

**Comal County  
Habitat for Humanity**

**Financial Statements**

**June 30, 2020**

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**JAMES A. ROBERTSON**  
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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Comal County Habitat for Humanity

I have audited the accompanying financial statements of Comal County Habitat for Humanity (a nonprofit organization) which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and related notes to the financial statements.

**Management's Responsibility 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; this includes 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.

**Auditor's Responsibility**

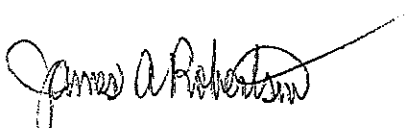
My responsibility is to, express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Comal County Habitat for Humanity as of June 30, 2020, and the changes in its net assets and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

  
January 29, 2021

**Comal County Habitat for Humanity**  
**Statement of Financial Position**  
**As of June 30, 2020**

Assets:	
Cash and Cash Equivalents (Restricted \$20,000)	\$ 426,425
Unconditional Promises to Give (Restricted)	13,000
Restore Inventory	113,415
Property and Equipment, Net	512,527
Mortgage Receivables, Net	851,866
Construction in Progress	313,205
Other Assets	<u>1,783</u>
Total Assets	<u>\$ 2,232,221</u>
Liabilities & Net Assets	
Liabilities:	
Accounts Payable	\$ 46,837
Accrued Expenses	2,844
Homeowner Escrow and Deposits	58,019
Note Payable to Bank	<u>28,837</u>
Total Liabilities	<u>136,537</u>
Net Assets:	
With Donor Restrictions	33,000
Without Donor Restrictions	<u>2,062,684</u>
	<u>2,095,684</u>
Total Liabilities and Net Assets	<u>\$ 2,232,221</u>

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

**Comal County Habitat for Humanity**  
**Statement of Activities**  
**Year Ended June 30, 2020**

	<u>Unrestricted</u>	<u>Temporaly Restricted</u>	<u>Total</u>
Revenues:			
Contributions and other:			
Contributions	\$ 310,368	\$ -	\$ 310,368
Grants	193,029	10,000	203,029
Mortgage Discount Amortization	64,675	-	64,675
Fundraising	89,128	-	89,128
Other Revenue	33,020	-	33,020
Net Assets Released from Restrictions	<u>70,500</u>	<u>(70,500)</u>	<u>-</u>
<b>Total Contributions and Other</b>	<u>760,720</u>	<u>(60,500)</u>	<u>700,220</u>
ReStore Revenues:			
In-Kind Contributions of Inventory	395,986	-	395,986
ReStore Sales of Donated Inventory	395,986	-	395,986
Donated Inventory Expense	(395,986)	-	(395,986)
ReStore Sales of Purchased Inventory	81,021	-	81,021
ReStore Cost of Goods Sold	<u>(53,814)</u>	<u>-</u>	<u>(53,814)</u>
<b>Total ReStore Revenues, Net</b>	<u>423,193</u>	<u>-</u>	<u>423,193</u>
Housing Sales	<u>263,827</u>	<u>-</u>	<u>263,827</u>
			-
<b>Total Revenues</b>	<u>1,447,740</u>	<u>(60,500)</u>	<u>1,387,240</u>
Expenses:			
Housing Program	663,103	-	663,103
ReStore Program	323,979	-	323,979
Fundraising	125,846	-	125,846
General and Administrative	<u>128,620</u>	<u>-</u>	<u>128,620</u>
<b>Total Expenses</b>	<u>1,241,548</u>	<u>-</u>	<u>1,241,548</u>
Change in Net Assets	206,192	(60,500)	145,692
Net Assets, Beginning of Year	<u>1,856,492</u>	<u>93,500</u>	<u>1,949,992</u>
Net Assets, End of Year	<u>\$ 2,062,684</u>	<u>\$ 33,000</u>	<u>\$ 2,095,684</u>

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

**Comal County Habitat for Humanity  
Statement of Functional Expenses  
Year Ended June 30, 2020**

	<u>Housing Program</u>	<u>Restore</u>	<u>Fundraising</u>	<u>General &amp; Admin.</u>	<u>Total</u>
Cost of Construction	\$ 385,127	-	-	165	\$ 385,292
Personnel Expenses	204,321	225,950	101,698	62,892	594,861
Vehicles	5,048	7,349	-	180	12,577
Risk Management and Safety	9,560	17,245	980	2,290	30,075
Facilities	5,367	32,589	405	26,795	65,156
Admin./Operations	6,314	18,913	2,484	18,334	46,045
Marketing	3,404	5,049	13,178	2,454	24,085
Volunteers and Families	16,364	-	-	369	16,733
Travel	-	-	-	5,754	5,754
Staff and Board Support	1,296	-	85	6,745	8,126
Interest Expense	-	1,335	-	-	1,335
Depreciation	7,540	15,079	-	2,513	25,132
Donor Appreciation	700	-	1,376	40	2,116
Fundraiser	139	-	4,097	89	4,325
Women Build Program	3,877	-	1,543	-	5,420
Misc	14,046	470	-	-	14,516
<b>Total Expenses</b>	<b>\$ 663,103</b>	<b>323,979</b>	<b>125,846</b>	<b>128,620</b>	<b>\$ 1,241,548</b>

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

**Comal County Habitat for Humanity**  
**Statement of Cash Flows**  
**Year Ended June 30, 2020**

Operating Activities:	
Change in net assets	\$ 145,692
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	25,132
Mortgage discount amortization	(64,675)
(Increase) decrease in unconditional promises to give	70,500
(Increase) decrease in inventory	(9,472)
(Increase) decrease in construction in progress	7,660
Land held for future development	48,324
(Increase) decrease in other assets	793
Increase (decrease) in accounts payable	20,159
Increase (decrease) in accrued expenses	(31,881)
Increase (decrease) in homeowner escrow and deposits	(4,715)
Net cash provided (used) by operating activities	<u>207,517</u>
Investing Activities:	
Payments for fixed assets	(18,455)
New mortgage notes issued	(173,828)
Principal payments of mortgage receivables	105,842
Net cash provided (used) by investing activities	<u>(86,441)</u>
Financing Activities:	
Principal repayments on notes payable	<u>(7,516)</u>
Net cash provided (used) by financing activities	<u>(7,516)</u>
Increase (Decrease) in cash & cash equivalents	113,560
Cash and cash equivalents at beginning of year	<u>312,865</u>
Cash and cash equivalents at end of year	<u><u>\$ 426,425</u></u>

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

**Comal County Habitat for Humanity**  
**Notes to Financial Statements**  
**June 30, 2020**

**Note 1: Summary of Significant Accounting Policies**

*Organization*

Comal County Habitat for Humanity (Habitat) is a nonprofit that works with disadvantaged families of the community by constructing and providing simple, decent, and affordable housing in Comal County, Texas. Families selected (must be in the 30-75% AMI income range) for a Habitat constructed home must provide 350 hours "sweat equity" on their home or on another Habitat project to complete their eligibility. Upon moving into the home, the family begins paying for the house under the terms of a 20-year to 30-year, interest free financing arrangement (see Note 2). The sales price of each home is determined by the fair market value of the home.

Habitat also operates a ReStore. The ReStore consists of one store selling new and used building materials. New, donated, and salvaged building materials are sold to the public at a reduced cost. The proceeds of the sales provides funding for Habitat's missions.

*Mission Statement*

Habitat is an ecumenical, Christian organization seeking to put God's love into action by bringing people together to build homes, communities and hope.

*Financial Reporting and Financial Statement Presentation*

In compliance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, Habitat reports information regarding its financial position and activities according to two classes of net assets: unrestricted net assets and temporarily restricted net assets. Temporarily restricted net assets are the result of contributions with donor-imposed restrictions that permit the contribution to be expended only as specified and are satisfied either by the passage of time or by actions of the organization. All net assets that are not temporarily restricted are considered to be unrestricted.

*Classifications of Net Assets*

In accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, Not-for-Profit Entities, the Organization is required to report information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions. Net assets without donor restrictions are not subject to donor-imposed stipulations. Net assets without donor restrictions may be used for any purpose or designated for specific purposes by the Organization. Net assets with donor restrictions are subject to donor-imposed stipulations, which limit their use by the Organization to a specific purpose and/or the passage of time.

Restricted cash and unconditional promises to give are restricted to land purchases and land closing costs.

**Comal County Habitat for Humanity**  
**Notes to Financial Statements**  
**June 30, 2020**

**Note 1: Summary of Significant Accounting Policies (continued)**

*Contributions*

In accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, Habitat records contributions received as unrestricted or temporarily restricted support depending on the existence and/or nature of any donor restrictions.

*Donated Goods and Services*

Donated goods and services that can be measured and meet certain other requirements are recorded in the financial statements as contributions and expenses of a like amount. The value of the time of unpaid (unskilled) volunteers who have donated significant time to building Habitat homes and performing certain administrative functions is not reflected in these financial statements because it does not meet the accounting requirements of SFAS No. 116.

*Tax Status*

Habitat is exempt from federal income taxes pursuant to provisions of Section 501(c)(3) of the Internal Revenue Code.

*Use of Estimates*

The preparation of the financial statements on the accrual basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

*Cash and Cash Equivalents*

All highly liquid investments with original maturities of three months or less are considered cash equivalents for cash flow purposes.

*Restore Inventory*

Restore inventory consists primarily of donated building materials and purchased materials available for sale. Donated inventory is recorded as in-kind contributions of inventory at fair value when received based on estimated sales volume. Purchased inventory is stated at the lower of cost or market. As donated inventory is sold, Habitat records donated inventory expense.



**Comal County Habitat for Humanity**  
**Notes to Financial Statements**  
**June 30, 2020**

**Note 1: Summary of Significant Accounting Policies (continued)**

*Mortgages Receivable*

In accordance with Accounting Principles Board Opinion (APB) 21, *Interest on Receivables and Payables*, Habitat imputes interest on its mortgages receivable which carry a zero percent stated interest rate. The value of the 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 difference between the face amount of the note and its present value is accounted for as a discount, recorded on the statement of financial position as a contra account to mortgages receivable, and amortized over the life of the mortgage.

*Mortgage Discount Amortization*

Mortgage discount amortization is recorded on the statements of financial position as a contra account to mortgages receivable, and amortized over the life of the note. Mortgages are discounted at rates varying from 5% to 8%.

*Allowance for Uncollectible Accounts*

Habitat considers all notes receivable either fully collectible, or if not fully collectible, 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 financial statements.

*Land Held for Future Development*

Land held for future development and homes under construction or held for sale are recorded at cost, which is equal to or less than estimated future sales prices. Cost includes land acquisition and other related development costs.

*Construction in Progress*

Construction in progress represents home construction and land costs incurred on incomplete homes in progress not yet conveyed to the recipient family. Construction in progress is expensed to cost of construction when the home is transferred to the recipient family.

*Property and Equipment*

Habitat capitalizes property and equipment having an estimated useful life of more than 1 year and a cost of \$500 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 5 to 39 years.

**Comal County Habitat for Humanity**  
**Notes to Financial Statements**  
**June 30, 2020**

**Note 1: Summary of Significant Accounting Policies (continued)**

*Homeowner Escrow*

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

*Functional Allocation of Expenses*

The cost of providing the services and other activities are summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

*Date of Management's Review*

Subsequent events have been evaluated through January 29, 2021, which is the date the financial statements were available to be issued.

**Note 2: Mortgage Notes Receivable**

The financing arrangement for the sale of Habitat homes is interest-free and payable over 20 to 30 years. For financial accounting purposes, the financial arrangement is treated as a single transaction and is accounted for as a sale at inception of the arrangement.

Mortgage notes receivable at June 30, 2020 are summarized as follows:

Mortgage notes receivable	\$ 1,457,520
Less: Unamortized discount	<u>(605,654)</u>
	<u>\$ 851,866</u>

**Note 3: Restore Inventory**

Restore inventory consisted of the following at June 30, 2020:

Donated Goods	\$ 105,600
Purchased Materials	<u>7,815</u>
	<u>\$ 113,415</u>

**Note 4: Property and Equipment**

Property and equipment at June 30, 2020 consists of the following:

Building, improvements, and land	\$ 596,905
Equipment and vehicles	144,482
Accumulated depreciation	<u>(228,860)</u>
Total	<u>\$ 512,527</u>

**Comal County Habitat for Humanity**  
**Notes to Financial Statements**  
**June 30, 2020**

**Note 5: Note Payable to Bank**

Note payable to bank at 3.99% interest, payable in monthly installments of \$738, including principal and interest through December 2024, secured by vehicle.

\$28,837

Future maturities of debt are as follows:

2021	7,843
2022	8,161
2023	8,493
2024	<u>4,340</u>
Total	<u>\$28,837</u>

**Note 6: Liquidity**

Habitat has unrestricted cash of \$406,425 available to meet cash expenditures for 2021.

*JIM ROBERTSON, CPA  
352 Landa Street  
New Braunfels, TX 78130  
(830) 625-6073*

January 29, 2021

To the Board of Directors  
Comal County Habitat for Humanity

I have audited the financial statements of Comal County Habitat for Humanity for the year ended June 30, 2020, and have issued my report thereon dated January 29, 2021. Professional standards require that I provide you with the following information related to my audit.

My Responsibility under U.S. Generally Accepted Auditing Standards

As stated in my engagement letter my responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

I performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Comal County Habitat for Humanity are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. I noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

*Difficulties Encountered in Performing the Audit*

I encountered no difficulties in dealing with management in performing and completing my audit.

*Corrected and Uncorrected Misstatements*

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

*Management Representations*

I have requested certain representations from management that are included in the management representation letter dated January 29, 2021.

*Management Consultations with Other Independent Accountants*

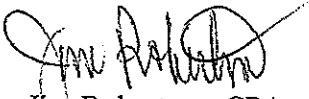
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditor. However, these discussions occurred in the normal course of our professional relationship and my responses were not a condition to my retention.

This information is intended solely for the use of the Board of Directors and management of Comal County Habitat for Humanity and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

  
Jim Robertson, CPA

