

**Habitat for Humanity
of San Antonio**

**Consolidated Financial Statements
and Compliance Report**

December 31, 2020 and 2019



Habitat for Humanity of San Antonio

Table of Contents

	Page
Independent Auditor's Report	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statement of Activities (with Comparative Totals)	4
Consolidated Statement of Functional Expenses (with Comparative Totals)	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance and	24
Schedule of Expenditures of Federal Awards - Year Ended December 31, 2020	26
Notes to Schedule of Expenditures of Federal Awards	27
Federal Awards - Schedule of Findings and Questioned Costs - Year Ended December 31, 2020	28

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Habitat for Humanity of San Antonio (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of San Antonio as of December 31, 2020, 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.

Independent Auditor's Report (Continued)

Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from Habitat for Humanity of San Antonio's 2019 financial statements which were audited by another auditor and, in their report dated May 13, 2020, they expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2021, on our consideration of the Habitat for Humanity of San Antonio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Habitat for Humanity of San Antonio's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Habitat for Humanity of San Antonio's internal control over financial reporting and compliance.

Schraver, Carmona & Company, PLLC

San Antonio, Texas

May 14, 2021

Consolidated Financial Statements

Habitat for Humanity of San Antonio

Consolidated Statements of Financial Position December 31, 2020 and 2019

	2020	2019
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 8,386,888	\$ 5,711,637
Accounts Receivable:		
Grants	623,989	1,185,001
Other	349,113	471,169
Current Portion of Mortgage Notes Receivable	1,885,870	1,838,857
Deposits Held in Custody for Homeowners	753,001	614,832
Prepaid Expenses	287,392	320,109
Inventory	1,928,527	1,963,428
Total Current Assets	14,214,780	12,105,033
Long-term Portion of Mortgage Notes Receivable, net of unamortized discounts	11,241,930	10,396,743
Land Held for Future Development	1,695,275	1,717,524
Homes Under Construction or Held for Sale	600,797	604,219
Certificate of Deposit - Contingency Fund	2,000,000	2,022,692
Property and Equipment, net of accumulated depreciation	4,075,991	4,084,311
Total Assets	\$ 33,828,773	\$ 30,930,522
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 568,378	\$ 561,677
Accrued Expenses	481,120	412,378
Deposits Held in Custody for Homeowners	753,001	614,832
Non-Refundable Deposits for Prospective Homeowners	59,831	128,832
Total Current Liabilities	1,862,330	1,717,719
Total Liabilities	1,862,330	1,717,719
Net Assets:		
Without Donor Restrictions:		
Operating	7,078,593	5,342,747
Board Designated	2,697,346	2,710,455
Land, Inventory, and Homes Under Construction or Held for Sale	4,224,598	4,285,171
Mortgages	13,127,800	12,235,600
Property and Equipment	4,075,991	4,084,311
Total Without Donor Restrictions	31,204,328	28,658,284
With Donor Restrictions	762,115	554,519
Total Net Assets	31,966,443	29,212,803
Total Liabilities and Net Assets	\$ 33,828,773	\$ 30,930,522

The Accompanying Notes are an Integral Part of These Financial Statements

Habitat for Humanity of San Antonio

Consolidated Statement of Activities

Year Ended December 31, 2020 (with Comparative Totals for the Year Ended December 31, 2019)

	2020			2019 Totals
	Without Donor Restrictions	With Donor Restrictions	Totals	
Support and Revenues				
Sales of Homes	\$ 4,293,602	\$ -	\$ 4,293,602	\$ 4,168,252
Mortgage Discount Amortization	1,249,020	-	1,249,020	378,388
Contributions and Non-Government Grants	2,171,503	762,115	2,933,618	2,670,558
Donated Homes, Land, Construction				
Materials, and Supplies	73,921	-	73,921	265,898
Government Grants	2,568,620	-	2,568,620	3,783,486
Home Center Sales of Donated Goods Gross Income of \$2,167,232 in 2020 and \$1,837,934 in 2019 , Less Direct Costs of \$855,754 in 2020 and \$808,000 in 2019.	1,311,478	-	1,311,478	1,029,934
Home Center Sales of Purchased Goods, Gross Income of \$3,514,406 in 2020 and \$2,937,567 in 2019, Less Direct Costs of \$2,710,427 in 2020 and \$2,542,793 in 2019.	803,979	-	803,979	394,774
Interest Income (Including Late Fees)	88,540	-	88,540	93,418
Miscellaneous	39,960	-	39,960	14,809
Gain on Extinguishment of Debt - Forgiven PPP Loan	875,200	-	875,200	
Gain on Sale of Property and Equipment	36,656	-	36,656	37,485
Net Assets Released from Restrictions	554,519	(554,519)	-	-
Total Support and Revenues	14,066,998	207,596	14,274,594	12,837,002
Expenses				
Program Services	10,223,859	-	10,223,859	9,618,400
Support Services:				
Management and General	743,728	-	743,728	716,408
Fundraising	553,367	-	553,367	443,111
Total Expenses	11,520,954	-	11,520,954	10,777,919
Change in Net Assets	2,546,044	207,596	2,753,640	2,059,083
Net Assets at Beginning of Year	28,658,284	554,519	29,212,803	27,153,720
Net Assets at End of Year	\$ 31,204,328	\$ 762,115	\$ 31,966,443	\$ 29,212,803

The Accompanying Notes are an Integral Part of These Financial Statements

Habitat for Humanity of San Antonio

Consolidated Statement of Functional Expenses Year Ended December 31, 2020 (with Comparative Totals for the Year Ended December 31, 2019)

	Program Services	Support Services		2020 Totals	2019 Totals
		Management and General	Fundraising		
Salaries and Wages	\$ 1,505,058	\$ 459,440	\$ 208,733	\$ 2,173,231	\$ 1,952,130
Payroll Taxes & Benefits	392,485	124,129	46,484	563,098	519,114
Total Salaries and Related Expenses	1,897,543	583,569	255,217	2,736,329	2,471,244
Accounting Fees	-	13,877	-	13,877	13,602
Advertising and Promotions	79,354	5	14,331	93,690	103,342
Building Materials and Services	3,049,431	-	-	3,049,431	2,847,731
Conferences, Meetings, and Training	4,172	12,265	896	17,333	28,405
Discount on Mortgages Issued	1,902,687	-	-	1,902,687	1,307,836
Fundraising Services	-	-	53,030	53,030	54,684
Information Technology	30,255	15,304	10,384	55,943	55,143
Insurance	91,056	8,640	156	99,852	87,585
Land Acquisition and Development for Future Homes	2,331,966	-	-	2,331,966	2,880,670
Land Used	385,347	-	-	385,347	397,661
Legal Fees	45	-	-	45	3,200
Miscellaneous	21,361	2,953	956	25,270	8,095
Mortgage and Title Fees	76,911	-	-	76,911	76,978
Office Expense, Phones, and Walkies	28,425	41,691	1,845	71,961	63,134
Postage and Freight	23,598	1,947	12,379	37,924	32,546
PPE and Other Covid Expense	124,642	36,851	10,161	171,654	-
Printing and Publications	27,066	4,273	25,179	56,518	57,634
Tithes to Other Non-Profits	37,991	-	-	37,991	54,488
Travel and Auto	34,652	-	207	34,859	40,437
Volunteer Expenses	15,190	-	-	15,190	32,693
Total Expenses Before Depreciation and Unrelated Business Income Taxes	10,161,692	721,375	384,741	11,267,808	10,617,108
Depreciation	62,167	22,353	-	84,520	78,118
Unrelated Business Income Taxes	-	-	168,626	168,626	82,693
Total Depreciation and Taxes	62,167	22,353	168,626	253,146	160,811
Total Expenses	\$ 10,223,859	\$ 743,728	\$ 553,367	\$ 11,520,954	\$ 10,777,919
Supplemental Disclosures:					
Percent of Functional Expenses to Total Expenses	88.74%	6.46%	4.80%	100.00%	

The Accompanying Notes are an Integral Part of These Financial Statements

Habitat for Humanity of San Antonio

Consolidated Statements of Cash Flows Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 2,753,640	\$ 2,059,083
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	256,711	251,607
Gain on Disposal or Return of Assets	(36,656)	(37,485)
Discount on Mortgages Issued	1,902,687	1,307,836
Mortgage Discount Amortization	(1,249,020)	(378,388)
(Increase) Decrease in:		
Accounts Receivable:		
Grants	561,012	(710,684)
Other	122,056	(382,750)
Prepaid Expenses	32,717	(30,227)
Inventory	34,901	311,514
Land Held for Future Development	22,249	98,148
Homes Under Construction or Held for Sale	3,422	(39,007)
Increase (Decrease) in:		
Accounts Payable	6,701	34,084
Accrued Expenses	68,742	2,861
Non-Refundable Deposits for Prospective Homeowners	(69,001)	32,475
Net Cash Provided by Operating Activities	4,410,161	2,519,067
Cash Flows From Investing Activities:		
New Mortgage Notes Issued	(4,161,149)	(4,050,799)
Principal Payments Received on Mortgage Notes	2,615,282	2,095,641
Reinvestment in Certificate of Deposit	22,692	18,089
Proceeds from the Sale of Property and Equipment	41,212	37,485
Purchase of Property and Equipment	(252,947)	(175,535)
Net Cash Used by Investing Activities	(1,734,910)	(2,075,119)
Net Increase in Cash and Cash Equivalents	2,675,251	443,948
Cash and Cash Equivalents, Beginning of Year	5,711,637	5,267,689
Cash and Cash Equivalents, End of Year	\$ 8,386,888	\$ 5,711,637
Supplemental Disclosures:		
Unrelated Business Income Tax Paid	\$ 168,626	\$ 82,693
<u>Non-Cash Operating Activities</u>		
Donated Building Materials, Supplies, and Land	\$ 73,921	\$ 265,898

The Accompanying Notes are an Integral Part of These Financial Statements

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Note A: Nature of Organization

Habitat for Humanity of San Antonio, Inc. (Habitat) works with disadvantaged families in the community by constructing and providing modest, decent, and affordable housing. Families selected for a Habitat-constructed home must provide 300 hours "sweat equity" on their home, or on another Habitat project, to complete their eligibility. Upon purchasing and moving into the home, the family begins paying for the house under the terms of a 20 to 25-year, interest-free financing arrangement (see Note E). The sale price of each home is at, or less than, Habitat's cost of constructing the home.

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

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

Mission Statement

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

Note B: Summary of Accounting Principles

Federal Income Tax Status

Habitat is exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code. Contributions to Habitat are deductible to the extent allowed by law. Management of Habitat believes it has no material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. In addition, Habitat has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) for the Internal Revenue Code. There is unrelated business income for the years ended December 31, 2020 and 2019. Habitat is not subject to the Texas margin tax. Management is not aware of any tax position that would have a significant impact on its financial position.

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

Basis of Accounting

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

- *Without Donor Restrictions* – net assets available for use in general operations and not subject to donor restrictions. Grant and contributions gifted for recurring programs of Habitat generally are not considered "restricted" under GAAP, though for internal reporting Habitat tracks such grants and contributions to verify the disbursement matches the intent. Support that is restricted by the donor is reported as an increase in net assets without restrictions if the restriction is fulfilled or expires in the same year in which the support is received. Assets restricted solely through the actions of the Board of Directors are reported as Net Assets Without Donor Restrictions, Board Designated.

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Note B: Summary of Accounting Principles (Continued)

Basis of Accounting (Continued)

- *With Donor Restrictions* – net assets subject to donor-imposed stipulations that are more restrictive than Habitat’s mission and purpose. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Methods Used for Allocation of Expenses Amount Program and Supporting Services

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

Fair Value Measurements

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

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

Fair Value of Financial Instruments

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

Estimates

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

Reclassification

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation.

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Note B: Summary of Accounting Principles (Continued)

Cash and Cash Equivalents

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

Inventory

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

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

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

Allowance for Uncollectible Accounts

Based on historical data, Habitat considers all notes receivable to be fully collectible or, if not fully collectible, then it is considered that the value of the homes collateralizing the notes exceeds the unpaid amount of the related receivable. Accordingly, no allowance for uncollectible accounts is included in Habitat's consolidated financial statements.

Mortgage Receivable and Mortgage Discount Amortization

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

The total mortgage discount amortization is recorded on the Statements of Financial Position as a contra account to mortgages receivable and is amortized using the straight-line method over the life of the note. Mortgages are discounted at rates varying from 7.50% to 8.75% in accordance with rates suggested by Habitat for Humanity International. The mortgage discount is amortized over the life of the mortgage and recognized as mortgage discount amortization on the Statement of Activities.

Property and Equipment

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

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Note B: Summary of Accounting Principles (Continued)

Future Development and Existing Construction

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

Deposits Held In Custody for Homeowners

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

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

Contract Liability

Non-refundable deposits for prospective homeowners are customer deposits for homes that have not yet been closed on. Habitat recognizes revenue from these deposits as the related performance obligations are satisfied. A contract liability is recorded as deposits are received from approved home buyers during the lot selection phase of home builds. The payment will be applied toward the principal and escrow of the home loan on signing day. The balances of contract liabilities (reported as Non-Refundable Deposits for Prospective Homeowners on the Statements of Financial Position) as of December 31, 2020 and 2019 are **\$59,831** and \$128,832, respectively.

Prepaid Expenses

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

Revenue Recognition

Contributions and Grants

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

Government Funding

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

Sales of Homes

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

Home Center Sales

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

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Note B: Summary of Accounting Principles (Continued)

In-Kind Contributions

Donated facilities, goods and services received are valued based on their estimated fair market value on the date of contribution.

Advertising

Advertising costs are expensed as incurred. Advertising expense totaled **\$93,690** and \$103,342 for the years ended December 31, 2020 and 2019, respectively.

Recent Accounting Pronouncements

Adopted During 2019

In May 2014, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from contracts with Customers, Topic 606*. For not-for-profit organizations that have issued, or are conduit bond obligors for, securities traded, listed, or quoted on an exchange or an over-the-counter market, the standard is currently in effect. For all other not-for-profit organizations, the standard takes effect in annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The standard was adopted by Habitat for Humanity of San Antonio, Inc. on January 1, 2019.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 is effective for periods beginning after December 15, 2018, with early adoption permitted. The pronouncement clarifies the definition of an exchange transaction and contributions made and received. The standard was adopted by Habitat for Humanity of San Antonio, Inc. on January 1, 2019.

In February 2016, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*, effective for reporting periods beginning after December 15, 2020. Under this new pronouncement, generally, leases with terms of more than 12 months will be recognized in the Consolidated Statements of Financial Position as an asset (right to use leased asset) and a liability (lease liability). Management expects the impact to operations to be minimal. The standard was adopted by Habitat for Humanity of San Antonio, Inc. on January 1, 2019.

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Note C: Liquidity and Availability

The following represents Habitat's financial assets at December 31, 2020 and 2019 available to meet general expenditures over the next twelve months:

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and Cash Equivalents	\$ 8,386,888	\$ 5,711,637
Certificate of Deposit - Contingency Fund	2,000,000	2,022,692
Accounts Receivable:		
Grants	623,989	1,185,001
Other	349,113	471,169
	<u>11,359,990</u>	<u>9,390,499</u>
Less those unavailable for general expenditures within one year due to:		
Net Assets with Donor Restrictions	\$ 762,115	\$ 554,519
Accounts Payables	568,378	561,677
Accrued Expenses	481,120	412,378
Board Designated Funds	2,697,346	2,710,455
Less net assets with timing restrictions to be met over the next twelve months	<u>(762,115)</u>	<u>(554,519)</u>
	<u>3,746,844</u>	<u>3,684,510</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 7,613,146</u>	<u>\$ 5,705,989</u>

Note D: Debt

Habitat received loan proceeds in the amount of \$875,200 under the Paycheck Protection Program (PPP). Established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the businesses' average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. Habitat used the PPP loan proceeds for purposes consistent with the PPP and applied for forgiveness within 10 months of the end of the covered period.

On November 5, 2020, Habitat was granted 100% forgiveness and was legally released from the loan obligation. The forgiveness income is recorded as Gain on Extinguishment of Debt in the amount of \$875,200 in the Consolidated Statement of Activities for the year ended December 31, 2020.

Although the funding source of this contribution is federal, the Small Business Administration has stated that such funds are not subject to Uniform Guidance compliance requirements and not required to be included on the Schedule of Expenditures of Federal Awards.

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Note E: Mortgage Notes Receivable

The financing arrangement for the sale of Habitat homes is interest-free and payable over 20 to 25 years. For financial accounting purposes, the mortgage on the sale of a home is treated as a single transaction and is accounted for as a sale at inception of the financing arrangement. Mortgage notes receivable at December 31, 2020 and 2019 are summarized as follows:

	<u>Due Within One Year</u>	<u>Due Beyond One Year</u>	<u>Total</u>
December 31, 2020			
Mortgage Notes Receivable	\$ 1,885,870	\$ 23,568,826	\$ 25,454,696
Less: Unamortized Discount			<u>(12,326,896)</u>
			<u>\$ 13,127,800</u>
December 31, 2019			
Mortgage Notes Receivable	\$ 1,838,857	\$ 22,069,972	\$ 23,908,829
Less: Unamortized Discount			<u>(11,673,229)</u>
			<u>\$ 12,235,600</u>

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

Habitat anticipates future minimum mortgage receivable payments as of December 31, 2020:

<u>Year Ended December 31,</u>	
2021	\$ 1,885,870
2022	1,856,302
2023	1,831,458
2024	1,776,694
2025	1,760,516
Thereafter	<u>16,343,856</u>
Total Mortgage Notes Receivable	25,454,696
Less: Unamortized Discount	<u>(12,326,896)</u>
Mortgage Receivable, Net of Unamortized Discount	<u>\$ 13,127,800</u>

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Note F: Grants Receivable

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

	2020	2019
Lenwood Heights Unit 4 - HOME - City	\$ -	\$ 245
Rancho Carlota - CHDO - HOME - City	-	543,533
Rancho Carlota - CDBG - City	-	86,319
Rancho Carlota Unit 1 - Home - City	749	-
Rancho Carlota Unit 1 - GF- City	341,846	-
Rancho Carlota - Bexar County	281,394	554,904
Total	<u>\$ 623,989</u>	<u>\$ 1,185,001</u>

Note G: Inventory

As of December 31, 2020 and 2019, Habitat recorded Inventory values as follows:

	2020	2019
Home Construction Materials	\$ 610,760	\$ 705,420
Donated Goods for Resale	310,083	263,335
Purchased Goods for Resale	1,007,684	994,673
Total	<u>\$ 1,928,527</u>	<u>\$ 1,963,428</u>

Note H: Property and Equipment

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

Probandt Facilities:		
Land	\$ 387,066	\$ 387,066
Buildings and Improvements	1,767,360	1,633,070
Total Probandt Facilities	<u>2,154,426</u>	<u>2,020,136</u>
Walzem Home Center:		
Land	720,354	720,354
Buildings and Improvements	1,318,132	1,303,800
Total Walzem Facilities	<u>2,038,486</u>	<u>2,024,154</u>
Meadow Leaf Home Center:		
Land	136,000	136,000
Buildings and Improvements	1,970,955	1,968,307
Total Meadow Leaf Facilities	<u>2,106,955</u>	<u>2,104,307</u>
Furniture, Equipment, and Vehicles:	<u>1,062,646</u>	<u>1,026,560</u>
Total Property and Equipment	7,362,513	7,175,157
Less: Accumulated Depreciation	<u>(3,286,522)</u>	<u>(3,090,846)</u>
Total Property and Equipment, net of accumulated depreciation	<u>\$ 4,075,991</u>	<u>\$ 4,084,311</u>

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Note I: Depreciation Expense

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

Depreciation expense for the years ended December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Depreciation Charged to Direct Costs of the Home Center	\$ 172,191	\$ 173,489
Depreciation Charged to Expense	84,520	78,118
Total	<u>\$ 256,711</u>	<u>\$ 251,607</u>

Note J: Land Acquisition and Development of Future Homes

The 2020 land acquisition and development for future homes included expenses of \$2,331,966 for the Rancho Carlota Subdivision. The 2019 land acquisition and development for future homes included expenses of \$2,880,670 for the Lenwood Heights Unit Subdivision and the Rancho Carlota Subdivision.

Note K: Forgivable Loans from Bexar County

Habitat participated in the HOME Investment Partnership Program from 2015 through 2020. As part of the HOME Investment Partnership Program, Habitat receives a forgivable loan from Bexar County to provide home ownership opportunities to low income families through new, single-family homes. As the homes are then sold to the clients, the county incrementally forgives the loan.

Grants receivable consists of amounts spent toward construction of infrastructure at subdivisions approved per the HOME Investment Partnership Program that have not been reimbursed by the County. As of December 31, 2020 and 2019, grants receivable balance was as follows:

	<u>2020</u>	<u>2019</u>
Rancho Carlota Subdivision	\$ 215,815	\$ 554,904
Total	<u>215,815</u>	<u>554,904</u>

Lenwood Heights Subdivision

In 2016, Habitat received a forgivable loan from the County for the land acquisition and construction of infrastructure at the Lenwood Heights Subdivision. The provisions of the loan provided that payments on the loan be deferred and that the principal and interest be forgiven on a pro-rata basis, as each of the 32 houses in the development are sold.

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Note K: Forgivable Loans from Bexar County (Continued)

Lenwood Heights Subdivision (Continued)

As of December 31, 2016, Habitat had begun expending the \$1,214,206 allowed under this loan as follows:

Year Ended December 31, 2016	\$	328,567	(During 2016, \$36,936 was approved for reimbursement by Bexar County and was received in 2017)
Year Ended December 31, 2017		280,461	(During 2017, \$280,461 was approved for reimbursement by Bexar County, of which \$25,651 was received in 2018)
Year Ended December 31, 2018		438,814	During 2018, \$438,814 was approved for reimbursement by Bexar County, of which \$118,592 was received in 2019)
Year Ended December 31, 2019		166,364	(During 2019, \$166,364 was approved for reimbursement by Bexar County and was received during 2019)
Total Expended:	\$	<u>1,214,206</u>	

Funds were fully expended as of December 31, 2019. Habitat fulfilled its obligations under this forgivable loan by building and selling 9 homes in 2018, 20 homes in 2019, and the last 3 homes in 2020.

Rancho Carlota Subdivision

In 2019, Habitat received a forgivable loan from the County for the land acquisition and construction of infrastructure at the Rancho Carlota Subdivision. The provisions of the loan provided that payments on the loan be deferred and that the principal and interest be forgiven on a pro-rata basis, as each of the 14 houses in the development are sold. As of December 31, 2020 and 2019, Habitat expended the \$587,399 allowed under this loan as follows:

Year Ended December 31, 2019	\$	554,904	(During 2019, \$554,904 was approved for reimbursement by Bexar County and \$554,904 was still receivable at December 31, 2019. During 2020, \$371,554 was received, leaving a receivable of \$183,320 at December 31, 2020)
Year Ended December 31, 2020		32,495	(During 2020, \$32,495 was approved for reimbursement by Bexar County and \$32,495 was still receivable at December 31, 2020)
Total Expended:	\$	<u>587,399</u>	

Funds were fully expended as of December 31, 2020.

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Note L: Forgivable Loans from The City of San Antonio

Habitat participated in the HOME Investment Partnership Program from 2016 through 2020. As part of the HOME Investment Partnership Program, Habitat receives a forgivable loan each year from the City of San Antonio. For each of the forgivable loans, Habitat donates the infrastructure built with the HOME Investment Partnership Program loan back to the City as the infrastructure is completed for each grant. As the homes are then sold to the clients, the City incrementally forgives the loan.

Grants receivable consists of amounts spent toward land acquisition and construction of infrastructure at subdivisions that have not been reimbursed by the City. As of December 31, 2020 and 2019, grants receivables balances from the City are as follows:

	2020	2019
Lenwood Heights Unit 4 - HOME	\$ -	\$ 245
Rancho Carlota - CHDO - HOME	749	543,533
Rancho Carlota - CDBG	-	86,319
Rancho Carlota - GF	341,845	-
Total	342,594	630,097

Lenwood Heights Unit 4 Subdivision

In 2017, Habitat received a forgivable loan from the City for the land acquisition and construction of infrastructure at the Lenwood Heights Unit 4 Subdivision. The provisions of the loan provided that payments on the loan be deferred and that the principal and interest be forgiven on a pro-rata basis, as each of the 42 houses in the development are sold. As of December 31, 2018, Habitat had begun expending the \$1,659,000 allowed under this loan as follows:

Year Ended December 31, 2018	\$ 1,079,068	(\$1,079,068 was approved for reimbursement by the City during 2018, of which \$259,705 was received during 2019)
Year Ended December 31, 2019	545,491	(\$545,491 was approved for reimbursement by the City during 2019 and \$245 was still receivable at December 31, 2019 and received in 2020)
Year Ended December 31, 2020	34,441	(\$34,441 was approved for reimbursement by the City in 2020 and received during 2020)
Total Expended:	\$ <u>1,659,000</u>	

The reimbursements from the City were recorded as grant revenue at the time they were earned (i.e. funds expended), since it was likely Habitat would fulfill the loan terms. Habitat fulfilled the loan terms in 2020 and the loan was fully forgiven.

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Note L: Forgivable Loans from The City of San Antonio (Continued)

Rancho Carlota Subdivision

In 2019, Habitat received a HOME grant from the City for a portion of land acquisition and construction of infrastructure at the Rancho Carlota Subdivision. The grant provides funding for the construction of 53 houses. As of December 31, 2019, Habitat had begun expending the \$1,250,000 allowed under this loan as follows:

Year Ended December 31, 2019	\$	1,205,023	(\$1,205,023 was approved for reimbursement by the City during 2019 and \$543,533 was still receivable at December 31, 2019, but received during 2020)
Year Ended December 31, 2020		44,977	(\$44,977 was approved for reimbursement by the City during 2020 and \$749 was still receivable at December 31, 2020)
Total Expended:	\$	<u>1,250,000</u>	

The reimbursements from the City were recorded as grant revenue at the time they were earned (i.e. funds expended), since it was likely Habitat would fulfill the loan terms. Habitat built and sold 11 of the 53 homes during 2020.

In 2019, Habitat received a CDBG grant from the City for another portion of land acquisition and construction of infrastructure at the Rancho Carlota Subdivision. As of December 31, 2019, Habitat had begun expending the \$1,750,000 allowed under this grant as follows:

Year Ended December 31, 2019		863,188	(\$863,188 was approved for reimbursement by the City during 2019 and \$86,319 was still receivable at December 31, 2019 and received in 2020)
Year Ended December 31, 2020		886,812	(\$886,812 was approved for reimbursement by the City during 2020 and received in 2020)
Total Expended:	\$	<u>1,750,000</u>	

The reimbursements from the City were recorded as grant revenue at the time they were earned (i.e. funds expended).

In 2020, Habitat received a General Fund (GF) grant from the City for the remaining infrastructure and impact fees for Rancho Carlota Unit 1 Subdivision. As of December 31, 2020, Habitat expended the \$1,333,240 allowed under this award as follows:

Year Ended December 31, 2020		1,333,240	(\$1,333,240 was approved for reimbursement by the City during 2020 and \$341,845 was still receivable at December 31, 2020).
Total Expended:	\$	<u>1,333,240</u>	

The reimbursements from the City were recorded as grant revenue at the time they were earned (i.e. funds expended).

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Note M: Net Assets

With Donor Restrictions

With Donor Restrictions consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Restricted by Purpose:		
San Antonio Junior Forum - Equipment	\$ 1,095	\$ -
Restricted by Timing:		
House Sponsors	711,020	554,519
San Antonio Area Foundation	<u>50,000</u>	<u>-</u>
Total With Donor Restrictions	<u>\$ 762,115</u>	<u>\$ 554,519</u>

Note N: Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. Purpose restricted contributions released during 2020 and 2019 totaled **\$554,519** and \$511,730, respectively.

Note O: Fair Value Measurements

In accordance with the fair value hierarchy described in Note B, the following table shows the fair value of Habitat's financial assets and liabilities that are required to be measured at fair value as of December 31, 2020 and 2019:

	<u>Fair Value Measurement Using:</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2020				
Mortgages Notes Receivable	\$ -	\$ -	\$ 13,127,800	\$ 13,127,800
Certificate of Deposit	<u>-</u>	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>
Total	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ 13,127,800</u>	<u>\$ 15,127,800</u>
	<u>Fair Value Measurement Using:</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
December 31, 2019				
Mortgages Notes Receivable	\$ -	\$ -	\$ 12,235,600	\$ 12,235,600
Certificate of Deposit	<u>-</u>	<u>2,022,692</u>	<u>-</u>	<u>2,022,692</u>
Total	<u>\$ -</u>	<u>\$ 2,022,692</u>	<u>\$ 12,235,600</u>	<u>\$ 14,258,292</u>

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Note O: Fair Value Measurements (Continued)

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

	<u>2020</u>	<u>2019</u>
Mortgages Receivable		
Balance, Beginning of Year	\$ 12,235,600	\$ 11,209,890
New Mortgages	4,161,149	4,050,799
Payments	(2,615,282)	(2,095,641)
Change in Discount	<u>(653,667)</u>	<u>(929,448)</u>
Balance, End of Year	<u>\$ 13,127,800</u>	<u>\$ 12,235,600</u>

Note P: Credit Risk of Financial Instruments

Financial instruments that potentially subject Habitat to concentrations of credit risk consist of its cash balances at the banks if such balances exceed the amount insured by Federal Deposit Insurance Corporation (FDIC). For the years ended December 31, 2020 and 2019, Habitat's deposits at the Bank exceeded the FDIC limit of \$250,000 by **\$9,241,681** and \$6,937,245, respectively. Habitat has not experienced any losses in such accounts and management believes it is not exposed to any significant risk on its cash and cash equivalents.

Note Q: COVID-19 Risk and Uncertainty

The COVID-19 pandemic, whose effects first became known in January 2020, is having broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. Habitat is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on Habitat's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on Habitat's customers, employees, and vendors, all of which at present cannot be determined. Accordingly, the extent to which COVID-19 may impact Habitat's financial position and changes in net assets and cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

Note R: Use of Donor Funds

Habitat uses 100% of all cash contributions and grants for program activities unless the donor has specifically designated an alternate use. Other revenue, including proceeds from the Home Center, are used to pay for the remaining program expenses, as well as all Management, General, and Fundraising expenses. For the year ended December 31, 2020, Habitat received **\$2,171,503** in cash contributions without restrictions and **\$2,568,620** in government grants without restrictions or fulfilled restrictions. During the year ended December 31, 2019, Habitat received \$2,116,039 in cash contributions without restrictions and \$3,783,486 in government grants without restrictions or fulfilled restrictions. One hundred percent of these donor funds were used for Program Expenses.

Note S: Retirement Plan

Habitat has a defined contribution retirement plan that qualifies under Section 403(b) of the Internal Revenue Code. The plan allows employees who are over the age of 21 and work at least 20 hours per week to immediately contribute to the plan. The employer matching contribution percentage, established by the Board of Directors, is set at a maximum of 6%. However, the employer match does not begin until the employee has completed twelve months of service. For the years ended December 31, 2020 and 2019, Habitat's contribution totaled **\$185,570** and \$148,178, respectively

Habitat for Humanity of San Antonio

Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Note T: Subsequent Events

Subsequent events have been evaluated through the May 14, 2021, which is the date the consolidated financial statements were available to be issued.

Compliance Report

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Habitat for Humanity San Antonio, Inc (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 7, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

Schriver, Carmona & Company, PLLC

San Antonio, Texas

May 14, 2021

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

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

Report on Compliance for Each Major Federal Program

We have audited Habitat for Humanity of San Antonio, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Habitat's major federal programs for the year ended December 31, 2020. Habitat's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Habitat for Humanity of San Antonio, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards, the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Habitat for Humanity of San Antonio, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Habitat for Humanity of San Antonio, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Habitat for Humanity of San Antonio, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

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

Report on Internal Control Over Compliance

Management of Habitat for Humanity of San Antonio, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Habitat's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Habitat's internal control over compliance.

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

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

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

Schriver, Carmona & Company, PLLC

San Antonio, Texas

May 14, 2021

Habitat for Humanity of San Antonio

Schedule of Expenditures of Federal Awards December 31, 2020

Federal Grantor/Pass through Grantor/Program Title	CFDA Number	Pass Through Grant ID Number	Federal Grant Expended During the Year
<i>U.S. Department of Housing and Urban Development</i>			
<i>Passed through the City of San Antonio, Texas</i>			
<u>HOME Investment Partnership Program</u>			
Lenwood Heights Subdivision Phase III	14.239	25-0260020 & 25-R1710050051	\$ 34,441
Watson Road Development (Rancho Carlota Subdivision)	14.239	25-0270096	44,977
Habitat For Humanity CHDO Operating Funds	14.239	25-R2001300220	50,000
<u>Community Development Block Grant</u>			
Watson Road Development (Rancho Carlota Subdivision)	14.218	28-0440134 & R2001300213	886,812
<i>Passed through the County of Bexar, Texas</i>			
<u>HOME Investment Partnership Program</u>			
Watson Road Subdivision	14.239	M-19-UC-48-0500	32,496
<i>Passed through Local Initiatives Support Corporation</i>			
<u>Community Compass Technical Assistance and Capacity Building</u>			
HUD Section 4	14.259	B-16-CB-NY-0001	15,000
<i>Total U.S. Department of Housing and Urban Development</i>			1,063,726
<i>U.S. Department of the Treasury</i>			
<i>Passed through the County of Bexar, Texas</i>			
<u>Corona Virus Relief Fund</u>			
Social Services Agency Resiliency Pogram	21.019	Org. Resiliency for COVID-19	65,580
Social Services Agency Resiliency Pogram	21.019	PPE for COVID-19	106,074
<i>Total U.S. Department of the Treasury</i>			171,654
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,235,380

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Habitat for Humanity of San Antonio

Notes to Schedule of Expenditures of Federal Awards
December 31, 2020

Note A: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Habitat for Humanity of San Antonio, Inc. under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

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

All of Habitat for Humanity of San Antonio, Inc.'s federal awards were in the form of cash assistance for the year ended December 31, 2020.

Note B: Summary of Significant Accounting Policies

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

Note C: Reconciliation to Financial Statements

Total Expenditures of Federal Awards	\$ 1,235,380
Local City Awards	<u>1,333,240</u>
Total Government Grants	<u>\$ 2,568,620</u>

Habitat for Humanity of San Antonio

Schedule of Findings and Questioned Costs
Year Ended December 31, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

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

Identification of Major Programs:

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

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

SECTION II - FINANCIAL STATEMENT FINDINGS None

SECTION III - FEDERAL AWARD FINDINGS None