

BRYAN-COLLEGE STATION
HABITAT FOR HUMANITY, INC.

Financial Statements
with
Report of Independent Auditor

June 30, 2022

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Bryan-College Station Habitat for Humanity, Inc.

Opinion

We have audited the financial statements of Bryan-College Station Habitat for Humanity, Inc., which comprise the statements of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bryan-College Station Habitat for Humanity, Inc. as of June 30, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bryan-College Station Habitat for Humanity, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Bryan-College Station Habitat for Humanity, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Bryan-College Station Habitat for Humanity, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Bryan-College Station Habitat for Humanity, Inc.'s 2021 financial statements, and our report dated April 22, 2022 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Seidel Schroeder

College Station, Texas
March 2, 2023

BRYAN-COLLEGE STATION HABITAT FOR HUMANITY, INC.
Statement of Financial Position
As of June 30, 2022 and 2021

ASSETS	2022	2021
Current assets:		
Cash and equivalents	\$ 2,156,836	\$ 1,657,932
Restricted cash for mortgage holders escrow accounts	173,493	463,752
Certificates of deposit	-	128,876
Investments, at fair value	94,594	100,418
Accounts receivable	14,093	11,648
Inventory - ReStore inventory	69,158	65,818
Mortgages receivable - current portion (net of discount)	190,023	187,274
Total current assets	2,698,197	2,615,718
Property and Equipment		
Building and improvements	981,612	969,449
Furniture and equipment	97,408	96,066
ReStore equipment	330,915	325,715
Vehicles	67,879	67,879
Land held for investment	2,387	2,387
Less accumulated depreciation	(647,695)	(605,385)
Net property and equipment	832,506	856,111
Other Assets		
Mortgage receivable (net of discount), long term portion	3,427,621	3,505,027
Land held for homesites	1,238,235	1,260,348
Homes under construction	457,323	469,200
Homes to rehab	182,866	179,926
Total other assets	5,306,045	5,414,501
Total assets	\$ 8,836,748	\$ 8,886,330
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 81,256	\$ 72,569
Escrow-mortgage holders	173,493	463,752
Current portion of long-term notes payable	-	14,326
Total current liabilities	254,749	550,647
Long-term liabilities		
Long-term notes payable	-	174,274
Total long-term liabilities	-	174,274
Total liabilities	254,749	724,921
Net assets:		
Without donor restrictions	6,757,519	7,123,198
With donor restrictions	1,824,480	1,038,211
Total net assets	8,581,999	8,161,409
Total liabilities and net assets	\$ 8,836,748	\$ 8,886,330

BRYAN-COLLEGE STATION HABITAT FOR HUMANITY, INC.
Statement of Activities
For the Year Ended June 30, 2022
(With summarized financial information for the year ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenues, gains, and other support				
Contributions	\$ 250,646	\$ 1,284,465	\$ 1,535,111	\$ 1,011,969
Contributions of nonfinancial assets	482,371	-	482,371	358,842
Sales to homeowners	710,500	-	710,500	216,000
Sale of house on market	-	-	-	150,000
Discount amortization	300,688	-	300,688	368,757
Net assets transferred from Habitat for Humanity of Washington County	-	-	-	492,391
ReStore insurance proceeds	-	-	-	147,365
Miscellaneous	21,919	-	21,919	997
Paycheck Protection Program loan forgiveness	188,600	-	188,600	188,600
Net investment income (loss)	(4,692)	-	(4,692)	3,688
Net assets released from restrictions	498,196	(498,196)	-	-
Total revenues, and other support	2,448,228	786,269	3,234,497	2,938,609
Expenses				
Program Services				
Property and construction operations	1,705,018	-	1,705,018	1,100,035
ReStore operations	323,374	-	323,374	272,903
Homebuyer services and education	330,158	-	330,158	334,210
Core mission support services:				
Fundraising	322,275	-	322,275	262,475
Administration	133,082	-	133,082	111,255
Total expenses	2,813,907	-	2,813,907	2,080,878
Change in net assets	(365,679)	786,269	420,590	857,731
Net assets, beginning of year	7,123,198	1,038,211	8,161,409	7,303,678
Net assets, end of the year	<u>\$ 6,757,519</u>	<u>\$ 1,824,480</u>	<u>\$ 8,581,999</u>	<u>\$ 8,161,409</u>

See accompanying notes to financial statements.

BRYAN-COLLEGE STATION HABITAT FOR HUMANITY, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2022
(With summarized financial information for the year ended June 30, 2021)

	Program Services			Core Mission Support Services		Total 2022	Total 2021
	Property and Construction Operations	ReStore Operations	Homebuyer Services and Education	Fundraising	Administration		
Salaries and related expenses:							
Salaries and benefits	\$ 488,027	\$ 263,939	\$ 276,437	\$ 228,364	\$ 53,772	\$ 1,310,539	\$ 1,229,912
Other expenses:							
Building costs of houses sold	655,689	-	-	-	-	655,689	329,104
Discount on mortgages received	369,671	-	-	-	-	369,671	127,871
Printing and publications	415	2,223	2,312	10,731	-	15,681	14,609
Bank charges and interest	-	-	-	-	9,063	9,063	7,175
Depreciation	38,436	-	-	-	3,873	42,309	42,865
Dues and memberships	59	351	-	1,919	14,455	16,784	35,977
Fundraising events	-	-	-	31,153	-	31,153	11,919
Insurance	24,156	7,954	4,614	-	4,246	40,970	33,619
Legal and accounting	-	-	4,097	-	10,157	14,254	18,169
Office expenses	6,691	7,011	8,444	8,173	1,062	31,381	22,038
Postage	635	-	1,787	1,586	98	4,106	4,184
Repairs & maintenance	15,736	10,621	3,116	-	682	30,155	23,138
Contract labor	19,429	5,454	2,453	-	-	27,336	18,280
Travel and fuel	1,336	5,190	1,303	3,475	531	11,835	5,510
Telephone	1,903	733	608	-	2,131	5,375	5,778
Utilities	10,040	10,129	6,747	-	-	26,916	22,210
Professional development	19,384	950	2,003	2,769	5,213	30,319	8,451
Recognition	393	-	-	4,537	3,300	8,230	3,033
Contributed nonfinancial assets used in operations	30,011	-	-	4,357	744	35,112	50,932
Other miscellaneous	19,107	8,819	16,237	25,211	23,755	93,129	62,404
Donation to national affiliate	3,900	-	-	-	-	3,900	3,700
	<u>1,216,991</u>	<u>59,435</u>	<u>53,721</u>	<u>93,911</u>	<u>79,310</u>	<u>1,503,368</u>	<u>850,966</u>
	<u>\$ 1,705,018</u>	<u>\$ 323,374</u>	<u>\$ 330,158</u>	<u>\$ 322,275</u>	<u>\$ 133,082</u>	<u>\$ 2,813,907</u>	<u>\$ 2,080,878</u>
Percentage of total expenses	<u>60.59%</u>	<u>11.49%</u>	<u>11.73%</u>	<u>11.45%</u>	<u>4.73%</u>		
Total program services and core mission support services expense as a percentage of total expenses		<u>83.81%</u>		<u>16.18%</u>			

See accompanying notes to financial statements.

BRYAN-COLLEGE STATION HABITAT FOR HUMANITY, INC.
Statement of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
Change in net assets	\$ 420,590	\$ 857,731
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	42,309	42,865
Contributions of nonfinancial assets	482,371	(26,560)
Change in fair value of investments	5,824	(2,889)
Non-cash assets received from Habitat for Humanity of Washington County, Inc.	-	(296,688)
Net sales to homeowners	(618,000)	-
Paycheck Protection Program loan forgiveness	(188,600)	(188,600)
Discount on mortgages issued	369,671	127,871
Discount amortization-mortgages	(300,688)	(368,757)
Effect of changes in assets and liabilities		
(Increase) decrease in accounts receivables	(2,445)	52
(Increase) decrease in land and construction costs	(437,967)	(188,446)
Increase (decrease) in accounts payable and accrued expenses	8,687	(55,646)
Increase (decrease) in escrow accounts	(290,259)	118,678
Net cash provided (used) by operating activities	(508,507)	19,611
Cash provided (used) by investing activities:		
Proceeds from sale of investments	128,876	62,179
Purchase of investments	-	(100,000)
Purchase of land held for homesites	(16,694)	(162,533)
Purchase of property and equipment	(18,704)	(91,403)
Mortgage payments received	623,674	461,358
Net cash provided by investing activities	717,152	169,601
Cash provided (used) by financing activities		
Proceeds from the issuance of notes payable	-	188,600
Principal payments on notes payable	-	(3,272)
Net cash provided by financing activities	-	185,328
Net increase in cash and equivalents	208,645	374,540
Cash and equivalents at beginning of year	2,121,684	1,747,144
Cash and equivalents at end of year	\$ 2,330,329	\$ 2,121,684
Supplemental Disclosures of Cash Flow Information:		
Cash paid for bank fees and interest	\$ 9,063	\$ 7,175
Property acquired in the settlement of mortgages receivable	-	155,468
Reconciliation to statement of financial position:		
Unrestricted cash and equivalents	\$ 2,156,836	\$ 1,657,932
Temporarily restricted cash and cash equivalents	173,493	463,752
	\$ 2,330,329	\$ 2,121,684

See accompanying notes to financial statements.

Bryan-College Station Habitat for Humanity, Inc.
Notes to Basic Financial Statements
June 30, 2022 and 2021

1. Nature of Activities and Significant Accounting Policies

Nature of Activities

Bryan-College Station Habitat for Humanity, Inc. (the "Habitat") was incorporated on June 19, 1989. The Habitat is a not-for-profit nondenominational Christian housing organization whose purpose is to encourage, promote and assist in the building and rehabilitation of housing for ownership by low-income persons in the Bryan-College Station area. The Habitat is an affiliate of Habitat for Humanity International, Inc.

The Habitat is a privately operated and financed organization that constructs and sells affordable housing to low-income individuals utilizing non-interest bearing notes. The Habitat expects to continue to finance its operations through continuing contributions and mortgage receipts.

The Habitat's program services include the home construction program, home repair program, mortgage servicing, homebuyer education program, the Global Village program, and the ReStore program (a retail operation that sells usable materials donated by retail businesses, construction companies, contractors, and the general public at below cost prices). The proceeds from the ReStore fund the Habitat's community programs. The Habitat's core mission support includes fundraising and administration.

The Habitat is a nonprofit organization, as described in Section 501(c)(3) of the Internal Revenue Code, and is exempt from federal income taxes and has been classified as a publicly supported organization as described in Sections 509(a)(1) and 170(b)(A)(VI).

Basis of Accounting

The financial statements of the Bryan-College Station Habitat for Humanity, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Net assets and revenues, expenses, gains and losses are classified based on the existence of absence of donor-imposed restrictions. Accordingly Habitat's net assets and changes thereto are classified and reported as follows:

Net assets without donor restrictions - consists of amounts that are available for use in carrying out the supporting services of the Habitat and are not subject to donor-imposed restrictions.

Net assets with donor restrictions - consist of amounts that are available for payment of qualifying program services. These amounts are subject to donor-imposed stipulations that will be met the Habitat's payments of expenditures within designated funds. When a restriction is satisfied, the associated amount is reclassified from net assets with donor restrictions to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Bryan-College Station Habitat for Humanity, Inc.
Notes to Basic Financial Statements
June 30, 2022 and 2021

1. Nature of Activities and Significant Accounting Policies - continued

Income Taxes

The Habitat is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, no provision for income taxes is reflected in the financial statements. The tax years 2019 and later remain subject to examination.

Cash and Equivalents

For purposes of the statement of cash flows, the Habitat considers all highly liquid investments available for current use with an original maturity of three months or less to be equivalents. Cash and equivalents for purpose of the statement of cash flows exclude permanently restricted cash and equivalents.

Investments

The Habitat reports all investments at fair value. Unrealized gains and losses are included in investment income.

Contributions Receivable

Contributions are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in temporarily restricted net assets, consistent with the nature of the restriction.

Transfer to Homeowners and Mortgage Receivables

Transfers to homeowners are recorded at the gross mortgage. Mortgage receivables consist of non-interest-bearing mortgages, which are secured by real estate and payable in monthly installments. The mortgages have an original maturity of 15 to 30 years. These mortgages have been discounted at applicable rates of interest published by Habitat for Humanity International, Inc. for financial reporting purposes only. Interest income (amortization of the discount) is recorded using the effective interest method over the lives of the mortgages.

Allowance for Uncollectible Accounts

Based on historical data, the Habitat considers all notes receivable to be fully collectible or, if not fully collectible, then it is considered that the value of the homes collateralizing the notes exceeds the unpaid amount of the related receivable. Accordingly, no allowance for uncollectible accounts is included in the Habitat's financial statements.

Inventories

Land held for homesites consists of home lots to be developed. They are capitalized until the completion of each home.

Inventory for the ReStore consists of items for resale which have been either purchased by or donated to the Habitat. All purchased inventory is valued at the lower of cost or market. All donated inventory is recognized at the estimated fair value based upon management's estimation.

Bryan-College Station Habitat for Humanity, Inc.
Notes to Basic Financial Statements
June 30, 2022 and 2021

1. Nature of Activities and Significant Accounting Policies - continued

Property and Equipment

Purchased furniture and equipment is recorded at original cost, less accumulated depreciation. Donated furniture and equipment is recorded at fair market value at the date of the donation, less accumulated depreciation. Expenditures exceeding \$1,000 for additions, major renewal, and betterments are capitalized, while maintenance and repairs are charged to expense as incurred. Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the respective assets, ranging from 3 to 39 years.

Homes Under Construction

Construction in progress is recorded at cost and includes all direct material, labor and equipment costs and those indirect costs related to home construction such as indirect labor, supplies and tool costs. Land costs included in construction-in-progress are stated at cost or fair value at the date of the contribution. Included in land costs are any costs incurred in development. When revenue from the sale of a home is recognized, the corresponding costs are then expensed in the statement of activities as program services.

Revenue Recognition

Under Accounting Standards Codification Topic 606, revenue is recognized when the Habitat transfers the goods or services to a customer in an amount that reflects consideration that is expected to be received for those goods or services. The contract obligation for sales to homeowners and ReStore sales is generally satisfied at the time these services are provided or when goods are transferred to the customer. Sales to homeowners and ReStore sales do not have variable consideration and only have one performance obligation and amounts received are recognized as revenue once the performance obligation is satisfied. Once a closing of home has been completed and the buyers take possession of the home the performance obligation is considered to have been met. Each home sold has a defined purchase price and contracts are considered to have commercial substance as they all have a signed promissory note, which is paid in accordance with the terms. Once a ReStore sale is made, customers take possession of the goods purchased and these transactions are considered to be contracts with customers with commercial substance as they involve a cash payment in return for the good purchased.

Support

Contributions received are measured at their fair values and are reported as an increase in net assets. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, contributions are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

Bryan-College Station Habitat for Humanity, Inc.
Notes to Basic Financial Statements
June 30, 2022 and 2021

1. Nature of Activities and Significant Accounting Policies - continued

Support - continued

Gifts of goods and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Donated Services

A substantial number of volunteers have made significant contributions of their time to the Habitat's program and supporting services. During the year ending June 30, 2022, a total of 5,463 volunteers donated 18,237 hours to the Habitat's programs. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation.

Home Construction Costs

Costs incurred in conjunction with home construction are capitalized. Construction costs are expensed during the year a home is sold and included in program services.

Expense Allocation

Costs have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that have been allocated include depreciation, which is allocated based on the purpose of the property and equipment, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

Permanent Endowment

Community Foundation of Brazos Valley holds a permanent endowment on the behalf of the Habitat. The total fair market value of the endowment asset was \$32,495 and \$36,720 as of June 30, 2022 and 2021, respectively. The Habitat does not own or control the endowment asset. The Habitat has elected to reinvest distributions of earnings from the endowment during the years ended June 30, 2022 and 2021.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Habitat's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Bryan-College Station Habitat for Humanity, Inc.
Notes to Basic Financial Statements
June 30, 2022 and 2021

1. Nature of Activities and Significant Accounting Policies - continued

New Accounting Pronouncement

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2020-07 - *Not-for-Profit Entities (Topic 958) - Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*. The standard update was intended to increase transparency in financial statement disclosures around contributed nonfinancial assets received by not-for-profit entities. The adoption of the new guidance required reclassifications of certain accounts on the statement of activities. There was no impact on the cash flows and no adjustments to net assets as of July 1, 2021.

Date of Management's Review

Management has evaluated subsequent events through March 2, 2023, the date the financial statements were available to be issued.

2. Investments

The Habitat's investments are reported at fair value with measurement on a recurring basis. Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority.

The Habitat's investments as of June 30, 2022 and 2021 by level of fair value input are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2022</u>				
Federated Short-Intermediate				
Total Return Bond Fund A	\$ 94,594	\$ 94,594	\$ -	\$ -
	<u>\$ 94,594</u>	<u>\$ 94,594</u>	<u>\$ -</u>	<u>\$ -</u>
<u>June 30, 2021</u>				
Federated Short-Intermediate				
Total Return Bond Fund A	\$ 100,418	\$ 100,418	\$ -	\$ -
	<u>\$ 100,418</u>	<u>\$ 100,418</u>	<u>\$ -</u>	<u>\$ -</u>

Bryan-College Station Habitat for Humanity, Inc.
Notes to Basic Financial Statements
June 30, 2022 and 2021

3. Net Investment Income

Net investment income (loss) for the years ended June 30, 2022 and 2021 consisted of the following:

	2022	2021
Interest and dividend income	\$ 1,132	\$ 799
Net gains (losses) on investments	(5,824)	2,889
	\$ (4,692)	\$ 3,688

4. Homes Under Construction and Homes to Rehab

Real estate costs, building materials and contract labor are recorded at cost when incurred. The administrative costs of developing projects are allocated to the respective projects.

Activity related to homes under construction and home to rehab for the years ended June 30, 2022 and 2021 consists of the following:

	June 30, 2022		June 30, 2021	
	Number	Cost	Number	Cost
As of beginning of year	12	\$ 649,126	10	\$ 333,073
New homes started and acquired during the year	3	646,752	5	645,157
Homes transferred during the year	(6)	(655,689)	(3)	(329,104)
As of year end	9	\$ 640,189	12	\$ 649,126

5. Sales to Homeowners

During the years ended June 30, 2022 and 2021, 6 and 2 homes were sold to qualifying applicants, respectively. The resulting mortgages are non-interest bearing and the presentation of their book value has been discounted based upon the prevailing market rates for low-income housing at the inception of the mortgages. The discount totaled \$369,671 for 2022 and \$127,871 for 2021. During the year ended June 30, 2022, no homes were sold on the market. One home was sold on the market for \$150,000 for the year ended June 30, 2021.

6. Mortgage Receivables

The Habitat finances all of the homes that are sold. Each mortgage is issued as a zero-interest mortgage to the buyer. The Habitat discounts the mortgages using the current interest rates at the time the home is sold. The discount is amortized using the effective interest method. As of June 30, 2022 and 2021, the Habitat had 243 and 247 outstanding mortgage note receivables, respectively, with original maturities ranging from 15 to 30 years.

Bryan-College Station Habitat for Humanity, Inc.
Notes to Basic Financial Statements
June 30, 2022 and 2021

6. Mortgage Receivables - continued

Mortgages receivable as of June 30, 2022 and 2021 consists of the following:

<u>June 30, 2022</u>	<u>Due Within One Year</u>	<u>Due Beyond One Year</u>	<u>Total</u>
Mortgages receivable (at face value)	\$ 487,693	6,363,687	\$ 6,851,380
Unamortized discount on mortgages	(297,670)	(2,936,066)	(3,233,736)
	<u>\$ 190,023</u>	<u>\$ 3,427,621</u>	<u>\$ 3,617,644</u>
<u>June 30, 2021</u>			
Mortgages receivable (at face value)	\$ 484,322	6,372,732	\$ 6,857,054
Unamortized discount on mortgages	(297,048)	(2,867,705)	(3,164,753)
	<u>\$ 187,274</u>	<u>\$ 3,505,027</u>	<u>\$ 3,692,301</u>

Discount rates are from 7.23% to 9.00% based on the applicable interest rate published by the Habitat for Humanity International, Inc. for the year the loan was made.

7. Notes Payable

As of June 30, 2022, there were no outstanding notes payable. As of June 30, 2021, there was one outstanding note payable to First Financial Bank, N.A., Small Business Administration (SBA) Paycheck Protection Program. The note had an interest rate of 1% with payments due monthly. The original amount of the note payable was \$188,600 with \$14,326 payable within one year.

During the year ended June 30, 2021, the full outstanding balance of the first round Paycheck Protection Program loan was forgiven and recognized in the accompanying statement of activities. In October, 2021 the outstanding balance of the second round Paycheck Protection Program loan was forgiven.

8. Restrictions/limitations on Net Assets

Net assets with donor restrictions are restricted for the following purposes and available as of June 30, 2022 and 2021 as follows:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Land development sponsorships	\$ 404,836	\$ 313,861
Land purchases	263,943	118,027
House sponsorships	999,412	540,947
Miscellaneous	59,738	65,377
Total net assets with donor restrictions	<u>\$ 1,824,480</u>	<u>\$ 1,038,211</u>

Bryan-College Station Habitat for Humanity, Inc.
Notes to Basic Financial Statements
June 30, 2022 and 2021

8. Restrictions/limitations on Net Assets - continued

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose.

Satisfaction of purpose restrictions	2022	2021
Land purchases	\$ 14,084	\$ 40,473
House sponsorships	468,573	472,263
Miscellaneous	15,539	59,862
	\$ 498,196	\$ 572,598

9. Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position dates, comprise the following:

	June 30, 2022	June 30, 2021
Cash and equivalents	\$ 2,156,836	\$ 1,657,932
Certificates of deposit	-	128,876
Investments, at fair value	94,594	100,418
Accounts receivable	14,093	11,648
Mortgages receivable due within one year	487,693	484,322
Financial assets at year-end	2,753,216	2,383,196
Less those unavailable for general expenditures within one year due to:		
Donor restricted for house sponsorships	999,412	540,947
Donor restricted for miscellaneous	59,738	65,377
Total assets available for general expenditures in the next twelve months	\$ 1,694,066	\$ 1,776,872

Management has not designated any of the remaining cash available for general expenditures to be used as a liquidity reserve.

10. Retirement Benefits

All full-time employees are eligible to participate in a 401(k) plan. The Habitat matched 5% of employee contributions during the years ended June 30, 2022 and 2021. Contributions by the Habitat totaled \$23,464 and \$13,964 during the years ended June 30, 2022 and 2021, respectively.

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11. Concentrations of Credit Risk

The Habitat maintains its cash and cash equivalents balances in local financial institutions. All accounts for a single depositor are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. Balances of the Habitat's bank deposit accounts exceeded the federally-insured deposit limits by \$1,334,450 and \$1,385,142 as of June 30, 2022 and 2021, respectively; however, the Habitat has not experienced any losses in such accounts.

The Habitat's programs are concentrated in the Bryan/College Station community. The Habitat receives donations, home sales and collection of mortgage receivables in this area. Changes in economic conditions may impact the entity.

The Habitat's purpose is to provide housing for low-income homeowners. As such, it is likely that the mortgage holders would be unable to qualify for a mortgage from a traditional financial institution. This poses an inherent risk to the Habitat that the mortgages receivable will be partially uncollectible. To mitigate the risk of overstating the ability of the Habitat to fully collect the mortgages, the notes receivable have been discounted based upon applicable rates of interest published by Habitat for Humanity International, Inc. Additionally, all notes receivable are collateralized by the real estate associated with the mortgage.

12. Contributions of Nonfinancial Assets

During the years ended June 30, 2022 and 2021 the Habitat received the following contributions of nonfinancial assets:

	Revenue Recognized		Utilization in Programs/Activities	Donor Restrictions
	June 30, 2022	June 30, 2021		
Lawn services	\$ 744	\$ 1,116	General and Administrative	No associated donor restrictions
Construction materials	29,220	43,958	Property and Construction Operations	No associated donor restrictions
Raffle items	4,292	5,858	General and Administrative - Fundraising	No associated donor restrictions
ReStore inventory (clothing and furniture)	448,115	307,910	ReStore Operations	No associated donor restrictions
	<u>\$ 482,371</u>	<u>\$ 358,842</u>		

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12. Contributions of Nonfinancial Assets - continued

During the years ending June 30, 2022 and 2021, the fair value of lawn services received was estimated based on equivalent services provided by similar lawn service entities, and the fair values of construction materials and raffle items received were based on amounts that would be received to sell related materials or items in the United States.

The Habitat also receives donations of clothing and furniture to be sold in its ReStore operations. Revenues from sales of contributed items at the ReStore locations totaled \$444,775 and \$281,350 for the years ended June 30, 2022 and 2021, respectively.

13. Assets Transferred from Habitat for Humanity of Washington County, Inc.

Effective June 30, 2021, Habitat for Humanity of Washington County, Inc. transferred ownership of all assets to the Habitat. These assets consisted of cash, land, and mortgage receivables. The table below presents information about the assets transferred for the year ended June 30, 2021:

Cash and escrow	\$ 187,525
Certificates of deposit	128,876
Mortgages receivable	167,812
Land held for homesites	8,178
	<u>\$ 492,391</u>

14. Related Parties

The Habitat annually remits a percentage of its unrestricted contributions (excluding in-kind contributions) to Habitat for Humanity International, Inc. ("HFHI"). These funds are considered donations to the host countries and are used to construct homes in economically depressed areas around the world through the Global Village program. For the years ended June 30, 2022 and 2021, the Habitat contributed \$3,900 and \$3,700 to the HFHI, respectively. The Habitat also paid annual membership dues of \$7,500 during the years ended June 30, 2022 and 2021 to HFHI.

For the years ended June 30, 2022 and 2021, the Habitat received contributions from HFHI of approximately \$47,000 and \$18,000, respectively.

15. Contingencies

In the course of its business, the Habitat is subject to claims from time to time. Although the amount of any liability with respect to such claims cannot be determined, in the opinion of management, such liability will not have a material adverse effect on the Habitat's financial condition.