

**Habitat for Humanity
of San Antonio**

**Consolidated Financial Statements
and Compliance Reports**

December 31, 2023 and 2022



Habitat for Humanity of San Antonio

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Independent Auditor's Report

To the Board of Directors
Habitat for Humanity of San Antonio
San Antonio, Texas

Opinion

We have audited the accompanying consolidated financial statements of Habitat for Humanity of San Antonio (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Habitat for Humanity of San Antonio as of December 31, 2023, and the changes in its net assets 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Habitat for Humanity of San Antonio 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 Consolidated Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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.

Independent Auditor's Report (Continued)

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity of San Antonio'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 Habitat for Humanity of San Antonio'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Habitat for Humanity of San Antonio's 2022 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated May 9, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Independent Auditor's Report (Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2024, on our consideration of Habitat for Humanity of San Antonio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Habitat for Humanity of San Antonio's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Habitat for Humanity of San Antonio's internal control over financial reporting and compliance.



Schrivier, Carmona & Company, PLLC

San Antonio, Texas

July 16, 2024

Consolidated Financial Statements

Habitat for Humanity of San Antonio

Consolidated Statements of Financial Position December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 7,330,126	\$ 7,610,371
Accounts Receivable:		
Grants	539,264	346,688
Other	57,722	7,126
Current Portion of Mortgage Notes Receivable	2,707,232	2,360,962
Deposits Held in Custody for Homeowners	1,214,175	883,044
Prepaid Expenses	584,070	496,417
Inventory	<u>2,556,125</u>	<u>2,701,975</u>
Total Current Assets	14,988,714	14,406,583
Long-term Portion of Mortgage Notes Receivable, net of unamortized discounts	17,044,075	14,743,745
Operating Lease Right-of-Use Asset	24,690	-
Finance Lease Right-of-Use Asset	67,064	-
Land Held for Future Development	4,090,290	3,492,793
Homes Under Construction or Held for Sale	2,261,887	1,053,904
Certificate of Deposit - Contingency Fund	2,394,324	2,394,010
Property and Equipment, net of accumulated depreciation	<u>3,948,943</u>	<u>3,950,611</u>
Total Assets	\$ <u>44,819,987</u>	\$ <u>40,041,646</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 1,031,409	\$ 477,259
Accrued Expenses	554,895	528,938
Deposits Held in Custody for Homeowners	1,214,175	883,044
Non-Refundable Deposits for Prospective Homeowners	74,834	96,260
Sales Tax Payable	33,852	-
Operating Lease Liability - Current Portion	17,271	-
Finance Lease Liability - Current Portion	<u>14,151</u>	<u>-</u>
Total Current Liabilities	2,940,587	1,985,501
Operating Lease Liability - Long-Term Portion	7,419	-
Finance Lease Liability - Long-Term Portion	<u>54,323</u>	<u>-</u>
Total Liabilities	<u>3,002,329</u>	<u>1,985,501</u>
Net Assets:		
Without Donor Restrictions:		
Operating	5,183,540	4,853,434
Board Designated	3,295,237	3,253,527
Land, Inventory, and Homes Under Construction or Held for Sale	8,908,302	7,248,672
Mortgages	19,751,307	17,104,707
Property and Equipment	<u>3,948,943</u>	<u>3,950,611</u>
Total Without Donor Restrictions	41,087,329	36,410,951
With Donor Restrictions	<u>730,329</u>	<u>1,645,194</u>
Total Net Assets	<u>41,817,658</u>	<u>38,056,145</u>
Total Liabilities and Net Assets	\$ <u>44,819,987</u>	\$ <u>40,041,646</u>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

Habitat for Humanity of San Antonio

Consolidated Statement of Activities

Year Ended December 31, 2023 (with Comparative Totals for the Year Ended December 31, 2022)

	2023			2022 Totals
	Without Donor Restrictions	With Donor Restrictions	Totals	
Support and Revenues				
Sales of Homes	\$ 7,891,940	\$ -	\$ 7,891,940	\$ 6,387,981
Mortgage Discount Amortization	1,363,651	-	1,363,651	1,217,536
Contributions and Non-Government Grants	3,780,633	516,205	4,296,838	4,251,420
Donated Homes, Land, Construction Materials, and Supplies	632,537	-	632,537	143,123
Government Grants	4,281,341	-	4,281,341	3,900,923
Home Center Sales of Donated Goods Gross Income of \$2,533,140 in 2023 and \$2,810,129 in 2022, Less Direct Costs of \$1,030,997 in 2023 and \$1,199,833 in 2022.	1,502,143	-	1,502,143	1,610,296
Home Center Sales of Purchased Goods, Gross Income of \$4,466,165 in 2023 and \$3,653,643 in 2022, Less Direct Costs of \$3,236,673 in 2023 and \$2,978,477 in 2022.	1,229,492	-	1,229,492	675,166
Interest Income (Including Late Fees)	90,777	-	90,777	52,972
Miscellaneous	6,585	-	6,585	35,788
Gain on Sale of Assets	578,698	-	578,698	34,145
Cross Timber Homes Service Fee	58,991	-	58,991	123,441
Special Events, net	-	-	-	96
Net Assets Released from Restrictions	1,431,070	(1,431,070)	-	-
Total Support and Revenues	22,847,858	(914,865)	21,932,993	18,432,887
Expenses				
Program Services	16,446,761	-	16,446,761	14,365,848
Support Services:				
Management and General	911,363	-	911,363	787,184
Fundraising (Includes Unrelated Business Income Tax)	813,356	-	813,356	617,568
Total Expenses	18,171,480	-	18,171,480	15,770,600
Change in Net Assets	4,676,378	(914,865)	3,761,513	2,662,287
Net Assets at Beginning of Year	36,410,951	1,645,194	38,056,145	35,393,858
Net Assets at End of Year	\$ 41,087,329	\$ 730,329	\$ 41,817,658	\$ 38,056,145

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

Habitat for Humanity of San Antonio

Consolidated Statement of Functional Expenses Year Ended December 31, 2023 (with Comparative Totals for the Year Ended December 31, 2022)

	Program Services	Support Services		2023 Totals	2022 Totals
		Management and General	Fundraising		
Salaries and Wages	\$ 1,944,090	\$ 577,735	\$ 329,845	\$ 2,851,670	\$ 2,665,447
Payroll Taxes and Benefits	385,169	115,255	59,870	560,294	554,332
Total Salaries and Related Expenses	2,329,259	692,990	389,715	3,411,964	3,219,779
Accounting Fees	-	13,280	-	13,280	10,442
Advertising and Promotions	78,925	7,372	37,415	123,712	137,785
Building Materials and Services	5,976,607	-	-	5,976,607	5,403,143
Conferences, Meetings, and Training	12,984	22,491	3,594	39,069	34,624
Discount on Mortgages Issued	3,650,746	-	-	3,650,746	3,001,493
Fundraising Services	-	-	63,678	63,678	59,790
Information Technology	62,807	52,954	24,388	140,149	75,360
Insurance	105,600	8,378	208	114,186	104,548
Land Acquisition and Development for Future Homes	3,287,385	-	-	3,287,385	2,801,005
Land Used	433,742	-	-	433,742	207,346
Miscellaneous	10,767	2,425	933	14,125	11,931
Mortgage and Title Fees	101,933	-	-	101,933	101,564
Office Expense, Phones, and Walkies	35,589	68,502	2,724	106,815	84,236
Postage and Freight	32,893	2,835	9,058	44,786	34,092
Printing and Publications	45,156	3,846	22,324	71,326	52,368
Professional Fees	3,424	-	-	3,424	2,790
Tithes to Other Non-Profits	60,102	-	-	60,102	56,529
Travel and Auto	57,573	5,642	457	63,672	78,244
Volunteer Expenses	33,432	-	-	33,432	29,277
Total Expenses Before Depreciation and Unrelated Business Income Taxes	16,318,924	880,715	554,494	17,754,133	15,506,346
Depreciation	127,837	30,648	879	159,364	122,679
Unrelated Business Income Taxes	-	-	257,983	257,983	141,575
Total Depreciation and Unrelated Business Income Taxes	127,837	30,648	258,862	417,347	264,254
Total Expenses	\$ 16,446,761	\$ 911,363	\$ 813,356	\$ 18,171,480	\$ 15,770,600
Supplemental Disclosures:					
Percent of Functional Expenses to Total Expenses	90.51%	5.02%	4.48%	100.00%	

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

Habitat for Humanity of San Antonio

Consolidated Statements of Cash Flows Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 3,761,513	\$ 2,662,287
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	354,348	317,411
Gain on Sale of Assets	(578,698)	(34,145)
Discount on Mortgages Issued	3,650,746	3,001,493
Mortgage Discount Amortization	(1,363,651)	(1,217,536)
(Increase) Decrease in:		
Accounts Receivable:		
Grants	(192,576)	(98,210)
Other	(50,596)	405,059
Prepaid Expenses	(87,653)	(80,075)
Inventory	145,850	(327,472)
Land Held for Future Development	(597,497)	(1,682,193)
Homes Under Construction or Held for Sale	(1,207,983)	(106,548)
Operating Lease Right-of-Use Asset	(24,690)	-
Increase (Decrease) in:		
Accounts Payable	554,150	(168,942)
Accrued Expenses	25,957	75,222
Non-Refundable Deposits for Prospective Homeowners	(21,426)	5,324
Operating Lease Liability	24,690	-
Sales Tax Payable	33,852	(29,526)
Net Cash Provided by Operating Activities	<u>4,426,336</u>	<u>2,722,149</u>
Cash Flows From Investing Activities:		
New Mortgage Notes Issued	(7,749,649)	(6,351,248)
Principal Payments Received on Mortgage Notes	2,815,954	2,636,161
Reinvestment in Certificate of Deposit	(314)	(387,267)
Proceeds from the Sale of Assets	578,698	34,145
Purchase of Property and Equipment	(340,845)	(149,253)
Net Cash Used by Investing Activities	<u>(4,696,156)</u>	<u>(4,217,462)</u>
Cash Flows From Financing Activities:		
Principal Payments on Finance Lease	(10,425)	-
Net Cash Used by Financing Activities	<u>(10,425)</u>	<u>-</u>
Net Decrease in Cash and Cash Equivalents	<u>(280,245)</u>	<u>(1,495,313)</u>
Cash and Cash Equivalents, Beginning of Year	<u>7,610,371</u>	<u>9,105,684</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,330,126</u>	<u>\$ 7,610,371</u>
Supplemental Disclosures:		
Unrelated Business Income Tax Paid	<u>\$ 257,983</u>	<u>\$ 174,471</u>
Non-Cash Operating Activities		
Donated Building Materials, Supplies, and Land	<u>\$ 632,537</u>	<u>\$ 1,613,905</u>

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Note A: Nature of Organization

Habitat for Humanity of San Antonio, Inc. (Habitat) works with disadvantaged families in the community by constructing and providing modest, decent, and affordable housing. Families selected for a Habitat-constructed home must provide 200-300 hours "sweat equity" on their home, or on another Habitat project, to complete their eligibility. Upon purchasing and moving into the home, the family begins paying for the house under the terms of a 15 to 25-year, interest-free financing arrangement (see **Note D**). The sale price of each home is at, or less than, Habitat's cost of constructing the home.

Habitat also operates the Home Center. The Home Center consists of four retail stores selling new and used building materials. New, donated, and salvaged building materials are sold to the public at a reduced price. The proceeds of the sales provide funds for Habitat's administrative and various other expenses.

Habitat is the sole owner of Hand Up Homes, LLC, a Texas limited liability company, which is considered a disregarded entity for tax purposes. Hand Up Homes was formed to assist in publicizing and promoting the activities of Habitat. Hand Up Homes is authorized to engage in any activities or transactions necessary to carry out or promote activities of Habitat.

Mission Statement

Habitat for Humanity of San Antonio, Inc. is an ecumenical, Christian organization working in partnership with God's people in need to build modest, decent, and affordable homes without interest or profit, thereby witnessing God's love in action.

Note B: Summary of Accounting Principles

Federal Income Tax Status

Habitat is exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code. Contributions to Habitat are deductible to the extent allowed by law. Management of Habitat believes it has no material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. In addition, Habitat has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There is unrelated business income for the years ended December 31, 2023 and 2022. Habitat is not subject to the Texas margin tax. Management is not aware of any tax position that would have a significant impact on its financial position.

Habitat is subject to and pays unrelated business income tax on the sale of items purchased to resell in the Home Center. The tax is calculated as a percentage of net gain from sales using corporate rates. Net gain from sales are gross sales less any cost of goods sold and other allocated costs.

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). Net assets, support and revenue, and expenses are classified according to two classes of net assets:

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Note B: Summary of Accounting Principles (Continued)

Basis of Accounting (Continued)

- *Without Donor Restrictions* – net assets available for use in general operations and not subject to donor restrictions. Grant and contributions gifted for recurring programs of Habitat generally are not considered “restricted” under GAAP, though for internal reporting Habitat tracks such grants and contributions to verify the disbursement matches the intent. Support that is restricted by the donor is reported as an increase in net assets without restrictions if the restriction is fulfilled or expires in the same year in which the support is received. Assets restricted solely through the actions of the Board of Directors are reported as Net Assets Without Donor Restrictions, Board Designated.
- *With Donor Restrictions* – net assets subject to donor-imposed stipulations that are more restrictive than Habitat’s mission and purpose. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Methods Used for Allocation of Expenses Among Program and Supporting Services

The Statements of Functional Expenses present expenses by function and natural classification. The costs of providing Habitat’s various programs and activities have been summarized on the functional basis in the Statement of Activities. The majority of the expenses are recorded directly to the program, administrative, or fundraising function for which they benefit. Accordingly, certain other costs require an allocation on a reasonable basis that is consistently applied. The expenses which are allocated include salaries and benefits, which are allocated on the basis of salary surveys (time and efforts) of the employees.

Fair Value Measurements

The Fair Value Measurements and Disclosures Topic of the FASB ASC, 820-10, defines fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurements, and expands disclosures about fair value measurements. An instrument’s categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement:

- *Level 1* - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets that Habitat has the ability to access.
- *Level 2* - Inputs that include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.
- *Level 3* - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity’s own assumptions as there is little, if any, related market activity.

Fair Value of Financial Instruments

Habitat’s financial instruments include cash and cash equivalents, receivables, certificate of deposit and payables. The carrying amount of these financial instruments, except for mortgage notes receivable and certificate of deposit (see **Note N**), as reflected in the Statements of Financial Position approximates fair value.

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Note B: Summary of Accounting Principles (Continued)

Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of reporting cash flows, Habitat considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Inventory

Inventory consists of donated and purchased goods. Purchased goods are valued at cost determined by the moving-average cost method. Donated goods are valued at market value based on net realizable value.

Donated items that can be used in the construction of houses are valued at the estimated cost that Habitat would have paid for the item had it not been donated.

Any donated items that cannot be used in the construction of the houses are resold by Habitat in the Home Center. Habitat believes that the inventory of contributed goods and materials that are for resale does not possess an attribute that is easily measurable or verifiable, with sufficient reliability to determine an inventory value at the time of donation. It is only through the value-added processes that prepare the donated inventory for sale that the donated inventory has value. Accordingly, contributed goods and materials inventory for resale are valued at zero at the time of donation. Habitat subsequently estimates the value of inventory at year-end based on five weeks of subsequent sales of inventory.

Allowance for Uncollectible Accounts

Based on historical data, 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 Habitat's consolidated financial statements.

Mortgage Receivable and Mortgage Discount Amortization

Homes are sold at or below cost. When recorded as a sale, the sale of the homes, as well as the discount on mortgage issued, is recognized for the entire cost of the home. Habitat imputes interest on its mortgages receivable, which carry a 0% stated interest rate. The value of a Habitat house given in exchange for the mortgage note is deemed to be the present value of all future mortgage principal payments, using the effective mortgage interest rate at the time of issuance.

The total mortgage discount amortization is recorded on the Statements of Financial Position as a contra account to mortgages receivable and is amortized using the straight-line method over the life of the note. Mortgages are discounted at rates varying from 7.00% to 8.25% in accordance with rates suggested by Habitat for Humanity International. The mortgage discount is amortized over the life of the mortgage and recognized as mortgage discount amortization on the Statement of Activities.

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Note B: Summary of Accounting Principles (Continued)

Property and Equipment

Habitat capitalizes property and equipment having an estimated useful life of more than one year and a cost of \$1,000 or more. Purchased property and equipment is stated at cost. Donated property and equipment is recorded at fair value at the date of the gift. Depreciation is calculated on the straight-line method over the estimated useful lives of the depreciable assets, which range from 3 to 40 years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Future Development and Existing Construction

Habitat records land held for future development and homes under construction at cost. Cost includes land acquisition, other related development costs, and construction costs on homes in progress.

Deposits Held In Custody for Homeowners

Deposits held in custody for homeowners are escrow funds collected from homeowners for payment of their property taxes and homeowners' insurance. These custodial funds are held in a fiduciary capacity by Habitat.

Habitat has assigned its mortgage collections operations to Frost National Bank (Frost). The agreement states that Frost will collect and remit principal and escrow payments on the mortgages. The funds received from the escrow payments are shown as both an asset and liability on the consolidated financial statements.

Contract Liability

Non-refundable deposits for prospective homeowners are customer deposits for homes that have not yet been closed on. Habitat recognizes revenue from these deposits as the related performance obligations are satisfied. A contract liability is recorded as deposits are received from approved home buyers during the lot selection phase of home builds. The payment will be applied toward the principal and escrow of the home loan on mortgage closing. The balances of contract liabilities (reported as Non-Refundable Deposits for Prospective Homeowners on the Statements of Financial Position) as of December 31, 2023 and 2022 are **\$74,834** and **\$96,260**, respectively.

Leases

The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded in the Statement of Financial Position. Lease expense is recognized for these leases on a straight-line basis over the lease term. The Organization has elected to apply the short-term lease exception to all leases with a term of 12 months or less.

Prepaid Expenses

Expenses recorded in advance of the service or product being received are deferred and carried on the statement of financial position as prepaid expenses.

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Note B: Summary of Accounting Principles (Continued)

Revenue Recognition

Contributions and Grants

Habitat records contributions received as support without restriction or with restriction, depending on the existence and/or nature of any donor restrictions. Contributions are reported when an unconditional promise to give or other asset is received (in accordance with ASC 958-605). Gifts of securities are recorded at their fair market value when received.

Government Funding

Government funding is recorded on a reimbursement basis. Specifically, when qualifying expenses are incurred by Habitat, both a receivable from the government granting agency and offsetting grant revenues are recorded.

Sales of Homes

Sales revenue is recorded as the performance obligations are satisfied at transaction amounts expected to be collected at the time of closing. Habitat's performance obligations related to sales revenue are satisfied as homes are sold as amounts representing the sale of the home are expected to be recognized when the mortgage on the home is fulfilled.

Home Center Sales

Home Center sales are recorded as revenue at the point of sale.

Contributed Nonfinancial Assets

Contributed nonfinancial assets recognized within the Statement of Activities include donated construction materials and supplies, and donated product to sell in the Home Center. Refer to the **Inventory** accounting policy note in this section (**Note B**) for the valuation methodology used for determining the value of these contributed nonfinancial assets.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled **\$123,711** and \$137,785 for the years ended December 31, 2023 and 2022, respectively.

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Note C: Liquidity and Availability of Financial Assets

The following represents Habitat's financial assets at December 31 available to meet general expenditures over the next twelve months:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and Cash Equivalents	\$ 7,330,126	\$ 7,610,371
Certificate of Deposit - Contingency Fund	2,394,324	2,394,010
Accounts Receivable:		
Grants	539,264	346,688
Other	57,722	7,126
Current Portion of Mortgage Notes Receivable	<u>2,707,232</u>	<u>2,360,962</u>
Total Financial Assets	<u>13,028,668</u>	<u>12,719,157</u>
Less those unavailable for general expenditures within one year due to:		
Net Assets with Donor Restrictions	730,329	1,645,194
Board Designated Funds	3,295,237	3,253,527
Less net assets with timing restrictions to be met over the next twelve months	<u>(241,205)</u>	<u>(1,431,070)</u>
	<u>3,784,361</u>	<u>3,467,651</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 9,244,307</u>	<u>\$ 9,251,506</u>

Note D: Mortgage Notes Receivable

The financing arrangement for the sale of Habitat homes is interest-free and payable over 15 to 25 years. For financial accounting purposes, the mortgage on the sale of a home is treated as a single transaction and is accounted for as a sale at inception of the financing arrangement. Mortgage notes receivable at December 31, 2023 and 2022 are summarized as follows:

	<u>Due Within One Year</u>	<u>Due Beyond One Year</u>	<u>Total</u>
December 31, 2023			
Mortgage Notes Receivable	\$ 2,707,232	\$ 35,218,472	\$ 37,925,704
Less: Unamortized Discount			<u>(18,174,397)</u>
Mortgage Notes Receivable, Net			<u>\$ 19,751,307</u>
	<u>Due Within One Year</u>	<u>Due Beyond One Year</u>	<u>Total</u>
December 31, 2022			
Mortgage Notes Receivable	\$ 2,360,962	\$ 30,631,047	\$ 32,992,009
Less: Unamortized Discount			<u>(15,887,302)</u>
Mortgage Notes Receivable, Net			<u>\$ 17,104,707</u>

Mortgages have an interest rate of 0% and are serviced by Habitat through a local bank. The homeowner makes a monthly payment to the bank for the mortgages. The bank, in turn, remits the entire amount collected to Habitat.

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Note D: Mortgage Notes Receivable (Continued)

Habitat anticipates future minimum mortgage notes receivable payments as of December 31, 2023:

Year Ended December 31,		
2024	\$	2,707,232
2025		2,702,391
2026		2,685,648
2027		2,623,580
2028		2,561,781
Thereafter		<u>24,645,072</u>
Total Mortgage Notes Receivable		37,925,704
Less: Unamortized Discount		<u>(18,174,397)</u>
Mortgage Notes Receivable, Net of Unamortized Discount	\$	<u>19,751,307</u>

Note E: Grants Receivable

Grants receivable consists of amounts spent toward land acquisition and construction of infrastructure at subdivisions that have not been reimbursed by the City or Bexar County. As of December 31, grants receivable balances are as follows:

	<u>2023</u>	<u>2022</u>
Abiding Presence Lutheran Church	\$ 1,178	\$ -
Rancho Carlota Unit 3 - CDBG - City	236,490	16,630
Rancho Carlota Unit 5 - CDBG - City	64,836	190,420
CHDO - City of San Antonio	-	41,118
Texas Comptroller of Public Accounts	54,835	-
Rancho Carlota - Bexar County	176,925	68,520
Habitat for Humanity International	<u>5,000</u>	<u>30,000</u>
Total Grants Receivable	<u>\$ 539,264</u>	<u>\$ 346,688</u>

Note F: Inventory

As of December 31, Habitat recorded Inventory values as follows:

	<u>2023</u>	<u>2022</u>
Home Construction Materials	\$ 674,191	\$ 692,761
Donated Goods for Resale	270,170	399,956
Purchased Goods for Resale	<u>1,611,764</u>	<u>1,609,258</u>
Total Inventory	<u>\$ 2,556,125</u>	<u>\$ 2,701,975</u>

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Note G: Property and Equipment

Property and Equipment, net of accumulated depreciation at December 31 is summarized as follows:

	<u>2023</u>	<u>2022</u>
Probandt Facilities:		
Land	\$ 387,066	\$ 387,066
Buildings and Improvements	<u>1,998,871</u>	<u>1,823,542</u>
Total Probandt Facilities	<u>2,385,937</u>	2,210,608
Walzem Home Center:		
Land	720,354	720,354
Buildings and Improvements	<u>1,328,513</u>	<u>1,328,513</u>
Total Walzem Facilities	<u>2,048,867</u>	2,048,867
Meadow Leaf Home Center:		
Land	136,000	136,000
Buildings and Improvements	<u>1,972,766</u>	<u>1,993,998</u>
Total Meadow Leaf Facilities	<u>2,108,766</u>	2,129,998
Furniture, Equipment and Vehicles	<u>1,387,696</u>	<u>1,339,418</u>
Total Property and Equipment	<u>7,931,266</u>	7,728,891
Less: Accumulated Depreciation	<u>(3,982,323)</u>	<u>(3,778,280)</u>
Total Property and Equipment, net of accumulated depreciation	<u>\$ 3,948,943</u>	<u>\$ 3,950,611</u>

Note H: Depreciation Expense

A portion of depreciation expense is charged to the Home Center as direct costs on the Statement of Activities, and the remainder is shown on the Statement of Functional Expenses.

Depreciation expense for the years ended December 31 consisted of the following:

	<u>2023</u>	<u>2022</u>
Depreciation Charged to Direct Costs of the Home Center	\$ 183,148	\$ 194,732
Depreciation Charged to Expense	<u>159,364</u>	<u>122,679</u>
Total Depreciation Expense	<u>\$ 342,512</u>	<u>\$ 317,411</u>

Note I: Land Acquisition and Development or Future Homes

The 2023 land acquisition and development for future homes included expenses of \$3,287,386. The 2022 land acquisition and development for future homes included expenses of \$2,801,005.

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Note J: Grants and Forgivable Loans from Bexar County

Habitat participated in the HOME Investment Partnership Program from 2015 through 2023. As part of the HOME Investment Partnership Program, Habitat receives a forgivable loan from Bexar County to provide home ownership opportunities to low-income families through new, single-family homes. As the homes are then sold to the families, the county incrementally forgives the loan.

Habitat also participated in the Coronavirus State and Local Fiscal Recovery Funds program ("SLFRF") established by the American Rescue Plan Act of 2021 ("ARPA") through Bexar County. Under this program, Habitat receives a grant from Bexar County to provide home ownership opportunities to low-income families by creating buildable lots that are deed-restricted for the development of new, single-family homes for low-income households.

Grants receivable consists of amounts spent toward land acquisition and construction of infrastructure at subdivisions approved per the HOME Investment Partnership Program and/or the SLFRF program that have not been reimbursed by the County. As of December 31, grants receivable balance was as follows:

	<u>2023</u>	<u>2022</u>
Rancho Carlota - HOME	\$ 16,604	\$ 68,520
Rancho Carlota - SLFRF	154,601	-
Yucca Street - SLFRF	<u>5,720</u>	<u>-</u>
Total Receivable	<u>\$ 176,925</u>	<u>\$ 68,520</u>

Rancho Carlota Subdivision

In 2019, Habitat received a forgivable loan from the County for the land acquisition and construction of infrastructure at the Rancho Carlota Subdivision to cover 14 housing units. The County has added four amendments as of December 31, 2023. The purpose of the First Amendment (4/20/2021) to the agreement was to include the Program Year 2020 HOME funds and increase the number of HOME assisted units in the Project from fourteen (14) to nineteen (19) housing units. The total amount of this amendment was \$148,891 bringing the total amount granted to \$736,290. The Second Amendment (9/7/2021) added no additional funding for housing units to the agreement. The Third Amendment (2/8/2022) increased the number of HOME assisted housing units from nineteen (19) units to thirty-two (32) units. The total amount of this amendment was \$519,350 bringing the total amount granted to \$1,255,640. The Fourth Amendment (3/21/2023) increased the number of HOME assisted housing units from thirty-two (32) to forty-five (45) units. The total amount of this amendment was \$510,992 bringing the total amount granted to \$1,766,632.

The reimbursements from the County are recorded as grant revenue at the time they were earned (i.e. funds expended), since it was likely Habitat would fulfill the forgivable loan terms. As of December 31, 2023, Habitat has built and sold 32 of the 45 required homes with 13 in 2023, 7 in 2022, and 12 in 2021 and prior years.

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Note J: Grants and Forgivable Loans from Bexar County (Continued)

As of December 31, 2023, Habitat expended \$1,257,545 of HOME funds allowed under this loan as follows:

Year Ended December 31, 2019	\$ 554,904	(During 2019, \$554,904 was approved for reimbursement by Bexar County and \$554,904 was received in 2020 and 2021.)
Year Ended December 31, 2020	32,495	(During 2020, \$32,495 was approved for reimbursement by Bexar County and \$7,792 was received in 2021, leaving a receivable of \$24,703 at December 31, 2021. During 2022, \$24,703 was received.)
Year Ended December 31, 2021	69,045	(During 2021, \$69,045 was approved for reimbursement by Bexar County. During 2021 \$55,737 was received, leaving a receivable of \$13,808 at December 31, 2021. During 2022, \$13,808 was received.)
Year Ended December 31, 2022	493,963	(During 2022, \$493,963 was approved for reimbursement by Bexar County. During 2022, \$425,443 was received, leaving a receivable of \$68,520 at December 31, 2022. During 2023, \$68,520 was received.)
Year Ended December 31, 2023	107,138	(During 2023, \$107,138 was approved for reimbursement by Bexar County. During 2023 \$90,534 was received, leaving a receivable of \$16,604 at December 31, 2023.)
Total Expended:	<u>\$ 1,257,545</u>	

In 2023, Habitat received a SLFRF grant from the County for the land acquisition and construction of infrastructure at the Rancho Carlota Subdivision to create a minimum of 54 buildable, single family residential lots deed restricted for sale to qualified low-income families. The total amount granted was \$2,500,000.

As of December 31, 2023, Habitat expended \$177,443 of SLFRF funds allowed under this loan as follows:

Year Ended December 31, 2023	\$ 177,443	(During 2023, \$177,443 was approved for reimbursement by Bexar County. During 2023 \$22,842 was received, leaving a receivable of \$154,601 at December 31, 2023.)
Total Expended:	<u>\$ 177,443</u>	

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Note J: Grants and Forgivable Loans from Bexar County (Continued)

Yucca Street Subdivision (official subdivision name to be determined in 2024)

In 2023, Habitat received a SLFRF grant from the County for the land acquisition and construction of infrastructure for 5.281 acres of raw land on Yucca Street to create 22 buildable, single family residential lots deed restricted for sale to qualified low-income families. The total amount granted was \$2,000,000.

As of December 31, 2023, Habitat expended \$6,220 of SLFRF funds allowed under this loan as follows:

Year Ended December 31, 2023	\$	6,220	(During 2023, \$6,220 was approved for reimbursement by Bexar County. During 2023 \$500 was received, leaving a receivable of \$5,720 at December 31, 2023.)
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Total Expended:	\$	<u>6,220</u>
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Note K: Grants and Forgivable Loans from The City of San Antonio

Grants receivable consists of amounts spent toward land acquisition and construction of infrastructure, and construction of some housing unit foundations at subdivisions that have not been reimbursed by the City. As of December 31, grants receivable balances from the City are as follows:

	<u>2023</u>	<u>2022</u>
Rancho Carlota - CDBG	\$ 253,120	\$ 207,050
Rancho Carlota - Housing Bond	64,836	-
Rancho Carlota - CHDO	<u>-</u>	<u>41,118</u>
Total Grants Receivable from the City	<u>\$ 317,956</u>	<u>\$ 248,168</u>

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Note K: Grants and Forgivable Loans from The City of San Antonio (Continued)

Rancho Carlota Subdivision

In 2020, Habitat received a CDBG grant from the City for another portion of land acquisition and construction of infrastructure at the Rancho Carlota Subdivision Unit 2. The total amount granted was \$2,549,760.

As of December 31, 2023, Habitat expended \$2,549,760 of CDBG funds allowed as follows:

Year Ended December 31, 2021	\$ 1,177,220	(During 2021, \$1,177,220 was approved for reimbursement by the City. During 2021 \$1,070,503 was received, leaving a receivable of \$106,717 at December 31, 2021. During 2022, \$106,717 was received.)
Year Ended December 31, 2022	1,135,081	(During 2022, \$1,135,081 was approved for reimbursement by the City. During 2022 \$1,118,451 was received, leaving a receivable of \$16,630 at December 31, 2022. During 2023, \$16,630 was received.)
Year Ended December 31, 2023	237,459	(During 2023, \$237,459 was approved for reimbursement by the City. During 2023 \$220,898 was received, leaving a receivable of \$16,630 at December 31, 2023.)
Total Expended:	<u>\$ 2,549,760</u>	

In 2021, Habitat received a CDBG grant from the City for a portion of land acquisition and construction of infrastructure at the Rancho Carlota Subdivision Unit 3. The total amount granted in 2021 was \$1,000,000. In 2022, the City Amended the agreement by increasing the amount awarded to \$3,000,000.

As of December 31, 2023, Habitat expended \$3,000,000 of CDBG funds allowed as follows:

Year Ended December 31, 2022	\$ 2,070,761	(During 2022, \$2,070,761 was approved for reimbursement by the City. During 2022 \$1,880,342 was received, leaving a receivable of \$190,419 at December 31, 2022. During 2023, \$190,419 was received.)
Year Ended December 31, 2023	929,239	(During 2023, \$929,239 was approved for reimbursement by the City. During 2023 \$692,749 was received, leaving a receivable of \$236,490 at December 31, 2023.)
Total Expended:	<u>\$ 3,000,000</u>	

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Note K: Grants and Forgivable Loans from The City of San Antonio (Continued)

Rancho Carlota Subdivision (Continued)

In 2023, Habitat received a CDBG grant from the City for a portion of land acquisition and construction of infrastructure at the Rancho Carlota Subdivision Unit 4. The total amount granted in 2023 was \$2,469,594.

As of December 31, 2023, Habitat expended \$1,529,812 of CDBG funds allowed as follows:

Year Ended December 31, 2023	\$ 1,529,812	(During 2023, \$1,529,812 was approved for reimbursement by the City. During 2023 \$1,529,812 was received, leaving nothing receivable at December 31, 2023.)
Total Expended:	<u>\$ 1,529,812</u>	

In 2023, Habitat received a CDBG grant from the City for a portion of land acquisition and construction of infrastructure at the Rancho Carlota Subdivision Unit 5, Unit 7, and Unit 8, collectively referred to as Phase V. The total amount granted in 2023 was \$1,650,000.

As of December 31, 2023, Habitat expended \$1,100,687 of CDBG funds allowed as follows:

Year Ended December 31, 2023	\$ 1,100,687	(During 2023, \$1,100,687 was approved for reimbursement by the City. During 2023 \$1,100,687 was received, leaving nothing receivable at December 31, 2023.)
Total Expended:	<u>\$ 1,100,687</u>	

In 2023, Habitat received a forgivable loan from the City's Housing Bond for a portion of land acquisition and construction of infrastructure at the Rancho Carlota Subdivision Unit 5, Unit 7, and Unit 8, collectively referred to as Phase V. The total amount granted in 2023 was \$2,732,366.

As of December 31, 2023, Habitat expended \$64,836 of CDBG funds allowed as follows:

Year Ended December 31, 2023	\$ 64,836	(During 2023, \$64,836 was approved for reimbursement by the City. During 2023 \$0 was received, leaving all \$64,836 receivable at December 31, 2023.)
Total Expended:	<u>\$ 64,836</u>	

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Note K: Grants and Forgivable Loans from The City of San Antonio (Continued)

Rancho Carlota Subdivision (Continued)

In 2022, Habitat received a HOME grant for CHDO Operating Expenses. The amount granted was \$92,727.

As of December 31, 2023, Habitat expended \$92,727 of HOME CHDO Operating funds allowed as follows:

Year Ended December 31, 2022	\$ 41,118	(During 2022, \$41,118 was approved for reimbursement by the City. During 2022 \$0 was received, leaving all \$41,118 receivable at December 31, 2022. During 2023, \$41,118 was received.)
Year Ended December 31, 2023	51,609	(During 2023, \$51,609 was approved for reimbursement by the City. During 2023 \$51,609 was received, leaving no receivable at December 31, 2023.)
Total Expended:	<u>\$ 92,727</u>	

Note L: Net Assets With Donor Restrictions

With Donor Restrictions consisted of the following at December 31,:

	<u>2023</u>	<u>2022</u>
Restricted by Purpose:		
Guadalupe Valley Habitat for Humanity - Future Store	\$ 214,124	\$ 214,124
Purchase of Vehicles	150,000	-
Restricted by Timing:		
House Sponsors	<u>366,205</u>	<u>1,431,070</u>
Total Net Assets with Donor Restrictions	<u>\$ 730,329</u>	<u>\$ 1,645,194</u>

Note M: Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the timing restriction. Timing restricted contributions released during 2023 and 2022 totaled **\$1,431,070** and \$515,601, respectively.

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Note N: Fair Value Measurements

In accordance with the fair value hierarchy described in **Note B**, the following table shows the fair value of Habitat's financial assets and liabilities that are required to be measured at fair value as of December 31, 2023 and 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2023				
Mortgage Notes Receivable	\$ -	\$ -	\$ 19,751,307	\$ 19,751,307
Certificates of Deposit	-	<u>2,394,324</u>	-	<u>2,394,324</u>
Total	<u>\$ -</u>	<u>\$ 2,394,324</u>	<u>\$ 19,751,307</u>	<u>\$ 22,145,631</u>
December 31, 2022				
Mortgage Notes Receivable	\$ -	\$ -	\$ 17,104,707	\$ 17,104,707
Certificates of Deposit	-	<u>2,394,010</u>	-	<u>2,394,010</u>
Total	<u>\$ -</u>	<u>\$ 2,394,010</u>	<u>\$ 17,104,707</u>	<u>\$ 19,498,717</u>

The following table sets forth a summary of changes in the fair value of Habitat's Level 3 Assets for the year ended December 31,:

	<u>2023</u>	<u>2022</u>
Mortgage Notes Receivable		
Balance, Beginning of Year	\$ 17,104,707	\$ 15,173,577
New Mortgages - HFH	9,205,333	6,037,845
New Mortgages - GV	-	313,403
Payments - HFH	(2,726,976)	(2,547,860)
Payments - GV	(88,978)	(88,301)
Transfer - GV to HFH	(1,455,684)	-
Change in Discount	<u>(2,287,095)</u>	<u>(1,783,957)</u>
Balance, End of Year	<u>\$ 19,751,307</u>	<u>\$ 17,104,707</u>

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Note O: Leases

The Organization is obligated under non-cancellable operating lease agreements for office space and finance lease agreements for equipment.

The following summarizes the line items in the Consolidated Statement of Financial Position which include amounts for finance lease right-to-use assets and lease liabilities as of December 31, 2023:

Operating Lease Right-of-Use Asset	\$ <u>24,690</u>
Finance Lease Right-of-Use Asset	\$ <u>67,064</u>
Current Portion of Operating Lease Liability	\$ 17,271
Long-Term Portion of Operating Lease Liability	<u>7,419</u>
Total Operating Lease Liability	\$ <u>24,690</u>
Current Portion of Finance Lease Liability	\$ 14,151
Long-Term Portion of Finance Lease Liability	<u>54,323</u>
Total Finance Lease Liability	\$ <u>68,474</u>

The following summarizes the line items in the Consolidated Statement of Functional Expenses which include the components of lease expenses for the year ended December 31, 2023:

Operating Lease Expense Included in:	
Home Center Sales of Donated Goods, Net	\$ 10,500
Finance Lease Expense Included in:	
Home Center Sales of Donated Goods, Net	\$ 4,505
Home Center Sales of Purchased Goods, Net	\$ 11,126

The following summarizes the Consolidated Statements of Cash Flows supplemental cash flow information for the year ended December 31, 2023:

Interest Paid on Finance Lease	\$ 3,797
Right-of-Use Assets Obtained in Exchange for Lease Liabilities	
Operating Lease	\$ 34,550
Finance Lease	\$ 78,899

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Note O: Leases (Continued)

The following summarizes the weighted average remaining lease term and discount rate as of December 31, 2023:

Weighted Average Remaining Lease Term (years)	
Operating Lease	1.42
Finance Lease	4.25
Weighted Average Discount Rate	
Operating Lease	4.33%
Finance Lease	7.75%

The payment maturities of lease liabilities as of December 31, 2023 is summarized as follows:

2024	\$	36,962
2025		26,462
2026		18,962
2027		18,962
2028		4,740
Total Lease Payments		<u>106,088</u>
Less: Interest		<u>(12,924)</u>
Present Value of Lease Liabilities	\$	<u>93,164</u>

Note P: Credit Risk of Financial Instruments

Financial instruments that potentially subject Habitat to concentrations of credit risk consist of its cash balances at the banks if such balances exceed the amount insured by Federal Deposit Insurance Corporation (FDIC). As of December 31, 2023 and 2022, Habitat's deposits at the Bank exceeded the FDIC limit of \$250,000 by **\$8,452,811** and \$8,110,796, respectively. Habitat has not experienced any losses in such accounts and management believes it is not exposed to any significant risk on its cash and cash equivalents.

Note Q: Risk and Uncertainty

Certain current economic events have arisen which could impact Habitat's ongoing operations. Additionally, the effects of economic stimulus programs and U.S. Federal Reserve actions remain uncertain. These matters could impact numerous facets of the business environment including interest rates, inflation, and the availability of goods, capital and labor. Any related financial impact cannot be reasonably estimated at this time.

Note R: Use of Donor Funds

Habitat uses 100% of all cash contributions and grants for program activities unless the donor has specifically designated an alternate use. Other revenue, including proceeds from the Home Center, are used to pay for the remaining program expenses, as well as all Management, General, and Fundraising expenses. For the year ended December 31, 2023, Habitat received **\$3,780,633** in cash contributions without restrictions and **\$4,281,341** in government grants without restrictions or fulfilled restrictions. During the year ended December 31, 2022, Habitat received \$2,820,350 in cash contributions without restrictions and \$3,900,923 in government grants without restrictions or fulfilled restrictions. One hundred percent of these donor funds were used for program expenses.

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

Note S: Retirement Plan

Habitat has a defined contribution retirement plan that qualifies under Section 403(b) of the Internal Revenue Code. The plan allows employees who are over the age of 21 and work at least 20 hours per week to immediately contribute to the plan. The employer matching contribution percentage, established by the Board of Directors, is set at a maximum of 6%. However, the employer match does not begin until the employee has completed twelve months of service. For the years ended December 31, 2023 and 2022, Habitat's contribution totaled **\$149,546** and \$157,225, respectively

Note T: Subsequent Events

Subsequent events have been evaluated through the July 16, 2024, which is the date the consolidated financial statements were available to be issued.

Compliance Report

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Directors of
Habitat for Humanity San Antonio, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Habitat for Humanity San Antonio, Inc (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated July 16, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Habitat's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Habitat's internal control. Accordingly, we do not express an opinion on the effectiveness of Habitat's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Habitat's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards (Continued)***

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Schrive, Carmona & Company, PLLC

San Antonio, Texas

July 16, 2024

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors of
Habitat for Humanity of San Antonio, Inc.

Opinion on Each Major Federal Program

We have audited Habitat for Humanity of San Antonio, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Habitat's major federal programs for the year ended December 31, 2023. Habitat's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Habitat for Humanity of San Antonio, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Habitat for Humanity of San Antonio, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Habitat for Humanity of San Antonio, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Habitat for Humanity of San Antonio, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on Habitat for Humanity of San Antonio, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit is conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Habitat for Humanity of San Antonio, Inc.'s compliance with the requirements of each major federal program as a whole.

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance (*Continued*)

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Habitat for Humanity of San Antonio, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Habitat for Humanity of San Antonio, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity of San Antonio, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

**Independent Auditor's Report on Compliance for
Each Major Program and on Internal Control
Over Compliance Required by the Uniform Guidance *(Continued)***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Schriver Carmona". The signature is fluid and cursive.

Schrive, Carmona & Company, PLLC

San Antonio, Texas

July 16, 2024

Habitat for Humanity of San Antonio

Schedule of Expenditures of Federal Awards Year Ended December 31, 2023

<u>Federal Grantor/Pass through Grantor/Program Title</u>	<u>ALN Number</u>	<u>Pass Through Grant ID Number</u>	<u>Federal Grant Expended During the Year</u>
<i>U.S. Department of Housing and Urban Development (HUD)</i>			
<i>Passed through the City of San Antonio, Texas</i>			
<u>HOME Investment Partnership Program</u>	14.239		
Habitat For Humanity HOME Operating Funds		25-0310415	\$ 51,609
<u>CDBG Community Development Block Grant</u>	14.218		
Rancho Carlota Phase II		28-0450212; 28-R2001300213	237,459
Rancho Carlota Phase III		28-0460305; 28- R2202170369; R2202170370	929,239
Rancho Carlota Phase IV		28-0470375	1,529,812
Rancho Carlota Phase V		28-0480439	1,100,687
<i>Passed through the County of Bexar, Texas</i>			
<u>HOME Investment Partnership Program</u>	14.239		
Rancho Carlota		M-21-UC-48-0500; M- 22-UC-48-0500	107,138
<u>American Rescue Plan Act Coronavirus State & Local Fiscal Recovery Funds Housing Support: Affordable Housing</u>	21.027		
Rancho Carlota			177,443
Yucca Street			6,220
<i>Total U.S. Department of Housing and Urban Development</i>			<u>4,139,607</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>4,139,607</u>

See Notes to Schedule of Expenditures of Federal Awards.

Habitat for Humanity of San Antonio

Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2023

Note A: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Habitat for Humanity of San Antonio, Inc. under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Because the Schedule presents only a selected portion of the operations of Habitat for Humanity of San Antonio, Inc., it is not intended, and does not, present the financial position, changes in net assets or cash flows of Habitat for Humanity of San Antonio, Inc. Therefore, some amounts presented in the Schedule may differ from amounts presented in the consolidated financial statements.

All of Habitat for Humanity of San Antonio, Inc.'s federal awards were in the form of cash assistance for the year ended December 31, 2023.

Note B: Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the basis of accounting using accounting principles generally accepted in the United States of America (GAAP). Such expenditures are recognized following the cost principles contained in 2 CFR Part 230, *Costs Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Habitat for Humanity of San Antonio, Inc. has elected to not use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

Note C: Reconciliation to Statement of Activities in Financial Statements

Total Expenditures of Federal Awards	\$ 4,139,607
Local Government Grants	<u>141,734</u>
Total Government Grants per the Statement of Activities	<u>\$ 4,281,341</u>

Habitat for Humanity of San Antonio

Schedule of Findings and Questioned Costs
Year Ended December 31, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal Control Over Financial Reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to the financial statements?	No

Federal Awards

Internal Control Over Major Programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516?	No

Identification of Major Programs:

<u>ALN Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant

Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS None

SECTION III - FEDERAL AWARD FINDINGS None

Habitat for Humanity of San Antonio

Federal Awards – Summary Status of Prior Year Audit Findings
Year Ended December 31, 2023

There are no findings from prior year that require an update in this report.