FORT WORTH AREA
HABITAT FOR HUMANITY, INC.
dba TRINITY HABITAT FOR HUMANITY

FINANCIAL STATEMENTS

Year Ended December 31, 2019

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
Fort Worth Area Habitat for Humanity, Inc.
dba Trinity Habitat for Humanity

Report on the Financial Statements

We have audited the accompanying financial statements of Fort Worth Area Habitat for Humanity, Inc. dba Trinity Habitat for Humanity (“Habitat”), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, cash flows, and functional expenses for the year 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 (“GAAP”); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these 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 the 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 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 auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, 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 Habitat as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with GAAP.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 25, 2020, on our consideration of Habitat’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 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 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’s internal control over financial reporting and compliance.

Whitley Penn LLP

Fort Worth, Texas
June 25, 2020
## Statement of Financial Position

**December 31, 2019**

### Assets

**Current assets:**
- Cash and cash equivalents: $1,196,882
- Cash with donor restrictions: $369,734
- Accounts receivable: $343,487
- Pledges receivable, net: $808,442
- Prepaid expenses: $10,118
- Current maturities of mortgage loans receivable, net: $780,754
- ReStore purchased inventory, at cost: $405,607
- ReStore donated inventory, at fair value: $261,329
- Program properties - construction in progress: $2,329,462

**Total current assets:** $6,505,815

- Property and equipment, net: $4,193,830
- Mortgage loans receivable, net of current portion and unamortized discount: $7,384,343
- Program properties: $2,427,508

**Total assets:** $20,511,496

### Liabilities and Net Assets

**Current liabilities:**
- Accounts payable and accrued expenses: $321,630
- Current portion of notes payable: $79,452
- Escrow payable: $125,008

**Total current liabilities:** $526,090

- Notes payable, net of current portion: $357,620

**Total liabilities:** $883,710

**Commitments and contingencies**

**Net assets:**
- Without donor restrictions: $18,437,433
- With donor restrictions: $1,190,353

**Total net assets:** $19,627,786

**Total liabilities and net assets:** $20,511,496

See accompanying notes to financial statements.
## Statement of Activities

**FORT WORTH AREA HABITAT FOR HUMANITY, INC.**  
**dba TRINITY HABITAT FOR HUMANITY**

**STATEMENT OF ACTIVITIES**

**Year ended December 31, 2019**

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues and other support:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales of program properties</td>
<td>$ 9,420,298</td>
<td>$</td>
</tr>
<tr>
<td>ReStore revenues and contributions</td>
<td>2,716,381</td>
<td>-</td>
</tr>
<tr>
<td>Contributions</td>
<td>2,700,886</td>
<td>1,190,353</td>
</tr>
<tr>
<td>Contributions in kind</td>
<td>910,333</td>
<td>-</td>
</tr>
<tr>
<td>Government grants</td>
<td>894,405</td>
<td>-</td>
</tr>
<tr>
<td>General contracting revenue</td>
<td>254,027</td>
<td>-</td>
</tr>
<tr>
<td>Other income</td>
<td>235,510</td>
<td>-</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>231,697</td>
<td>(231,697)</td>
</tr>
<tr>
<td>Total revenues and other support</td>
<td>17,363,537</td>
<td>958,656</td>
</tr>
</tbody>
</table>

**Expenses:**

**Program services:**
- Construction and home ownership program: 12,383,803
- ReStore: 2,020,864

**Supporting services:**
- Management and general: 655,741
- Fundraising: 947,463

**Total expenses**
- 16,007,871

**Changes in net assets**
- 1,355,666
- 958,656
- 2,314,322

**Net assets at beginning of year**
- 17,081,767
- 231,697
- 17,313,464

**Net assets at end of year**
- $ 18,437,433
- $ 1,190,353
- $ 19,627,786

See accompanying notes to financial statements.
FORT WORTH AREA HABITAT FOR HUMANITY, INC.  
dba TRINITY HABITAT FOR HUMANITY

STATEMENT OF CASH FLOWS

Year ended December 31, 2019

Cash flows from operating activities:
Changes in net assets $ 2,314,322
Adjustments to reconcile changes in net assets to net cash provided by operating activities:
  Depreciation 192,701
  Discount on mortgages issued 2,487,660
  Mortgage discount amortization (1,088,638)
  Bad debt expense 48,515
  Gain on disposal of property and equipment (900)
Changes in net assets and liabilities:
  Accounts receivable 882,246
  Pledges receivable (856,957)
  Prepaid expenses (10,118)
  ReStore inventory (54,270)
  Program properties - construction in progress 263,393
  Program properties (566,691)
  Accounts payable and accrued expenses (17,166)
  Escrow payable 218,475
Net cash provided by operating activities 3,812,572

Cash flows from investing activities:
  Mortgage loans receivable originated (3,389,617)
  Principal payments on mortgage loans receivable 760,707
  Proceeds from payoffs on mortgage loans receivable 367,293
  Proceeds from the sale of property and equipment 900
  Purchases of property and equipment (321,788)
Net cash used in investing activities (2,582,505)

Cash flows from financing activities:
  Payments on notes payable (844,163)
Net cash used in financing activities (844,163)

Net increase in cash, cash equivalents, and restricted cash 385,904

Cash, cash equivalents, and restricted cash at beginning of year 1,180,712

Cash, cash equivalents, and restricted cash at end of year $ 1,566,616

See accompanying notes to financial statements.
Cash reconciliation:
   Cash and cash equivalents $ 1,196,882
   Cash with donor restrictions 369,734
   Cash, cash equivalents, and restricted cash $ 1,566,616

Supplemental disclosure of cash flow information
   Cash paid for interest $ 37,797

See accompanying notes to financial statements.
### FORT WORTH AREA HABITAT FOR HUMANITY, INC.
dba TRINITY HABITAT FOR HUMANITY

**STATEMENT OF FUNCTIONAL EXPENSES**

Year ended December 31, 2019

<table>
<thead>
<tr>
<th>Construction and Homeownership Program</th>
<th>Program Services</th>
<th>Supporting Services</th>
<th>Total Total Program Services</th>
<th>Management and General</th>
<th>Fundraising and Development</th>
<th>Total Supporting Services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Advertising</strong></td>
<td>$2,547</td>
<td>$16,590</td>
<td>$19,137</td>
<td>$99</td>
<td>$20,393</td>
<td>$20,492</td>
</tr>
<tr>
<td><strong>Bank and credit card fees</strong></td>
<td>39</td>
<td>37,170</td>
<td>37,209</td>
<td>6,965</td>
<td>8,019</td>
<td>14,984</td>
</tr>
<tr>
<td><strong>Building materials and supplies</strong></td>
<td>7,936,348</td>
<td>724,483</td>
<td>8,660,831</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Conferences and seminars</strong></td>
<td>2,810</td>
<td>845</td>
<td>3,655</td>
<td>2,399</td>
<td>5,176</td>
<td>7,575</td>
</tr>
<tr>
<td><strong>Contract labor</strong></td>
<td>12,075</td>
<td>-</td>
<td>12,075</td>
<td>200</td>
<td>-</td>
<td>200</td>
</tr>
<tr>
<td><strong>Credit reports</strong></td>
<td>10,137</td>
<td>-</td>
<td>10,137</td>
<td>-</td>
<td>-</td>
<td>10,137</td>
</tr>
<tr>
<td><strong>Dues, fees, and subscriptions</strong></td>
<td>99,325</td>
<td>9,473</td>
<td>108,798</td>
<td>34,011</td>
<td>9,600</td>
<td>43,611</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>-</td>
<td>84,810</td>
<td>84,810</td>
<td>107,891</td>
<td>-</td>
<td>107,891</td>
</tr>
<tr>
<td><strong>Information technology</strong></td>
<td>23,284</td>
<td>8,382</td>
<td>31,666</td>
<td>15,439</td>
<td>22,847</td>
<td>38,286</td>
</tr>
<tr>
<td><strong>Insurance</strong></td>
<td>48,912</td>
<td>10,852</td>
<td>59,764</td>
<td>32,608</td>
<td>16,304</td>
<td>48,912</td>
</tr>
<tr>
<td><strong>Interest expense</strong></td>
<td></td>
<td>3,755</td>
<td>3,755</td>
<td>34,042</td>
<td>-</td>
<td>34,042</td>
</tr>
<tr>
<td><strong>Miscellaneous</strong></td>
<td>110,107</td>
<td>3,699</td>
<td>113,806</td>
<td>26,398</td>
<td>55,097</td>
<td>81,495</td>
</tr>
<tr>
<td><strong>Mortgage discounts</strong></td>
<td>-</td>
<td>-</td>
<td>2,487,660</td>
<td>-</td>
<td>-</td>
<td>2,487,660</td>
</tr>
<tr>
<td><strong>Office expenses</strong></td>
<td>9,919</td>
<td>4,890</td>
<td>14,809</td>
<td>6,992</td>
<td>5,428</td>
<td>12,420</td>
</tr>
<tr>
<td><strong>Postage and printing</strong></td>
<td>10,057</td>
<td>11,769</td>
<td>21,826</td>
<td>2,123</td>
<td>45,470</td>
<td>47,593</td>
</tr>
<tr>
<td><strong>Professional fees</strong></td>
<td>20,013</td>
<td>-</td>
<td>20,013</td>
<td>34,126</td>
<td>-</td>
<td>34,126</td>
</tr>
<tr>
<td><strong>Property taxes</strong></td>
<td>-</td>
<td>2,079</td>
<td>2,079</td>
<td>147</td>
<td>-</td>
<td>147</td>
</tr>
<tr>
<td><strong>Repairs and maintenance</strong></td>
<td>57,092</td>
<td>14,485</td>
<td>71,577</td>
<td>8,221</td>
<td>4,110</td>
<td>12,331</td>
</tr>
<tr>
<td><strong>Salaries and benefits</strong></td>
<td>1,190,798</td>
<td>932,396</td>
<td>2,123,194</td>
<td>318,417</td>
<td>589,054</td>
<td>907,471</td>
</tr>
<tr>
<td><strong>Security</strong></td>
<td>1,083</td>
<td>4,311</td>
<td>5,394</td>
<td>2,802</td>
<td>329</td>
<td>3,131</td>
</tr>
<tr>
<td><strong>Special events</strong></td>
<td>25,658</td>
<td>-</td>
<td>25,658</td>
<td>-</td>
<td>128,635</td>
<td>128,635</td>
</tr>
<tr>
<td><strong>Telephone</strong></td>
<td>27,174</td>
<td>15,086</td>
<td>42,260</td>
<td>11,379</td>
<td>7,790</td>
<td>19,169</td>
</tr>
<tr>
<td><strong>Tithe and Global Village</strong></td>
<td>102,807</td>
<td>-</td>
<td>102,807</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Tools</strong></td>
<td>13,807</td>
<td>96</td>
<td>13,903</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Utilities and trash removal</strong></td>
<td>44,109</td>
<td>58,663</td>
<td>102,772</td>
<td>8,077</td>
<td>4,036</td>
<td>12,113</td>
</tr>
<tr>
<td><strong>Vehicle and travel expense</strong></td>
<td>55,634</td>
<td>76,830</td>
<td>132,464</td>
<td>3,281</td>
<td>16,818</td>
<td>20,099</td>
</tr>
<tr>
<td><strong>Volunteer appreciation and community relations</strong></td>
<td>10,255</td>
<td>200</td>
<td>10,455</td>
<td>124</td>
<td>7,257</td>
<td>17,836</td>
</tr>
<tr>
<td><strong>Warranty repairs</strong></td>
<td>82,153</td>
<td>-</td>
<td>82,153</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Functional Expenses</strong></td>
<td>$12,383,803</td>
<td>$2,020,864</td>
<td>$14,404,667</td>
<td>$655,741</td>
<td>$947,463</td>
<td>$1,603,204</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
A. Nature of Business

Fort Worth Area Habitat for Humanity, Inc. (dba Trinity Habitat for Humanity) (“Habitat”) is a non-profit corporation incorporated on July 18, 1988. Habitat is a Christian not-for-profit organization driven by the vision that everyone deserves a decent place to live. Families and individuals in need of a hand up partner with Habitat to build or improve their homes. More than a roof, homeownership is a catalyst for transforming communities and building financial stability. To achieve this mission, Habitat primarily builds new, affordable houses in the Fort Worth area that are sold to low-income families that complete a homebuyer education program. The homeowners help build their own homes alongside volunteers and pay an affordable mortgage. Habitat occasionally repurchases previously built homes to rehabilitate and resell. Habitat also renovates the exteriors of homes in the neighborhoods in which it is building. Finally, Habitat operates four retail stores (the “ReStore”) designed to provide new and donated low-cost construction materials to the general public. The majority of revenue for Habitat is derived from the proceeds of home sales, ReStore sales, receipt of federal grants, and contributions from individuals, corporations, foundations, and religious organizations. Habitat serves families in Tarrant, Wise, Johnson, Parker, and Palo Pinto counties and, when in partnership, across the state of Texas. Habitat’s corporate office is located in Fort Worth, Texas.

Habitat is an affiliate of Habitat for Humanity International, Inc. (“International”). Though the organizations share a common goal, Habitat is solely responsible for its organization, fund-raising, programs, legal, and financial affairs.

B. Summary of Significant Accounting Policies

A summary of Habitat’s significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts in the financial statements and accompanying notes. Actual results could differ from these estimates and assumptions.
B. Summary of Significant Accounting Policies – continued

Cash and Cash Equivalents

Habitat considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Habitat maintains deposits in several financial institutions, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (“FDIC”). Habitat has not experienced any losses related to amounts in excess of FDIC limits.

Habitat has funds held in a financial institution that contain donor restrictions, which are classified as cash with donor restrictions in the accompanying statement of financial position.

Escrow Deposits

Escrow deposits at December 31, 2019, consisted of amounts received for insurance, property taxes, and other fees on loans serviced by Habitat and are included within accounts receivable in the accompanying statement of financial position. At December 31, 2019, escrow deposits totaled $94,684.

Contributions Revenue and Revenue Recognition

Unconditional promises to give, including pledges receivable, are recorded as revenue in the year made. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using risk-adjusted interest rates applicable to the years in which the promises are expected to be received. Amortization of the discount is included in contribution revenue. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restrictions. Donor-restricted contributions that are received and expended with the same fiscal year are reported as resources without donor restrictions.

A portion of Habitat’s revenue is derived from cost-reimbursable federal contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Habitat has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. Awards from governmental entities received for the year ended December 31, 2019, totaled $894,405, which were recognized as revenue in the accompanying statement of activities.
B. Summary of Significant Accounting Policies – continued

Contributions Revenue and Revenue Recognition – continued

Habitat’s revenue also consists of revenue from ReStore sales and general contracting services. The revenue is derived from the underlying contract or agreement (referred to hereafter as “contract”), and Habitat determines the appropriate accounting treatment for each contract at the commencement of each contract.

A performance obligation is a promise in a contract to transfer a distinct good or service to the member or customer. Revenue is recognized when the performance obligation under the terms of the contract with customers is satisfied. Habitat’s contracts generally have a single performance obligation. The contract prices are generally deemed to be the respective transaction prices and are recognized as revenue when, or as, the performance obligations are satisfied.

Habitat recognizes revenue from ReStore sales based on cash or credit card payment at the time of transaction. General contracting revenue is recognized at the point in time that the general contracting services are completed.

Allowance for Uncollectible Accounts and Pledges Receivable

Management periodically reviews pledges and accounts receivable on an account-by-account basis concentrating on accounts more than 90 days old. Management considers Habitat’s past history with the donor, grantor or consumer, current contact information, and the size of the account in evaluating the reserve requirements. Accounts are written off when it appears collection efforts will not be successful. Management determined that an allowance for uncollectible accounts receivable was not considered necessary as of December 31, 2019. An allowance for uncollectible pledges receivable of approximately $49,000 was recorded as of December 31, 2019.

Mortgage Loans Receivable

Mortgage loans receivable balances represent the amounts for Habitat’s single-family homes sold to homeowners and financed by Habitat, less discounts and allowance for loan losses. The mortgages are secured by the homes and are paid back monthly over terms ranging from 5 to 40 years. Non-interest-bearing mortgage loans receivable are discounted using prevailing market rates at the time of inception of the mortgage, which are provided annually by International, and are reported at present value. As of December 31, 2019, the weighted average discount rate on outstanding non-interest-bearing mortgages was 7.78%.

Mortgage loans receivable are reported net of discounts in the accompanying statement of financial position. Discounts are recognized in interest income over the life of the loan as an adjustment of yield. Interest on loans is recognized using the simple-interest method on the daily balances of the principal amounts outstanding. The value of each home is generally greater than the respective carrying value of the mortgage due. Mortgage loans receivable are stated at the amount management expects to collect from outstanding balances.
B. Summary of Significant Accounting Policies – continued

Mortgage Loans Receivable – continued

Habitat’s allowance for credit losses is that amount considered adequate to absorb probable losses in the portfolio based on management’s evaluations of the size and current risk characteristics of the mortgage notes receivable portfolio. Such evaluations consider historical information and experience with borrowers. Specific allowances for credit losses are established for impaired notes on an individual basis. A note is considered impaired when, based on current information and events, it is probable that Habitat will be unable to collect the scheduled payments when due according to the contractual terms of the promissory note. The specific allowances established for these loans is based on an analysis of the most probable source of repayment, including the estimated fair value of the underlying collateral. General allowances are established for loans that can be grouped into pools based on similar characteristics.

The degree of risk on residential mortgage lending is minimal due to the fact that all mortgage notes receivable are secured by property with fair values that exceed the uncollected balances. For the year ended December 31, 2019, there have been no material losses recorded in the statement of activities related to mortgage loans receivable.

At December 31, 2019, management believes that the fair value of each underlying mortgaged asset exceeds the fair value of the associated mortgage loans receivable outstanding and, thus, the mortgage loans receivable balance is fully collectible. Therefore, no specific or general allowance for loan losses has been recorded.

Inventory

Inventory includes donated building materials and other merchandise available for sale in Habitat’s stores. Gift in kind inventory received through donations are valued and recorded as revenue at their fair value at the time the contribution is received. A portion of the donated inventory is used in the construction of program properties. For items used in the construction of homes, Habitat capitalizes these items as program properties when used. When donated inventory is sold or otherwise distributed in Habitat’s programs, Habitat reports an expense, which is reported in the functional classification for the program in which the gifts in kind were used. Undistributed gifts in kind at year-end are reported as inventory. Inventory is valued at the lower of cost or net realizable value, and cost is determined as fair value at the date of gift plus any costs incurred. Purchased inventory is also recorded at the lower of cost or net realizable value and is valued at average cost.
B. Summary of Significant Accounting Policies – continued

**Property and Equipment**

Property and equipment are carried at cost, if purchased, or at estimated fair value at date of donation, if donated. These assets are generally capitalized if more than $1,000. Depreciation is provided on the straight-line method over the assets’ estimated service lives. Expenditures for maintenance and repairs are charged to expense in the period in which they are incurred, and betterments are capitalized. The cost of assets sold or abandoned and the related accumulated depreciation are eliminated from the accounts, and any gains or losses are reflected in the accompanying statement of activities of the respective period. The estimated useful lives of these assets range from five to thirty-nine years.

**Long-Lived Assets**

Habitat evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by comparison of their carrying amounts to future undiscounted cash flows that the assets are expected to generate. If long-lived assets are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the asset exceeds its fair value and is recorded in the period the determination was made. Based upon management’s assessment, there was no impairment of long-lived assets for the year ended December 31, 2019.

**Program Properties**

Program properties include real estate inventory, land, and site development, and houses include amounts that Habitat has the intent and ability to sell. No depreciation is recorded on program properties.

Donated houses, land, and materials are recorded at fair value when donated. Purchased land and building materials are recorded at cost. Habitat periodically evaluates whether events or changes in circumstances indicate that the carrying value of the program properties may not be recoverable. If an impairment loss exists based on the results of this review, a loss is recognized by a charge against impairment in the statement of activities and a corresponding reduction in the respective asset’s carrying value. The amount of this impairment loss is equal to the amount by which the carrying value of the property exceeds the estimated fair value. There were no charges for impairment for the year ended December 31, 2019.
B. Summary of Significant Accounting Policies – continued

Sales of Program Properties

Sales of program properties represent the sales of houses built by Habitat and sold to individuals. Generally, Habitat receives a mortgage secured by the home. Revenue is recognized by Habitat on the closing date of each sales transaction. Sales of program properties are recorded at the gross mortgage amount less discount and down payment received. The discount on mortgages is based on the difference between stated and market interest rates. Utilizing a straight-line basis, this discount, ranging from 7.39% to 9.00%, will be recognized as discount amortization income over the term of the performing mortgages.

In conformity with GAAP, profit on sales of real estate are not recognized by the full accrual method, unless all of the following criteria are met: (a) a sale is consummated; (b) the buyer’s initial and continuing investments are adequate to demonstrate a commitment to pay for the property; (c) the seller’s receivable is not subject to future subordination; and (d) the seller has transferred to the buyer the usual risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property.

For residential real estate sales, initial payments of 5% of the sales value or greater are considered to be substantial investments. Management believes all gains recognized from program properties sales transactions that occurred during the year ended December 31, 2019, meet the aforementioned criteria and qualify for treatment under the full accrual method.

Compensated Absences

Employees of Habitat are entitled to paid vacation and paid sick days, depending on the length of service and other factors. It is impracticable to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statement. Habitat’s policy is to recognize the cost of compensated absences when actually paid to the employee.

Donated Assets and Services

Donated assets are recorded at their estimated fair value (as determined by management) at the date of donation.

Donated services are recognized as contributions if the services: (a) create or enhance non-financial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Habitat. Habitat pays for most services requiring specialized services. However, a number of individuals volunteer their time and perform a variety of tasks that assist Habitat with specific program functions and various other activities that are not recognized as contributions in the financial statements, because the recognition criteria under GAAP were not met.
B. Summary of Significant Accounting Policies – continued

Grants and Contracts

Habitat records grant revenues over the period of the award, and the provisions of the grant determine the timing of revenue recognition. Grant expenses are recognized when incurred.

Functional Allocation of Expenses

The cost of providing programs and supporting services has been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services. Such allocations, specifically for salaries and benefits, are determined by management based on estimates of time and effort. Generally, Habitat records its expenses based on direct allocation by assigning each expense to a functional category based on direct usage.

Advertising Costs

Habitat expenses advertising costs as they are incurred. Advertising costs for the year ended December 31, 2019, were approximately $40,000.

Concentration of Credit Risk

Habitat finances the construction and ownership of homes to low income individuals and families. The mortgages are secured by a deed of trust. Habitat has established procedures to limit the risk of default through adequate underwriting and charging no interest or interest at the lowest prevailing market rates, which limits the monthly payment amount. Prior to closing the sale, homes are appraised to ensure the appraised value meets or exceeds the sale price.

Fair Value of Financial Instruments

Habitat calculates the fair value of its assets and liabilities, which qualify as financial instruments, and includes this information in the notes to the financial statements when the fair value is different than the carrying value of those financial instruments. The estimated fair value of accounts receivable, pledges receivable, accounts payable and accrued liabilities, and escrows payable approximates the carrying amounts due to the relatively short maturity of these instruments. The carrying values of the notes payable approximate fair value since these instruments bear market interest rates. None of these instruments are held for trading purposes.
B. Summary of Significant Accounting Policies – continued

Fair Value Measurements

Management determines the fair values of financial instruments based on the fair value hierarchy established, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources, while unobservable inputs reflect management’s estimates about market data.

Level 1: — Quoted prices in active markets for identical assets and liabilities.

Level 2: — Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active; and model based valuation techniques for which all significant inputs are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Federal Income Taxes

Habitat is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code ("IRC"), as an organization other than a private foundation. Income from certain activities not directly related to Habitat’s tax-exempt purpose is subject to taxation as unrelated business income. A portion of Habitat’s ReStore sales is subject to tax on unrelated business income. There was no income tax expense for 2019.

Tax positions are evaluated in a two-step process. Habitat first determines whether it is more likely than not that a tax position will be sustained upon examination. If a tax position meets the more likely than not threshold, it is then measured to determine the amount of expense to record in the financial statements. The tax position is measured as the largest amount of expense that is greater than 50 percent likely to be realized upon settlement. Habitat classifies any potential accrued interest recognized on an underpayment of income taxes and any statutory penalties recognized on a tax position taken as other non-interest expense. Habitat did not incur any penalties or interest during the year ended December 31, 2019. Management has not taken a tax position that, if challenged, would be expected to have a material effect on the financial statements at December 31, 2019. Habitat files Form 990 in the federal jurisdiction within the United States. No tax returns are currently under examination by any tax authorities.
B. Summary of Significant Accounting Policies – continued

New Accounting Pronouncements

During 2019, Habitat adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes nearly all existing revenue recognition guidance under GAAP. The core principle of this ASU is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. The new revenue guidance defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing GAAP. Habitat adopted this guidance on January 1, 2019, and the guidance was applied to contracts at the application date. There was no adjustment necessary to beginning net assets as a result of the adoption.

During 2019, Habitat adopted FASB ASU No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. This ASU aims to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Specifically, this ASU assists entities in: (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Non-for-Profit Entities (Topic 958), or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. Habitat adopted this guidance on January 1, 2019.

During 2019, Habitat adopted FASB ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. This ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. Habitat adopted this guidance on January 1, 2019.
C. Availability and Liquidity

The following reflects Habitat’s financial assets as of December 31, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of December 31, 2019:

Financial assets, at year end:
  Cash and cash equivalents  1,196,882
  Accounts receivable  343,487
  Pledges receivable  808,442
  Current maturities of mortgage loans receivable, net  780,754
Total financial assets available to meet cash needs for general expenditures within one year  3,129,565

Habitat is substantially supported by contributions, sales of program properties, ReStore sales, and certain other revenues and contributions. Habitat has approximately $3,130,000 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The donor-restricted cash is subject to implied purpose restrictions and the pledges receivable are subject to implied time restrictions, but the restrictions are expected to be met within one year. Habitat has a goal to maintain financial assets consisting of cash on hand to meet 90 days of normal operating expenses. Habitat has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As more fully described in Note H, Habitat also has a committed line of credit, which it could draw upon in the event of an unanticipated liquidity need.

D. Pledges Receivable

At December 31, 2019, contributors have made unconditional promises to give to Habitat, primarily through its annual Buildstrong Luncheons held in Tarrant and Parker Counties. Amounts are generally collected at the time of the event or in the subsequent year that the Buildstrong Luncheon is held. During the year ended December 31, 2019, two Buildstrong Luncheons and a 30th anniversary event were held in which Habitat received approximately $1,246,000 in promises to give from donors, and the amount is recorded as contributions in the accompanying statement of activities.
D. Pledges Receivable – continued

At December 31, 2019, pledges receivable, net is comprised of the following:

<table>
<thead>
<tr>
<th>Pledges Receivable</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 Buildstrong pledges</td>
<td>$6,417</td>
</tr>
<tr>
<td>2016 Buildstrong pledges</td>
<td>22,182</td>
</tr>
<tr>
<td>2017 Buildstrong pledges</td>
<td>10,523</td>
</tr>
<tr>
<td>2018 Buildstrong pledges</td>
<td>187,868</td>
</tr>
<tr>
<td>2019 Buildstrong pledges</td>
<td>571,764</td>
</tr>
<tr>
<td>30th Anniversary pledges</td>
<td>21,865</td>
</tr>
<tr>
<td>Other pledges</td>
<td>36,338</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$856,957</td>
</tr>
<tr>
<td><strong>Less: allowance for doubtful accounts</strong></td>
<td>$(48,515)</td>
</tr>
<tr>
<td><strong>Total pledges receivable, net</strong></td>
<td>$808,442</td>
</tr>
</tbody>
</table>

E. Mortgage Loans Receivable

Mortgage loans receivable consisted of the following at December 31, 2019:

<table>
<thead>
<tr>
<th>Mortgage Loans Receivable</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage loans receivable at face value</td>
<td>$19,920,716</td>
</tr>
<tr>
<td>Unamortized discount</td>
<td>(11,755,619)</td>
</tr>
<tr>
<td><strong>Mortgage loans receivable, net</strong></td>
<td>$8,165,097</td>
</tr>
</tbody>
</table>

As of December 31, 2019, all of Habitat’s mortgage loans receivable are non-interest bearing and have been discounted based on imputed interest rates ranging from 7.39% to 9.00%. At December 31, 2019, Habitat has 546 mortgage loans outstanding with an average contractual principal balance of approximately $53,000.

In certain circumstances, Habitat may utilize a subordinate forgivable mortgage to bring the mortgage down to an affordable level based on the borrower’s specific financial situation. Habitat primarily provides down payment assistance to certain borrowers through the issuance of forgivable mortgages. The forgivable mortgages are forgivable based on the borrower fulfilling the specific terms and conditions stipulated in the agreements. The conditions are primarily fulfilled through the passage of time that the borrower remains in the home. Habitat forgives these mortgage receivables as the conditions are fulfilled at the forgiveness rates stipulated in the agreements and records the contribution expense within the cost of program properties on the statement of functional expense. The mortgages are collateralized by the underlying property and are analyzed on an aggregate basis for impairment. At December 31, 2019, the forgivable mortgages totaled $3,706,620 and are included in the mortgage loans receivable at face value in the table above.
E. Mortgage Loans Receivable – continued

The year and amount the forgivable mortgages may be forgiven are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>$4,976</td>
</tr>
<tr>
<td>2021</td>
<td>14,000</td>
</tr>
<tr>
<td>2022</td>
<td>-</td>
</tr>
<tr>
<td>2023</td>
<td>23,500</td>
</tr>
<tr>
<td>2024</td>
<td>-</td>
</tr>
<tr>
<td>Thereafter (2025 – 2049)</td>
<td>3,664,144</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,706,620</strong></td>
</tr>
</tbody>
</table>

Non-interest-bearing mortgages receivable and unamortized discount are classified within Level 3 of the valuation hierarchy. Habitat obtains these values by considering the following assumptions: (1) unamortized discount rate is the interest rate provided each year by International; (2) reliance on International’s discount rate to be reflective of the overall market; (3) the discount is amortized using the effective interest rate over the life of the mortgage; and (4) mortgages receivable are valued based on the gross mortgage amount less discount and down payment received.

F. Program Properties

**Program Properties – Construction in Progress**

Costs incurred in conjunction with home construction are capitalized as incurred. Construction in progress are homes at various stages of construction, which will be sold as part of Habitat’s exempt purpose.

The following is a summary of construction in progress activity for the year ended December 31, 2019:

<table>
<thead>
<tr>
<th></th>
<th>Number</th>
<th>Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction in progress, beginning of year</td>
<td>72</td>
<td>$2,592,855</td>
</tr>
<tr>
<td>Additional costs incurred during 2019</td>
<td>-</td>
<td>3,204,477</td>
</tr>
<tr>
<td>New homes started during 2019</td>
<td>64</td>
<td>2,449,090</td>
</tr>
<tr>
<td>Sales of homes during 2019</td>
<td>(59)</td>
<td>(5,559,500)</td>
</tr>
<tr>
<td>Other home costs expended during 2019</td>
<td>(21)</td>
<td>(357,460)</td>
</tr>
<tr>
<td>Construction in progress, end of year</td>
<td>56</td>
<td>$2,329,462</td>
</tr>
</tbody>
</table>
F. Program Properties – continued

Program Properties

Program properties consisted of the following as of December 31, 2019:

<table>
<thead>
<tr>
<th>Property</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lot inventory</td>
<td>$2,257,862</td>
</tr>
<tr>
<td>House inventory</td>
<td>169,646</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,427,508</strong></td>
</tr>
</tbody>
</table>

At December 31, 2019, lot inventory includes 172 undeveloped lots and house inventory includes 3 completed and unsold houses.

G. Property and Equipment

Property and equipment consisted of the following at December 31, 2019:

<table>
<thead>
<tr>
<th>Property</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$1,115,726</td>
</tr>
<tr>
<td>Buildings and building improvements</td>
<td>4,068,823</td>
</tr>
<tr>
<td>Vehicles</td>
<td>215,430</td>
</tr>
<tr>
<td>Office equipment and furniture</td>
<td>247,959</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,647,938</strong></td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(1,454,108)</td>
</tr>
<tr>
<td><strong>Property and equipment, net</strong></td>
<td><strong>$4,193,830</strong></td>
</tr>
</tbody>
</table>

Depreciation expense for the year ended December 31, 2019, was approximately $193,000.
H. Notes Payable

Notes payable consisted of the following as of December 31, 2019:

Note payable-International, installment note with equal installments of $3,859 monthly, 0% with various maturities through 2021, secured by mortgages receivable. $ 57,969
Note payable-Bank, installment note with equal installments of $2,652 monthly, 2.63% with maturity of December 2022, secured by property and equipment. 350,052
Note payable-City of Arlington, installment note with equal annual payments of $1,320, 0% payments due a year in advance, matures September 2041, secured by real estate. 29,051

Total notes payable 437,072
Less current portion of notes payable (79,452)

Total notes payable, less current portion $ 357,620

Future maturities of debt for the subsequent fiscal years ending December 31, are as follows:

2020 $ 79,452
2021 44,805
2022 287,724
2023 1,320
2024 1,320
Thereafter 22,451

$ 437,072

Habitat has three revolving lines of credit with separate financial institutions, with an aggregate available borrowing amount of $2,175,000, all of which was unused at December 31, 2019. The first line of credit has an available borrowing of $575,000, with a maturity in May 2020, bears interest at the Wall Street Journal Prime Rate (“Prime Rate”) less .10%, and is secured by certain real property. The second line of credit has an available borrowing amount of $800,000, with a maturity in December 2020, bears interest at the Prime Rate, and is secured by certain real property. The third line of credit has an available borrowing amount of $800,000, with a maturity in November 2020, bears interest at the Prime Rate, and is unsecured. There were no borrowings on the lines of credit during 2019.
I. Texas Department of Housing and Community Affair ("Bootstrap" Loan Program)

The Texas Department of Housing and Community Affairs ("TDHCA") "Bootstrap" Loan Program provides no-interest home mortgage loans up to $45,000 to low income Texas families who agree to help build their own home and who are working through certified non-profit organizations such as Habitat. This program uses funds administered through the State of Texas Housing Trust Fund. TDHCA has appointed Habitat as a servicer for "Bootstrap" loans. As a servicer, Habitat collects payments from the borrowers and remits to TDHCA.

Twenty loans were issued by TDHCA during 2019 in the amount of approximately $900,000. At December 31, 2019, no amounts were due from TDHCA.

J. Homeowner Down Payment Assistance Programs

Habitat partners with two different agencies to provide down payment assistance to Habitat homeowners: (1) City of Fort Worth Affordable Housing Assistance Program ("AHAP"), which provides up to $20,000 down payment assistance for low income homebuyers in Fort Worth, and (2) Federal Home Loan Bank ("FHLB") Write-Down Program, which provides up to $5,500 for mortgage write-downs in the form of down payment assistance and is based on the homeowner’s income. The FHLB program encompasses Habitat’s entire service area. The AHAP program is limited to Fort Worth residents only. All qualifying Habitat family partners are matched to the appropriate down payment assistance program based on a first come, first served availability. Trinity Habitat’s staff assists with the completion and submission of each homeowner’s application.

In 2019, Habitat received approximately $109,000 from the FHLB program for 20 homeowners that closed on their homes in 2019. In 2019, the AHAP program approved 25 homeowners with approximately $495,000 in down payment assistance.

K. Net Assets with Donor Restrictions

Donor-restricted net assets are generally restricted for obtaining land and building homes for qualifying families and various outreach programs. The table below represents the purpose for which certain net assets are restricted by the donor as of December 31, 2019:

<table>
<thead>
<tr>
<th>Time restriction</th>
<th>$ 945,619</th>
</tr>
</thead>
<tbody>
<tr>
<td>Build-A-Home</td>
<td>92,800</td>
</tr>
<tr>
<td>Specific house builds</td>
<td>75,000</td>
</tr>
<tr>
<td>Parker County house builds</td>
<td>36,902</td>
</tr>
<tr>
<td>Mansfield house builds</td>
<td>19,032</td>
</tr>
<tr>
<td>Other</td>
<td>21,000</td>
</tr>
</tbody>
</table>

$ 1,190,353
K. Net Assets with Donor Restrictions – continued

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose of building homes specified by the donor during the year ended December 31, 2019. Restricted funds were spent on the following programs during the year ended December 31, 2019:

<table>
<thead>
<tr>
<th>Program</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>House sponsor</td>
<td>$120,000</td>
</tr>
<tr>
<td>Women’s build</td>
<td>$82,429</td>
</tr>
<tr>
<td>Mansfield house build</td>
<td>$27,336</td>
</tr>
<tr>
<td>Spring fellowship</td>
<td>$1,932</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$231,697</strong></td>
</tr>
</tbody>
</table>

L. Related-Party Transactions

As of December 31, 2019, Habitat had a pledge receivable outstanding from International in the amount of $36,338, which represents amounts pledged via an affiliate funding agreement with this organization, for which Habitat has not yet received funding.

As of December 31, 2019, Habitat had a note payable outstanding with International (Note H).

Habitat remits a portion of its contributions (excluding in-kind contributions) to International. These funds are used to construct homes in economically depressed areas around the world. During the year ended December 31, 2019, Habitat contributed $42,280 to International.

M. Commitments and Contingencies

Legal Matters

In the normal course of business, Habitat may become party to various claims, litigation, and assessments. Management is unaware of any such matters that would have a material impact on the financial statements in the event of an unfavorable outcome.

Operating Leases

Habitat leases certain equipment under non-cancelable operating leases that expire in 2020. Total rental expense was approximately $44,000 for the year ended December 31, 2019.

Future minimum payments under non-cancelable operating leases with initial terms of one year or more at December 31, 2019, were approximately $14,000, which are expected to be paid in 2020.
N. Employee Benefit Plan

Habitat maintains an employee 401(k) benefit plan (the “Plan”) which covers all employees at least 21 years of age who have at least 90 days of employment. Habitat may match any eligible participant’s contributory deferral to a maximum of 6% of his/her pre-tax compensation. Total employer match for the year ended December 31, 2019, was approximately $74,000.

O. Subsequent Events

In preparing the financial statements, Habitat has evaluated all subsequent events and transactions for potential recognition or disclosure through June 25, 2020, the date the financial statements were available for issuance.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States of America. Efforts implemented by local and national governments, as well as businesses, including temporary closures, are expected to have adverse impacts on local, national, and global economies. Although the disruption is currently expected to be temporary, there is uncertainty around the duration and the related economic impact. Therefore, while management expects this matter to have an impact on Habitat’s activities, the impact to our results of operations and financial position cannot be reasonably estimated at this time.

On March 27, 2020, the U.S. federal government enacted the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), which includes provision for a Paycheck Protection Program (“PPP”) administered by the U.S. Small Business Administration (“SBA”). The PPP allows qualifying business to borrow up to $10 million calculated based on qualifying payroll costs. PPP loans bear a fixed interest rate of 1% over a two-year term, are guaranteed by the federal government, and do not require collateral. The loans may be forgiven, in part or whole, if the proceeds are used to retain and pay employees and for other qualifying expenditures. Habitat has applied for a PPP loan in the amount of $550,000, which was approved by the SBA on April 8, 2020. Habitat expects to use the proceeds of the PPP loan in accordance with the provisions of the CARES Act.
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<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
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<td>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</td>
<td>1</td>
</tr>
<tr>
<td>Independent Auditor’s Report on Compliance for each Major Federal Program, on Internal Control over Compliance, and on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance</td>
<td>3</td>
</tr>
<tr>
<td>Schedule of Findings and Questioned Costs</td>
<td>6</td>
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<td>Schedule of Expenditures of Federal Awards</td>
<td>8</td>
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<tr>
<td>Notes to Schedule of Expenditures of Federal Awards</td>
<td>9</td>
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<tr>
<td>Summary Schedule of Prior Audit Findings</td>
<td>10</td>
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<td>Corrective Action Plan</td>
<td>11</td>
</tr>
</tbody>
</table>
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
Fort Worth Area Habitat for Humanity, Inc.
dba Trinity Habitat for Humanity

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 financial statements of Fort Worth Area
Habitat for Humanity, Inc. dba Trinity Habitat for Humanity (“Habitat”), which comprise the statement
of financial position as of December 31, 2019, and the related statements of activities, cash flows, and
functional expenses for the year then ended, and the related notes to the financial statements, and have

Internal Control over Financial Reporting

In planning and performing our audit of the 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 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 Habitat’s 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 over financial reporting 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 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*.

**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 Habitat’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Habitat’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Whitley Penn LLP

Fort Worth, Texas
June 25, 2020
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Fort Worth Area Habitat for Humanity, Inc.
dba Trinity Habitat for Humanity

Report on Compliance for Each Major Federal Program

We have audited Fort Worth Area Habitat for Humanity, Inc. dba Trinity Habitat for Humanity’s (“Habitat”) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Habitat’s major federal program for the year ended December 31, 2019. Habitat’s major federal program is 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 Habitat’s major federal program 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 and 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’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 the major federal program. However, our audit does not provide a legal determination of Habitat’s compliance.
Opinion on Each Major Federal Program

In our opinion, Habitat complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as finding #2019-001. Our opinion on the major federal program is not modified with respect to these matters.

Habitat’s response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. Habitat’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Habitat 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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, we did identify deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item #2019-001, which we consider to be a significant deficiency.
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.

Report on Schedule of Expenditures of Federal Awards

We have audited the financial statements of Habitat as of and for the year ended December 31, 2019, and have issued our report thereon dated June 25, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Whitley Penn LLP

Fort Worth, Texas
June 25, 2020
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 weaknesses? None Reported

Noncompliance material to financial statements notes? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified that are not considered to be material weaknesses? Yes; #2019-001

Type of auditor’s report issued on compliance with major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major programs:

<table>
<thead>
<tr>
<th>Name of Federal Program</th>
<th>CFDA Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Department of Housing and Urban Development – Community Development Block Grant Cluster</td>
<td>14.218</td>
</tr>
<tr>
<td>Dollar threshold used to distinguish between type A and type B programs?</td>
<td>$750,000</td>
</tr>
</tbody>
</table>

Auditee qualified as low-risk auditee No
II. Financial Statement Findings

None noted.

III. Federal Award Findings and Questioned Costs

<table>
<thead>
<tr>
<th>FINDING #2019-001 – U.S. Department of Housing and Urban Development – Community Development Block Grant Cluster (CFDA 14.218); L. Financial Reporting and Performance Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Criteria</strong></td>
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<tr>
<td><strong>Condition</strong></td>
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<tr>
<td><strong>Effect</strong></td>
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<tr>
<td><strong>Cause</strong></td>
</tr>
<tr>
<td><strong>Recommendation</strong></td>
</tr>
<tr>
<td><strong>Views of Responsible Officials</strong></td>
</tr>
</tbody>
</table>
FORT WORTH AREA HABITAT FOR HUMANITY, INC.  
dba TRINITY HABITAT FOR HUMANITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2019

<table>
<thead>
<tr>
<th>Grantor/Pass-through Grantor/Program Title</th>
<th>Federal CFDA Number</th>
<th>Other Identifying Number</th>
<th>Agency or Pass-through Number</th>
<th>Expenditures</th>
</tr>
</thead>
</table>
| U. S. Department of Housing and Urban Development  
Passed through the City of Fort Worth  
Community Development Block Grant -  
Entitlement Grants Cluster  
Community Development Block Grant | 14,218  
Community Development Block Grant | 14,218  
Community Development Block Grant | B-18-MC-48-0010  
B-17-MC-48-0010  
B-18-MC-48-0010 | 51952  
50175  
51951 | $ 455,000  
319,176  
25,060 |
| Total Community Development Block Grant –  
Entitlement Grants Cluster |                              |                          |                             | 799,236 |

TOTAL EXPENDITURES OF FEDERAL AWARDS  
$ 799,236
FORT WORTH AREA HABITAT FOR HUMANITY, INC.
dba TRINITY HABITAT FOR HUMANITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2019

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Fort Worth Area Habitat for Humanity, Inc. dba Trinity Habitat for Humanity (“Habitat”) under programs of the federal government for the year ended December 31, 2019. 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, it is not intended to, and does not, present the financial position, changes in financial position, or cash flows of Habitat.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. See Note B of the notes to the financial statements for Habitat’s significant accounting policies. These expenditures are reported on Habitat’s fiscal year-end, which is from January 1, 2019 to December 31, 2019. Expenditure reports to funding agencies are prepared based on award periods. Such expenditures are recognized following the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Habitat has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
FORT WORTH AREA HABITAT FOR HUMANITY, INC.  
dba TRINITY HABITAT FOR HUMANITY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended December 31, 2019

Federal regulations, Title 2 U.S. Code of Federal Regulations § 200.511 states, “The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings.” The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit’s schedule of findings and questioned costs and
- All audit findings reported in the prior audit’s summary schedule of prior audit findings except audit findings listed as corrected.

The Summary Schedule of Prior Audit Findings for the year ended December 31, 2019, has been prepared to address these responsibilities.

IV. Status of Prior Year Findings and Questioned Costs

None noted.
Federal regulations, Title 2 U.S. Code of Federal Regulations § 200.511 states, “At the completion of the audit, the auditee must prepare, in a document separate from the auditor’s findings described in § 200.516.

Audit findings, a corrective action plan to address each audit finding included in the current year auditor’s reports.”

V. Corrective Action Plan

<table>
<thead>
<tr>
<th>FINDING #2019-001 – U.S. Department of Housing and Urban Development – Community Development Block Grant Cluster (CFDA 14.218); L. Financial Reporting and Performance Reporting</th>
</tr>
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<tbody>
<tr>
<td><strong>Response:</strong></td>
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<tr>
<td><strong>Responsible Party:</strong></td>
</tr>
<tr>
<td><strong>Estimated Completion Date:</strong></td>
</tr>
</tbody>
</table>