

Golden Crescent Habitat for Humanity, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2019 and 2018

Golden Crescent Habitat for Humanity, Inc.

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Independent Auditors' Report

To the Board of Directors of
Golden Crescent Habitat for Humanity, Inc.:

We have audited the accompanying financial statements of Golden Crescent Habitat for Humanity, Inc. (Golden Crescent Habitat), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Golden Crescent Habitat as of June 30, 2019 and 2018 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, Golden Crescent Habitat adopted the amendments of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. These amendments have been applied on a retrospective basis to the financial statements as of and for the year ended June 30, 2018, except that certain information has been omitted as permitted by the ASU. Our opinion is not modified with respect to this matter.

Blazek & Vetterling

March 9, 2020

Golden Crescent Habitat for Humanity, Inc.

Statements of Financial Position as of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash	\$ 2,250,644	\$ 241,438
Cash designated for operating reserve	78,000	60,400
Contributions receivable, net (<i>Note 4</i>)	2,516,715	151,232
Prepaid expenses and other assets	40,184	27,097
Home construction in progress (<i>Note 5</i>)	465,697	773,515
Lots and land held for development	72,905	106,614
Mortgage loans receivable, net (<i>Note 6</i>)	796,547	757,264
Property, net (<i>Note 7</i>)	<u>1,573,948</u>	<u>1,553,709</u>
TOTAL ASSETS	<u>\$ 7,794,640</u>	<u>\$ 3,671,269</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 153,287	\$ 113,301
Notes payable (<i>Note 8</i>)	<u>1,083,206</u>	<u>1,293,723</u>
Total liabilities	<u>1,236,493</u>	<u>1,407,024</u>
Net assets:		
Without donor restrictions (<i>Note 9</i>)	2,069,364	1,879,517
With donor restrictions (<i>Note 10</i>)	<u>4,488,783</u>	<u>384,728</u>
Total net assets	<u>6,558,147</u>	<u>2,264,245</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,794,640</u>	<u>\$ 3,671,269</u>

See accompanying notes to financial statements.

Golden Crescent Habitat for Humanity, Inc.

Statement of Activities for the year ended June 30, 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE, GAINS AND SUPPORT:			
Low-cost housing income:			
Home sales	\$ 567,000		\$ 567,000
Mortgage discount amortization	60,342		60,342
In-kind contributions of materials	151,958		151,958
Other fees	<u>10,122</u>		<u>10,122</u>
Total low-cost housing income	<u>789,422</u>		<u>789,422</u>
Contributions and other:			
Contributions	389,472	\$ 5,973,210	6,362,682
In-kind contributions of inventory	266,745		266,745
Special event	139,827		139,827
Direct donor benefit	(91,624)		(91,624)
Loss on disposal of property	(11,614)		(11,614)
Other income	<u>34,408</u>		<u>34,408</u>
Subtotal contributions and other	727,214	5,973,210	6,700,424
Satisfaction of donor restrictions:			
Expenditures for program restrictions	1,813,245	(1,813,245)	
Expenditures for property	<u>55,910</u>	<u>(55,910)</u>	
Total contributions and other	<u>2,596,369</u>	<u>4,104,055</u>	<u>6,700,424</u>
The ReStore:			
The ReStore sales of inventory	369,077		369,077
The ReStore cost of goods sold	<u>(284,079)</u>		<u>(284,079)</u>
Total ReStore, net	<u>84,998</u>		<u>84,998</u>
Total revenue, gains and support	<u>3,470,789</u>	<u>4,104,055</u>	<u>7,574,844</u>
EXPENSES:			
Low-cost housing program	2,673,705		2,673,705
The ReStore	292,029		292,029
Management and general	232,700		232,700
Fundraising	<u>82,508</u>		<u>82,508</u>
Total expenses	<u>3,280,942</u>		<u>3,280,942</u>
CHANGES IN NET ASSETS	189,847	4,104,055	4,293,902
Net assets, beginning of year	<u>1,879,517</u>	<u>384,728</u>	<u>2,264,245</u>
Net assets, end of year	<u>\$ 2,069,364</u>	<u>\$ 4,488,783</u>	<u>\$ 6,558,147</u>

See accompanying notes to financial statements.

Golden Crescent Habitat for Humanity, Inc.

Statement of Activities for the year ended June 30, 2018

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE, GAINS AND SUPPORT:			
Low-cost housing income:			
Home sales	\$ 152,791		\$ 152,791
Mortgage discount amortization	56,125		56,125
In-kind contributions of materials	44,143		44,143
Other fees	<u>10,873</u>		<u>10,873</u>
Total low-cost housing income	<u>263,932</u>		<u>263,932</u>
Contributions and other:			
Contributions	169,159	\$ 1,057,226	1,226,385
In-kind contributions of inventory	202,597		202,597
Special event	137,444		137,444
Direct donor benefit	(89,813)		(89,813)
Other income	<u>10,818</u>		<u>10,818</u>
Subtotal contributions and other	430,205	1,057,226	1,487,431
Satisfaction of donor restrictions:			
Expenditures for program restrictions	371,258	(371,258)	
Expenditures for property	<u>455,000</u>	<u>(455,000)</u>	
Total contributions and other	<u>1,256,463</u>	<u>230,968</u>	<u>1,487,431</u>
The ReStore:			
The ReStore sales of inventory	270,181		270,181
The ReStore cost of goods sold	<u>(202,698)</u>		<u>(202,698)</u>
Total ReStore, net	<u>67,483</u>		<u>67,483</u>
Total revenue, gains and support	<u>1,587,878</u>	<u>230,968</u>	<u>1,818,846</u>
EXPENSES:			
Low-cost housing program	773,193		773,193
The ReStore	244,928		244,928
Management and general	186,504		186,504
Fundraising	<u>90,334</u>		<u>90,334</u>
Total expenses	<u>1,294,959</u>		<u>1,294,959</u>
CHANGES IN NET ASSETS BEFORE OTHER	292,919	230,968	523,887
OTHER CHANGES IN NET ASSETS:			
Gain on involuntary conversion	85,397		85,397
Gain on sale of property	<u>54,938</u>		<u>54,938</u>
CHANGES IN NET ASSETS	433,254	230,968	664,222
Net assets, beginning of year (Note 2)	<u>1,446,263</u>	<u>153,760</u>	<u>1,600,023</u>
Net assets, end of year	<u>\$ 1,879,517</u>	<u>\$ 384,728</u>	<u>\$ 2,264,245</u>

See accompanying notes to financial statements.

Golden Crescent Habitat for Humanity, Inc.

Statement of Functional Expenses for the year ended June 30, 2019

<u>EXPENSES</u>	<u>LOW-COST HOUSING PROGRAM</u>	<u>THE RESTORE PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries and related benefits	\$ 455,979	\$ 158,066	\$ 69,570	\$ 26,828	\$ 710,443
Disaster construction relief	989,647				989,647
Cost of homes sold	811,189				811,189
Discount on mortgages issued	136,270				136,270
Professional fees	25,809		51,456		77,265
Depreciation	27,113	27,892	3,244	924	59,173
Interest expense	15,823	28,791	13,378	331	58,323
Property taxes and insurance	19,394	16,732	12,655	6,328	55,109
Supplies	37,770	8,975	3,939	2,139	52,823
Occupancy	25,399	20,191	2,919	876	49,385
Advertising and marketing			41,618	244	41,862
Contract services	5,289	2,244	2,488	29,313	39,334
Travel	23,505	7,779	3,646		34,930
Equipment and other rentals	26,891	3,100	2,826	554	33,371
Repairs and maintenance	19,668	5,231			24,899
Postage, delivery and printing	8,963	1,289	4,104	10,015	24,371
Tithes to other non-profits	20,900				20,900
Dues and subscriptions	10,497	4,065			14,562
Bank fees		5,964	7,980		13,944
Meals and entertainment		516	7,848		8,364
Professional development	6,300	625			6,925
Software				4,939	4,939
Home repair costs	3,362				3,362
Other	<u>3,937</u>	<u>569</u>	<u>5,029</u>	<u>17</u>	<u>9,552</u>
Total expenses	<u>\$ 2,673,705</u>	<u>\$ 292,029</u>	<u>\$ 232,700</u>	<u>\$ 82,508</u>	3,280,942
Direct donor benefit					91,624
The ReStore cost of goods sold					<u>284,079</u>
Total					<u>\$ 3,656,645</u>

See accompanying notes to financial statements.

Golden Crescent Habitat for Humanity, Inc.

Statement of Functional Expenses for the year ended June 30, 2018

<u>EXPENSES</u>	<u>LOW-COST HOUSING PROGRAM</u>	<u>THE RESTORE PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries and related benefits	\$ 214,169	\$ 121,767	\$ 61,596	\$ 23,716	\$ 421,248
Disaster construction relief	192,886				192,886
Cost of homes sold	163,644				163,644
Discount on mortgages issued	32,156				32,156
Professional fees	12,240		29,942		42,182
Depreciation	9,280	23,940	1,468	550	35,238
Interest expense	13,883	25,263	19,554	294	58,994
Property taxes and insurance	11,661	22,856	6,276	4,138	44,931
Supplies	9,963	7,469	3,141	2,506	23,079
Occupancy	16,726	20,349	4,370	1,630	43,075
Advertising and marketing			39,506	1,603	41,109
Contract services	11,679	2,280		29,710	43,669
Travel	9,762	2,717			12,479
Equipment and other rentals	23,039	3,068	1,833	359	28,299
Repairs and maintenance	14,103	9,593			23,696
Postage, delivery and printing	2,638	54	899	14,225	17,816
Tithes to other non-profits	11,000				11,000
Dues and subscriptions	10,567	2,510			13,077
Bank fees		96	10,623		10,719
Meals and entertainment	735	1,077	3,857	325	5,994
Professional development	2,079	300			2,379
Software				5,000	5,000
Home repair costs	6,903				6,903
Other	<u>4,080</u>	<u>1,589</u>	<u>3,439</u>	<u>6,278</u>	<u>15,386</u>
Total expenses	<u>\$ 773,193</u>	<u>\$ 244,928</u>	<u>\$ 186,504</u>	<u>\$ 90,334</u>	1,294,959
Direct donor benefit					89,813
The ReStore cost of goods sold					<u>202,698</u>
Total					<u>\$ 1,587,470</u>

See accompanying notes to financial statements.

Golden Crescent Habitat for Humanity, Inc.

Statements of Cash Flows for years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 4,293,902	\$ 664,222
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	59,173	35,238
Discount on mortgages issued	136,270	32,156
Mortgage discount amortization	(60,342)	(56,125)
Loss (gain) on disposal or sale of property	11,614	(54,939)
Contributions restricted for property	(55,910)	(355,000)
In-kind donation of property	(14,576)	
Changes in operating assets and liabilities:		
Contributions receivable	(2,365,483)	(51,232)
Prepaid expenses and other assets	(13,087)	(2,538)
Home construction in progress	307,818	(214,018)
Lots and land held for development	33,709	
Lots and homes available for sale		44,387
Mortgage loans receivable	(115,211)	65,181
Accounts payable and accrued expenses	<u>39,986</u>	<u>84,310</u>
Net cash provided by operating activities	<u>2,257,863</u>	<u>191,642</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property	(76,450)	(523,199)
Proceeds from sale of property	<u> </u>	<u>145,948</u>
Net cash used by investing activities	<u>(76,450)</u>	<u>(377,251)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	33,750	244,960
Payments on notes payable	(244,267)	(245,316)
Proceeds from contributions restricted for property	<u>55,910</u>	<u>355,000</u>
Net cash provided (used) by financing activities	<u>(154,607)</u>	<u>354,644</u>
NET CHANGE IN CASH	2,026,806	169,035
Cash, beginning of year	<u>301,838</u>	<u>132,803</u>
Cash, end of year	<u><u>\$ 2,328,644</u></u>	<u><u>\$ 301,838</u></u>
<i>Summary of cash balances:</i>		
Cash	\$ 2,250,644	\$ 241,438
Cash designated for operating reserve	<u>78,000</u>	<u>60,400</u>
Total cash	<u><u>\$ 2,328,644</u></u>	<u><u>\$ 301,838</u></u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$58,323	\$58,994
Property purchase financed with note payable		\$1,000,000

See accompanying notes to financial statements.

Golden Crescent Habitat for Humanity, Inc.

Notes to Financial Statements for the years ended June 30, 2019 and 2018

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Golden Crescent Habitat for Humanity, Inc. (Golden Crescent Habitat) is a non-denominational Christian not-for-profit organization incorporated in March 1994. The purpose of Golden Crescent Habitat is to partner with other charitable organizations in providing quality, low-cost homes to the economically disadvantaged people in Victoria, Goliad, Jackson, Lavaca, DeWitt, and Refugio counties in Texas. Golden Crescent Habitat’s mission is accomplished primarily through grants and donations from the public to construct new homes and renovate existing donated homes. Golden Crescent Habitat is an affiliate of Habitat for Humanity International (HFHI) located in Americus, Georgia.

Golden Crescent Habitat also operates The ReStore, a building supply outlet that is open to the public. The ReStore accepts donations of new and used construction materials and home renovation products that are sold to the public at deeply discounted prices. Proceeds from the store are directed towards supporting the construction of new affordable housing for low-income families.

Federal income tax status – Golden Crescent Habitat is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1).

Cash – Bank deposits exceed the federally insured limit per depositor per institution.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts that are expected to be collected in future years are discounted to estimate the present value of future cash flows.

Home construction in progress is stated at lower of cost or fair value less costs to sell and consists of labor, materials, property taxes, land costs and land development costs incurred during the development period on incomplete homes in progress and completed homes not yet sold to a recipient family. Cost is determined by the specific identification method. Construction in progress is expensed to cost of homes sold within the low-cost housing program when a home is sold to the recipient family.

Lots and land held for development are stated at lower of cost or fair value less costs to sell and include land under development and developed lots held for construction. Lots donated and held for development are initially recorded at fair value at date of gift.

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

Golden Crescent Habitat’s allowance for loan losses is based on a review of the status of the mortgage loans receivable. Golden Crescent Habitat considers the majority of the mortgage loans receivable to be fully collectible, or if not fully collectible, that the value of the homes collateralizing the loans exceeds the unpaid amount of the related receivable. Accordingly, no allowance for loan losses is included in Golden Crescent Habitat’s financial statements.

Asset impairment – Assets are evaluated for impairment if impairment indications are present. An impairment write-down to fair value less costs to sell occurs when management believes that events or changes in circumstances indicate that its carrying amount may not be recoverable. No impairment loss was recognized during 2019 and 2018.

Property with a value of more than \$1,000 is reported at cost if purchased or at fair value at date of gift if donated. Depreciation is computed using the straight-line method over estimated useful lives ranging from 5 to 39 years.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are 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. 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.

Home sales – Homes are sold to qualified buyers and zero-interest equivalent mortgages are provided to qualified persons as payment for the homes sold. Home sales are recorded at the discounted value of payments to be received over the lives of the mortgages. Qualified persons may receive down payment assistance from other agencies to reduce their loan amount. Generally, all of the homes have a fair value at the date of sale that exceeds the contract sales price. In consideration for receiving a bargain purchase price and a non-interest bearing mortgage, the purchasers are restricted in their ability to mortgage or sell the home. Golden Crescent Habitat generally has the option to repurchase the home or receive a portion of the realized gain from the sale of the home during a portion of the mortgage period. During the years ended June 30, 2019 and 2018, 6 and 2 homes were sold by Golden Crescent Habitat, respectively. Golden Crescent Habitat recognizes revenue from home sales when a closing occurs.

Contributions are recognized at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met.

Non-cash contributions – Donated materials and use of facilities are recognized at estimated fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the years ended June 30, 2019 and 2018, there was \$11,520 and \$12,240 in donated mortgage services recorded, respectively. Volunteers provided approximately 12,055 hours in 2019 and 3,200 in 2018 to assist Golden Crescent Habitat in providing home construction services for which no amount has been recorded in the financial statements because the services did not meet the criteria for recognition under the generally accepted accounting principles. The approximate fair value of these services is \$300,000 in 2019 and \$80,000 in 2018, respectively.

Special event revenue is recognized when the event occurs. Amounts received in advance of the event represent conditional contributions and are reported in the statement of financial position as deferred revenue until earned. Direct donor benefits represent the cost of goods and services provided to attendees of special events.

The ReStore revenues are recognized at the point of sale.

Advertising costs are expensed as incurred.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. 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 activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation of building and improvements and occupancy costs are allocated based on square footage. Information technology costs are allocated based on number of employees.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncements – In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which replaces most existing revenue recognition guidance for exchange transactions not specifically covered by other guidance. This ASU does not apply to non-exchange transactions such as contributions. The core principle of the new guidance is that an entity should recognize revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for transferred goods or services and establishes a 5-step process to determine when performance obligations are satisfied and revenue is recognized. Golden Crescent Habitat is required to adopt this ASU in its fiscal year ending June 30, 2020 using an appropriate retrospective method. Management has not determined the impact of adoption.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction and provide additional guidance on determining whether a contribution is conditional or unconditional. This ASU could impact the timing of revenue recognition and the financial statement disclosures related to such transactions. Golden Crescent Habitat is required to apply the amendments in its June 30, 2020 financial statements. The amendments should be applied on a modified prospective basis, but retrospective application also is permitted. Management anticipates that adoption may impact the classification of certain transactions and require additional disclosures.

In May 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, requires that financial assets measured at amortized cost basis be presented in the statement of financial position at the net amount expected to be collected and that the statement of activities reflect the

measurement of credit losses for newly recognized financial assets, as well as increases or decreases of expected credit losses that have taken place during the period. Currently, generally accepted accounting principles require an “incurred loss” methodology for recognizing credit losses that delays recognition until it is probable a loss has been incurred. Golden Crescent Habitat will be required to adopt this new standard for its fiscal year ending June 30, 2022. Management is evaluating this new standard and expects that it may impact valuation of its mortgage loans receivable and related financial statement disclosures.

NOTE 2 – ADOPTION OF ACCOUNTING STANDARD UPDATE 2016-14

Golden Crescent Habitat adopted the amendments of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. These amendments have been applied on a retrospective basis to the financial statements for the year ended June 30, 2018, except that information regarding liquidity and availability of resources has been omitted as permitted by the ASU. Adoption of this ASU resulted in reclassification of previously reported activities and net assets to conform to the 2019 presentation but had no impact on total net assets or total changes in net assets for 2018.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of June 30, 2019 comprise the following:

Financial assets at June 30, 2019:

Cash	\$ 2,328,644
Contributions receivable, net	2,516,715
Mortgage loans receivable	<u>796,547</u>
Total financial assets	5,641,906
Less financial assets not available for general expenditure:	
Mortgage loans receivable due in more than one year	(701,712)
Board-designated operating reserve	(78,000)
Purpose-restricted net assets not expected to be satisfied in the coming year	(343,634)
Contributions receivable due in more than one year	<u>(1,020,059)</u>
Total financial assets available for general expenditure	<u>\$ 3,498,501</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Golden Crescent Habitat considers all expenditures related to its ongoing activities of providing assistance in the building and redevelopment of low-income housing, as well as the conduct of services undertaken to support those activities, to be general expenditures.

As part of Golden Crescent Habitat’s liquidity management, it structures its financial assets to be available as its general expenditures and liabilities become due by maintaining a significant portion of its assets in cash. Additionally, Golden Crescent Habitat has two lines of credit which can be accessed if a liquidity need arises. The Board of Directors (the Board) has designated a portion of its resources without donor restrictions for specific purposes as board-designated. Although Golden Crescent Habitat does not intend to spend board-designated reserves, amounts from the board-designated reserves could be made available at the Board’s discretion.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows:

	<u>2019</u>	<u>2018</u>
Contributions receivable	\$ 2,534,566	\$ 151,232
Discount to net present value at 1.75%	<u>(17,851)</u>	<u> </u>
Contributions receivable, net	<u>\$ 2,516,715</u>	<u>\$ 151,232</u>

Contributions receivable at June 30, 2019 are expected to be collected as follows:

Less than one year		\$ 1,496,656
One to five years		<u>1,037,910</u>
Total contributions receivable		<u>\$ 2,534,566</u>

NOTE 5 – HOME CONSTRUCTION IN PROGRESS

Home construction in progress consists of the following:

	<u>2019</u>	<u>2018</u>
Land under development	\$ 371,344	\$ 548,805
Houses under construction	<u>94,353</u>	<u>224,710</u>
Total	<u>\$ 465,697</u>	<u>\$ 773,515</u>

NOTE 6 – MORTGAGE LOANS RECEIVABLE

Mortgage loans receivable consists of the following:

	<u>2019</u>	<u>2018</u>
Mortgage loans receivable, at par value	\$ 1,623,684	\$ 1,508,473
Less: Unamortized discount based on imputed interest at rates ranging from 7.39% to 8.48%	<u>(827,137)</u>	<u>(751,209)</u>
Mortgage loans receivable, net	<u>\$ 796,547</u>	<u>\$ 757,264</u>

A mortgage loans receivable is considered delinquent if the scheduled installment payment remains unpaid 30 days after its due date. Delinquent principal amounts of the mortgage loans receivable at June 30, 2019 were approximately \$16,000.

The annual collection of mortgage loans receivable at June 30, 2019 is as follows:

2020	\$ 94,835
2021	89,577
2022	80,527
2023	77,741
2024	76,836
Thereafter	<u>1,204,168</u>
Total	<u>\$ 1,623,684</u>

NOTE 7 – PROPERTY

Property consists of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 247,700	\$ 247,700
Building and building improvements	1,271,266	1,260,402
Vehicles	158,757	113,186
Furniture and office equipment	44,809	69,031
Leasehold improvements	<u> </u>	<u>31,900</u>
Total property, at cost	1,722,532	1,722,219
Accumulated depreciation	<u>(148,584)</u>	<u>(168,510)</u>
Property, net	<u>\$ 1,573,948</u>	<u>\$ 1,553,709</u>

NOTE 8 – NOTES PAYABLE

Notes payable consist of the following:

	<u>2019</u>	<u>2018</u>
Bank note payable for the purchase of building executed in August 2017. Interest only payments are required through August 2020; thereafter principal and interest are due through August 2040. Interest at 4.5% until August 2024 and at prime plus 1%, adjusted annually with a minimum rate of 4.5% thereafter, secured by building and land.	\$ 888,124	\$ 996,125
\$175,000 Flexible Capital Access Program loan from HFHI executed in May 2018. The term is 10 years at 5% interest. Interest and principal payments are due monthly. The loan is secured by mortgage receivables. The par value of the loans securing the debt is \$548,040.	161,148	175,000
Self-help Homeownership Opportunity Program non-interest bearing note from HFHI due in 48 monthly installments beginning July 2020. The loan is unsecured.	18,750	
Self-help Homeownership Opportunity Program non-interest bearing note from HFHI due in 48 monthly installments beginning January 2021. The loan is unsecured.	15,000	
\$120,000 revolving line of credit available with a bank, matures in September 2019, interest rate at prime plus 1% (6.5% at June 30, 2019).	184	85,193
\$50,000 line of credit with a bank which matures in October 2019, secured by The ReStore and construction warehouse contents and fixtures; interest rate at prime plus 1%.		28,030
Other	<u> </u>	<u>9,375</u>
Total notes payable	<u>\$ 1,083,206</u>	<u>\$ 1,293,723</u>

In September 2019, Golden Crescent Habitat renewed its \$120,000 line of credit with a bank maturing on September 28, 2020 with an interest rate of prime plus 1%.

In October 2019, Golden Crescent Habitat renewed its \$50,000 line of credit with a bank maturing on October 19, 2020 with an interest rate of prime plus 1%.

Principal payments at June 30, 2019 are due as follows:

2020	\$ 42,694
2021	49,081
2022	53,068
2023	57,179
2024	54,802
Thereafter	<u>826,382</u>
Total	<u>\$ 1,083,206</u>

NOTE 9 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are comprised of the following:

	<u>2019</u>	<u>2018</u>
Undesignated	\$ 1,305,540	\$ 1,270,908
Property, less related liabilities	685,824	548,209
Board-designated for operating reserve	<u>78,000</u>	<u>60,400</u>
Total net assets without donor restrictions	<u>\$ 2,069,364</u>	<u>\$ 1,879,517</u>

The Board does not have a specific policy in regards to establishing board-designated reserves. However, the Board may designate excess cash flows for reserves or approve use of as deemed prudent.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Refugio County flood relief	\$ 4,221,081	
Hurricane Harvey relief	229,088	\$ 319,652
Brush-Up home repair program	23,614	30,076
Community garden	15,000	15,000
Home construction	<u> </u>	<u>20,000</u>
Total net assets with donor restrictions	<u>\$ 4,488,783</u>	<u>\$ 384,728</u>

NOTE 11 – CONDITIONAL CONTRIBUTIONS

During 2019, Golden Crescent Habitat received two conditional contributions from HFHI totaling \$206,250 for various Hurricane Harvey related work. The contributions are conditioned on the employment of additional staff and completed home repairs on approximately 15 homes. As of June 30, 2019, no amount has been recognized as conditions have not been met.

NOTE 12 – EMPLOYEE BENEFIT PLANS

Golden Crescent Habitat offers employees with one year of service the opportunity to participate in a §403(b) contributory retirement plan of their choice. Employee contributions are matched up to 5% of the employees' regular salary, and Golden Crescent Habitat may make a discretionary contribution to the employees' plans in any given year. Employer contributions totaling \$650 and \$2,162 were made for the years ended June 30, 2019 and 2018, respectively.

Golden Crescent Habitat was self-insured for health benefits from December 2018 through November 2019. Under this plan, health benefit claims are the responsibility of Golden Crescent Habitat subject to a maximum on a per employee and aggregate basis based on the number of employees covered. Golden Crescent Habitat maintains a stop loss policy that becomes effective when claims are individually greater than \$10,000 and in aggregate greater than \$14,174. The plan was terminated effective November 30, 2019.

NOTE 13 – RELATED PARTY TRANSACTIONS

A board member of Golden Crescent Habitat is the Vice-President of the primary banking institution used by Golden Crescent Habitat for both 2019 and 2018.

NOTE 14 – CONCENTRATIONS

At June 30, 2019, contributions receivable from one donor comprised \$2,403,942 or 96% of total contributions receivable. In 2019, contributions from two donors accounted for 53% of total contributions.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 9, 2020, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events other than the renewals of the lines of credit, were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.