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

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

As of and for the Years Ended December 31, 2022 and 2021

And Report of Independent Auditor

Cherry Bekaert LLP
Your Guide Forward

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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 (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, 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, 2022 and 2021, 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 audit.

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
June 27, 2023

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

DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 13,913,049	$ 7,795,025
Restricted cash	842,765	1,792,129
Accounts receivable	280,620	323,404
Pledges receivable	167,500	66,550
Mortgages receivable, current portion, net	392,172	368,591
ReStore inventory	2,110,471	1,659,178
Home construction in progress	1,588,943	856,968
Prepaid expenses and other current assets	621,238	537,367
Total Current Assets	19,916,758	13,399,212
Land held for development	4,650,591	4,683,150
Land held for sale	1,494,282	1,494,117
Mortgages receivable, long-term portion, net	8,312,439	9,055,970
Notes receivable, 2nd liens, net	952,583	992,411
Operating lease right-of-use assets	4,510,825	-
Other long-term assets	214,702	-
Property and equipment, net	14,269,219	10,896,064
Total Assets	$ 54,321,399	$ 40,520,924
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 481,449	$ 658,812
Accrued expenses	1,038,531	1,076,436
Deferred revenue	3,357,761	3,463,671
Financing lease obligation, current portion	38,624	37,484
Operating lease liability, current portion	529,443	-
Pass-through donations payable	331,000	-
Notes payable - TDHCA, net, current portion	106,959	109,658
Long-term debt, current portion	259,430	180,325
Paycheck Protection Program loan	-	768,200
Total Current Liabilities	6,143,197	6,294,586
Financing lease obligation, long-term portion	83,103	116,005
Operating lease liability, net, long-term portion	4,036,718	-
Notes payable - TDHCA, net, long-term portion	1,273,988	1,335,319
Line of credit	2,000,000	-
Long-term debt, net, long-term portion	8,781,571	8,842,541
Total Liabilities	22,318,577	16,588,451
Net Assets:		
Without donor restrictions	30,776,740	23,198,088
With donor restrictions	1,226,082	734,385
Total Net Assets	32,002,822	23,932,473
Total Liabilities and Net Assets	$ 54,321,399	$ 40,520,924

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 ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions and Other Income:			
Contributions	$ 2,652,548	$ 199,984	$ 2,852,532
Home building sponsorship revenues	2,107,376	-	2,107,376
Investment return, net	9,159	-	9,159
Other income	2,264,741	-	2,264,741
Net assets released from restrictions	699,620	(699,620)	-
Total Contributions and Other Income	7,733,444	(499,636)	7,233,808
ReStore Revenues:			
ReStore sales	7,318,500	-	7,318,500
In-kind donation of inventory	4,022,595	-	4,022,595
Cost of goods sold	(5,899,306)	-	(5,899,306)
Sales discounts and refunds	(290,288)	-	(290,288)
Total ReStore Revenues, net	5,151,501	-	5,151,501
Low-Cost Housing Revenues:			
Home sales	4,699,500	-	4,699,500
In-kind contributions of labor and construction materials	665,987	-	665,987
Mortgage discount and amortization	333,908	-	333,908
Other housing revenues	3,510	-	3,510
Cost of homes sold	(5,137,326)	-	(5,137,326)
Total Low-Cost Housing Revenues, net	565,579	-	565,579
Total Revenues	13,450,524	(499,636)	12,950,888
Expenses:			
Low-cost housing program	2,750,381	-	2,750,381
ReStore program	4,766,961	-	4,766,961
Fundraising	1,264,475	-	1,264,475
Management and general	976,779	-	976,779
Total Expenses	9,758,596	-	9,758,596
Change in net assets	3,691,928	(499,636)	3,192,292
Net assets, beginning of year	19,506,160	1,234,021	20,740,181
Net assets, end of year	$ 23,198,088	$ 734,385	$ 23,932,473

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
Warrant 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	$ 4,748,559	$ 6,708,399	$ 1,339,206	$ 1,501,881	$ 14,298,045

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

YEAR ENDED DECEMBER 31, 2021

	Low-Cost Housing	ReStore	Fundraising	Management and General	Total
Salaries and related	$ 1,766,941	$ 3,152,190	$ 708,929	$ 473,416	$ 6,101,476
Advertisements	4,690	145,352	248,259	8,402	406,703
Office expenses	41,880	342,629	18,947	39,775	443,231
Information technology	63,251	74,088	22,092	18,359	177,790
Occupancy	116,144	465,053	3,888	11,030	596,115
Travel	6,395	31,263	4,555	6,564	48,777
Conference, conventions, and meetings	1,744	14,702	2,399	136,778	155,623
Interest and amortization	18,721	143,793	6,757	6,570	175,841
Tithe to Habitat for Humanity International	226,334	-	-	-	226,334
Depreciation	26,454	221,797	10,556	22,206	281,013
Insurance	52,543	122,452	2,646	3,087	180,728
Warrant work	6,623	-	-	-	6,623
Tools and equipment	8,310	1,267	-	373	9,950
Professional services	65,595	21,869	4,445	211,645	303,554
Dues and subscriptions	22,635	19,675	14,446	32,537	89,293
Home repair program	309,754	-	2,522	(22)	312,254
Other expense	12,367	10,831	214,034	6,059	243,291
Total	$ 2,750,381	$ 4,766,961	$ 1,264,475	$ 976,779	$ 9,758,596

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

DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ 8,070,349	$ 3,192,292
Adjustments to reconcile change in net assets to net cash flows from operations:		
Amortization expense	14,495	14,495
Depreciation	380,081	281,013
Gain on extinguishment of debt	(768,200)	(768,200)
Depreciation in investments	-	11
Loss on disposal of property and equipment	332,898	-
Change in operating assets and liabilities:		
Accounts receivable	42,784	59,668
Pledges receivable	(100,950)	266,835
Mortgages receivable	719,950	358,802
ReStore inventory	(451,293)	(806,757)
Home construction in progress	(731,975)	2,103,990
Prepaid expenses and other current assets	(83,871)	(323,616)
Land held for development	32,559	275,204
Land held for sale	(165)	(1,494,117)
Notes receivable, 2nd liens	39,828	12,579
Other long-term assets	(214,702)	-
Accounts payable	(177,363)	337,493
Accrued expenses	(37,905)	407,323
Deferred revenue	(105,910)	(849,949)
Pass-through donations payable	331,000	-
Net change in lease assets and liabilities	55,336	-
Net cash from operating activities	7,346,946	3,067,066
Cash flows from investing activities:		
Sales of investments	-	16,961
Purchases of property and equipment	(4,086,134)	(1,413,616)
Net cash from investing activities	(4,086,134)	(1,396,655)
Cash flows from financing activities:		
Net (payments) proceeds on line of credit	2,000,000	(1,000,000)
Payments on long-term debt	(2,057,532)	-
Payments on financing lease obligation	(31,762)	(36,378)
Proceeds from issuance of long-term debt	2,061,172	3,680,957
Payments on notes payable - TDHCA	(64,030)	(46,751)
Proceeds from Paycheck Protection Program loan	-	768,200
Net cash from financing activities	1,907,848	3,366,028
Net increase in cash and cash equivalents	5,168,660	5,036,439
Cash, cash equivalents and restricted cash, beginning of year	9,587,154	4,550,715
Cash, cash equivalents and restricted cash, end of year	$ 14,755,814	$ 9,587,154
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 233,342	$ 161,420

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

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. AHFH transferred $5,000,000 in 2021 from the Alliance. There were no transactions in 2022.

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 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, 2022 and 2021.

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.

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, 2022 and 2021 were $528,011 and $406,703, 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 10).

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:

	2022	2021
Cash	$ 13,913,049	$ 7,795,025
Restricted cash	842,765	1,792,129
Total cash and restricted cash shown in the statements of cash flows	$ 14,755,814	$ 9,587,154

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, 2022 or 2021 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 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, 2022 and 2021. The Organization did not apply a net present value discount on the pledges receivable balance as of December 31, 2022 and 2021 as management considered the amount to be insignificant.

Note 2—Summary of significant accounting policies (continued)

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 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.

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, 2022 or 2021 as management believes all balances to be collectible.

Allowance for Credit Losses – The Organization's allowance for credit losses is that amount considered adequate to absorb probable losses based on management's evaluations of the size and current risk characteristics of the mortgage loan portfolios. Such evaluations consider historical and current portfolio performance information and experience with clients. Specific allowances for credit losses are established for large impaired notes on an individual basis. A note is considered impaired when, based on current information and events, it is probable that the Organization will be unable to collect the scheduled payments when due according to the contractual terms of the promissory note. The specific allowances established for these loans are based on an analysis of the most probable source of repayment, including the estimated fair value of the underlying collateral.

The Organization recorded an allowance of $268,250 and $-0- at December 31, 2022 or 2021, respectively. 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, 2022 and 2021, 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.

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.

Note 2—Summary of significant accounting policies (continued)

Land Held for Development and Sale – Land held for development and sale 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.

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, 2022 and 2021.

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.

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 refundable advances 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.

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, 2022 or 2021. 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 February 2016, FASB issued ASU 2016-02, *Leases.* The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the consolidated balance sheet at the date of lease commencement. The Organization adopted this ASU effective January 1, 2022 using the modified retrospective approach. As a result of adopting this ASU, the Organization recorded right-of-use ("ROU") assets and lease liabilities of approximately $4,600,000. Adoption of the new standard did not materially impact the Organization's change in net assets and had no impact on cash flows. The Organization considers a lease term to be the noncancelable period that it has the right to use the underlying asset. Lease expense is recognized on a straight-line basis over the expected lease term.

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 effect of the adoption did not have a material effect on the consolidated statements of activities and footnotes for the year ended December 31, 2022.

In June 2016, FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The standard requires certain financial assets to be measured at amortized cost net of an allowance for estimated credit losses, such that the net receivable represents the present value of expected cash collection. The new rules also require that certain financial assets be measured at amortized cost reflecting an allowance for estimated credit losses that are expected to occur over the life of the assets. This standard will be effective for fiscal years beginning after December 15, 2022. Early adoption is permitted. The Organization is currently assessing the impact the adoption of ASU 2016-02 will have on its consolidated financial statements.

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:

	2022	2021
Cash and cash equivalents	$ 13,913,049	$ 7,795,025
Accounts receivable, net	280,620	323,404
Pledges receivable, net	167,500	66,550
Mortgages receivable, current portion, net	392,172	368,591
	$ 14,753,341	$ 8,553,570
Less amounts not available to be used for general expenditures within one year:		
Subject to donor purpose restrictions	(1,226,082)	(734,385)
Financial assets available to meet general expenditures within one year	$ 13,527,259	$ 7,819,185

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, 2022 were approximately $31,000,000. The Organization also maintains an available line of credit of $5,000,000 with Sunflower Bank and a $1,000,000 with Austin Community Foundation that are 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, 2022 and 2021, the Organization had cash and cash equivalents in excess of insured limits of approximately $12,724,160 and $7,970,000, 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, 2022 or 2021. 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, 2022 and 2021.

Note 5—Related party transactions and affiliations

Contributions from members of the Board for the years ended December 31, 2022 and 2021 were $55,453 and $129,838, respectively. Pledges receivable from the Board and employees of AHFH for the years ended December 31, 2022 and 2021 were $27,050 and $9,550, respectively. Expenses paid by the Organization for services provided by Board related businesses for the years ended December 31, 2022 and 2021 were $55,453 and $405,710, respectively.

The Organization operates within a covenant agreement with HFHI. The Organization tithes to support HFHI's international homebuilding work. Tithes to HFHI totaled $1,087,083 and $226,334 for the years ended December 31, 2022 and 2021, respectively.

Note 6—Mortgages and notes receivable

Mortgages receivable consisted of the following at December 31:

	2022	2021
Gross mortgages receivable	$ 13,648,884	$ 14,559,205
Financing discount based on imputed interest at rates ranging from 3.72% to 6.62%	(4,676,023)	(5,134,644)
Mortgages receivable, net of unamortized financing discount	8,972,861	9,424,561
Current portion of mortgages receivable	(392,172)	(368,591)
Allowance for doubtful accounts	(268,250)	-
	$ 8,312,439	$ 9,055,970

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, 2022 are as follows:

2023	$ 744,823
2024	738,697
2025	726,132
2026	718,285
2027	695,252
Thereafter	10,025,695
	$ 13,648,884

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

	2022	2021
Gross notes receivable for 2nd liens	$ 2,746,756	$ 2,959,920
Financing discount based on imputed interest at rates ranging from 3.73% to 4.22%	(1,794,173)	(1,967,509)
Notes receivable on 2nd liens, net of unamortized financing discount	$ 952,583	$ 992,411

Note 7—ReStore inventory

ReStore inventory consisted of the following at December 31:

	2022	2021
Donated goods	$ 451,816	$ 432,597
Purchased materials	1,658,655	1,226,581
	$ 2,110,471	$ 1,659,178

Note 8—Property and equipment

Property and equipment consisted of the following at December 31:

	2022	2021
Land	$ 3,678,393	$ 3,678,393
Buildings and improvements	11,359,781	7,970,903
Equipment	1,086,590	837,494
Trucks	426,425	379,333
	16,551,189	12,866,123
Accumulated depreciation	(2,281,970)	(1,970,059)
Total property and equipment, net	$ 14,269,219	$ 10,896,064

Property and equipment financed under financing lease obligations totaled $115,969 and $153,489, net of accumulated amortization of $243,728 and $206,208, as of December 31, 2022 and 2021, respectively. Total depreciation and amortization expense was $380,081 and $281,013 for the years ended December 31, 2022 and 2021, 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:

	2022	2021
Capital campaign pledges	$ 167,500	$ 66,550
Less allowance for doubtful collections	-	-
Pledges receivable, net	$ 167,500	$ 66,550

Pledges receivable maturity dates at December 31 were as follows:

	2022	2021
Less than one year	$ 167,500	$ 66,550
One to five years	-	-
	$ 167,500	$ 66,550

Note 10—Long-term debt

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

	2022	2021
Promissory note to a banking institution	$ 7,051,108	$ 7,250,000
Construction loan payable to a banking institution	2,091,360	38,828
Habitat Mortgage Solutions loan	-	1,850,000
Total debt	9,142,468	9,138,828
Unamortized debt issuance costs	(101,467)	(115,962)
Total debt, net of unamortized debt issuance costs	9,041,001	9,022,866
Current portion of debt, net	(259,430)	(180,325)
Long-term debt, net	$ 8,781,571	$ 8,842,541

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 in addition to the construction of a new warehouse in south Austin. The principal amount outstanding for this note is $7,051,108 and $7,250,000 at December 31, 2022 and 2021, respectively.

On December 1, 2021, the Organization entered into a promissory note for $1,850,000 with Habitat Mortgage Solutions for the purpose of financing the acquisition of land upon which the Organization will construct 30 affordable housing units. The note bears interest at a rate of 3.00% per annum and matures December 31, 2025. Interest only payments are due quarterly beginning December 31, 2022. Home sale prepayment amounts are due on June 30th of each year following the year in which the twelfth home is sold. The home sale prepayment amount is calculated by multiplying the number of homes sold in the prior fiscal year by $97,368. The note is secured by the acquired land. This loan was paid off in 2022.

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 $2,091,360 and $38,828 as of December 31, 2022 and 2021, respectively.

Future maturities of long-term debt at December 31, 2022 are as follows:

Years Ending December 31,	
2023	$ 259,430
2024	264,585
2025	273,230
2026	282,162
2027	291,390
Thereafter	7,771,671
	$ 9,142,468

Note 10—Long-term debt (continued)

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, 2022, and through the date of this report, the Organization was in compliance with such covenants.

Note 11—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 $768,200 of the PPP loan forgiveness as other income in the accompanying consolidated statements of activities at December 31, 2022 and 2021.

Note 12—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 2021 to extend the maturity date to December 30, 2022. The annual interest rate for the new credit facility is a variable rate based on AMERIBOR plus 1.5% (0.15% at December 31, 2022). No amounts have been drawn against this facility at December 31, 2022.

During the normal course of business, the Organization entered into letters of credit with financial institutions totaling $615,609 and $639,078 at December 31, 2022 and 2021, respectively, pursuant to subdivision construction agreements with the city of Austin. The letters of credit have expiration dates between March 2022 and January 2023. 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, 2022 or 2021.

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 matured in April 2022 and was not renewed.

On September 21, 2022, the Organization entered into another line of credit agreement with the Austin 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, 2022, AHFH had an outstanding balance of $2,000,000 on this revolving line of credit and an unused balance of $1,000,000 at December 31, 2022.

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

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, 2022 and 2021, AHFH had a balance of $-0- outstanding on this guidance line of credit.

Note 13—Notes payable - TDHCA

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

	2022	2021
Gross notes payable - TDHCA	$ 2,082,323	$ 2,212,330
Financing discount based on imputed interest at rates ranging from 3.72% to 6.62%	(701,376)	(767,353)
Notes payable - TDHCA, net of unamortized discount	1,380,947	1,444,977
Current portion of notes payable - TDHCA, net	(106,959)	(109,658)
	$ 1,273,988	$ 1,335,319

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, 2022 are as follows:

Years Ending December 31,	
2023	$ 106,959
2024	106,959
2025	106,959
2026	106,959
2027	103,295
Thereafter	1,551,192
	$ 2,082,323

Note 14—Net assets with donor restrictions

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

	2022	2021
Capital campaign	$ -	$ 515,476
Special events	211,580	211,580
The University of Texas at Austin Campus Chapter	14,502	7,329
Purchase Land in Hayes County	1,000,000	-
	$ 1,226,082	$ 734,385

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

	2022	2021
Capital campaign	$ (515,476)	$ (697,946)
The University of Texas at Austin Campus Chapter	(1,961)	(1,674)
Net assets released from restrictions	$ (517,437)	$ (699,620)

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, 2022 and 2021 were $225,342 and $168,089, respectively.

Note 16—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, 2022. The Organization does not have any material sublease activities.

Note 16—Operating lease (continued)

Practical Expedients Elected:

- The Organization elected the three transition practical expedients that permit an entity to (a) not reassess whether expired or existing contracts contain leases, (b) not reassess lease classification for existing or expired leases, and (c) not consider whether previously capitalized initial direct costs would be appropriate under the new standard.

- The Organization has elected the practical expedient not to recognize leases with terms of 12 months or less on the balance sheet and instead recognize the lease payments on a straight-line basis over the term of the lease and variable lease payments in the period in which the obligation for the payments is incurred. Therefore, our short-term lease expense for the period does not reflect our ongoing short-term lease commitments. Lease expense for such short-term leases was not material for the year ended December 31, 2022.

- The Organization has elected to account for lease and non-lease components as a single component.

- The Organization has elected to utilize the risk-free discount rate (1.04 – 1.63% as of January 1, 2022) to calculate lease assets and liabilities.

Classification of ROU assets and lease liabilities as of December 31, 2022 is as follows:

Assets:	
Operating right-of-use assets	$ 4,510,825
Total lease assets	$ 4,510,825
Liabilities:	
Current operating lease liabilities	$ 529,443
Noncurrent operating lease liabilities	4,036,718
Total lease liabilities	$ 4,566,161

Future minimum payments under operating leases consisted of the following as of December 31, 2022:

Years Ending December 31,	
2023	$ 598,087
2024	614,100
2025	624,937
2026	625,188
2027	632,579
Thereafter	1,772,874
Total undiscounted cash flows	4,867,765
Less present value discount	(301,604)
Total lease liabilities	$ 4,566,161

Note 16—Operating lease (continued)

Operating lease expense	$	638,639
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases		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		7.87
Weighted-average discount rate for operating leases		1.60%

Note 17—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, 2022:

Years Ending December 31,		
2023	$	41,575
2024		41,575
2025		43,869
Total minimum lease payments		127,019
Less amount representing interest (3% annually)		(5,292)
Total capital lease obligations		121,727
Less current portion of capital lease obligations		(38,624)
Long term portion of capital lease obligation	$	83,103

Years Ending December 31,		
2023	$	41,575
2024		41,575
2025		43,869
Total minimum lease payments		127,019
Less amount representing interest (3% annually)		(5,292)
Total capital lease obligations		121,727
Less current portion of capital lease obligations		(38,624)
Long term portion of capital lease obligation	$	83,103

Note 18—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 19—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 20—Employee retention credit (ERC)

During the year ended December 31, 2022, the Organization filed for employee retention credits and recorded a corresponding liability of approximately $100,000 for the amount received as of December 31, 2022 for funds obtained under the Employee Retention Credit ("ERC") program which was established by the CARES Act. Under the program. The Organization is eligible to take a credit against the employer's portion of social security taxes withheld on qualified wages. The amount of the credit is limited to employment taxes equal to 50% of the qualified wages an eligible employer pays to employees after March 12, 2020, and before January 1, 2021. The amount of the credit is limited to employment taxes equal to seventy percent of qualified wages an eligible employer pays to employees after January 1, 2021, and before December 31, 2021. The Organization accounts for government grants in accordance with FASB ASC 958-605, *Not-For-Profit Entities: Revenue Recognition*, and, as such, the Company recognizes grant revenue when conditions are substantially met by the entity. Due to the uncertainty associated with whether certain wages during the eligible period were qualified wages, the Organization recognized the ERC funds as a refundable liability which is included in deferred revenue in the accompanying consolidated balance sheets.

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, 2022 and 2021, the Organization has incurred cumulative net operating losses of approximately $5,525,000 and $4,400,000, 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, 2022 and 2021 was approximately $1,125,000 and $400,000, respectively.

Note 22—Subsequent events

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, 2022, this date was June 27, 2023.

SUPPLEMENTARY INFORMATION

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

DECEMBER 31, 2022

	Austin Habitat for Humanity	Austin Neighborhood Alliance for Habitat, Inc.	HomeBase Texas	Eliminations	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 13,601,998	$ -	$ 311,051	$ -	$ 13,913,049
Restricted cash	842,765	-	-	-	842,765
Accounts receivable	1,169,377	-	126,709	(1,015,466)	280,620
Pledges receivable	167,500	-	-	-	167,500
Mortgages receivable, current portion, net	392,172	-	-	-	392,172
ReStore inventory	2,110,471	-	-	-	2,110,471
Home construction in progress	1,588,943	-		-	1,588,943
Prepaid expenses and other current assets	621,238	-	-	-	621,238
Total Current Assets	20,494,464	-	437,760	(1,015,466)	19,916,758
Land held for development	4,650,591	-	-	-	4,650,591
Land held for sale	1,494,282				1,494,282
Mortgages receivable, long-term portion, net	8,312,439	-	-	-	8,312,439
Notes receivable, 2nd lien, net	-	-	952,583	-	952,583
Operating lease right-of-use assets	4,510,825	-	-	-	4,510,825
Other long-term assets	-		214,702		214,702
Property and equipment, net	14,269,219	-	-	-	14,269,219
Total Assets	$ 53,731,820	$ -	$ 1,605,045	$ (1,015,466)	$ 54,321,399

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

DECEMBER 31, 2022

	Austin Habitat for Humanity	Austin Neighborhood Alliance for Habitat, Inc.	HomeBase Texas	Eliminations	Total
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Accounts payable	$ 455,096	$ -	$ 26,353	$ -	$ 481,449
Accrued expenses	1,037,067	-	1,016,930	(1,015,466)	1,038,531
Deferred revenue	3,357,761	-	-	-	3,357,761
Financing lease obligation, current portion	38,624	-	-	-	38,624
Operating lease liability, current portion	529,443	-	-	-	529,443
Pass-through donations payable	331,000	-	-	-	331,000
Notes payable - TDHCA, net, current portion	106,959	-	-	-	106,959
Long-term debt, current portion	259,430	-	-	-	259,430
Total Current Liabilities	6,115,380	-	1,043,283	(1,015,466)	6,143,197
Financing lease obligation, long-term portion	83,103	-	-	-	83,103
Operating lease liability, net, long-term portion	4,036,718	-	-	-	4,036,718
Notes payable - TDHCA, net, long-term portion	1,273,988	-	-	-	1,273,988
Line of credit	2,000,000	-	-	-	2,000,000
Long-term debt, net, long-term portion	8,781,571	-	-	-	8,781,571
Total Liabilities	22,290,760	-	1,043,283	(1,015,466)	22,318,577
Net Assets:					
Without donor restrictions	30,214,978	-	561,762	-	30,776,740
With donor restrictions	1,226,082	-	-	-	1,226,082
Total Net Assets	31,441,060	-	561,762	-	32,002,822
Total Liabilities and Net Assets	$ 53,731,820	$ -	$ 1,605,045	$ (1,015,466)	$ 54,321,399

See report of independent auditor.

AUSTIN HABITAT FOR HUMANITY, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	Austin Habitat for Humanity	Austin Neighborhood Alliance for Habitat, Inc.	HomeBase Texas	Eliminations	Total
Revenues:					
Contributions and Other Income:					
Contributions	$ 11,614,985	$ -	$ -	$ -	$ 11,614,985
Home building sponsorship revenues	1,907,912	-	-	-	1,907,912
Investment return, net	72,205	-	-	-	72,205
Other income	1,083,241	-	122,823	(444,000)	762,064
Total Contributions and Other Income	14,678,343	-	122,823	(444,000)	14,357,166
ReStore Revenues:					
ReStore sales	11,307,325	-	-	-	11,307,325
In-kind donation of inventory	20,030	-	-	5,480,194	5,500,224
Cost of goods sold	(3,455,240)	-	-	(5,480,194)	(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	392,643	-	(39,828)	-	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	747,210	-	(36,483)	-	710,727
Total Revenues	22,726,054	-	86,340	(444,000)	22,368,394

See report of independent auditor.

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

YEAR ENDED DECEMBER 31, 2022

	Austin Habitat for Humanity	Austin Neighborhood Alliance for Habitat, Inc.	HomeBase Texas	Eliminations	Total
Expenses:					
Low-cost housing program	$ 4,678,250	$ -	$ 514,309	$ (444,000)	$ 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	14,227,736	-	514,309	(444,000)	14,298,045
Change in net assets	8,498,318	-	(427,969)	-	8,070,349
Net assets, beginning of year	22,942,742	-	989,731	-	23,932,473
Net assets, end of year	$ 31,441,060	$ -	$ 561,762	$ -	$ 32,002,822

See report of independent auditor.