Austin Habitat for Humanity, Inc.

(A Nonprofit Corporation)

Report of Independent Auditor and Consolidated Financial Statements with Supplemental Information

December 31, 2018 and 2017

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AUSTIN HABITAT FOR HUMANITY, INC.
Index to Consolidated Financial Statements
December 31, 2018 and 2017

Report of Independent Auditor

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

We have audited the accompanying consolidated financial statements of Austin Habitat for Humanity and its subsidiaries (the "Organization") which comprise the consolidated statements of financial position as of December 31, 2018 and 2017 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Austin Habitat for Humanity, Inc. as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating schedules of financial position information and consolidating schedule of activities information on pages 23 and 24 are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

PMB HELIN DONOVAN, LLP

PMB Helin Donovan, LLP

July 31, 2019
Austin, Texas

AUSTIN HABITAT FOR HUMANITY, INC.

Consolidated Statements of Financial Position

As of December 31, 2018 and 2017

	2018	2017
ASSETS:		
Current assets		
Cash and cash equivalents	$ 2,198,363	$ 1,382,287
Investments, at fair value	15,454	400,080
Accounts receivable	379,407	173,000
Pledges receivable, net	141,554	116,718
Mortgages receivable, current portion, net	846,812	816,838
ReStore inventory	808,029	619,453
Home construction in progress	949,103	484,299
Prepaid expenses and other current assets	372,423	248,190
Total current assets	5,711,145	4,240,865
Land held for development	4,680,252	3,500,621
Restricted cash	17,670	45,229
Pledges receivable, long-term portion, net	489,951	380,817
Other long-term assets	192,637	193,628
Mortgages receivable, long-term potion, net	8,870,330	8,453,826
Notes receivable - 2nd liens, net	882,205	815,277
Investments, at cost - NMTC	1,520,548	2,491,147
Property and equipment, net	9,505,694	9,592,553
TOTAL ASSETS	$ 31,870,432	$ 29,713,963
LIABILITIES AND NET ASSETS:		
Current liabilities		
Accounts payable	$ 370,556	$ 456,738
Accrued expense	807,931	539,353
Deferred revenue	2,703,768	1,027,101
Capital lease obligation, current portion	34,262	33,251
Notes payable - TDHCA, current portion	98,316	87,149
Long-term debt, current portion	162,998	156,985
Total current liabilities	4,177,831	2,300,577
Capital lease obligation, long-term portion	225,171	256,670
Notes payable - TDHCA, long-term portion	1,243,580	1,175,498
Long-term debt, net of debt issuance costs	6,528,714	8,014,758
Total liabilities	12,175,296	11,747,503
Net assets		
Without donor restrictions	18,028,116	16,851,094
With donor restrictions	1,667,020	1,115,366
Total net assets	19,695,136	17,966,460
TOTAL LIABILITIES AND NET ASSETS	$ 31,870,432	$ 29,713,963

See accompanying notes and report of independent auditor.

AUSTIN HABITAT FOR HUMANITY, INC.

Consolidated Statement of Activities

Year Ended December 31, 2018

	Without donor restrictions	With donor restrictions	Total
REVENUES:			
Contributions and other income:			
Contributions	$ 1,187,410	$ 1,055,942	$ 2,243,352
In-kind contributions	134,025	-	134,025
Home building sponsorship revenues	1,000,151	-	1,000,151
Investment income	43,095	-	43,095
Other income	956,130	-	956,130
Net assets released from restrictions	504,288	(504,288)	-
Total contributions and other	3,825,099	551,654	4,376,753
ReStore revenues:			
ReStore sales	4,428,805	-	4,428,805
In-kind donation of inventory	2,389,472	-	2,389,472
Cost of goods sold	(3,380,503)	-	(3,380,503)
Sales discounts and refunds	(150,498)	-	(150,498)
Total ReStore revenues, net	3,287,276	-	3,287,276
Low-cost housing revenues:			
Home sales	1,794,011	-	1,794,011
In-kind contributions of labor and construction materials	812,442	-	812,442
Mortgage discount and amortization	(12,707)	-	(12,707)
Other housing revenues	6,085	-	6,085
Cost of homes sold	(1,969,012)	-	(1,969,012)
Total Low-cost housing revenues	630,819	-	630,819
Total revenues	7,743,194	551,654	8,294,848
EXPENSES:			
Low-cost housing program	2,174,380	-	2,174,380
ReStore program	2,607,801	-	2,607,801
Fundraising	922,328	-	922,328
Management and general	861,663	-	861,663
Total expenses	6,566,172	-	6,566,172
CHANGE IN NET ASSETS	1,177,022	551,654	1,728,676
NET ASSETS, BEGINNING OF YEAR	16,851,094	1,115,366	17,966,460
NET ASSETS, END OF YEAR	$ 18,028,116	$ 1,667,020	$ 19,695,136

AUSTIN HABITAT FOR HUMANITY, INC.

Consolidated Statement of Activities

Year Ended December 31, 2017

		Without donor restrictions		With donor restrictions		Total
REVENUES:						
Contributions and other income:						
Contributions	$	1,510,797	$	617,206	$	2,128,003
In-kind contributions		188,197		-		188,197
Home building sponsorship revenues		1,002,224		-		1,002,224
Investment income		46,839		-		46,839
Other income		287,287		-		287,287
Net assets released from restrictions		114,532		(114,532)		-
Total contributions and other		3,149,876		502,674		3,652,550
ReStore revenues:						
ReStore sales		3,871,588		-		3,871,588
In-kind donation of inventory		1,910,324		-		1,910,324
Cost of goods sold		(2,806,608)		-		(2,806,608)
Sales discounts and refunds		(106,082)		-		(106,082)
Total ReStore revenues, net		2,869,222		-		2,869,222
Low-cost housing revenues:						
Home sales		1,714,500		-		1,714,500
In-kind contributions of labor and construction materials		786,123		-		786,123
Mortgage discount and amortization		353,429		-		353,429
Other housing revenues		42,580		-		42,580
Cost of homes sold		(2,318,340)		-		(2,318,340)
Total Low-cost housing revenues		578,292		-		578,292
Total revenues		6,597,390		502,674		7,100,064
EXPENSES:						
Low-cost housing program		2,143,444		-		2,143,444
ReStore program		2,034,006		-		2,034,006
Fundraising		1,084,041		-		1,084,041
Management and general		558,182		-		558,182
Total expenses		5,819,673		-		5,819,673
CHANGE IN NET ASSETS		777,717		502,674		1,280,391
NET ASSETS, BEGINNING OF YEAR		16,073,377		612,692		16,686,069
NET ASSETS, END OF YEAR	$	16,851,094	$	1,115,366	$	17,966,460

See accompanying notes and report of independent auditor.

AUSTIN HABITAT FOR HUMANITY, INC.
Consolidated Statement of Functional Expenses
Year Ended December 31, 2018

	Low-cost housing	ReStore	Fundraising	Management and general	Total
Salaries and related	$ 1,337,910	$ 1,683,034	$ 507,551	$ 601,846	$ 4,130,341
Advertisements	12,127	104,120	209,545	1,517	327,309
Office expenses	50,522	176,621	19,030	28,280	274,453
Information technology	14,798	17,550	8,974	8,707	50,029
Occupancy	104,319	117,565	5,816	7,516	235,216
Travel	11,421	22,547	4,052	11,014	49,034
Conference, conventions, and meetings	4,598	6,891	4,190	5,578	21,257
Interest expense	63,113	171,339	8,862	31,311	274,625
Tithe to HFHI	68,996	-	-	-	68,996
Depreciation	-	189,347	12,038	50,230	251,615
Insurance	49,262	67,580	4,378	4,220	125,440
Warranty work	3,006	-	-	-	3,006
Tools and equipment	17,222	4,032	-	-	21,254
Professional services	62,969	24,972	16,732	65,880	170,553
NMTC transaction fees	27,558	-	-	-	27,558
Dues and subscriptions	12,384	7,858	9,793	24,558	54,593
Home repair program	332,791	-	6,058	3,359	342,208
Other expense	1,384	14,345	105,309	17,647	138,685
Total functional expenses	$ 2,174,380	$ 2,607,801	$ 922,328	$ 861,663	$ 6,566,172

See accompanying notes and report of independent auditor.

AUSTIN HABITAT FOR HUMANITY, INC.
Consolidated Statement of Functional Expenses
Year Ended December 31, 2017

	Low-cost housing	ReStore	Fundraising	Management and general	Total
Salaries and related	$ 1,269,564	$ 1,337,992	$ 568,027	$ 440,301	$ 3,615,884
Advertisements	14,358	38,178	349,334	120	401,990
Office expenses	44,148	128,237	20,662	18,304	211,351
Information technology	22,377	7,458	8,888	9,866	48,589
Occupancy	101,923	39,776	8,337	4,200	154,236
Travel	17,256	14,139	8,867	1,191	41,453
Conference, conventions, and meetings	4,728	5,458	7,221	5,194	22,601
Interest expense	53,683	174,349	18,207	23,100	269,339
Tithe to HFHI	53,000	-	-	-	53,000
Depreciation	34,592	179,966	16,929	20,462	251,949
Insurance	33,838	72,882	4,196	2,268	113,184
Warranty work	4,490	-	-	-	4,490
Tools and equipment	9,272	1,913	-	-	11,185
Professional services	40,651	7,626	21,178	23,202	92,657
NMTC transaction fees	26,430	-	-	-	26,430
Dues and subscriptions	13,148	12,957	11,738	7,125	44,968
Home repair program	389,037	70	25,642	-	414,749
Other expense	10,949	13,005	14,815	2,849	41,618
Total functional expenses	$ 2,143,444	$ 2,034,006	$ 1,084,041	$ 558,182	$ 5,819,673

See accompanying notes and report of independent auditor.

AUSTIN HABITAT FOR HUMANITY, INC.

Consolidated Statements of Cash Flows

Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 1,728,676	$ 1,280,391
Adjustments to reconcile change in net assets to net cash provided by operations:		
Noncash interest expense	9,610	17,921
Depreciation	251,615	251,949
Unrealized gain on investments	-	(6,074)
Gain on extinguishment of debt	(322,727)	-
Loss on disposal of property and equipment	-	40,383
(Increase) decrease in operating assets:		
Accounts receivable	(206,407)	16,261
Pledges receivable	(133,970)	(327,410)
Mortgages receivable	(446,478)	(202,802)
ReStore Inventory	(188,576)	(89,715)
Home construction in Progress	(464,804)	67,170
Prepaid expenses and other	(124,233)	37,230
Land held for development	(1,179,631)	(252,345)
Notes receivable, 2nd liens	(66,928)	(386,686)
Other long-term assets	991	50,163
Increase (decrease) in operating liabilities:		
Accounts Payable	(86,182)	286,034
Accrued expenses	268,578	(30,187)
Deferred revenue	1,676,667	8,552
Notes payable - TDHCA	79,249	16,935
Net cash provided by operating activities	795,450	777,770
Cash flows from investing activities:		
Restricted cash	27,559	26,430
Sales (purchases) of investments	384,626	(2,215)
Purchases of property and equipment	(192,395)	(74,866)
Net cash provided by (used in) investing activities	219,790	(50,651)
Cash flows from financing activities:		
Payments on long-term debt	(168,676)	(129,898)
Payments on capital lease obligation	(30,488)	(34,995)
Net cash used in financing activities	(199,164)	(164,893)
Net increase in cash and cash equivalents	816,076	562,226
Cash and cash equivalents at beginning of year	1,382,287	820,061
Cash and cash equivalents at end of year	$ 2,198,363	$ 1,382,287
Supplemental disclosure of cash flow information:		
Interest paid	$ 228,663	$ 241,808
Income taxes paid	$ -	$ -

See accompanying notes and report of independent auditor.

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. 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.

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.

Low-Cost Housing Program

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

ReStore Program

AHFH also operates two ReStores in Austin and San Marcos. 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").

Classification of Net Assets – In accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*, the Organization is required to report information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions.

> *Net assets without donor restrictions* - Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be used for any purpose or designated for specific purposes by the Organization.
>
> *Net assets with donor restrictions* **-** Net assets that are subject to donor-imposed stipulations, which limit their use by the Organization to a specific purpose and/or the passage of time.

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, 2018 and 2017 were $327,309 and $401,990, 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 – As a condition of the loan agreements with HFHI-SA NMTC VI, LLC and CCM Community Development XXVII, LLC and through its investment in two New Market Tax Credit ("NMTC") programs (Note 5), AHFH has established separate bank accounts for receiving and disbursing certain amounts related to the NMTC transactions. Total restricted cash was $17,670 and $45,229 as of December 31, 2018 and 2017, respectively.

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

Investments, at cost - NMTC – In November 2011, AHFH invested, along with eleven other Habitat affiliates, in a joint venture named HFHI-SA Leverage IX, LLC with 4.82% ownership to take advantage of NMTC financing. In July 2012, AHFH participated in a second NMTC transaction along with eleven other Habitat affiliates. As a result of this transaction, AHFH acquired a 9.09% ownership in a joint venture named CCML Leverage II, LLC. Since AHFH has no ability to influence the operating or financial policies of HFHI-SA Leverage IX, LLC and CCML Leverage II, LLC, the cost method is used to account for these investments. Under that method, AHFH records income only to the extent of distributions received.
The Organization has capitalized, as, certain structuring and guarantee fees and closing costs for the loans to finance these investments and construction costs. These fees are being amortized to interest expense over seven to sixteen years and are reflected as costs of the investments.

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 receivables at December 31, 2018 or 2017 as management believes all balances to be collectible.

Pledges Receivable – Pledges receivable is recorded at the amount the Organization expects to receive from donors. Promises to give are recorded at fair value if expected to be collected in one year and at net present value if expected to be collected in more than one year. Although the Organization has not experienced material uncollectible amounts in the past, an allowance for uncollectible pledges receivable has been established. The allowance at December 31, 2018 and 2017, was $70,167 and $58,282, respectively. The Organization did not apply a net present value discount on the pledges receivable balance as of December 31, 2018 and 2017 as management considered the amount to be insignificant.

Notes Receivable, 2nd Liens – Notes receivable is a deferred repayable second lien with the first payment due after 30 years, amortizing over five years thereafter. The second 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 30-35 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, 2018 or 2017 as management believes all balances to be collectible.

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

Mortgages receivable is discounted based upon prevailing market interest rates for low-income housing at the inception of the mortgages. The financing discounts are amortized and reflected as mortgage discount and amortization in the accompanying consolidated statements of activities when mortgage payments are collected.

The Organization monitors the mortgages on a monthly basis and considers all mortgages to be collectible, thus no allowance for loan losses has been recorded. The Organization maintains a partner relationship with the mortgagees (“partner families”). However, the Organization will consider foreclosure proceedings on any delinquent accounts if the partner family ceases to have the ability to pay and make payments on the mortgage or no longer has a willingness to partner with the Organization. At December 31, 2018 and 2017, 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. Purchased inventory is stated at the lower of cost or market determined by the first-in first-out method.

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

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

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

Long-lived assets subject to amortization are reviewed for impairment whenever events or circumstances indicate that the amount recorded may not be recoverable. An impairment loss is recognized by the amount in which the carrying amount of the asset exceeds fair value, if the carrying amount of the asset is not recoverable. Management believes there has been no impairment of such assets as of December 31, 2018 and 2017.

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.

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

ReStore Sales Revenue – The Organization operates two thrift retail stores. 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 store receives donated materials and purchases items for resale. Sales are recognized on a daily basis as they occur.

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

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

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

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

Federal Income Taxes – AHFH, the Alliance, and HomeBase are all non-profit organizations exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except with respect to any unrelated business income. AHFH, the Alliance and HomeBase did not incur any tax liabilities for unrelated business income during the years ended December 31, 2018 or 2017. The Board assesses uncertainties in income taxes in its consolidated financial statements and uses a threshold of more-likely-than-not for recognition and derecognition of tax positions taken. There is no provision or liability for federal income taxes in the accompanying consolidated financial statements related to the Organization. AHFH, the Alliance, and HomeBase file Form 990 tax returns in the U.S. federal jurisdiction and are subject to routine examinations of its returns. However, there are no examinations currently in progress. The Board's management believes it is no longer subject to income tax examinations for years prior to 2015.

Recent Accounting Pronouncements – In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue Recognition* (Topic 606). The update is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. ASU 2014-09 also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. This ASU is effective for annual and interim periods beginning after December 15, 2018. Early adoption is permitted. Companies may use either a full retrospective or a modified retrospective approach to adopt ASU 2014-09. The Organization is currently evaluating the effect that the adoption of this ASU will have on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities.* This ASU removes the current guidance regarding classification of equity securities into different categories (i.e., trading or available-for-sale) and requires that equity investments generally be measured at fair value with changes in fair value recognized in net income. For non-public companies, the ASU is effective for years beginning after December 15, 2018. Early adoption is permitted. The Organization is currently evaluating the impact of ASU 2016-01 on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This update requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. For non-public companies, the ASU is effective for years beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the impact of ASU 2016-02 on its consolidated financial statements.

In April 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*. This update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents would be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. For private companies, the ASU is effective for years beginning after December 15, 2018. The Organization has elected to not early adopt this ASU as of December 31, 2018.

In August 2016, the FASB issued ASU 2016-14, *Presentation of financial statements of Not-for-Profit Entities, as an update to ASC 958, Not-for-Profit Entities*. This update makes several improvements to current reporting requirements that address complexities in the use of the currently required three classes of net assets and enhance required disclosures related to donor restrictions of net assets. The updated guidance will be effective for annual periods beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. The new guidance should be applied on a retrospective basis. The updated guidance will result in a change in the classes of net assets reported on the face of the statement of financial position from three classes (unrestricted, temporarily restricted and permanently restricted) to two classes (net assets without donor restrictions and net assets with donor restrictions). The Organization adopted this update as of January 1, 2018. No other material impact is expected.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* which is intended to clarify and improve the scope and the accounting guidance for contributions received and made, primarily by not-for-profit organizations. The amendments in this ASU provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. ASU 2018-18 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the impact of ASU 2018-08 on its consolidated financial statements.

Reclassification – Certain amounts in the prior year have been reclassified to conform to the presentation adopted in the current year. There was no impact on net assets as a result of reclassifications.

Management's Review – The Organization evaluates events that occur subsequent to the statement of financial position date of periodic reports, but before financial statements are issued for periods ending on such dates, for possible adjustment to such financial statements or other disclosure. This evaluation generally occurs through the date at which the Organization's consolidated financial statements are available for issuance. For the consolidated financial statements as of and for the year ending December 31, 2018, this date was July 31, 2019.

NOTE 3 – LIQUIDITY

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

Cash and cash equivalents	$	2,198,363
Investments, at fair value		15,454
Accounts receivable, net		379,407
	$	2,593,224

None of the above financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. Receivable balances are expected to be collected within one year. The Organization has a goal to maintain financial assets, which consist of cash, money markets, mutual funds, and accounts receivable, on hand to meet five months of normal operating expenses, which are, on average, approximately $2.5 million. As part of its liquidity management, the Organization invests cash in excess of daily requirements in various short-term investments including cash, money markets, and mutual funds.

Total net assets without donor restrictions as of December 31, 2018 were approximately $17.9 million. This is sufficient capital to fund the anticipated growth of the Organization over the next twelve months as well as any unanticipated contingencies or losses. Additionally, the Organization has approximately $2,000,000 of undrawn credit available if there is an unforeseen need for cash.

NOTE 4 – CONCENTRATIONS OF CREDIT RISK

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

The Organization places its cash and cash equivalents with a limited number of high-quality financial institutions and may exceed the amount of insurance provided on such deposits. Management believes no significant risk exists with respect to cash and cash equivalents.

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

The Organization does not maintain collateral for its receivables except for mortgages and notes receivable and does not believe significant risk exists at December 31, 2018 or 2017. 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, 2018 and 2017.

NOTE 5 – INVESTMENTS

Investments at fair value

Marketable investments are stated at fair value using quoted prices in active markets and consisted of mutual funds at December 31, 2018 and 2017. The inputs used to determine the fair value of mutual funds were considered Level 1.

Investments at cost

AHFH participated in NMTC programs in November 2011 and in July 2012. The programs, administered by the U.S. Department of the Treasury, provide funds from outside investors to eligible organizations for investment in qualified low-income community investments. Outside investors receive new markets tax credits to be applied against their federal tax liability. Program compliance requirements included creation of promissory notes and investments in qualified community development entities ("CDE or sub-CDE"). Tax credit recapture is required if compliance requirements are not met over a seven-year period after each transaction settlement date.

In November 2011, AHFH invested $1,000,044 in HFHI-SA Leverage IX, LLC and secured a 16-year loan in the amount of $1,320,965 payable to the sub-CDE named HFHI-SA NMTC VI, LLC (see Note 5). The loan proceeds are to be used solely for the purpose of constructing and selling qualified housing properties to low income residents. The loan requires semi-annual interest only payments until November 15, 2018 at 0.75%. Commencing November 15, 2018, semi-annual principal payments are due through maturity date of July 13, 2026. The loan is secured by substantially all the assets acquired by AHFH from the project loan proceeds. As part of the NMTC program, 99.98% of the interest payments will be refunded to the Organization on a semi-annual basis.

In November 2018, HFHI-SA Investment Fund VI, LLC (the "Fund"), the effective owner of HFHI-SA NMTC VI, LLC (holder of the promissory note due from AHFH), exercised a put option. Under the terms of the put option agreement, HFHI-SA Leverage IX, LLC purchased the ownership interest of the Fund. Exercise of the option effectively allowed AHFH to extinguish its outstanding debt owed to the Fund. The result of the extinguishment of the debt offset by the sale of AHFH's investment in the Fund was a gain of $322,727 in 2018 and is included in other income in the consolidated statement of activities and changes in net assets.

In July 2012, AHFH invested $1,431,009 in CCML Leverage II, LLC and secured a 16-year loan in the amount of $1,880,000 payable to the sub-CDE named CCM Community Development XXVII, LLC (see Note 5). The loan proceeds are to be used solely for the purpose of constructing and selling qualified housing properties to low income residents. The loan requires semi-annual interest only payments until November 10, 2019 at 0.76%. Commencing November 10, 2019, semi-annual principal payments are due through maturity date of July 26, 2027. The loan is secured by substantially all the assets acquired by AHFH from the project loan proceeds. As part of the NMTC program, 99.99% of the interest payments will be refunded to the Organization on a semi-annual basis.

In August 2019, CCM CD 27 Investment Fund, LLC (the "Fund"), the effective owner of CCM Community Development XXVII, LLC (holder of the promissory note due from AHFH), is expected to exercise a put option. Under the terms of the put option agreement, CCML Leverage II, LLC is expected to purchase the ownership interest of the Fund. Exercise of the option will effectively allow AHFH to extinguish its outstanding debt owed to the Fund.

The investments in these joint ventures are reported at cost using the cost method. For the years ended December 31, 2018 and 2017, AHFH received $14,310 and $24,266 in distributions, respectively. These distributions are reported as investment income in the consolidated statements of activities. During the years ended December 31, 2018 and 2017, the total interest expense associated with the amortization of the related debt issuance costs were $36,351 and $17,921, respectively. At December 31, 2018 and 2017, the balance in these joint ventures was $1,520,548 and $2,491,147, respectively.

NOTE 6 – RELATED PARTY TRANSACTIONS AND AFFILIATIONS

Contributions from members of the Board of Directors for the years ended December 31, 2018 and 2017 were $218,626 and $231,732, respectively. Pledges receivable from Board of Directors and employees of AHFH for the years ended December 31, 2018 and 2017 were $606,368 and $405,400, respectively. Expenses paid by the Organization for services provided by board of director related businesses for the years ended December 31, 2018 and 2017 were $1,773,616 and $350,042, respectively.

The Organization operates within a covenant agreement with HFHI. The Organization tithes to support HFHI's international homebuilding work. Tithes to HFHI totaled $68,996 and $53,000 for the years ended December 31, 2018 and 2017, respectively.

The United States Department of Housing and Urban Development ("HUD") has awarded grants to HFHI under the Self-Help Home Ownership Program ("SHOP") for land acquisition and infrastructure improvements for houses. Grant funds are passed through by HFHI directly to participating U.S. affiliates in the form of a 75% grant and 25% loan. Notes payable to HFHI under SHOP arrangements totaled $6,748 and $11,224 at December 31, 2018 and 2017, respectively, and are included in notes payable in the consolidated statements of financial position.

NOTE 7 – MORTGAGES AND NOTES RECEIVABLE

Mortgages receivable consisted of the following at December 31:

	2018	2017
Gross mortgages receivable	$ 15,290,444	$ 14,731,866
Financing discount based on imputed interest at rates ranging from 4% to 8%	(5,573,302)	(5,461,202)
Mortgages receivable, net of unamortized discount	9,717,142	9,270,664
Current portion of mortgages receivable	(846,812)	(816,838)
	$ 8,870,330	$ 8,453,826

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, 2018 are as follows:

2019	$ 846,812
2020	819,856
2021	816,409
2022	800,375
2023	782,189
Thereafter	11,224,803
Total	$ 15,290,444

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

	2018	2017
Gross notes receivable for 2nd lien	$ 3,115,257	$ 3,110,446
Financing discount based on imputed interest at rates ranging from 4% to 8%	(2,233,052)	(2,295,169)
Notes receivable on 2nd liens, net of unamortized discount	$ 882,205	$ 815,277

NOTE 8 – RESTORE INVENTORY

ReStore inventory consisted of the following at December 31:

	2018	2017
Donated Goods	$ 195,729	$ 155,000
Purchased Materials	612,300	464,453
	$ 808,029	$ 619,453

NOTE 9 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2018	2017
Land	$ 3,090,000	$ 3,090,000
Building and improvements	6,843,975	6,763,658
Equipment	499,042	414,603
Trucks	267,929	267,929
Total	10,700,946	10,536,190
Accumulated depreciation	(1,195,252)	(943,637)
Property and equipment, net	$ 9,505,694	$ 9,592,553

Property and equipment financed under capital lease obligations totaled $259,433 and $289,921, net of accumulated amortization of $100,264 and $69,776, as of December 31, 2018 and 2017, respectively. Total depreciation and amortization expense associated with property and equipment was $251,615 and $251,949 for the years ended December 31, 2018 and 2017, respectively.

NOTE 10 – PLEDGES RECEIVABLE

The Organization received pledges to cover the costs of the capital campaign. Pledges are stated at their realizable value, net of a discount on long-term pledges, and an allowance for uncollectible pledges.

Net pledges receivable consists of the following at December 31, 2018 and 2017:

	2018	2017
Capital campaign pledges	$ 701,672	$ 555,817
Less: allowance for doubtful collections	(70,167)	(58,282)
Pledges receivable, net	$ 631,505	$ 497,535

Net pledges receivable maturity dates at December 31, 2018 and 2017:

	2018	2017
Less than one year	$ 141,554	$ 175,000
One to five years	560,118	380,817
Total	$ 701,672	$ 555,817

NOTE 11 – LONG-TERM DEBT

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

	2018	2017
Notes payable to HFHI under SHOP grants	$ 6,748	$ 11,224
Promissory note to HFHI-SA NMTC VI, LLC	-	1,320,965
Promissory note to CCM Community Development XXVII, LLC	1,880,000	1,880,000
Promissory note to banking institution	4,859,773	5,023,973
Total debt	6,746,521	8,236,162
Unamortized debt issuance costs	(54,809)	(64,419)
Total debt, net of unamortized debt issuance costs	6,691,712	8,171,743
Current portion of debt	(162,998)	(156,985)
Long-term debt, net of current portion and debt issuance costs	$ 6,528,714	$ 8,014,758

The notes payable to Habitat for Humanity International ("HFHI") is a non-interest bearing and unsecured loan under the Self-Help Home Ownership Program ("SHOP") for land acquisition and infrastructure improvements for houses.

The promissory note to HFHI-SA NMTC VI, LLC, is a semi-annual interest note with payments due until November 15, 2018 at 0.75% followed by semi-annual principal payments due through the maturity date of July 13, 2026. This note is secured by substantially all of the assets acquired by AHFH from the NMTC project loan proceeds. During 2018, this note was extinguished along with the Organization's investment in the NMTC.

The promissory note to CCM Community Development XXVII, LLC, is a semi-annual interest note with payments until November 10, 2019 at 0.76% followed by semi-annual principal payments due through the maturity date of July 26, 2027. This note is secured by substantially all of the assets acquired by AHFH from the NMTC project loan proceeds.

On May 1, 2014, the Organization entered into a loan agreement for $5,500,000 with Wells Fargo Bank for the purpose of financing the acquisition of the land and building which was used to start the Austin ReStore. The promissory note is a fixed interest rate note (3.82% at December 31, 2018 and 2017) with escalating monthly payments due through the maturity date of June 1, 2039. This note is secured by the Austin ReStore's land and building.

Future maturities of long-term debt at December 31, 2018 are as follows:

2019	$ 162,998
2020	280,714
2021	400,916
2022	409,419
2023	418,202
Thereafter	5,074,272
Total	$ 6,746,521

The credit facility (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, 2018, and through the date of this report, the Organization was in compliance with such covenants.

NOTE 12 – CREDIT FACILITY AND LETTERS OF CREDIT

The Organization maintains a twelve-month revolving credit facility with a bank, renewable annually, that charges interest at a variable rate (5.5% at December 31, 2018). During the year ended December 31, 2017, the Organization amended the facility to extend the maturity date to April 2019. As amended, the maximum principal amount available under the line of credit is $2,000,000. The credit facility was further amended on March 18, 2019 to extend the maturity date to April 15, 2021. No amounts have been drawn against this facility at December 31, 2018.

During the normal course of business, the Organization entered into letters of credit with financial institutions totaling $462,730 at December 31, 2018 and 2017, pursuant to subdivision construction agreements with the City of Austin. The letters of credit expired in April 15, 2018 and the amount of $462,730 was renewed through April 15, 2019. The letters specify that drafts may be drawn by the City of Austin Watershed Protection and Development Review Department. There have been no amounts drawn under these letters of credit.

NOTE 13 – NOTES PAYABLE – TDHCA

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

	2018	2017
Gross notes payable - TDHCA	$ 2,121,018	$ 2,042,260
Financing discount based on imputed interest at rates ranging from 4% to 8%	(779,122)	(779,613)
Mortgages receivable, net of unamortized discount	1,341,896	1,262,647
Current portion of mortgages receivable	(98,316)	(87,149)
	$ 1,243,580	$ 1,175,498

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, 2018 are as follows:

2019	$ 98,316
2020	98,316
2021	98,316
2022	98,316
2023	98,316
Thereafter	1,629,438
Total	$ 2,121,018

NOTE 14 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2018	2017
Capital campaign	$ 1,236,479	$ 1,109,606
Special Events	323,701	-
UT Campus Chapter	3,706	5,760
OWANA	103,134	-
	$ 1,667,020	$ 1,115,366

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

	2018	2017
Capital campaign	$ (460,719)	$ (22,792)
Special Events	(30,350)	-
UT Campus Chapter	(13,219)	-
Caldwell Chapter	-	(91,740)
Net assets released from restrictions	$ (504,288)	$ (114,532)

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, 2018 and 2017 were $115,196 and $112,926, respectively.

NOTE 16 – LEASE COMMITMENTS

The Organization leases office space, a construction warehouse, telephone equipment, and a copier under various non-cancellable operating leases. Rent expense under these leases totaled $130,928 and $72,252, respectively, for the years ended December 31, 2018 and 2017, which are reflected as occupancy and office expenses in the accompanying statements of functional expenses. In October 2018, AHFH entered into a new operating lease for the San Marcos ReStore location which opened to the public on December 13, 2018.

Future minimum payments under operating leases consisted of the following as of December 31, 2018:

2019	$ 270,556
2020	246,604
2021	198,120
2022	203,880
2023	203,880
Thereafter	988,110
Total	$ 2,111,150

The Organization also has a non-cancelable capital lease agreement for solar panels. Future minimum payments under the capital lease consisted of the following as of December 31, 2018:

2019	$	41,575
2020		41,575
2021		41,575
2022		41,575
2023		41,575
Thereafter		79,723
Total minimum lease payments		287,598
Less: amount representing interest		(28,165)
Total capital lease obligations		259,433
Less: current portion of capital lease		(34,262)
Long term portion of capital lease obligation	$	225,171

NOTE 17 – CONTINGENCIES

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

NOTE 18 – FEDERAL INCOME TAXES

The Organization is subject to federal income taxes on unrelated business income, which consists of ReStore sales of purchased materials. As of December 31, 2018, and 2017, the Organization has incurred cumulative net operating losses of approximately $2,478,000 and $1,929,000, 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 in the years 2027 through 2036. The remaining $296,000 will be carried forward indefinitely. 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, 2018 and 2017 was approximately $115,000 and $5,000, respectively.

AUSTIN HABITAT FOR HUMANITY, INC.

Supplemental Consolidating Schedule of Financial Position Information

As of December 31, 2018

	Austin Habitat for Humanity	Austin Neighborhood Alliance for Habitat, Inc.	HomeBase Texas	Eliminations	Total
ASSETS:					
Current assets					
Cash and cash equivalents	$ 1,667,672	$ -	$ 530,691	$ -	$ 2,198,363
Investments, at fair value	15,454	-	-	-	15,454
Accounts receivable	252,914	-	126,493	-	379,407
Pledges receivable, net	141,554	-	-	-	141,554
Mortgages receivable, current portion, net	846,812	-	-	-	846,812
Intercompany receivable	833,139	5,131,316	-	(5,964,455)	-
ReStore inventory	808,029	-	-	-	808,029
Home construction in progress	949,103	-	-	-	949,103
Prepaid expenses and other current assets	372,423	-	-	-	372,423
Total current assets	5,887,100	5,131,316	657,184	(5,964,455)	5,711,145
Land held for development	4,680,252	-	-	-	4,680,252
Restricted cash	17,670	-	-	-	17,670
Pledges receivable, long-term portion, net	489,951	-	-	-	489,951
Other long-term assets	295	-	192,342	-	192,637
Mortgages receivable, long-term potion, net	8,870,330	-	-	-	8,870,330
Notes receivable - 2nd liens, net	-	-	882,205	-	882,205
Investments, at cost - NMTC	1,520,548	-	-	-	1,520,548
Property and equipment, net	9,505,694	-	-	-	9,505,694
TOTAL ASSETS	$ 30,971,840	$ 5,131,316	$ 1,731,731	$ (5,964,455)	$ 31,870,432
LIABILITIES AND NET ASSETS:					
Current liabilities					
Accounts payable	$ 344,203	$ -	$ 26,353	$ -	$ 370,556
Accrued expense	507,879	-	300,052	-	807,931
Intercompany payable	5,902,405	-	62,050	(5,964,455)	-
Deferred revenue	2,703,768	-	-	-	2,703,768
Capital lease obligation, current portion	34,262	-	-	-	34,262
Notes payable - TDHCA, current portion	98,316	-	-	-	98,316
Long-term debt, current portion	162,998	-	-	-	162,998
Total current liabilities	9,753,831	-	388,455	(5,964,455)	4,177,831
Capital lease obligation, long-term portion	225,171	-	-	-	225,171
Notes payable - TDHCA, long-term portion	1,243,580	-	-	-	1,243,580
Long-term debt, net of debt issuance costs	6,528,714	-	-	-	6,528,714
Total liabilities	17,751,296	-	388,455	(5,964,455)	12,175,296
Net assets					
Without donor restrictions	11,553,524	5,131,316	1,343,276	-	18,028,116
With donor restrictions	1,667,020	-	-	-	1,667,020
Total net assets	13,220,544	5,131,316	1,343,276	-	19,695,136
TOTAL LIABILITIES AND NET ASSETS	$ 30,971,840	$ 5,131,316	$ 1,731,731	$ (5,964,455)	$ 31,870,432

See accompanying notes and report of independent auditor.

AUSTIN HABITAT FOR HUMANITY, INC.

Supplemental Consolidating Schedule of Activities Information

Year Ended December 31, 2018

	Austin Habitat for Humanity	Austin Neighborhood Alliance for Habitat, Inc.	HomeBase Texas	Eliminations	Total
REVENUES:					
Contributions and other income:					
Contributions	$ 2,238,102	$ -	$ 5,250	$ -	$ 2,243,352
In-kind contributions	134,025	-	-	-	134,025
Home building sponsorship revenues	1,000,151	-	-	-	1,000,151
Investment income	31,095	-	12,000	-	43,095
Other income	1,608,699	-	(381,981)	(270,588)	956,130
Total contributions and other income	5,012,072	-	(364,731)	(270,588)	4,376,753
ReStore revenues:					
ReStore sales	4,428,805	-	-	-	4,428,805
In-kind donation of inventory	2,389,472	-	-	-	2,389,472
Cost of goods sold	(3,380,503)	-	-	-	(3,380,503)
Sales discounts and refunds	(150,498)	-	-	-	(150,498)
Total ReStore revenues, net	3,287,276	-	-	-	3,287,276
Low-cost housing revenues:					
Home sales	1,794,011	-	-	-	1,794,011
In-kind contributions of labor and construction materials	812,442	-	-	-	812,442
Mortgage discount and amortization	(74,825)		62,118	-	(12,707)
Other housing revenues	-	-	6,085	-	6,085
Cost of homes sold	(1,969,012)	-	-	-	(1,969,012)
Total Low-cost housing revenues	562,616	-	68,203	-	630,819
Total revenues	8,861,964	-	(296,528)	(270,588)	8,294,848
EXPENSES:					
Low-cost housing program	2,174,380	-	-	-	2,174,380
ReStore program	2,607,801	-	-	-	2,607,801
Fundraising	922,328	-	-	-	922,328
Management and general	861,663	-	270,588	(270,588)	861,663
Total expenses	6,566,172	-	270,588	(270,588)	6,566,172
CHANGE IN NET ASSETS	2,295,792	-	(567,116)	-	1,728,676
NET ASSETS, BEGINNING OF YEAR	10,924,752	5,131,316	1,910,392	-	17,966,460
NET ASSETS, END OF YEAR	$ 13,220,544	$ 5,131,316	$ 1,343,276	$ -	$ 19,695,136

See accompanying notes and report of independent auditor.