



**NORTHEAST TEXAS  
HABITAT FOR HUMANITY<sup>®</sup>, INC.**

**FINANCIAL STATEMENTS**

**As of June 30, 2023  
With Independent Auditor's Report**

**NORTHEAST TEXAS  
HABITAT FOR HUMANITY®, INC.**

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2403 JUDSON ROAD | LONGVIEW, TEXAS 75605  
903.758.0734 (P) | 903.758.0756 (F)

## Independent Auditor's Report

To The Board of Directors  
Northeast Texas Habitat for Humanity®, Inc.  
Longview, Texas

### *Opinion*

We have audited the accompanying financial statements of Northeast Texas Habitat for Humanity®, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast Texas Habitat for Humanity®, Inc. (the "Organization") as of June 30, 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 Financial Statements section of our report. We are required to be independent of Northeast Texas Habitat for Humanity®, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

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

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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.

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 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 Northeast Texas Habitat for Humanity<sup>®</sup>, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northeast Texas Habitat for Humanity<sup>®</sup>, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

*Heard, McElroy & Vestal, LLC*  
Longview, Texas

December 12, 2023

**NORTHEAST TEXAS HABITAT FOR HUMANITY<sup>®</sup>, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2023**

<b>Assets</b>	
<b>Current Assets:</b>	
Cash	\$ 738,318
Certificate of deposit	125,000
Accounts receivable	210,954
Current portion of mortgages receivable	89,183
Inventory	<u>94,593</u>
<b>Total Current Assets</b>	<u><b>1,258,048</b></u>
<b>Property and Equipment:</b>	
Office equipment and furnishings	44,908
Land	119,884
Buildings	1,064,814
Vehicles and equipment	<u>52,594</u>
<b>Total Property and Equipment</b>	<b>1,282,200</b>
<b>Less: Accumulated depreciation</b>	<u><b>(516,008)</b></u>
<b>Net Property and Equipment</b>	<u><b>766,192</b></u>
<b>Other Noncurrent Assets:</b>	
Mortgages receivable, net	<u>592,495</u>
<b>Total Assets</b>	<u><u><b>\$ 2,616,735</b></u></u>
<b>Liabilities and Net Assets</b>	
<b>Current Liabilities:</b>	
Accounts payable	\$ 36,683
Current portion of long-term debt	3,713
Accrued expenses	31,020
Escrow deposits	41,396
Deferred grant revenue	<u>22,836</u>
<b>Total Current Liabilities</b>	<u><b>135,648</b></u>
<b>Long-Term Debt, Net of Current Portion</b>	<u><b>143,325</b></u>
<b>Total Liabilities</b>	<u><b>278,973</b></u>
<b>Net Assets:</b>	
Without donor restrictions	2,299,770
With donor restrictions	<u>37,992</u>
<b>Total Net Assets</b>	<u><b>2,337,762</b></u>
<b>Total Liabilities and Net Assets</b>	<u><u><b>\$ 2,616,735</b></u></u>

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

**NORTHEAST TEXAS HABITAT FOR HUMANITY®, INC.**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2023

<b>Change in Unrestricted Net Assets:</b>	
<b>Support:</b>	
Grant and contract revenue	\$ 1,110,651
Contributions	87,837
Fundraising	59,257
ReStore sales, net	41,463
Donated goods and services	303,823
Transfers to homeowners, net	282,495
Mortgage discount amortization	74,512
Other income	25,088
<b>Total Support</b>	<u>1,985,126</u>
<b>Net Assets Released from Restrictions:</b>	
Restrictions satisfied by payment	<u>500</u>
<b>Revenue:</b>	
Interest income	<u>6,797</u>
<b>Total Unrestricted Support and Revenue</b>	<u>1,992,423</u>
<b>Expenses:</b>	
Program Services	<u>1,589,559</u>
<b>Support Services:</b>	
Management and general	414,288
Fundraising	43,249
<b>Total Support Services</b>	<u>457,537</u>
<b>Total Expenses</b>	<u>2,047,096</u>
<b>Change in Net Assets Without Donor Restrictions</b>	(54,673)
<b>Net Assets Released From Restriction:</b>	
Satisfaction of Purpose Restriction	<u>(500)</u>
<b>Decrease in Net Assets With Donor Restrictions</b>	<u>(500)</u>
<b>Change in Net Assets</b>	(55,173)
<b>Net Assets, Beginning of Year</b>	<u>2,392,935</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 2,337,762</u></u>

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

NORTHEAST TEXAS HABITAT FOR HUMANITY®, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Advertising	\$ 763	\$ 6,486	\$ 382	\$ 7,631
Construction costs	924,691			924,691
Consulting	17,901	34,749		52,650
Depreciation	24,410	47,383		71,793
Dues and subscriptions		27,191		27,191
Employee benefits	41,639	18,296	3,154	63,089
Event and special project cost			20,892	20,892
General administrative cost	3,130	26,608	1,565	31,303
Insurance	6,632	24,869	1,658	33,159
Interest expense	2,441	1,072	185	3,698
Maintenance	2,681	5,203		7,884
Mortgage discount expense	173,783			173,783
Payroll taxes	26,722	11,742	2,024	40,488
Rents		5,114		5,114
Salaries	335,085	159,927	12,693	507,705
Supplies	8,351	16,954		25,305
Utilities	12,144	24,656		36,800
Vehicle and equipment expense	9,186	4,038	696	13,920
<b>Total Expenses</b>	<b>\$ 1,589,559</b>	<b>\$ 414,288</b>	<b>\$ 43,249</b>	<b>\$ 2,047,096</b>

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

**NORTHEAST TEXAS HABITAT FOR HUMANITY<sup>®</sup>, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2023**

<b>Cash Flows from Operating Activities:</b>	
Change in net assets	\$ (55,173)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	71,793
Transfer to homeowners	(282,495)
Mortgage discount amortization	(74,512)
Mortgage discount expense	173,783
(Increase) Decrease in Operating Assets:	
Receivables	(11,131)
Inventory	76,856
Increase (Decrease) in Operating Liabilities:	
Accounts payable	11,174
Accrued expenses	6,923
Deferred grant revenue	11,298
Homeowners escrow, closing, and down payments	2,150
	(69,334)
<b>Net Cash Used in Operating Activities</b>	
<b>Cash Flows from Investing Activities:</b>	
Purchase of certificate of deposit	(125,000)
Repayment of mortgages	111,947
Purchases of property and equipment	(31,561)
	(44,614)
<b>Net Cash Used in Investing activities</b>	
<b>Cash Flows from Financing Activities:</b>	
Principal payments on debt	(1,431)
	(1,431)
<b>Net Decrease in Cash and Cash Equivalents</b>	(115,379)
<b>Cash and Cash Equivalents at Beginning of Year</b>	853,697
<b>Cash and Cash Equivalents at End of Year</b>	\$ 738,318

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



NORTHEAST TEXAS HABITAT FOR HUMANITY®, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

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

**Nature of Activities**

Northeast Texas Habitat for Humanity®, Inc. (“Habitat”, “we”, or the “Organization”) is a nonprofit corporation without capital stock under the Texas Nonprofit Corporation Act of 1985. The Organization is an ecumenical, Christian housing ministry. The Organization builds homes with families, using voluntary labor and private donations, and sells the houses at no profit and no interest to families who could not otherwise afford a home.

Habitat is an affiliate of Habitat for Humanity International, Inc. (“Habitat International”), a nondenominational Christian, not-for-profit organization whose purpose is to create affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with informational resources, training, publications, prayer support, and in other ways, Habitat operates independent of Habitat International. Habitat is primarily and directly responsible for its own operations. Habitat has chosen to contribute a tithe on mortgage payments received to Habitat International, as part of the affiliation.

Habitat owns and operates a retail store (the “ReStore”) in Longview, Texas. The ReStore purchases home improvement materials as well as accepts donated items. Both purchased and donated items are sold to the public and the store profits support house construction and overhead expenses of Habitat. ReStore revenues are reported on the Statement of Activities net of Cost of Goods Sold.

**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenue is recognized when earned regardless of when collected, and expenses are recognized when the obligation is incurred regardless of when paid.

**Financial Statement Presentation**

Habitat follows the guidance of ASU 2016-14. Under ASU 2016-14, we are required to report information regarding our financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions represent revenues and expenses no longer restricted by the donor in which the Board of Directors have discretionary control to carry out operations of the organization in accordance with its by-laws.

Net assets with donor restrictions represent resources currently available for use or receivable from the donor, but expendable only for those operating purposes specified by the donor.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

For the purposes of the Statement of Cash Flows, Habitat considers all highly liquid investments with an initial maturity of three months or less, when purchased, to be cash equivalents.

NORTHEAST TEXAS HABITAT FOR HUMANITY®, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

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

Land Held for Home and Commercial Property Sites

Land purchased for home and commercial property sites is recorded at cost unless it is determined to be impaired, in which case the impaired land is written down to fair value. Donated land is recorded at the donor's appraised amount or the property appraiser's value. All related carrying costs for these properties, such as maintenance, any assessments, real estate taxes, etc. are capitalized into the cost of the properties. Habitat reviews land for impairment during each reporting period on a lot-by-lot basis. Generally accepted accounting principles require that if the undiscounted cash flows expected to be generated by an asset are less than its' carrying amount, an impairment charge should be recorded to write down the carrying amount of such asset to its fair value.

Inventory

Inventory purchased for the ReStore is carried at cost. Donated items for resale are not recorded as inventory.

Construction in Progress

Costs of construction in progress consists of direct home construction costs, unless it is determined to be impaired. In which case, the impaired construction in progress is written down to fair value. Construction overhead is expensed as incurred. Homes completed pending closing, are classified as construction in progress until delivered.

Homes Sales and Mortgages Receivable

Home sales represent the sale of houses built in Gregg and Harrison Counties by Habitat to qualified families. The home sales are financed by the Organization utilizing noninterest bearing mortgages due in monthly installments from the families. The mortgages are secured by the underlying real estate and are carried at the unpaid principal balances. The mortgages receivable are discounted based upon prevailing market interest rates for low-income housing at the inception of the mortgages and range from 7.38 percent to 8.48 percent. The financing discounts are amortized and reflected as revenue when mortgage payments are collected. The present value discount on mortgages for homes sold is shown as discount on mortgages expense within the low-cost housing program.

Habitat monitors these loans on a monthly basis and considers all mortgages to be collectible, thus no allowance for loan losses has been recorded. Habitat maintains a partner relationship with the mortgagees. However, Habitat will consider foreclosure proceedings on any delinquent accounts if the partner family ceases to have the ability to pay and make payments on the mortgage or no longer has a willingness to partner with the Organization. In the event of default, Habitat would foreclose on the house and re-sell it to another qualified homeowner. Due to the underlying asset being sold at cost, all loans are considered to be fully collateralized.

Land, Building, and Equipment

Land, buildings, and equipment are recorded at acquisition cost, including costs necessary to get the asset ready for its intended use. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the respective assets.

Homeowners' Escrow (Liability)

Habitat collects funds from mortgagees to pay property taxes and homeowners' insurance on the mortgagee homes.

NORTHEAST TEXAS HABITAT FOR HUMANITY®, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

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

Grant Advances

Grant receipts which are restricted are recognized as a liability until the restrictions are met.

Contributed Services

A substantial number of volunteers have made significant contributions of their time to the Habitat's program and supporting services. The value of this contributed time is not reflected in the financial statements since it does not require a specialized skill. However, certain other contributed services that require specialized skills, were provided by individuals possessing those skills and otherwise needing to be purchased if not provided by donation, are recognized as revenue and expense.

See Note 6 for additional information.

Advertising

We expense advertising costs as they are incurred. These expenses, which are insignificant, include media and other promotional and sponsorship costs.

Impairment Loss

For assets to be held and used, generally accepted accounting principles require the recognition of an impairment loss whenever events or changes in circumstances have indicated that an asset may be impaired and the future cash flows from that asset are less than the asset's carrying amount. The impairment loss is measured as the difference between the asset's carrying amount and its fair value. No impairment losses were recorded for the year ending June 30, 2023.

Income Tax Status

Habitat is organized as a nonprofit corporation under the laws of the State of Texas and is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Donors of cash and/or property are entitled to the maximum charitable contribution deduction allowed by law. Habitat follows the guidance of Accounting Standards Codification (ASC) 740, Accounting for Income Taxes, related to uncertainties in income taxes, which prescribes a threshold of more-likely-than-not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. There are no such uncertain tax positions for Habitat for the year ended June 30, 2023.

Fair Value Measurements

Habitat reports financial instruments in accordance with Financial Accounting Standards Board ASC 820, which clarifies that fair value is an exit price, representing the amount that would be received to see an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for conserving such assumptions, ASC 820 established a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Observable inputs that are directly or indirectly observable in the marketplace.

Level 3 – Unobservable inputs that are supported by little or no market activity.

NORTHEAST TEXAS HABITAT FOR HUMANITY®, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

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

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed from sources independent of the reporting entity, and unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

**Fair Value of Financial Instruments**

Habitat's financial instruments consist of cash and cash equivalents, mortgages receivable, accounts payment and notes payable. Cash and cash equivalents, accounts payable and notes payable are stated at cost, which approximates fair value.

**Management of Liquidity**

Habitat financial assets available within one year of the Statements of Financial Position for general expenditures are \$1,258,048 in 2023. As part of the department's liquidity management, its policy is to structure financial assets to be available as its general expenditures and other obligations come due. In addition, Habitat invests excess cash in due on demand bank accounts. There are no reductions of financial assets for contractual or donor-imposed restrictions.

**Note 2 – Revenue Recognition:**

Our revenue recognition approach for contracts with customers is a single principles-based, five-step model to be applied to all contracts with customers. The steps are to (1) identify the contract(s) with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when each performance obligation is satisfied.

Our largest contracts are with granting agencies and not customers. Fundraising events seek sponsors and event guests and do not rise to the level of a substantial exchange transaction. We also receive significant revenues from our retail store front. The performance obligation for fundraising and retail sales are satisfied at a point in time and revenue is recognized in the period the performance obligation is satisfied. There is no variable consideration or other provisions that cause contract assets or liabilities to arise in regard to contract, fundraising, or retail revenues.

Our revenue contracts with customers may include a promise or promises to deliver affordable housing and repairs to low-income families. Promised goods are considered distinct as the customer can benefit from the goods either on their own or together with other resources available to the customer. We account for these transactions as individual performance obligations as each real estate transaction is distinct.

The transaction price is determined on contractual price based on our cost to construct or repair the housing unit and reflects the amount of consideration to which we expect to be entitled in exchange for transferring goods to the customer. In determining the transaction price, we consider our enforceable rights and obligations within the contract. Revenue is recognized when performance obligations are satisfied by transferring goods to the customer.

Contract assets arise from costs that are incremental to the acquisition of a contract. We have no significant contract assets.

NORTHEAST TEXAS HABITAT FOR HUMANITY®, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2023

Note 2 – Revenue Recognition: (continued)

Contract liabilities arise when certain payments received in advance of services being provided. We have no significant contract liabilities.

*Disaggregation of Revenue*

The majority all our revenues are the result of satisfying contractually based performance obligations. Fundraising revenues and donated services are not included within the scope of ASC 606 and represent minimal amounts of total revenues.

Revenues recognized over a period of time	\$ 326,769
Revenues recognized at a point in time	660,504
Revenues excluded from ASC 606	<u>1,316,110</u>
Total Revenues	<u>\$ 2,303,383</u>

Our customers are generally concentrated in East Texas.

*Nature of Services*

Revenues are earned from our customers primarily through providing substantial repair or upgrades to citizens homes. Revenues for these services are billed based on set rates established by each contract. We have the right to limit or decline the provision of service if contractual rates are not agreed to by either party. The revenue for these services is recognized as the service is rendered. Customers and grantors are generally billed for services monthly based on our cost to complete the designated repair, with the bill being due within 30 days.

*Receivables*

A receivable is recognized in the period we provide goods and services when our right to consideration is unconditional. Payment terms on billed amounts are generally 30 days.

Note 3 – Inventory:

As of June 30, 2023, Habitat inventory consisted of the following components:

Construction in progress on future homes	\$ 67,230
Land held for development	17,270
Retail	<u>10,093</u>
Total	<u>\$ 94,593</u>

NORTHEAST TEXAS HABITAT FOR HUMANITY®, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

Note 4 – Mortgages Receivable:

As part of its program services, Habitat provides noninterest-bearing loans to homeowners. The loans are repaid over fifteen to thirty years and collateralized by Habitat-built homes. As of June 30, 2023, Habitat mortgages receivable was as follows:

Mortgages receivable	\$ 1,502,511
Financing Discount Based on Imputed Interest	<u>(820,833)</u>
<b>Mortgages Receivable, Net</b>	<b>\$ <u>681,678</u></b>

Mortgages receivable were valued using the income approach and inputs were considered Level 2 under the fair value hierarchy. Future mortgage payments scheduled to be collected net of discounts at June 30, 2023 are as follows:

	<u>Gross Receipts</u>	<u>Financing Discount</u>	<u>Net</u>
2024	\$ 87,576	\$ 45,432	\$ 42,144
2025	87,576	45,432	42,144
2026	87,576	45,432	42,144
2027	84,360	43,786	40,574
2028	80,169	41,610	38,559
Thereafter	<u>1,075,254</u>	<u>599,141</u>	<u>476,113</u>
	<b>\$ <u>1,502,511</u></b>	<b>\$ <u>820,833</u></b>	<b>\$ <u>681,678</u></b>

Note 5 – Property and Equipment:

Cost and useful lives as of June 30, 2023 consisted of the following:

	<u>Useful Lives</u>	<u>Cost</u>
Buildings and improvements	10 – 40 years	\$ 1,064,814
Vehicles and equipment	7 years	52,594
Office equipment	3 – 7 years	<u>44,908</u>
<b>Total Fixed Assets</b>		<b>\$ <u>1,162,316</u></b>

Depreciation expense for the year ended June 30, 2023 was \$71,793.

Note 6 – In-Kind Contributions:

Habitat received the following as gifts in-kind during the year ended June 30, 2023:

Construction materials and services	\$ 39,961
Inventory for ReStore	<u>263,862</u>
<b>Total</b>	<b>\$ <u>303,823</u></b>

NORTHEAST TEXAS HABITAT FOR HUMANITY®, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

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**Note 6 – In-Kind Contributions: (continued)**

Construction materials and services were utilized in 2023 at ordinarily billed rates, which approximates fair value.

ReStore inventory is monetized at the time in which donated items are sold to customers at our retail location. At the time of donation, donors are required to provide Habitat with a valuation of all items donated. Revenue from donated inventory for 2023 was \$283,607. Construction materials and services related to new home construction is monetized at closing date, in which the associated property is sold. Revenues from home sales were \$282,495 in 2023. Home sale revenues include recovery of both purchased and contributed materials and services.

**Note 7 – Pension Plan:**

Habitat provides a 401(k) plan for substantially all employees. The employees may elect to contribute to such plan with the employer having required and discretionary matching contributions. For the year ended June 30, 2023, Habitat made \$10,194 in matching and discretionary contributions.

**Note 8 – Contingencies:**

The Organization periodically receives government grants subject to certain matching and compliance requirements. In the event the Organization does not meet such requirements, it may be required to refund certain grant funds. In the opinion of management, any liability arising from such grants is immaterial to these financial statements.

**Note 9 – Concentration of Credit Risk:**

Financial instruments that subject us to concentrations of credit risk consist primarily of temporary cash investments and note receivables.

Our policy is to place temporary cash investments with major federally insured financial institutions. Cash balances with financial institutions are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). We may at times maintain cash positions in excess of FDIC insurance limits.

The Organization owned mortgages with a net carrying value of \$1,502,510 as of June 30, 2023. The mortgages are collateralized by houses built by the Organization in Longview, Texas. In the event of default, the Organization repossesses the house and resells to another qualified buyer.

We believe the risk of credit loss due to nonperformance by counter parties is remote and any losses would not be material to the results of operations or financial condition.

We also receive approximately 23 percent of our revenues from two grant sources, each representing approximately 10 percent or more of total revenues.

**Note 10 – Functional Allocation of Expenses:**

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

NORTHEAST TEXAS HABITAT FOR HUMANITY®, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2023

**Note 11 – Long-Term Debt:**

In 2021, we received loan proceeds totaling \$150,000 under the Economic Injury Disaster Loan (EIDL). The loan program has allowed borrowers to defer repayment for 24 months and interest accrues monthly at a 2.75 percent interest rate. Loan repayment terms are principal and interest payments for a 30-year term. The principal balances of the EIDL loan are recognized as note payable in the long-term liability section of the balance sheet.

We have also entered into an open-end revolving line-of-credit, for operating purposes. Under the terms of operating line-of-credit, we are allowed to borrow a maximum of \$50,000. The operating line-of-credit is secured by substantially all assets. We have available under these agreements \$50,000 as of June 30, 2023. We expect to renew the line-of-credit during the 2024 fiscal period.

The maturities of long-term debt for each of the five years succeeding the balance sheet are as follows:

2024	\$ 3,713
2025	3,817
2026	3,923
2027	4,032
2028	4,144
Thereafter	<u>127,409</u>
	<u>\$ 147,038</u>

**Note 12 – Additional Cash Flow Information:**

Cash paid during the year:	<u>2023</u>
Interest	<u>\$ 3,698</u>

**Note 13 – Subsequent Events:**

We have evaluated subsequent events through December 12, 2023, the date which the financial statements were available to be issued.