u>\$ 8,312,439</u></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, 2023 are as follows:

2024	\$ 727,391
2025	717,186
2026	708,589
2027	690,247
2028	660,037
Thereafter	<u>9,317,331</u>
	<u><u>\$ 12,820,781</u></u>

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

	2023	2022
Gross notes receivable for 2 nd liens	\$ 2,746,756	\$ 2,746,756
Financing discount based on imputed interest at rates ranging from 3.73% to 4.22%	<u>(1,794,173)</u>	<u>(1,794,173)</u>
Notes receivable on 2 nd liens, net of unamortized financing discount	952,583	952,583
Reserve for credit losses	<u>(952,583)</u>	<u>-</u>
	<u><u>\$ -</u></u>	<u><u>\$ 952,583</u></u>

Note 7—ReStore inventory

ReStore inventory consisted of the following at December 31:

	2023	2022
Donated goods	\$ 452,825	\$ 451,816
Purchased materials	<u>1,816,853</u>	<u>1,658,655</u>
	<u><u>\$ 2,269,678</u></u>	<u><u>\$ 2,110,471</u></u>

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

DECEMBER 31, 2023 AND 2022

Note 8—Property and equipment

Property and equipment consisted of the following at December 31:

	2023	2022
Land	\$ 3,678,393	\$ 3,678,393
Buildings and improvements	12,340,430	11,359,781
Equipment	1,196,226	1,086,590
Trucks	426,425	426,425
	17,641,474	16,551,189
Accumulated depreciation	(2,840,361)	(2,281,970)
Total property and equipment, net	<u>\$ 14,801,113</u>	<u>\$ 14,269,219</u>

Property and equipment financed under financing lease obligations totaled \$83,102 and \$115,969, net of accumulated amortization of \$276,595 and \$243,728, as of December 31, 2023 and 2022, respectively. Total depreciation and amortization expense was \$560,883 and \$380,081 for the years ended December 31, 2023 and 2022, respectively.

Note 9—Pledges receivable

The Organization received pledges 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:

	2023	2022
Pledges receivable	\$ 185,250	\$ 167,500
Less allowance for doubtful collections	-	-
Pledges receivable, net	<u>\$ 185,250</u>	<u>\$ 167,500</u>

Pledges receivable maturity dates at December 31 were as follows:

	2023	2022
Less than one year	\$ 185,250	\$ 167,500
One to five years	-	-
	<u>\$ 185,250</u>	<u>\$ 167,500</u>

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

DECEMBER 31, 2023 AND 2022

Note 10—Fair value measurement

The following table represents the Organization's fair value hierarchy for its asset valued at fair value on a recurring basis as of December 31, 2023:

	Fair Value Measurement Using:			Total Fair Value
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Asset:				
Land held for investment	\$ -	\$ -	\$ 1,900,000	\$ 1,900,000
Total asset in fair value hierarchy	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,900,000</u>	<u>\$ 1,900,000</u>

The following table represents the Organization's fair value hierarchy for its asset valued at fair value on a recurring basis as of December 31, 2022:

	Fair Value Measurement Using:			Total Fair Value
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Asset:				
Land held for investment	\$ -	\$ -	\$ 1,494,282	\$ 1,494,282
Total asset in fair value hierarchy	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,494,282</u>	<u>\$ 1,494,282</u>

The changes in the Level 3 asset measured at fair value on a recurring basis is summarized as follows:

	Land Held for Investment
Balance, January 1, 2023	\$ 1,494,282
Additions	-
Changes in fair value	405,718
Balance, December 31, 2023	<u>\$ 1,900,000</u>

Valuation methodology of asset is based on appraised value.

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

DECEMBER 31, 2023 AND 2022

Note 11—Long-term debt

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

	2023	2022
Promissory note to a banking institution	\$ 6,848,965	\$ 7,051,108
Construction loan payable to a banking institution	2,040,014	2,091,360
Total debt	8,888,979	9,142,468
Unamortized debt issuance costs	(86,971)	(101,467)
Total debt, net of unamortized debt issuance costs	8,802,008	9,041,001
Current portion of debt, net	(264,071)	(259,430)
Long-term debt, net	<u>\$ 8,537,937</u>	<u>\$ 8,781,571</u>

On December 30, 2019, the Organization refinanced a loan with Frost Bank. The 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, 2022 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 and a warehouse in south Austin. The principal amount outstanding for this note is \$6,848,965 and \$7,051,108 at December 31, 2023 and 2022, respectively.

On November 3, 2021, the Organization entered into a promissory construction note for \$2,100,000 with a financial institution. The note has a fixed interest rate of 3.97% per annum and matures on November 3, 2031. Interest only shall be due and payable monthly on the third day of the month beginning on December 3, 2021 until December 3, 2022 at which time monthly installments of both principal and interest will be due and payable until the maturity date. The Organization has an outstanding balance of \$2,040,014 and \$2,091,360 as of December 31, 2023 and 2022, respectively.

Future maturities of long-term debt at December 31, 2023 are as follows:

2024	\$ 264,585
2025	273,230
2026	282,162
2027	291,390
2028	300,924
Thereafter	<u>7,476,688</u>
	<u>\$ 8,888,979</u>

The credit facility (see Note 13), 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, 2023, and through the date of this report, the Organization was in compliance with such covenants.

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

DECEMBER 31, 2023 AND 2022

Note 12—Paycheck Protection Program loan

In April 2020 and March 2021, the Organization received loans each for \$768,200 under the Paycheck Protection Program (“PPP”) as part of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). 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 original PPP loan had been forgiven in full. The Organization applied for forgiveness with the SBA and received correspondence from the SBA in March 2022 that the second PPP loan had been forgiven in full. As a result, the Organization recognized \$-0- and \$768,200 of the PPP loan forgiveness as other income in the accompanying consolidated statements of activities at December 31, 2023 and 2022 respectively.

Note 13—Credit facility and letters of credit

On December 30, 2019, the Organization entered into a credit facility with Frost Bank. The credit facility has a maximum principal amount available of \$2,000,000. The credit facility was amended in December 2022 to extend the maturity date to January 30, 2024. No amounts have been drawn against this facility at December 31, 2023.

During the normal course of business, the Organization entered into letters of credit with financial institutions totaling \$615,609 at December 31, 2023 and 2022, pursuant to subdivision construction agreements with the city of Austin. The letters of credit have expiration dates through January 2025. The letters specify that amounts may be drawn by the city of Austin. There have been no amounts drawn under these letters of credit as of December 31, 2023 or 2022.

On September 21, 2022, the Organization entered into revolving line of credit agreement with a community foundation with a rate of 2.00% per annum prior to Maturity Date on the outstanding balance and 12% per annum on the unpaid balance. Quarterly interest only payments are required beginning January 1, 2023 and continue through maturity, September 21, 2024. All unpaid principal and accrued but unpaid interest is due and payable upon maturity. As of December 31, 2023 and 2022, AHFH had an outstanding balance of \$3,000,000 and \$2,000,000 on this revolving line of credit and an unused balance of \$-0- and \$1,000,000 at December 31, 2023 and 2022, respectively.

In June 2021, the Organization entered into a guidance line of credit with Sunflower Bank. The guidance line of credit has a maximum borrowing capacity of \$5,000,000 and borrowings bear interest at the floating Sunflower Bank Prime Rate (3.25% at the time of the agreement). The guidance line of credit is available beginning on the date of close and for the next 12 months. Individual notes issued under the guidance line of credit mature three years from the date each note closes. Monthly interest only payments are required beginning the first month after the individual notes are issued and continue through maturity. All unpaid principal and accrued but unpaid interest is due and payable upon each maturity date. As of December 31, 2023 and 2022, AHFH had a balance of \$-0- outstanding on this guidance line of credit.

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

DECEMBER 31, 2023 AND 2022

Note 14—Notes payable - TDHCA

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

	2023	2022
Gross notes payable - TDHCA	\$ 1,973,322	\$ 2,082,323
Financing discount based on imputed interest at rates ranging from 3.72% to 6.62%	<u>(642,957)</u>	<u>(701,376)</u>
Notes payable - TDHCA, net of unamortized discount	1,330,365	1,380,947
Current portion of notes payable - TDHCA, net	<u>(106,959)</u>	<u>(106,959)</u>
	<u><u>\$ 1,223,406</u></u>	<u><u>\$ 1,273,988</u></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, 2023 are as follows:

2024	\$ 106,959
2025	106,959
2026	106,959
2027	103,295
2028	100,724
Thereafter	<u>1,448,426</u>
	<u><u>\$ 1,973,322</u></u>

Note 15—Net assets with donor restrictions

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

	2023	2022
Special events	\$ -	\$ 211,580
The University of Texas at Austin Campus Chapter	17,608	14,502
Purchase Land in Hayes County	<u>883,811</u>	<u>1,000,000</u>
	<u><u>\$ 901,419</u></u>	<u><u>\$ 1,226,082</u></u>

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

	2023	2022
Capital campaign	\$ -	\$ (515,476)
Special events	(211,580)	-
The University of Texas at Austin Campus Chapter	(3,995)	(1,961)
Purchase of Land in Hayes County	<u>(116,189)</u>	<u>-</u>
Net assets released from restrictions	<u><u>\$ (331,764)</u></u>	<u><u>\$ (517,437)</u></u>

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

DECEMBER 31, 2023 AND 2022

Note 16—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, 2023 and 2022 were \$281,434 and \$225,342, respectively.

Note 17—Operating lease

The Organization leases retail space, a construction warehouse, telephone equipment, and a copier under various noncancelable operating leases. The Organization determines whether a contract contains a lease at inception by determining if the contract conveys the right to control the use of identified property or equipment for a period of time in exchange for consideration. The Organization has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on relative standalone prices.

ROU assets and lease liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. Renewal and termination clauses are factored into the determination of the lease term if it is reasonably certain that these options would be exercised by the Organization. Lease assets are amortized over the lease term unless there is a transfer of title or purchase option reasonably certain of exercise, in which case the asset life is used. Certain lease agreements include variable payments. Variable lease payments not dependent on an index or rate primarily consist of common area maintenance charges and are not included in the calculation of the ROU asset and lease liability and are expensed as incurred. In order to determine the present value of lease payments, the Organization uses the implicit rate when it is readily determinable.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Organization does not have leases where it is involved with the construction or design of an underlying asset. The Organization has no material obligation for leases signed but not yet commenced as of December 31, 2023. The Organization does not have any material sublease activities.

Future minimum payments under operating leases consisted of the following as of December 31, 2023:

Years Ending December 31,	
2024	\$ 614,100
2025	624,937
2026	625,188
2027	632,579
2028	587,771
Thereafter	<u>1,185,104</u>
Total undiscounted cash flows	4,269,679
Less present value discount	<u>(232,961)</u>
Total lease liabilities	<u><u>\$ 4,036,718</u></u>

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

DECEMBER 31, 2023 AND 2022

Note 17—Operating lease (continued)

The components of the operating lease commitments are as follows:

	2023	2022
Operating lease expense	\$ 638,639	\$ 638,639
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	598,087	583,304
ROU assets obtained in exchange for new operating lease liabilities	-	5,072,631
Weighted-average remaining lease term in years for operating leases	6.93	7.87
Weighted-average discount rate for operating leases	1.60%	1.60%

Note 18—Finance lease commitments

The Organization also has a noncancelable finance lease agreement for solar panels. Future minimum payments under the finance lease consisted of the following as of December 31, 2023:

2024	\$ 41,575
2025	43,869
Total minimum lease payments	85,444
Less amount representing interest (3% annually)	(2,342)
Total capital lease obligations	83,102
Less current portion of capital lease obligations	(39,799)
Long term portion of capital lease obligation	\$ 43,303

The components of the finance lease commitments are as follows:

	2023	2022
Interest on finance lease liabilities	\$ 2,951	\$ 4,091
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases (interest)	2,951	4,091
Financing cash flows from finance leases (principal portion)	38,624	37,484
Weighted-average remaining lease term in years for finance leases	1.84	2.92
Weighted-average discount rate for finance leases	3.00%	3.00%

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

DECEMBER 31, 2023 AND 2022

Note 19—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 20—NEU community

In December 2022, the Organization entered into an agency arrangement with NEU Community to facilitate a down payment assistance program. Approximately \$4,900,000 was collected from 65 donors. The Organization recognized a liability of \$331,000 as of December 31, 2022 for donations which had been collected but had not been submitted.

Note 21—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, 2023 and 2022, the Organization has incurred cumulative net operating losses of approximately \$6,176,000 and \$5,525,000, 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, 2023 and 2022 was approximately \$651,000 and \$1,125,000, respectively.

Note 22—Subsequent events

In January 2024, the Organization amended its credit facility with Frost bank. The amendment extended the maturity date to February 28, 2025 and increased the value of principal from \$2,000,000 to \$3,000,000.

In March 2024, the Organization entered into a debt agreement for approximately \$6,000,000. The loan has a fixed interest rate of 1.00% and matures on March 14, 2054. Interest only shall be due and payable semi-annually beginning on March 14, 2024 until March 13, 2031 at which time semi-annual installments of both principal and interest will be due and payable until the maturity date. This note is secured by the land and construction on Persimmon Point.

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 ended December 31, 2023, this date was May 10, 2024.

SUPPLEMENTARY INFORMATION

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

DECEMBER 31, 2023

	Austin Habitat for Humanity	Austin Neighborhood Alliance for Habitat, Inc.	HomeBase Texas	Eliminations	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 9,411,983	\$ -	\$ 456,553	\$ -	\$ 9,868,536
Accounts receivable	1,134,365	-	22,449	(894,476)	262,338
Pledges receivable	185,250	-	-	-	185,250
Mortgages receivable, current portion, net	384,300	-	-	-	384,300
ReStore inventory	2,269,678	-	-	-	2,269,678
Home construction in progress	2,579,793	-	-	-	2,579,793
Prepaid expenses and other current assets	541,123	-	-	-	541,123
Total Current Assets	16,506,492	-	479,002	(894,476)	16,091,018
Land held for development	9,358,758	-	-	-	9,358,758
Investment of land	1,900,000	-	-	-	1,900,000
Mortgages receivable, long-term portion, net	8,022,549	-	-	-	8,022,549
Operating lease right-of-use assets	3,940,829	-	-	-	3,940,829
Property and equipment, net	14,801,113	-	-	-	14,801,113
Total Assets	\$ 54,529,741	\$ -	\$ 479,002	\$ (894,476)	\$ 54,114,267

See report of independent auditor.

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

DECEMBER 31, 2023

	Austin Habitat for Humanity	Austin Neighborhood Alliance for Habitat, Inc.	HomeBase Texas	Eliminations	Total
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Accounts payable	\$ 1,094,410	\$ -	\$ -	\$ -	\$ 1,094,410
Accrued expenses	782,375	-	894,476	(894,476)	782,375
Deferred revenue	3,563,621	-	-	-	3,563,621
Financing lease obligation, current portion	39,799	-	-	-	39,799
Operating lease liability, current portion	554,023	-	-	-	554,023
Notes payable - TDHCA, net, current portion	106,959	-	-	-	106,959
Line of credit	3,000,000	-	-	-	3,000,000
Long-term debt, current portion	264,071	-	-	-	264,071
Total Current Liabilities	9,405,258	-	894,476	(894,476)	9,405,258
Financing lease obligation, long-term portion	43,303	-	-	-	43,303
Operating lease liability, net, long-term portion	3,482,695	-	-	-	3,482,695
Notes payable - TDHCA, net, long-term portion	1,223,406	-	-	-	1,223,406
Long-term debt, net, long-term portion	8,537,937	-	-	-	8,537,937
Total Liabilities	22,692,599	-	894,476	(894,476)	22,692,599
Net Assets:					
Without donor restrictions	30,935,723	-	(415,474)	-	30,520,249
With donor restrictions	901,419	-	-	-	901,419
Total Net Assets	31,837,142	-	(415,474)	-	31,421,668
Total Liabilities and Net Assets	\$ 54,529,741	\$ -	\$ 479,002	\$ (894,476)	\$ 54,114,267

See report of independent auditor.

AUSTIN HABITAT FOR HUMANITY, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

	Austin Habitat for Humanity	Austin Neighborhood Alliance for Habitat, Inc.	HomeBase Texas	Eliminations	Total
Revenues:					
Contributions and Other Income:					
Contributions	\$ 3,303,736	\$ -	\$ -	\$ -	\$ 3,303,736
Home building sponsorship revenues	2,630,989	-	-	-	2,630,989
Investment return, net	217,114	-	-	-	217,114
Other income	1,127,004	-	408,345	-	1,535,349
Total Contributions and Other Income	7,278,843	-	408,345	-	7,687,188
ReStore Revenues:					
ReStore sales	10,451,924	-	-	-	10,451,924
In-kind donation of inventory	5,469,301	-	-	5,476,528	10,945,829
Cost of goods sold	(8,386,452)	-	-	(5,476,528)	(13,862,980)
Sales discounts and refunds	(415,567)	-	-	-	(415,567)
Total ReStore Revenues, net	7,119,206	-	-	-	7,119,206
Low-Cost Housing Revenues:					
Home sales	6,968,000	-	235,000	-	7,203,000
In-kind contributions of labor and construction materials	1,411,089	-	-	-	1,411,089
Mortgage discount and amortization	291,728	-	-	-	291,728
Other housing revenues	-	-	13,010	-	13,010
Cost of homes sold	(8,471,363)	-	(236,396)	-	(8,707,759)
Total Low-Cost Housing Revenues, net	199,454	-	11,614	-	211,068
Total Revenues	14,597,503	-	419,959	-	15,017,462

See report of independent auditor.

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

YEAR ENDED DECEMBER 31, 2023

	Austin Habitat for Humanity	Austin Neighborhood Alliance for Habitat, Inc.	HomeBase Texas	Eliminations	Total
Expenses:					
Low-cost housing program	\$ 4,318,189	\$ -	\$ 444,612	\$ -	\$ 4,762,801
ReStore program	7,289,905	-	-	-	7,289,905
Fundraising	1,427,400	-	-	-	1,427,400
Management and general	1,346,927	-	-	-	1,346,927
Total Expenses	14,382,421	-	444,612	-	14,827,033
Change in net assets	215,082	-	(24,653)	-	190,429
Net assets, beginning of year	31,441,060	-	561,762	-	32,002,822
Change in accounting principle	181,000	-	(952,583)	-	(771,583)
Net assets, end of year	\$ 31,837,142	\$ -	\$ (415,474)	\$ -	\$ 31,421,668

See report of independent auditor.