

**MONTGOMERY COUNTY HABITAT FOR HUMANITY INC.
dba HABITAT FOR HUMANITY MONTGOMERY COUNTY, TX**

CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2022

MONTGOMERY COUNTY HABITAT FOR HUMANITY INC.
dba HABITAT FOR HUMANITY MONTGOMERY COUNTY, TX
Conroe, Texas

CONSOLIDATED FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Montgomery County Habitat for Humanity Inc.
dba Habitat for Humanity Montgomery County, TX
Conroe, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Montgomery County Habitat for Humanity Inc. dba Habitat for Humanity Montgomery County, TX (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the fiscal 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 financial position of Montgomery County Habitat for Humanity Inc. dba Habitat for Humanity Montgomery County, TX as of June 30, 2022, and the results of its operations and its cash flows for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Montgomery County Habitat for Humanity Inc. dba Habitat for Humanity Montgomery County, TX 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 the consolidated 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 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 Montgomery County Habitat for Humanity Inc. dba Habitat for Humanity Montgomery County, TX's ability to continue as a going concern for one year from the date the consolidated financial statements are available to be issued.

(Continued)


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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 Montgomery County Habitat for Humanity Inc. dba Habitat for Humanity Montgomery County, TX'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Montgomery County Habitat for Humanity Inc. dba Habitat for Humanity Montgomery County, TX'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.


Crowe LLP

The Woodlands, Texas
October 19, 2022

MONTGOMERY COUNTY HABITAT FOR HUMANITY INC.
dba HABITAT FOR HUMANITY MONTGOMERY COUNTY, TX
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2022

ASSETS

Cash	\$ 3,647,739
Mortgage loans receivable, net	3,042,320
Other receivables	133,470
Home construction in progress	1,408,764
Capitalized infrastructure costs	1,647,784
Land held for development	843,474
Property and equipment, net	3,187,348
Other assets	<u>37,674</u>
Total assets	<u>\$ 13,948,573</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 262,561
Accrued liabilities	43,338
Deferred revenue	29,003
Notes payable	<u>1,809,939</u>
Total liabilities	2,144,841
Net assets	
Without donor restrictions	11,687,625
With donor restrictions	<u>116,107</u>
Total net assets	<u>11,803,732</u>
Total liabilities and net assets	<u>\$ 13,948,573</u>

See accompanying notes to consolidated financial statements.

MONTGOMERY COUNTY HABITAT FOR HUMANITY INC.
 dba HABITAT FOR HUMANITY MONTGOMERY COUNTY, TX
 CONSOLIDATED STATEMENT OF ACTIVITIES
 For the fiscal year ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Low-cost housing sales	\$ 501,282	\$ -	\$ 501,282
ReStore sales, net	916,241	-	916,241
Home sponsorship contributions	-	440,143	440,143
Land donation for future development	651,000	-	651,000
General contributions and grants	497,087	-	497,087
PPP loan forgiveness	199,565	-	199,565
Fundraising events, net (revenues of \$807,013 less expenses of \$169,988)	637,025	-	637,025
Gain from sale of assets	892,289	-	892,289
In-kind rent	12,018	-	12,018
Other income	39,966	-	39,966
Net assets released from restrictions	<u>467,665</u>	<u>(467,665)</u>	<u>-</u>
Total revenues and other support	<u>4,814,138</u>	<u>(27,522)</u>	<u>4,786,616</u>
Expenses			
Program expenses			
Low-cost housing	1,364,155	-	1,364,155
ReStore	700,676	-	700,676
Supporting services			
Management and general	247,000	-	247,000
Fundraising	<u>343,640</u>	<u>-</u>	<u>343,640</u>
Total expenses	<u>2,655,471</u>	<u>-</u>	<u>2,655,471</u>
Change in net assets	2,158,667	(27,522)	2,131,145
Net assets, beginning of fiscal year	<u>9,528,958</u>	<u>143,629</u>	<u>9,672,587</u>
Net assets, end of fiscal year	<u>\$ 11,687,625</u>	<u>\$ 116,107</u>	<u>\$ 11,803,732</u>

See accompanying notes to consolidated financial statements.

MONTGOMERY COUNTY HABITAT FOR HUMANITY INC.
dba HABILAT FOR HUMANITY MONTGOMERY COUNTY, TX
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the fiscal year ended June 30, 2022

	Program Services		Supporting Services		Total
	Low-Cost Housing	ReStore	Management and General	Fundraising	
Program and home building	\$ 740,325	\$ -	\$ -	\$ -	\$ 740,325
Salaries, taxes, and benefits	390,602	381,756	121,779	211,637	1,105,774
Advertising and marketing	-	12	-	2,326	2,338
Bad debt expense	6,673	-	-	-	6,673
Bank and credit card fees	274	18,423	250	23,363	42,310
Conferences and meetings	751	510	2,829	2,218	6,308
Depreciation	4,453	81,041	1,781	1,781	89,056
Dues and subscriptions	12,397	7,802	32,268	4,421	56,888
Insurance	49,766	34,792	2,176	1,451	88,185
In-kind rent	6,008	-	3,005	3,005	12,018
Interest	1,565	89,468	-	-	91,033
International tithe contribution	35,000	-	-	-	35,000
Office supplies	4,793	2,180	2,769	3,778	13,520
Postage and printing	1,347	1,289	1,252	18,191	22,079
Professional and contracted services	17,269	1,623	52,181	42,933	114,006
Program supplies	6,090	13,045	184	16,158	35,477
Repairs and maintenance	49,271	28,294	1,203	1,394	80,162
Staff development and training	5,453	1,122	1,544	220	8,339
Travel and transportation	7,687	2,911	5,036	6,091	21,725
Utilities	7,873	36,385	4,093	2,441	50,792
Other	16,558	23	14,650	2,232	33,463
Total expenses	\$ 1,364,155	\$ 700,676	\$ 247,000	\$ 343,640	\$ 2,655,471

See accompanying notes to consolidated financial statements.

MONTGOMERY COUNTY HABITAT FOR HUMANITY INC.
 dba HABITAT FOR HUMANITY MONTGOMERY COUNTY, TX
 CONSOLIDATED STATEMENT OF CASH FLOWS
 For the fiscal year ended June 30, 2022

Cash flows from operating activities	
Change in net assets	\$ 2,131,145
Adjustments to reconcile change in net assets to net cash from operating activities:	
Unamortized mortgage discount	(27,199)
Bad debt expense	6,673
Depreciation	89,056
PPP loan forgiveness	(199,565)
Gain from sale of assets	(892,289)
Change in operating assets and liabilities:	
Mortgage loans receivable, net	28,858
Other receivables	(31,836)
Home construction in progress	(710,425)
Capitalized infrastructure costs	135,798
Land held for development	(797,045)
Other assets	(14,841)
Accounts payable	238,349
Accrued liabilities	2,470
Deferred revenue	29,003
Net cash from (used in) operating activities	<u>(11,848)</u>
Cash flows from investing activities	
Purchases of property and equipment	(160,843)
Proceeds from sale of property and equipment	1,445,431
Net cash from (used in) investing activities	<u>1,284,588</u>
Cash from financing activities	
Payments on note payable	(540,558)
Proceeds from notes payable	25,387
Net cash from (used in) financing activities	<u>(515,171)</u>
Net increase in cash	757,569
Cash, beginning of fiscal year	<u>2,890,170</u>
Cash, end of fiscal year	<u><u>\$ 3,647,739</u></u>
Supplemental cash flow information:	
Interest paid	\$ 91,034

See accompanying notes to consolidated financial statements.

MONTGOMERY COUNTY HABITAT FOR HUMANITY INC.
dba HABITAT FOR HUMANITY MONTGOMERY COUNTY, TX
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Montgomery County Habitat for Humanity Inc. dba Habitat for Humanity Montgomery County, TX (“Montgomery County Habitat”) is a nonprofit corporation (NFP) that works in partnership with God and people from all walks of life to improve the quality of life in Montgomery County, Texas by building and renovating homes so that everyone has a decent place to live and prosper. Montgomery County Habitat is an affiliate of Habitat for Humanity International (HFHI) located in Americus, Georgia.

Montgomery County Habitat’s mission is accomplished through a privately operated and financed program to sell affordable housing to low-income persons at fair market value, using zero interest rate mortgage loans. Montgomery County Habitat builds homes in Montgomery County, Texas using volunteer labor, donated materials, and contributed funds. The homes are sold to pre-qualified, low-income persons that are selected based on need, ability to pay a long-term mortgage, and willingness to partner. Homes sold to approved, qualified buyers are financed by Montgomery County Habitat for terms ranging from 20 to 30 years.

Montgomery County Habitat repairs homes affected by natural disasters as well as general home repairs for low-income persons. Montgomery County Habitat provides repairs necessary to make homes safe, sanitary, and secure, including mold testing and remediation. Montgomery County Habitat helps preserve Montgomery County’s affordable housing and revitalize neighborhoods.

Montgomery County Habitat operates its Habitat ReStore (the “ReStore”), a home improvement outlet and donation center that accepts and sells new and gently used items to the public at a reduced retail price while simultaneously reducing reusable material from going to area landfills. Items accepted and sold include rebuilding material, furniture, appliances, lighting fixtures, and other home goods.

On July 23, 2021, Montgomery County Habitat formed HFH Magnolia, LLC, a limited liability company wholly-owned by Montgomery County Habitat, as a holding entity for donated land received for future home development.

Basis of Consolidation: These consolidated financial statements include the assets, liabilities, net assets, and activities of Montgomery County Habitat and HFH Magnolia, LLC (collectively, the “Organization”). All balances and transactions between Montgomery County Habitat and its wholly-owned entity have been eliminated. The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of Accounting: The Organization uses the accrual basis of accounting in accordance with GAAP. Revenues are recognized when they are earned. Expenses are recognized when they are incurred.

Basis of Presentation: In accordance with GAAP, the Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

- *Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions even though their use may be limited in other respects, including by contract or Board designation.
- *Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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MONTGOMERY COUNTY HABITAT FOR HUMANITY INC.
dba HABITAT FOR HUMANITY MONTGOMERY COUNTY, TX
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service.

Estimates: Management makes estimates and assumptions in preparing consolidated financial statements in accordance with GAAP. These estimates and assumptions affect the reported amounts of assets, liabilities, revenues, and expenses; the disclosure of contingent assets and liabilities; and the allocation of expenses among various functions. Actual results could vary from these estimates.

Income Taxes: Montgomery County Habitat is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code (IRC). Contributions to Montgomery County Habitat are tax deductible to donors under §170 of the IRC. Tax years 2019, 2020, and 2021 remain open for audit. Montgomery County Habitat is not classified as a private foundation.

Mortgage Loans Receivable: Mortgage loans receivable primarily consist of zero interest mortgages, which are secured by improved real estate and are payable in monthly installments over terms ranging from 20 to 30 years. Mortgage loans receivable are discounted based upon prevailing market interest rates for low-income housing at mortgage inception. The discount is amortized using the effective interest method.

Establishing an allowance for loan losses is based on historical collection experience and a review of the status of mortgage loans receivable. Montgomery County Habitat considers its mortgage loans receivable to be fully collectible, or if not fully collectible that the value of the homes collateralizing the loans exceeds the unpaid related mortgage loans receivable. Accordingly, no allowance for loan losses is included in these consolidated financial statements.

A second lien note may be required from some home purchasers at the time of sale. The terms of the second lien notes provide that no payments of principal or interest are payable on these notes as long as the purchaser performs each obligation of the first lien mortgage. After each anniversary of payments on the first lien mortgage, one tenth of the original balance of the second lien note is forgiven until it is reduced to zero. Second lien notes not yet forgiven of \$318,647 at June 30, 2022 are not reflected in the consolidated financial statements.

Home Construction in Progress and Capitalized Infrastructure Costs: Costs for construction of homes and community infrastructure are stated at lower of cost or net realizable value and consist of labor, materials, property taxes, and land preparation costs incurred under a development plan, including incomplete homes in progress and completed homes not yet conveyed to a recipient family. These costs are expensed to cost of homes sold within the low-cost housing program when the home is transferred to the recipient family and are included with program and home building in the consolidated statement of functional expenses.

Homes acquired through repurchase, loan repossession, or foreclosure are included in home construction in progress. These homes are prepared for resale after performing necessary repairs and modifications and are initially recorded at fair value less estimated costs to sell at the date acquired.

Land Held for Development: The Organization has undeveloped land held for future home and neighborhood development or sale. Purchased land is recorded at cost and donated land is recorded at the fair market value at the time it is received. Early-stage engineering and development costs are temporarily capitalized to land held for development prior to being transferred to capitalized infrastructure costs upon finalization of the development or building plan and commencement of home construction.

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MONTGOMERY COUNTY HABITAT FOR HUMANITY INC.
dba HABITAT FOR HUMANITY MONTGOMERY COUNTY, TX
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Asset Impairment: Real estate assets are evaluated for impairment if an impairment indicator is present. The carrying value of an asset is impaired to fair value less costs to sell when management believes that events or changes in circumstances indicate that its carrying amount may not be recoverable.

Property and Equipment: The Organization capitalizes property and equipment in excess of \$500. Capitalized assets are reported at cost if purchased and at fair value at date of gift if donated, net of accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives of 20 to 39 years for buildings and improvements and 5 to 10 years for furniture, equipment, and vehicles.

Revenue Recognition: Revenue is recognized at the time when the ownership, risks, and rewards transfer.

Low-Cost Housing Sales: Homes are sold to qualified buyers at the appraised value or fair market value of the home. Zero interest rate mortgages are provided to qualified persons to pay for their purchased home. Home sales are recorded at loan value at the time of sale and are discounted based upon prevailing market interest rates for low-income housing at the inception of the mortgage, with revenue recognized upon closing a home sale. Some qualified persons may receive down payment assistance from other agencies to reduce their loan amount. During the fiscal year ended June 30, 2022, four homes were sold by Montgomery County Habitat.

ReStore Sales: Sales of items from Montgomery County Habitat's resale shop are reported as revenue at the point of sale.

Contributions: Cash contributions are recognized at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations limiting use are classified as restricted support. Conditional contributions are recognized as conditions are substantially met.

Paycheck Protection Program (PPP) Loan Forgiveness: A component of the Coronavirus Aid, Relief, and Economic Security Act is the PPP, which provides qualified small businesses and certain tax-exempt organizations economic relief due to the adverse impact of COVID-19. The PPP is administered by the U.S. Small Business Administration with support from the U.S. Department of the Treasury. In March 2021, the Organization received funding of \$199,565 in the form of a two-year loan. The Organization received notice of full forgiveness of the PPP loan in March 2022, with the balance of the forgiven note presented as PPP loan forgiveness in the consolidated statement of activities.

Noncash Contributions: Donated properties, equipment, or use of facilities are recognized at estimated fair value as contributions upon receipt of an unconditional commitment from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, provided by individuals possessing those skills that would typically need to be purchased if not donated. Volunteers provided approximately 26,000 hours in the fiscal year ended June 30, 2022, assisting Montgomery County Habitat with home construction services which are not reflected in the consolidated financial statements since the services do not meet the recognition criteria under GAAP.

Advertising: Costs for advertising and marketing are expensed as incurred.

(Continued)

MONTGOMERY COUNTY HABITAT FOR HUMANITY INC.
dba HABITAT FOR HUMANITY MONTGOMERY COUNTY, TX
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Functional Allocation of Expenses: Expenses are reported by their functional classification as program services or supporting activities. Program services are the direct conduct or supervision of activities that fulfill the Organization's purposes. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one program or supporting activity are allocated among the benefitting activities. Salaries and related costs are allocated on the basis of estimated time and effort expended.

Concentration of Credit Risk: Financial instruments that potentially subject the Organization to a significant concentration of credit risk relate to bank deposits at one of the Organization's financial institutions exceeding the federally insured limit. Management does not consider the solvency of the financial institution to be a concern at this time.

NOTE 2 – LIQUIDITY

Financial assets available for general expenditures, without donor or other restrictions, over the next fiscal year as of June 30, 2022 are as follows:

Financial assets	
Cash	\$ 3,647,739
Mortgage loans receivable, net	3,042,320
Other receivables	<u>133,470</u>
Total financial assets	6,823,529
Less: amounts not available within one year:	
Mortgage loans receivable due in more than one year	(2,848,557)
Net assets with donor restrictions	<u>(116,107)</u>
Financial assets available to meet general expenditures over the next fiscal year	<u>\$ 3,858,865</u>

In analyzing liquidity available to meet general expenditures for an upcoming fiscal year, the Organization considers general expenditures to include ongoing activities of building and renovating low-income housing as well as the related program services and administrative costs to support those activities. In managing its liquidity, the Organization maintains a significant cash position to pay general expenditures and liabilities as they come due.

(Continued)

MONTGOMERY COUNTY HABITAT FOR HUMANITY INC.
 dba HABITAT FOR HUMANITY MONTGOMERY COUNTY, TX
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 June 30, 2022

NOTE 3 – MORTGAGE LOANS RECEIVABLE

Mortgage loans receivable consists of the following at June 30, 2022:

Mortgage loans receivable, par value	\$ 5,619,798
Less: unamortized discount based on imputed interest, at rates ranging from 7.23% to 8.18%	<u>(2,577,478)</u>
Mortgage loans receivable, net	3,042,320
Less: current portion due within one year	<u>(193,763)</u>
Long-term portion of mortgage loans receivable, net	<u>\$ 2,848,557</u>

In December 2021, the Organization sold certain mortgages to a third-party receiving cash of \$104,689.

A mortgage loan receivable is considered delinquent if the scheduled installment payment is unpaid 30 days after its due date. Delinquent principal amounts of mortgage loans receivable, net at June 30, 2022 were \$24,280 or 0.43%.

Mortgage loans receivable maturities are as follows for the fiscal years ended June 30:

2023	\$ 193,763
2024	192,486
2025	192,266
2026	192,266
2027	190,297
Thereafter	<u>2,081,242</u>
Total	<u>\$ 3,042,320</u>

NOTE 4 – LAND HELD FOR DEVELOPMENT

Land held for development consists of the following at June 30, 2022:

West Montgomery County ("WMC") land	\$ 651,000
Early stage engineering costs - WMC	163,829
Cedar Creek land	<u>28,645</u>
Total	<u>\$ 843,474</u>

In August 2021, the Organization received an unrestricted donation of 81 acres of undeveloped land in West Montgomery County for development as a future neighborhood of Montgomery County Habitat homes. This land was recorded at its appraised fair market value of \$651,000 at the time of donation. Upon receipt of the land donation, the Organization incurred costs for early stage engineering studies and design plans. A formal plan of development for the WMC land is pending approval by the Organization's Board of Directors.

(Continued)

MONTGOMERY COUNTY HABITAT FOR HUMANITY INC.
dba HABITAT FOR HUMANITY MONTGOMERY COUNTY, TX
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022

NOTE 5 – PROPERTY AND EQUIPMENT

In May 2022, the Organization sold an unused portion of the ReStore facility land for \$1,445,431, resulting in a gain from sale of assets of \$892,289.

Property and equipment consists of the following at June 30, 2022:

Land (including \$814,376 related to the ReStore)	\$ 841,298
Buildings (including \$2,483,487 related to the ReStore)	2,648,009
Equipment	111,628
Vehicles	85,630
Mineral interest rights	<u>86,734</u>
Total property and equipment	3,773,299
Less: accumulated depreciation	<u>(585,951)</u>
Total property and equipment, net	<u>\$ 3,187,348</u>

Depreciation expense during the fiscal year June 30, 2022 was \$89,056.

In June 2020, the Organization received a bequest of mineral interest rights that were recorded at fair market value at the time of donation.

NOTE 6 – NOTES PAYABLE

ReStore Note Payable: Montgomery County Habitat executed a loan agreement on September 17, 2014 payable to a financial institution bearing interest at the rate of 4% and secured with the ReStore land, facility, furniture, fixtures, equipment, and inventory. The note was payable in monthly installments of principal and interest, with the remaining principal and interest payable due in full on September 20, 2025. In May 2022, the Organization used \$400,000 of the proceeds from the sale of unused ReStore land (see Note 5) to make accelerated payments on the note. The balance of the ReStore note payable as of June 30, 2022 was \$1,787,388. The Organization paid off this ReStore loan on August 26, 2022.

On August 26, 2022, the Organization executed a refinanced ReStore loan agreement for \$1,845,000 with the same financial institution at an interest rate of 4% and extended the maturity date to August 26, 2037 with no balloon payment upon maturity. This loan is secured with the ReStore land, facility, furniture, fixtures, equipment, and inventory. Monthly principal and interest payments began in September 2022.

Vehicle Note Payable: In September 2021, the Organization financed the purchase of a vehicle with a note payable to a financial institution with an interest rate of 7.49% and secured by the vehicle. The note is payable in monthly installments of principal and interest until maturity on September 30, 2027. The vehicle note payable as of June 30, 2022 was \$22,551.

(Continued)

MONTGOMERY COUNTY HABITAT FOR HUMANITY INC.
dba HABITAT FOR HUMANITY MONTGOMERY COUNTY, TX
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022

NOTE 6 – NOTES PAYABLE (Continued)

As of June 30, 2022 and prior to the refinanced ReStore loan agreement, maturities of the notes payable were as follows for the fiscal years ended June 30:

2023	\$ 144,879
2024	150,709
2025	157,206
2026	1,351,314
2027	5,020
Thereafter	<u>811</u>
Total	<u>\$ 1,809,939</u>

The Organization incurred \$91,034 in interest expense during the fiscal year ended June 30, 2022.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

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

Home construction	\$ 115,910
Disaster home repairs	<u>197</u>
Total	<u>\$ 116,107</u>

NOTE 8 – COMMITMENTS AND CONTINGENCIES

The Organization depends on volunteers to perform a significant portion of the construction labor as well as management functions. A significant reduction in the level of volunteer support could have a significant effect on the cost or achievement of the Organization's major programs. The ongoing challenges of the Coronavirus, increasing costs and availability of building materials, and deteriorating economic conditions impacting donors and future development efforts, could adversely impact the Organization's future program services and its financial results of operations and cash flows.

NOTE 9 – SUBSEQUENT EVENTS

Except as described above, the Organization has determined that no events or transactions occurred subsequent to October 19, 2022, the date these consolidated financial statements were available to be issued, that require recognition or disclosure.