McKINNEY COMMUNITY DEVELOPMENT CORPORATION
Project Grant Application
Fiscal Year 2022

Applications must be completed in full, using this form, and received by MCDC, via email or on a thumb drive. Contact us to discuss your plans and schedule a meeting with the Projects Subcommittee prior to completing the application.

Please submit application, including all supporting documentation, via email or on a thumb drive for consideration by the MCDC to:

McKinney Community Development Corporation
5900 S. Lake Forest Blvd., Suite 110
McKinney, TX 75070

Attn: Cindy Schneible (cschneible@mckinneycdc.org)

2022 Project Grant Application Schedule

Application Deadline	**Presentation to MCDC Board**	**Board Vote and Award Notification**
Cycle I: December 31, 2021	January 27. 2022	February 24, 2022
Cycle II: March 31, 2022	April 28, 2022	May 26, 2022
Cycle III: June 30, 2022	July 28, 2022	August 25, 2022

APPLICATION

Project Grants support for projects eligible for consideration under Sections 501 and 505 of the Texas Local Government Code. These include:

- Projects Related to the Creation or Retention of Primary Jobs
- Infrastructure Improvement Projects Necessary to Develop New or Expanded Business Enterprises
- Public Parks and Open Space Improvements
- Projects Related to Recreational or Community (city/public access) Facilities
- Professional and Amateur Sports and Athletic Facilities, including Children's Sports
- Entertainment, Tourist and Convention Facilities
- Projects Related to Low Income Housing
- Mass Transit-Related Facilities (facilities and/or equipment)
- Airport Facilities

McKinney Community Development Corporation – Overview

In 1996 McKinney voters approved the creation of a 4B (now Type B) sales tax corporation to support community and economic development projects and initiatives to enhance quality of life improvements and economic growth for McKinney residents. MCDC receives revenue from a half-cent sales tax and awards grant funds for projects, promotional activities and community events that showcase the City of McKinney and support business development and tourism.

Guided by a City Council-appointed board of seven McKinney residents, the impact of investments made by MCDC can be seen throughout the community.

Projects eligible for funding are authorized under The Development Corporation Act and Chapters 501 to 505 of the Texas Local Government Code.

McKinney Community Development Corporation – Mission

To proactively work, in partnership with others, to promote and fund community, cultural and economic development projects that maintain and enhance the quality of life in McKinney and contribute to business development.

Guiding Principles:

- Serve ethically and with integrity
- Provide responsible stewardship
- Embrace our role and responsibility
- Honor the past – provide innovative leadership for the future
- Make strategic and transparent decisions that best serve the community

McKinney Community Development Corporation – Goals

- Ensure application/project eligibility for MCDC consideration under Sections 501 to 505 of the Texas Local Government Code (see information below)
- Meet citizen needs for quality of life improvements, business development and sustainable economic growth for residents in the City of McKinney
- Provide support for cultural, sports, fitness, entertainment, community projects and events that attract resident and visitor participation and contribute to quality of life, business development and increased McKinney sales tax revenue
- Highlight and promote McKinney as a unique destination for residents and visitors alike
- Demonstrate informed financial planning – addressing long-term costs, budget consequences and sustainability of projects for which funding is requested
- Educate the community about the impact that local dining and shopping has on investment in quality of life improvements in McKinney

General Guidelines

- Applications must be completed in full, **and provide all information requested**, to be considered by the MCDC board.
- Applicant must have been in business (preferably within the City of McKinney) for a minimum of two (2) years. The MCDC board may waive this requirement for economic development projects.

General Guidelines - continued

- The land, building or facility where the proposed project will be located should be owned by the Applicant. However, if the Applicant does not own the land, written acknowledgement/approval from the property owner must be included with the application. The letter must document the property owner is aware of the proposed use of the property or facility; and the property owner has reviewed the project plan and application, approves and supports the efforts of the Applicant.
- **Preference may be given** to Applicants who have **not** received funding from MCDC within the previous 12-month period.
- Performance agreements are required for all approved grants.
- Funded Projects must be completed within one year of the date the grant is approved by the MCDC board, unless an exception is granted.
- Completed Project must be inspected for Code compliance.
- A signed Contractor's Sworn Statement and Waiver of Lien to Date form must be completed, notarized and provided to MCDC prior to receiving grant funds.
- Property owner will be responsible for maintaining the infrastructure improvements made with funding for ten (10) years.
- Grant recipients must maintain financial books and records of the funded project and of their operations as a whole for at least two years, should MCDC or the City of McKinney require an audit. The books and records must be available upon request, and create a clear audit trail documenting revenues and expenses of the funded project.
- Within 30 days of completion of the funded project, the grant recipient is required to submit a final report that includes detailed information on the activity; visual documentation of pre and post-project completion; and any outstanding receipts for expenditures included under the scope of the grant.
- Grant recipient must recognize McKinney Community Development Corporation as a sponsor/funder of the project improvements. MCDC will provide a logo for grant recipient use.

Process

The McKinney Community Development Corporation Board of Directors are responsible for reviewing and voting on applications for grant funding, in accordance with requirements of the Texas Local Government Code.

- A completed application form must be submitted to MCDC in accordance with the schedule outlined above.
- The application will be evaluated to determine eligibility for MCDC funding under State law.
- Once eligibility for consideration is confirmed, a public hearing will be conducted, during a regularly scheduled MCDC board meeting, on the grant application submitted.
- Prior to the public hearing, notice will be published and posted in accordance with the requirements of the Open Meetings Act and the Texas Local Government Code. **The application, along with all documents/attachments will become public information once submitted to MCDC**.
- Following the public hearing, grant requests will be referred to a subcommittee of the MCDC board for evaluation and recommendation of approval or denial to the full board.
- Board action on the grant application will be scheduled for the board meeting the month following the public hearing.

- If a grant is approved, a performance agreement will be drafted for execution between MCDC and applicant.
- Funds awarded for approved applications are provided on a reimbursement basis, following submission of receipts and documentation of payment for qualified expenditures.
- The final 20% of the award may be withheld until a final project report is submitted to MCDC and compliance with all requirements of the executed performance agreement are confirmed.

APPLICANT INFORMATION

Name: Douglas Fair

Company: Habitat for Humanity of Collin County/HFHCC

Federal Tax I.D.: 75-2443511

Incorporation Date: 1992

Mailing Address: 2060 Couch Drive

City McKinney ST: TX Zip: 75069

Phone: 972-542-5300 Fax: 972-542-5159 Email: development@habitatcollincounty.org Cell: 214-616-6210

Website: habitatcollincounty.org

Check One:

☐ Corporation ☐ Partnership ☐ Sole Proprietorship
☐ Governmental entity
☒ Nonprofit – 501(c) Attach a copy of IRS Determination Letter
☐ Other

PROJECT INFORMATION:

Project/Business Name: HFHCC Homeownership and Home Repair Program FY22

Location of Project: McKinney

Physical Address: TBD

City: McKinney ST: TX Zip: all

Property Size: TBD acres Collin CAD Property ID: TBD

Please provide the information requested below:

• An expansion/improvement	☐ Yes	☒ No
• A replacement/repair	☒ Yes	☐ No
• A multi-phase project	☐ Yes	☒ No
• A new project	☐ Yes	☒ No

PROPERTY OWNER INFORMATION *(if different from Applicant info above)***:**

Name:
Habitat for Humanity of Collin County (HFHCC) continues its vision of "A world where everyone has a decent place to live" by working in local partnership with the city of McKinney. Through continued efforts of the "Home Repair Program," HFHCC pledges to ensure families live in homes that are safe, comfortable during extreme North Texas weather conditions, and meet basic needs such as adequate plumbing, heating and cooling. HFHCC is requesting a total of $700,000 of which $400,000 will go towards the purchase of land sites for new home builds and $300,000 will pay for various levels of home repair.
Company:

Mailing Address:

City: ST: Zip:

Phone Fax: Email: Cell:

DETAILED PROJECT INFORMATION:

Project Details and Proposed Use: Habitat for Humanity of Collin County (HFHCC) continues its vision of "A world where everyone has a decent place to live" by working in local partnership with the city of McKinney. Through continued efforts of the "Home Repair Program," HFHCC pledges to ensure families live in homes that are safe, comfortable during extreme North Texas weather conditions, and meet basic needs such as adequate plumbing, heating and cooling. HFHCC is requesting a total of $700,000 of which $400,000 will go towards the purchase of land sites for new home builds and $300,000 will pay for various levels of home repair. Part 1: Home Repair Program: Qty.2- Level 1 home repairs @ $75,000 ea., Qty.2- Level 2 home repairs @ $50,000 ea., Qty.3- Level 3 Home repairs @ $25,000 ea., and Qty.5- Level 4 home repairs @ $10,000 ea. Part 2. New homes will be built on the acquired land site with total home numbers dependent on the land size and city requirements.

Estimated Date of Project Completion: May 25, 2023

Days/Hours of Business Operation: Administrative Office: Monday-Friday 9:00 am-5:00 pm Construction Offices: Tuesday-Saturday 9:00 am – 5:00 pm

Estimated Annual Taxable Sales: n/a

Current Appraised Value of Property: TBD Estimated Appraised Value (*Post-Improvement*): TBD

Estimated Construction Cost for Total Project: $300,000+

Total Estimated Cost for Project Improvements included in grant request: $300,000+

Total Grant Amount Requested: $700,000

Will funding be requested from any other City of McKinney entity (e.g. TIRZ Grant, City of McKinney 380, CDBG Grant)?

☒Yes ☐No

If yes, please provide details and funding requested: We will be applying for City of McKinney FY 2022-2023 Community Development Block Grant/Community Support Grant to complete similar home repairs

Has a request for grant funding been submitted to MCDC in the past?

☒ Yes ☐ No

Date(s): 2005-2021

Will the project be competitively bid?

☐ Yes ☒ No

If yes, please attach bids for the project

Has a feasibility study or market analysis been completed for this proposed project? *If so, please attach a copy of the Executive Summary.*

Additional Information – please attach the following

- Business plan
- Current financial report
- Audited financials for previous two years (if not available, please indicate why)
- Plat/map of property extending 200' beyond property in all directions (if applicable to your project)
- Detailed budget for the project
- Describe planned support activities; use; admission fees if applicable
- Timeline and schedule – from design to completion
- Plans for future expansion/growth

Acknowledgements

If funding is approved by the MCDC board of directors, Applicant acknowledges the following:

- The Project for which financial assistance is sought will be administered by or under the supervision of the applying individual/company.
- All funds awarded will be used exclusively for the purpose described in this application.
- Applicant owns the land, building or facility where the proposed infrastructure improvements will be made. If the Applicant does not own the land, written acknowledgement/approval from the property owner must be included with the application. The letter must document the property owner is aware of the proposed improvements and use of the property or building; and the property owner has reviewed the project plan and application, approves and supports the efforts of the Applicant.

- MCDC will be recognized as a funder of the Project. Specifics to be agreed upon by applicant and MCDC and included in an executed performance agreement.
- Individual/company representative who has signed the application is authorized to submit the application.
- Applicant will comply with the Grant Guidelines in executing the Project for which funds were awarded.
- Funded Projects must be completed within one year of the date the grant is approved by the MCDC board, unless an exception is granted.
- Completed Project must be inspected for Code compliance.
- A signed Contractor's Sworn Statement and Waiver of Lien to Date form must be completed, notarized and provided to MCDC prior to receiving grant funds.
- Property owner will be responsible for maintaining the infrastructure improvements made with funding from Grant for ten (10) years.

Acknowledgements *- continued*

- A final report detailing the successful completion of the Project will be provided to MCDC no later than 30 days following completion of the Project.
- Grant funding is provided on a reimbursement basis subsequent to submission of a reimbursement request, with copies of invoices and paid receipts for qualified expenses.
- Up to 20% of the grant funds awarded may be withheld until a final report on completion of the Project is provided to MCDC.
- A performance agreement will be required that may outline requirements for acknowledging MCDC funding support for the project. Additionally, it will contain a provision certifying that the applicant does not and will not knowingly employ an undocumented worker in accordance with Chapter 2264 of the Texas Government Code, as amended. Further, should the applicant be convicted of a violation under 8 U.S.C. § 1324a(f), the applicant will be required to repay the amount of the public subsidy provided under the agreement plus interest, at an agreed to interest rate, not later than the 120th day after the date the MCDC notifies the applicant of the violation.

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BY SIGNING THIS APPLICATION, I CERTIFY THAT I AM THE LEGAL OWNER OF THE ABOVE REFERENCED PROPERTY OR THAT I AM AUTHORIZED TO REPRESENT AND ACT ON THE BEHALF OF THE OWNER OF THE ABOVE REFERENCED PROPERTY. I ALSO CERTIFY THAT ALL OF THE INFORMATION PROVIDED HEREON IS ACCURATE AND TRUE SO FAR AS I AM AWARE AND UNDERSTAND THAT I AM LEGALLY RESPONSIBLE FOR THE ACCURACY OF THIS APPLICATION. I FURTHER UNDERSTAND THAT I AM NOT GUARANTEED A GRANT.

Applicant's Signature	**Property Owner's Signature**
______________________________	______________________________
Signature	Signature
Douglas Fair Printed Name	Printed Name
3/30/2022 Date	Date

INCOMPLETE APPLICATIONS, OR THOSE RECEIVED AFTER THE DEADLINE, WILL NOT BE CONSIDERED.

A FINAL REPORT IS TO BE PROVIDED TO MCDC WITHIN 30 DAYS OF THE COMPLETION OF THE PROJECT. FINAL PAYMENT OF FUNDING AWARDED WILL BE MADE UPON RECEIPT OF FINAL REPORT.

BY SIGNING THIS APPLICATION, I CERTIFY THAT I AM THE LEGAL OWNER OF THE ABOVE REFERENCED PROPERTY OR THAT I AM AUTHORIZED TO REPRESENT AND ACT ON THE BEHALF OF THE OWNER OF THE ABOVE REFERENCED PROPERTY. I ALSO CERTIFY THAT ALL OF THE INFORMATION PROVIDED HEREON IS ACCURATE AND TRUE SO FAR AS I AM AWARE AND UNDERSTAND THAT I AM LEGALLY RESPONSIBLE FOR THE ACCURACY OF THIS APPLICATION. I FURTHER UNDERSTAND THAT I AM NOT GUARANTEED A GRANT.

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Habitat for Humanity of Collin County
MCDC Project Grant Application FY 2022
"McKinney Home Repair and Homeownership Program"
Timeline and Schedule

Home Repair Program Goal: Complete critical home repairs for each homeowner within 12 months.

Scope of Work:

1. Evaluate condition of home repairs to determine the following: materials needed, availability of Habitat crew and volunteers for construction, detailed home repair schedule.
2. Present homeowner with scope of work outline. Homeowner agrees to repayment terms based on income; payments will be set an affordable amount.
3. Create timeline for materials delivery, construction crew build days, schedule for volunteers.
4. Order materials.
5. Schedule construction crew and volunteers.
6. Repairs completed.

Timeline: Subject to change and is based on availability of building materials, availability of construction crews and volunteers, and inclement weather. Repairs of this type are typically completed within 2-3 months.

Habitat Homeownership Program Goal: Purchase land site and complete one new home build.

Scope of Work:

1. Identify potential land sites
2. Construction Team evaluates land site, determines potential home design
3. Family Services Manager identifies qualified family as new homeowners
4. Construction Team creates timeline for materials delivery, construction crew build days
5. Volunteer Coordinator schedules for volunteers
6. Construction Team orders materials
7. Schedule construction crew and volunteers
8. Home build completed

Timeline: Subject to change and is based on availability of building materials, availability of construction crews and volunteers, and inclement weather. Home construction is typically completed within 6-8 months.

Habitat for Humanity of Collin County
MCDC Project Grant Application FY 2022
"McKinney Home Repair and Homeownership Program"
Business Plan

Habitat for Humanity of Collin County Overview –

The vision of Habitat for Humanity is "A world where everyone has a decent place to live." For Habitat for Humanity of Collin County (HFHCC), our goal is to serve the 24-cities and surrounding areas within Collin County by providing affordable housing options and critical home repairs to low-to-middle income families. Habitat believes everyone deserves decent housing. A proper home is safe to live in, has access to clean water, sanitation, electricity, and protects from extreme weather. Our goal is not to build luxurious homes with high-tier finishes; we provide affordable homes to first-time homeowners or home repairs so families can live healthier lives, both physically and mentally. HFHCC is requesting from the McKinney Community Development Corporation (MCDC) a total of $700,000 to support the "McKinney Homeownership and Home Repair Program."

With $400,000, HFHCC will purchase land to build new homes for families that qualify for the Homeownership Program. The remainder of the award, $300,000, will pay for various levels of home repair for 11 families who qualify for the Home Repair Program: 1 major repair @ $75,000, 2 major repairs @ $50,000 each, 3 major repairs @ $25,000, and 5 minor repairs @ $10,000 each.

HFHCC celebrates 30 years of helping low-income families with home repairs or securing new homes this year. Through the Habitat Homeownership Program, low-income families are prepared to own a new, affordable home which improves the family's health, wealth, future opportunities, and the greater McKinney community. The Home Repair Program provides options for homeowners to make critical home repairs to live safely in their own homes, such as installing new plumbing, replacing uneven flooring, or building wheelchair ramps. These repairs are essential for older adults and individuals with limited mobility because it allows them to "age in place" and stay in their homes independently and safely.

Adequate housing is critical because it affects essential factors impacting one's life. "Improved housing conditions save lives, reduce disease, increase the quality of life, and reduce poverty (World Health Organization)." By providing a stable home, either through homeownership or addressing essential repairs, a family improves their physical and mental health, financial stability, education, and job opportunities. This is why Habitat for Humanity of Collin County is so critical.

The McKinney community also benefits from Habitat's programs. When a home is being significantly repaired, it is often the catalyst for other neighbors to make minor improvements in their own homes, such as planting new shrubs or painting a garage door. This home improvement ripple effect also stimulates the local economy as homeowners purchase their supplies and materials from area businesses. New homeowners pay property taxes and spend money at neighborhood businesses. While Habitat provides services directly to one family through a repair or home build, McKinney is also an indirect beneficiary.

McKinney Housing and Income Statistics –

Habitat is committed to providing affordable options so families can continue living safely and securing in their own homes. Stable homeownership improves families' physical and mental health, provides opportunities for a better future, and improves surrounding neighborhoods and communities. However, many McKinney residents still need an affordable home or essential home repairs and cannot afford these improvements.

According to U.S. Census data, McKinney's average median household income in 2019 was $93,354, and it is the 13th wealthiest city in Collin County (Data Commons). However, this wealth is not evenly distributed as the growth in median income across Collin County has been driven by mid-range earners, and those currently considered poor are sinking deeper into poverty (Communities Foundations of Texas (CFT)). In McKinney, 6.9% of families live in poverty, translating to 13,476 McKinney residents who are considered poor. Over one in four McKinney households are cost-burdened, meaning they spend 30% or more of their income on rent and mortgages (Ibid). Poverty has disproportionately affected families of color. In McKinney, 14.1% of African American families and 20.4% of Hispanic/Latino families live below the poverty level, compared to 5.4% of white and 4.8% of Asian households (Census). In Collin County, Black homes are most likely to have zero net worth, meaning the value of their household's assets is less than its debt (CFT).

Our target population is low-income, ethnically diverse, disabled, and predominantly female; resources for affordable housing and home repairs are minimal. Our goal is to offer low-cost home repairs to homeowners who otherwise do not have the financial resources or the ability to complete necessary repairs themselves. Typical home repairs are new roofs or replacing windows, which eventually help save on energy bills. When someone owns their own home, homeowners qualify for housing subsidies that increase savings. Suppose families are spending a majority of their income on housing. In that case, there is less to spend on other equally important things such as medical treatment or medication, nutritious food, and there is less discretionary income to spend on health insurance, education, or saving for a future down payment on a home (Taylor). Affordable housing allows families to fill prescriptions, adhere to medical treatments, and experience less elevated stress, depression, and hopelessness (Maqbool). When a family can pay for their mortgage, their economic savings can improve their health and future opportunities.

Families with fewer financial resources are most likely to experience unhealthy and unsafe housing conditions and are least likely to be able to fix their homes (Braveman). A home with mold or pests can trigger chronic respiratory conditions like asthma. Housing with poor insulation does not protect against extreme hot and cold temperatures, which are dangerous to children and seniors. Suppose homes are modified to accommodate the needs of seniors and disabled persons, such as by installing bathroom grab bars or widening doorways for wheelchairs. In that case, it increases the ease of activities of daily living, reduces falls, and improves the quality of life (U.S. HUD). Residents have reduced health problems and disabilities, potentially reduced additional medical expenses, and can increase the home's value (Ibid). When people can safely age in place, they maintain consistency in their lives and maintain meaningful social connections in their neighborhoods.

February 2021's deadly winter storm made many homeowners critically aware of needed home repairs, such as adequate insulation and roofing. Many homes experienced water damage from frozen pipes and damaged roofing that may still need repair almost a year after. The effects of the pandemic were also the catalyst for families to evaluate their living situations. With more families working from home and school closures requiring virtual learning for students, families were spending more time at home, needing their own spaces to work and learn. When living situations were inadequate, for example, families living together in crowded conditions to save money or homes did not have proper heating or electricity, it created challenging environments to work and learn properly.

Role of Habitat for Humanity of Collin County –

This is what makes the work of Habitat for Humanity of Collin County so important. Habitat provides safe homes and improved living conditions for families to build a better life through the Home Repair Program. Habitat works to ensure homes have adequate insulation, plumbing, heating, and electricity for home repairs and new homeowners. Home repairs are affordable and paid by the homeowner at a loan rate based on their income. The Habitat Homeownership Program allows families an affordable home option and financial education classes to ensure the family is set up for a successful homeownership experience.

For this grant, "McKinney Homeownership and Home Repair Program," HFHCC requests $700,000. The funding will be divided into two categories: 1) $400,000 will be used to purchase land sites to build affordable new homes for the Homeownership Program, and 2) $300,000 will be used towards 11 home repairs through Habitat's Home Repair Program.

While Habitat has an established home repair program through previous McKinney Community Development Corporation (MCDC) funding, this proposal reflects a more comprehensive program where HFHCC will be able to repair more local homes needing a broader range of restoration. HFHCC is restructuring the Home Repair Program into three levels: Major, minor, and cosmetic repairs. Major repairs will now include larger, more expensive projects such as complete home rebuilds, foundation repair, and roof replacements, ranging from $25,000 to $80,000 each. Examples of minor repairs include window replacement, gutter repair, and installing wheelchair access ramps with cost estimates of $5,000 to $24,999. Cosmetic repairs such as exterior painting, fence repair, and landscaping will range from $1 to $4,999. This grant will support 6 major and 5 minor levels of home repair: 1 major repair @ $75,000, 2 major repairs @ $50,000, 3 major repairs @ $25,000, and 5 minor repairs @ $10,000 each.

To qualify for home repairs, the applicant must live in Collin County, own the home where the repairs will be made, occupy the home as their primary residence, be present during the repair work, participate as able. Houses with an existing mortgage must have no outstanding payments, be up to date on homeowner's insurance and taxes, and household income must be below 10% to 80% of the Median Family Income. They are presented with a scope of work outline before the project begins. An affordable final cost will be agreed upon and repaid by the homeowner at a loan rate based on their income. Payments will be set at a reasonable amount.

Homeowner and any non-disabled adult(s) 18 years or older residing at the property agree to contribute a minimum of 20 hours of "Sweat Equity" hours. This is the term Habitat uses to determine the time a homebuyer volunteers in completing home repairs as they are physically able. Family and friends can contribute up to 20 hours. In place of construction work, homeowners can also perform alternative sweat equity hours, such as volunteering at Habitat's administrative offices or ReStore, the discount home improvement retail store HFHCC operates in McKinney and Plano. Sweat equity hours are a powerful motivator for homeowners to be part of the home repair process, take pride in the actual construction through their own time and talent, and feel Habitat's help is a "hand up" instead of a handout.

Potential homeowners must earn between 30-60% of the Area Median household income, complete a mortgage questionnaire, attend a Family Seminar orientation meeting, and submit a completed application with required documentation to qualify for the Habitat Homeownership Program. Homes are offered on a first-come, first-served basis for qualified families. We evaluate each family's ability to afford and maintain their home and accept the responsibilities of homeownership.

Homeowners are selected based on three criteria:

1. The applicant's level of need.
2. Their willingness to partner with Habitat.
3. Their ability to repay a mortgage through an affordable payment plan.

Once selected and after signing the Letter of Intent, the family becomes a "Partner Family" and must complete between 250-500 sweat equity hours before closing and moving into their new home. During these sweat equity hours, the family participates in roof-raising, installing drywall, painting, landscaping, and other home construction. Partner Families help build their own homes alongside Habitat volunteers.

Sweat equity hours can also be earned by the following: 1) Working in HFHCC's ReStore, 2) Attending monthly homeowner education meetings about the responsibilities of homeownership, budgeting, credit cards, and credit reports, saving, investing, planning for the future, and home maintenance and 3) paying their "Pay Habit," which is their closing cost fund.

Additionally, each Partner Family is paired with a "Family Support Mentor." This is an HFHCC volunteer who works with the Partner Family from the time the family is approved as a qualified new homeowner with Habitat to the closing of their home and then for one year afterward. The Mentor's responsibilities include encouraging the family to attend monthly educational meetings, guiding the family during the selection of the house lot, house plans and choices (paint colors, countertops, flooring, etc.), supporting the family's completion of sweat equity hours, attending pre-closing checklist meeting; completing the punch list at the final home walk-through with the family, HFHCC's Construction team and Family Services Manager, working with the family in selecting homeowner's insurance and utilities and attending the closing process at the Title Company.

This is the first time owning their own home for many Habitat families, and it can be an overwhelming and daunting experience. The Family Support Mentor is there to answer questions, provide encouragement and support, and facilitate accurate housing and financial information to ensure the family is ultimately successful in this homeownership journey. Habitat's work is a time-tested methodology to end the cycle of families shuffling back and forth from temporary residences and living in multiple shelters.

For FY22 in McKinney, we have completed nine home repairs, 2 of which were Level 1 significant repairs. Two homes are in progress for new home builds, and six families are waiting for their new McKinney homes to be built. Our Home Repair Program homeowners earn below 60% of the median income level, are female, disabled, and elderly.

With additional funding, HFHCC will continue its work in the local community to help ensure homes are safe, comfortable and meet basic needs for families. Previously, homes needing complete teardown and rebuilding did not fit our scope of work. This funding will help us make significant improvements to more homes needing more extensive repairs than we have offered in past years and continue our Habitat Homeownership Program. A Habitat home creates a strong foundation for a family, an opportunity on which they can build a better life. A decent and affordable place to live helps families by freeing them from such physical and mental hardships and placing them on a path of new opportunity, increased confidence, and self-reliance, which aligns with MCDC's goal of meeting citizen needs for quality-of-life improvements, business development and sustainable economic growth in McKinney.

Attachments:

1. Current financial report
2. Audited financials
3. Project budget
4. Timeline and schedule

<u>Plans for Future Expansion/Growth –</u>

According to a December 2021 article, Zillow reported the most significant new-construction shortfalls relative to population growth since 2008 have been in the Dallas metro area. The North Texas housing shortage creates a burden for low-income families looking for homes in better conditions or safer neighborhoods. Affordable homes are even more challenging to find. A limited income reduces a family's ability to afford decent housing or home repairs. As long as these conditions persist, Habitat is committed to serving Collin County families with affordable home options and low-cost maintenance.

The construction of the Cotton Groves community is an opportunity for 35 low-to-moderate income families to own a new home in McKinney. Grant proposals are regularly submitted to other local, regional, and federal government agencies and non-profits for additional land acquisitions, new home builds, and repairs in McKinney and Collin County. This ensures continued financial support to sustain the homeownership and home repair programs in existing areas and grow the programs to serve families where we have not had a strong presence previously, such as Anna and Princeton.

HABITAT FOR HUMANITY OF COLLIN COUNTY
MCDC PROJECT GRANT APPLICATION-FISCAL YEAR 2022
ADDITIONAL INFORMATION ITEMS

INTRODUCTION

Habitat for Humanity of Collin County (HFHCC) continues to change lives through our work. Even during the COVID pandemic, the mission of HFHCC has remained centered on "Seeking to put God's love into action, HFHCC brings people together to build homes, communities, and hope". Today, HFHCC serves a 24-city area in Collin County, and over the years our affiliate has done numerous projects in the City of McKinney. As we look forward to the next Fiscal Year (2022-2023) we must pause and thank the leadership of the MCDC for the past support that we have received since 2007.

2022 FISCAL YEAR FOCUS

Funds received from MCDC through the next grant funding cycle will be used to support our newly structured Home Repair Program. Due to the increased demand for more substantive home repair projects from within our community of McKinney, HFHCC has now restructured our Home Repair Program to allow us to be more responsive and to affect a measurable and substantive impact in McKinney. Our Construction Committee has determined that we need to have multiple levels for our Home Repair Projects at HFHCC.

- **Level 1:** Major home repair projects with an estimated budget of $75,000.
    - This will be for significant rebuild projects where most of the house structure will be removed and rebuilt (from foundation up).
- **Level 2:** Significant home repair projects with an estimated budget up to $50,000.
    - To address significant repair projects that might include the following focus: foundation repairs, roof removal/replacement/extensive interior work including replacement of appliances, bathroom upgrades for ADA compliance etc.
- **Level 3:** Impact repairs with an estimated budget up to $25,000.
    - Interior or exterior repairs including siding, windows, roof, flooring, room additions (to address specific handicap needs for homeowners).
- **Level 4:** Minor repairs with an estimated budget up to $10,000.
    - Standard exterior repairs such as siding, minor roof repairs, windows, flooring, paint (interior and exterior), landscape upgrades (tree removal etc.).

Our overall goal for the Home Repair Program (McKinney specific) is to service one (1) Level 1 home repair project (this will be a house on Virginia Street where total reconstruction was needed to allow the homeowner to remain in her home), two (2) Level 2 projects, three (3) Level 3 projects, five (5) Level 4 projects. This restructure of our Home Repair Program will allow us to make decisions on repair projects quicker and still allows us to take on smaller repair projects in McKinney that can be funded through our volunteer and sponsor groups, thus maximizing our overall impact on our older neighborhoods in McKinney.

APPLICATION PROCESS

We continue to encourage our potential clients to learn about our HRp through our website, social media, and Newsletter promotion. Our Family Services department will continue to consult with applicants to the HRp to determine the best path for applicants to pursue. Application forms are still required and once the application has been reviewed and information verified to determine whether the applicant has the appropriate income qualifications to progress into the HRp process. HFHCC continues to receive referrals from the City of McKinney Code Enforcement Department, Collin County Meals on Wheels, Community Lifeline, and our church and business partners in McKinney.

Once the application is approved, our construction team evaluates the condition of the home and prepares a scope of work (SOW), a budget is then drafted and submitted again to the construction committee for approval. The budget is then shared with the approved homeowner and details for repayment are established. The repayment plan provides the homeowner with affordable terms based on their financial situation.

As requests for home repairs in McKinney continue to be received, we are confident that with the MCDC Home Repair Grant and support from our community partners that we will be able to make the most significant impact to our community to date. Our current goal for the HRp program specific to McKinney is to repair 11 homes through the grant and an additional 24 (Level 4) homes through our community sponsors participation.

ATTACHMENTS

- IRS Determination Letter
- Current Financials
- 2020-2021 Audits-Independent Auditors Reports
- Before and After Photographs from the HRp for 2020-2021 FY.

PART TWO OF GRANT APPLICATION: Land Acquisition

A focus of the City of McKinney is to set up a Community Land Trust to secure land for future developments for affordable housing. A presentation was made to the City Council by the Housing and Community Development Department in December to discuss this option.

https://mckinney.legistar.com/View.ashx?M=F&ID=10360977&GUID=C014C93F-EE34-4205-98A6-2073DAB7413D

The Top Housing Needs were identified as 1) Additional Affordable Rentals, **2) Starter Homes priced near or below $200,000** 3) Increase ownership product diversity, and 4) Strategic redevelopment and condition improvements. As part of item 2) the following solutions were presented to use public funds/development agreements to decrease the cost of a new single-family residential home: Allocate publicly owned land for affordable housing development, identify “buildable” properties in tax foreclosure, Use CDBG funding for lot acquisition in exchange for affordable product sold to income-eligible buyers, negotiate affordability as part of residential development agreements – by Council Policy or on an opportunity basis and Community Land Trust (CLT).

This program ensures that the CLT will hold the land and the homebuyers will pay a long-term lease which keeps the land in a non-profit tax-exempt status separate from the improvements. The homebuyer will only pay for the vertical improvements to the property. With land costs and appraisals increasing, the ability for low-income families that earn less than 80% of median household income will soon be unobtainable in McKinney.

These discussions on the CLT have also come up through the East McKinney Neighborhood preservation study which is currently in process.

Habitat for Humanity of Collin County HFHCC is proposing to collaborate on the creation of a CLT and to start the process with the funding from MCDC ($400,000) to purchase the first lots in this program. There are approximately 50 Habitat affiliates in the US that are, act as, or collaborate with Community Land Trusts.

This past year, the appraisals for Habitat properties increased $54,000 (20% in one year from $228,000 – $281,800) and land costs increased 46% from $46,000 to $85,000 in the past two years for a single lot which is typically 5,000 sq.ft.

Our homes are sold to the partner families at 30% of their gross monthly income. This past year the subsidies have increased due to continuously rising appraisals and the monthly payments have gone from $767 - $1000 which represents a 23% increase while the Cost-of-Living Index will only increase by 5.9% per the Social Security administration effective December 2021.

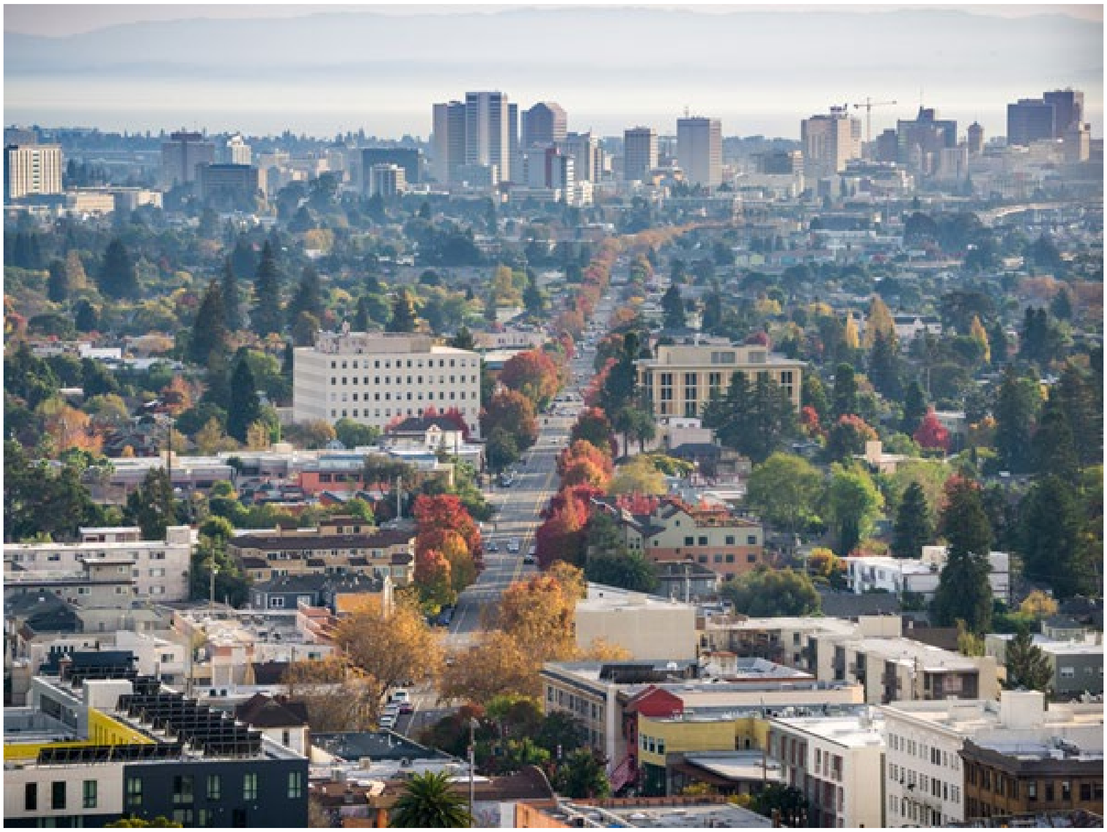
HFHCC already has 45 -year deed restrictions in place to protect the homeowners from rapidly increasing property taxes. The model only allows a 1% tax increase per year and HFHCC works very closely with the Collin County Appraisal District to be an advocate for our homeowners to ensure that this is implemented annually.

We have also included a list of Habitat affiliates that are, act as, or collaborate with Community Land Trusts. In Texas, Austin Habitat has built on CLT land and have plans to land bank for future affordable housing. Their CLT is now called “Home Base Texas” and does land purchases on behalf of Home Builders to meet their affordability standards.

In 2019, Austin Habitat was also successful in passing an affordable housing bond election of $250M. It included funds for land acquisition, rental housing, and affordable housing. Austin Habitat also helped move the “Affordability Unlocked” legislation to mandate for-profit builders to build affordable housing.

For more understanding of CLT’s, here’s an article from HUD that explains in more detail how the CLT’s are effective in areas with rapidly appreciating land values.

Community Land Trusts and Stable Affordable Housing



The Oakland Community Land Trust has helped to preserve affordable housing units in Oakland, California (shown).

The use of community land trusts (CLTs) is an increasingly common strategy to ensure the availability of permanently affordable housing for residents who might otherwise be priced out of their neighborhoods. Although they are employed much less often than other approaches to housing affordability, CLTs can be particularly powerful tools in areas facing rapid economic change and appreciation in land values. On June 4, 2019, research institute PolicyLink hosted a webinar in which Ashley Allen, executive director of the Houston Community Land Trust, and Zachary Murray, program manager at the Oakland Community Land Trust, shared their experiences in developing CLTs in their cities. The two panelists discussed the background, approach, and goals of their respective organizations and the benefits of the CLT approach to affordable housing development.

Background

A CLT is a system of tenure in which the underlying land is owned by a mission-driven entity, usually a nonprofit, whereas the buildings on the land are owned or leased by residents. CLTs have the explicit goal of promoting affordable housing and contain legal provisions governing ownership and transfer to keep units affordable in perpetuity. This dual ownership model, which separates the cost of the land from the cost of the buildings, make ownership more accessible to low- and moderate-income families. Homeownership through a CLT can also be more stable, because the strict formulas trusts use to calculate the permissible resale value of their houses effectively remove the properties from the speculative gyrations of the real estate market.

The first modern CLT in the United States was established in Albany, Georgia, in 1969 by Robert Swann and Slater King, a cousin of Dr. Martin Luther King, Jr. Born out of the civil rights movement, the New Communities land trust consisted of more than 5,000 acres of farmland where African-American families, many poor farmers from the South, could affordably access, build on, and farm land at a time when the community faced significant obstacles to land ownership and financing. Five decades later, the number of

CLTs in the United States has grown to more than 225, according to the Grounded Solutions Network. A longstanding commitment to promoting equity and inclusion remains a central organizing principle of the land trust movement, and many CLTs give residents and members of the surrounding community official roles on their governing boards.

Preserving a Historic Community in Houston, Texas

Allen's organization, the Houston Community Land Trust (HCLT), formed in 2018 to protect affordability in the city's historic Third Ward and Independence Heights neighborhoods. Both areas are important to the local African-American community and, according to Allen, have seen an influx of new residents in recent years as the city has developed, causing housing prices to rise and threatening to displace longtime residents. To supply permanently affordable housing and keep the community intact, HCLT, through a partnership with the Houston Land Bank and the city of Houston called the New Home Development Program, builds new single-family homes on abandoned properties that had been removed from the tax rolls and acquired by the land bank. As of mid-2019, thanks to city subsidies averaging approximately $105,000 per house, 17 houses have been completed at sites scattered throughout the neighborhoods. The homes can be sold for significantly less than a traditional, market-rate house, with three-bedroom homes priced at approximately $75,000.

To be eligible to purchase one of HCLT's homes, a family's household income cannot exceed 80 percent of the area median income. Furthermore, potential buyers must be able to secure a fixed-rate, 30-year mortgage in addition to meeting other program requirements. Purchasers then own their home through a 99-year lease from HCLT, which can be inherited by an owner's heirs. To help preserve affordability in perpetuity, HCLT uses a formula to calculate the allowed sales price for a home and requires that future buyers meet the same eligibility requirements as the first. Through the New Home Development Program, HCLT is helping to address the affordability problem for households that are not as well served by existing affordable housing programs.

Promoting Housing Stability in Oakland, California

In Oakland, Murry reports that the lingering effects of the foreclosure crisis associated with the Great Recession prompted local social justice advocates to form the Oakland Community Land Trust (OCLT) in 2009. There, real estate investors began buying large numbers of foreclosed properties only to refurbish units to justify rent increases. Research from the Urban Displacement Project at the University of California, Berkeley has found that this disruption to the local housing market has a disproportionately negative impact on low-income households and low-income households of color.

Two recent projects illustrate how OCLT puts its motivating principle of community justice into practice. In the first, a motivated group of neighborhood residents, along with the assistance of an owner interested in selling to OCLT, was critical in preserving eight affordable residential units, four commercial spaces, and a community garden at the 23rd Avenue Community Building. Second, at the Hasta Muerte Coffee building, a social media fundraising campaign helped secure funds to purchase the building after the owner expressed the intent to put it on the market. Their success has allowed the worker-owned cafe to continue operating and has preserved two units of affordable housing for low-income families.

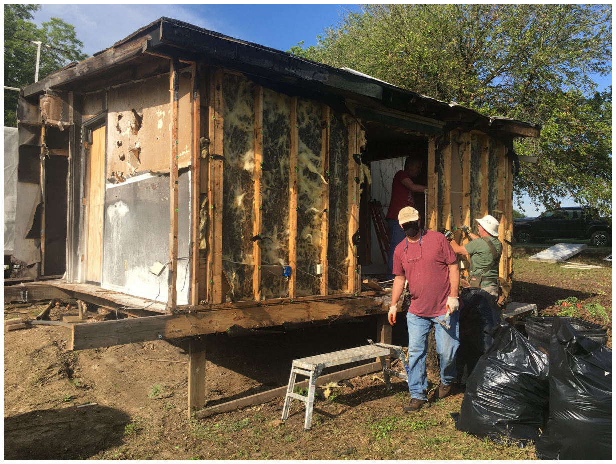
OCLT believes that the shared ownership of land can promote equitable development, Murray says, and its participatory governance structure reflects this belief. One-third of the governing board is composed of residents and lessees of OCLT properties, another third consists of community members from the neighborhood not living in an OCLT property, and the final third is made up of technical experts and representatives from local organizations who share OCLT's mission. Murray cites land trust residents' low rates of mortgage delinquency and foreclosures as evidence for the stability that CLTs can provide, in contrast to the housing market's potential for volatility.

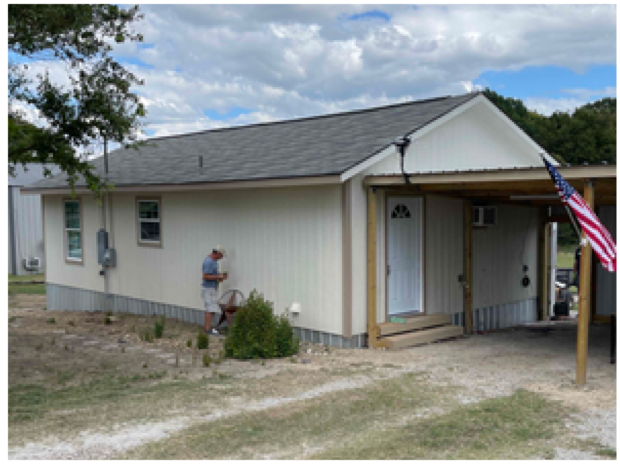
Future Directions

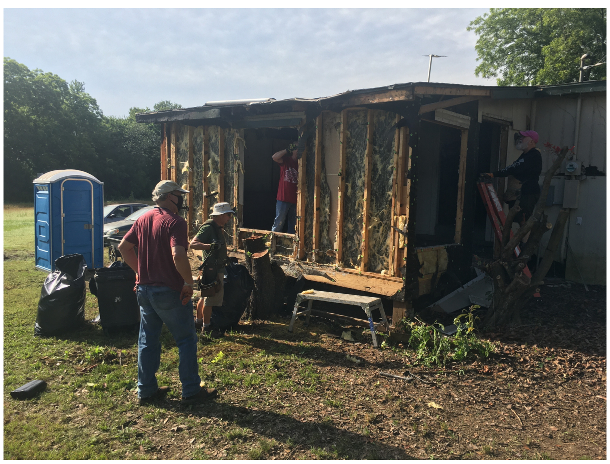
The growing number of CLTs indicates increased awareness of their usefulness in expanding housing affordability. As the experiences of land trusts in Houston and Oakland show, the CLT model can be adapted to a range of contexts and organizational goals, from developing a praxis of communal land ownership to promoting family homeownership. As the rising cost of housing becomes a pressing issue in areas throughout the United States, CLTs are emerging as another tool for affordability advocates to consider.

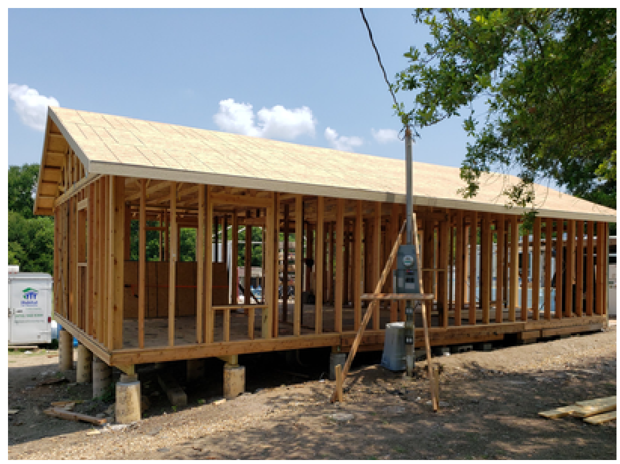
Habitat for Humanity® of Collin County

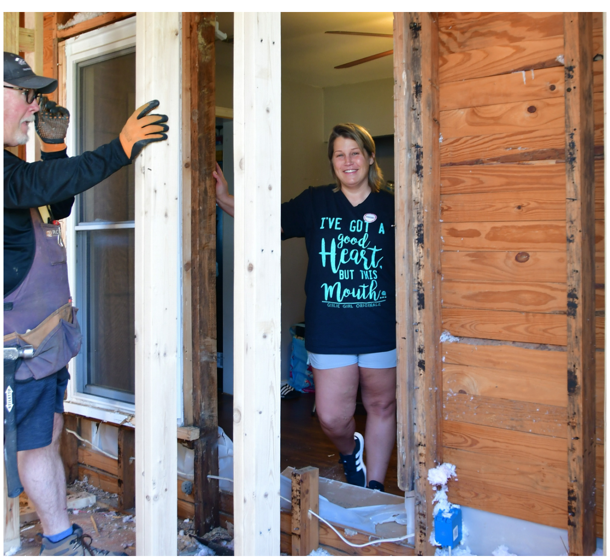
HFHCC HOME REPAIR PROGRAM

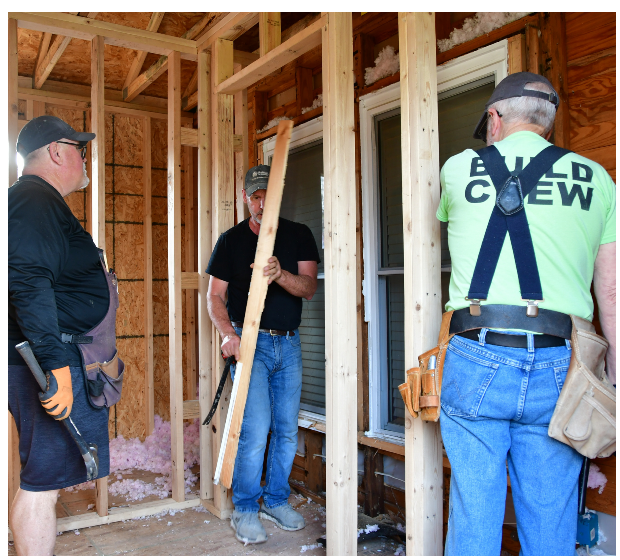






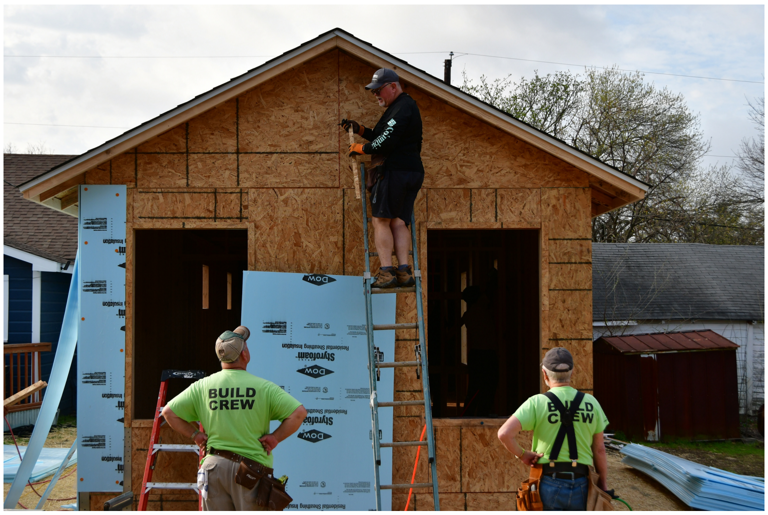


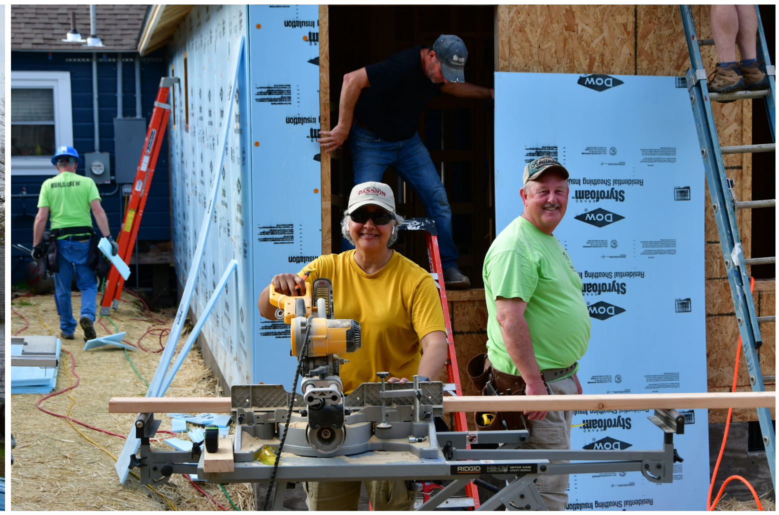


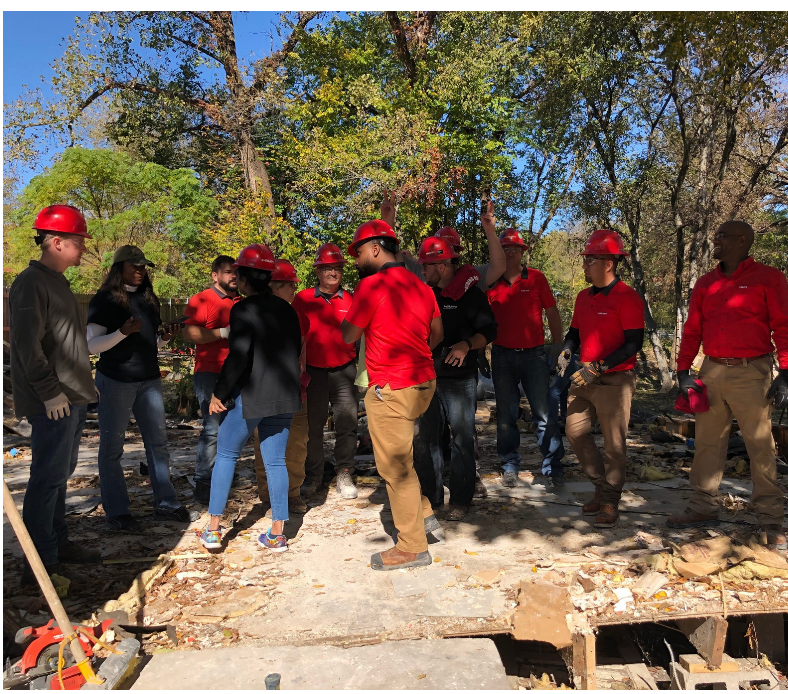


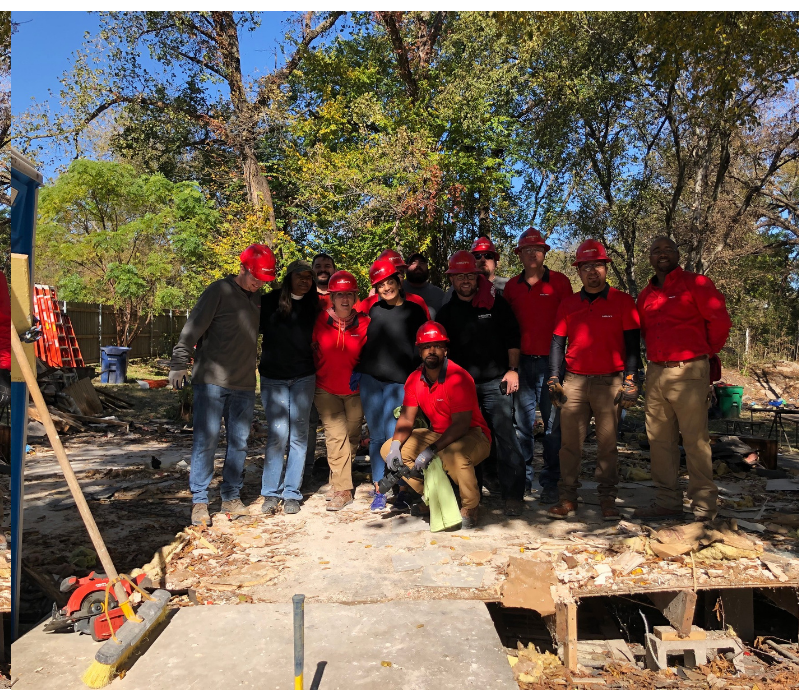
Habitat for Humanity® of Collin County

HFHCC HOME REPAIR PROGRAM



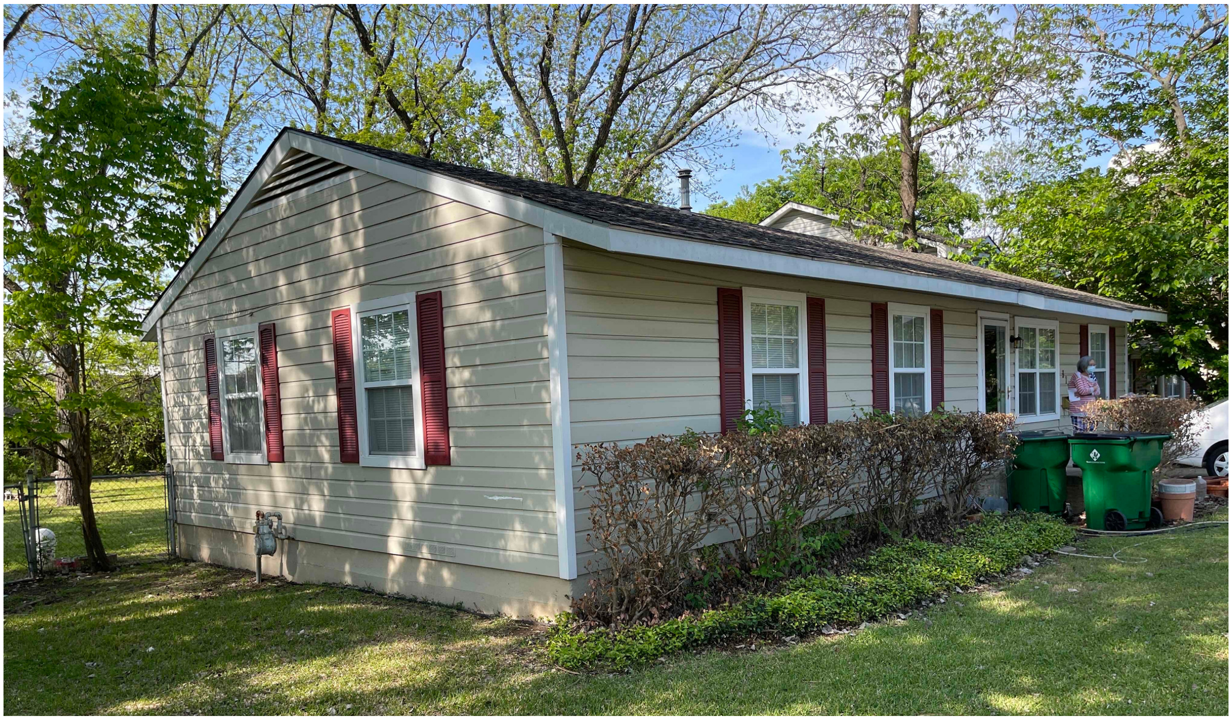


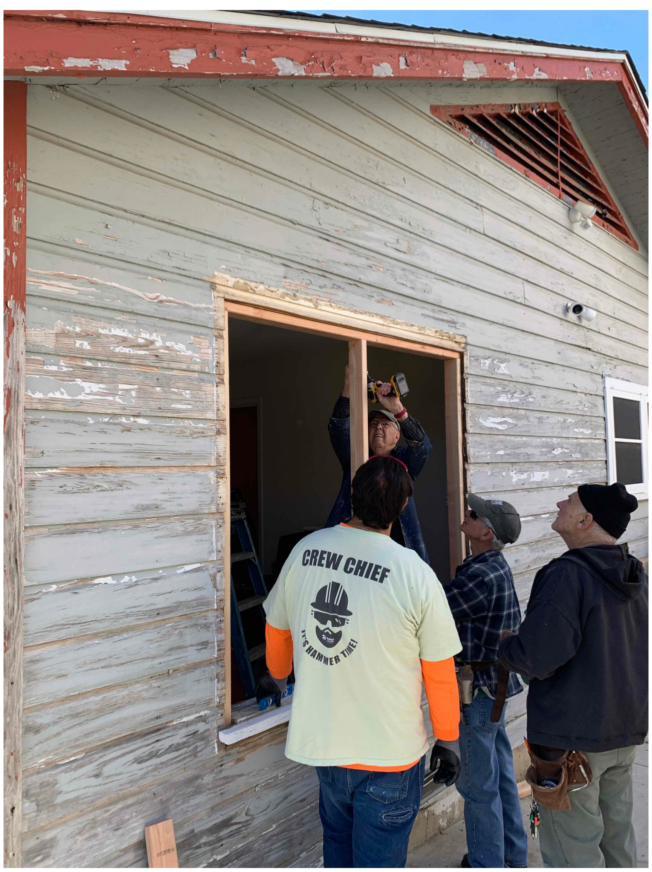


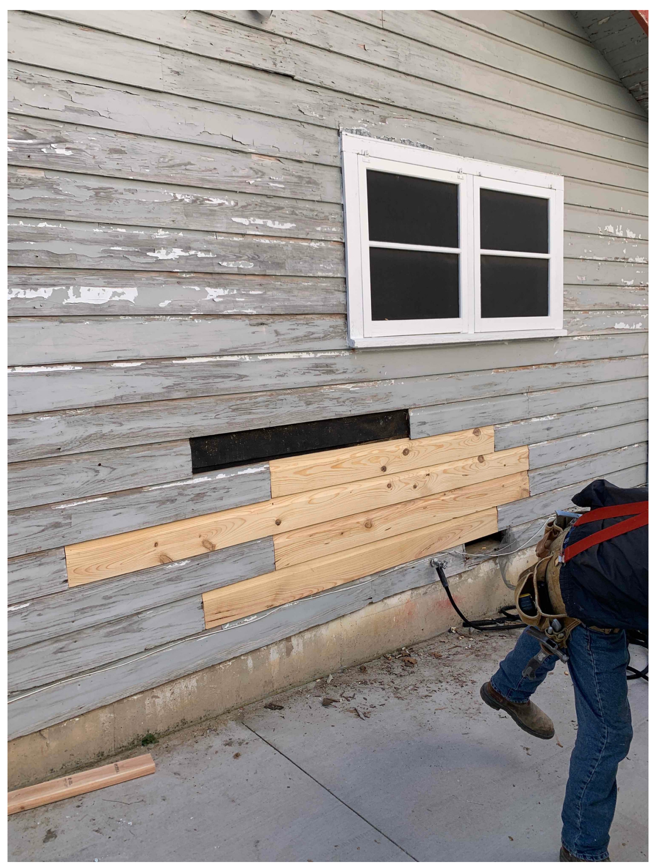


Habitat for Humanity® of Collin County

HFHCC HOME REPAIR PROGRAM







May 22, 2018

Habitat for Humanity of Collin County
2060 Couch Drive
McKinney, TX 75070-0153

RE: Verification of Tax Exempt Status Habitat for Humanity of Collin County; EIN: 75-2443511

Dear Affiliate:

This letter confirms that the Affiliate listed above is a subordinate under the group tax exemption of Habitat for Humanity International, Inc. ("HFHI"), and therefore the Affiliate is tax exempt under Section 501(c)(3) of the Internal Revenue Code.

The IRS has assigned group exempt number **("GEN") 8545** to HFHI for all its designated affiliates. Please provide this GEN to prospective donors, foundations and other grant organizations when requested, and note that it is also required on certain IRS forms.

Please be aware that when donors search the IRS database, they will see only HFHI's name associated with the number.

This letter shall serve as proof of your affiliate's inclusion under HFHI's group exemption bearing GEN 8545. Thus, please provide a copy of this letter, as well as the enclosed copy of HFHI's tax exempt determination letter, demonstrating HFHI's tax exempt status and group exemption, to any donor requesting proof of your affiliate's tax exempt status.

Thank you for your continued great work supporting Habitat's mission. If you need additional copies of this letter or have additional questions, please contact the Affiliate Support Center.

In partnership,

Aaron Lewis
Assistant Secretary and Deputy General Counsel

Enclosure

Administrative Headquarters | 270 Peachtree St. NW, Suite 1300, Atlanta, GA 30303-1263 USA
International Headquarters | 121 Habitat St., Americus, GA 31709-3498 USA (229) 924-6935 toll-free (800) 422-4828 fax (229) 928-8811 habitat.org

Internal Revenue Service
P. O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Date: February 23, 2018

Person to Contact: #0196814
Ms. Benjamin
Employer Identification Number:
91-1914868
Group Exemption Number:
8545

HABITAT FOR HUMANITY INTERNATIONAL INC
HABITAT FOR HUMANITY INTRNL PARENT
% MICHAEL E CARSCADDON
270 PEACHTREE ST NW STE 1300
ATLANTA, GA 30303

Dear Sir or Madam:

This is in response to your request dated January 10, 2018 for information about your tax-exempt status.

Our records indicate we issued a determination letter to you in January 1987, and that you're currently exempt under Internal Revenue Code (IRC) Section 501(c)(3).

We also recognized the subordinates on the list you submitted as exempt from federal income tax under IRC Section 501(c)(3).

For federal income tax purposes, donors can deduct contributions they make to you as provided in IRC Section 170. You're also qualified to receive tax deductible bequests, legacies, devises, transfers, or gifts under IRC Sections 2055, 2106 and 2522.

Because IRC Section 170(c) describes your subordinate organizations, donors can deduct contributions they make to them.

Please refer to www.irs.gov/charities for information about filing requirements. Specifically, IRC Section 6033(j) provides that, if you don't file a required return or notice for three consecutive years, your exempt status will be automatically revoked on the filing due date of the third required return or notice.

In addition, each subordinate organization is subject to automatic revocation if it doesn't file a required return or notice for three consecutive years. Subordinate organizations can file required returns or notices individually or as part of a group return.

For tax forms, instructions, and publications, visit www.irs.gov or call 1-800-TAX-FORM (1-800-829-3676).

If you have questions, call 1-877-829-5500 between 8 a.m. and 5 p.m., local time, Monday through Friday (Alaska and Hawaii follow Pacific Time).

Sincerely yours,

Stephen a. Martin

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Habitat for Humanity of Collin County
Actual vs. Budget
January, 2022

	January '22			July '21 - January '22		
	Actual	Budget	Fav/(Unfav)	Actual	Budget	Fav/(Unfav)
Ordinary Income/Expense						
Income						
$Contributions	7,774	46,725	(38,951)	528,683	680,275	(151,592)
Grants	104,689	30,000	74,689	734,770	1,040,000	(305,230)
Special Events Net Income	0	800	(800)	500	5,550	(5,050)
ReStore Sales	130,790	161,331	(30,541)	1,012,194	1,079,648	(67,454)
Gain on Asset Sale	0	0	0	0	0	0
Other Income	5,121	5,085	36	45,726	49,095	(3,369)
Total Income	248,374	243,941	4,433	2,321,873	2,854,568	(532,695)
Cost of Goods Sold (ReStore)	11,286	32,254	20,968	136,874	194,938	58,064
Gross Profit	237,088	211,687	25,401	2,184,999	2,659,630	(474,631)
Expense						
Administrative	25,070	15,635	(9,435)	154,874	123,085	(31,789)
Fleet Expense	8,814	4,337	(4,477)	52,753	40,335	(12,418)
Program Svcs-Mission Specific	5,342	28,325	22,983	115,490	219,275	103,785
Marketing & Advertising	6,727	10,890	4,163	50,230	82,930	32,700
Employee Related Expenses	147,602	154,487	6,885	955,556	1,088,045	132,489
Occupancy Expense	36,577	30,475	(6,102)	224,529	213,325	(11,204)
Meetings & Travel	722	12,560	11,838	8,216	32,420	24,204
Total Expense	230,854	256,709	25,855	1,561,648	1,799,415	237,767
Net Ordinary Income	6,234	(45,022)	51,256	623,351	860,215	(236,864)
Other Income/Expense						
Other Income						
Early Note Termination	0	0	0	8,100	0	8,100
Sale to Homeowners	0	0	0	171,000	1,131,000	(960,000)
Mortgage Discount Amortization	95,286	0	95,286	109,849	0	109,849
GIK-Material Donations	0	200	(200)	15,314	113,400	(98,086)
Donated Materials-ReStore	85,043	112,000	(26,957)	680,899	784,000	(103,101)
Total Other Income	180,329	112,200	68,129	985,162	2,028,400	(1,043,238)
Other Expense						
Construction Cost (CIP)	0	100	100	178,870	906,640	727,770
Mortgage Discount Expense	0	0	0	0	0	0
ReStore GIK (COGS)	85,043	112,000	26,957	680,899	784,000	103,101
Other GIK Expense	0	200	200	0	1,400	1,400
Depreciation Expense	8,569	8,725	156	59,989	61,075	1,086
Loss on Asset Disposition	0	0	0	0	0	0
HFH International Tithe	0	4,500	4,500	25,000	31,500	6,500
Total Other Expense	93,612	125,525	31,913	944,758	1,784,615	839,857
Net Other Income	86,717	(13,325)	100,042	40,404	243,785	(203,381)
Net Income	92,951	(58,347)	151,298	663,755	1,104,000	(440,245)

Habitat for Humanity of Collin County
Balance Sheet
As of January 31, 2022

ASSETS	
General Funds	53,089
Escrow (HO) Account	183,474
Restricted Funds	349,734
Total Cash	586,297
Security Deposits	8,044
Prepaid Expense	14,678
Grant/Pledge Receivable-Current	90,739
NR Notes Receivable	50,402
Other Accounts Receivable	908
Homeowner/Title Co Pmt Clearing	(8,868)
Inventory-McKinney ReStore	369,897
Inventory-Plano ReStore	166,824
Due to/from ReStore	13,644
Inventory-Land and Lots	679,800
Construction in Progress (CIP)	2,380,359
Total Current Assets	4,352,724
Fixed Assets	
Leasehold Improvements-Plano ReStore	28,478
Building-2060 Couch	1,141,538
Computers	158
Vehicles/Trailers	21,497
Equipment	18,747
Equipment-ReStore	11,381
Furniture & Fixtures-ReStore	8,291
Total Fixed Assets	1,230,090
Other Assets	
Grant/Pledge Receivable-LongTrm	80,920
Mortgages Receivable	8,676,760
Due to TDHCA	(2,303,710)
Unamortized Mortgage Discount	(3,825,348)
Total Other Assets	2,628,622
TOTAL ASSETS	8,211,436
LIABILITIES & NET ASSETS	
Liabilities	
Accounts Payable	267,096
Gift Cards-ReStore	2,857
Capital One Line of Credit (9463)	0
Capital One Line of Credit (7091)	0
Independent Bank LOC	52,639
Prosperity/LegacyTexas LOC	91,872
North DallasRevolving LOC	138,345
North Dallas Straight LOC	31,567
Benchmark Loan	62,701
Payroll Liabilities/Sales Tax	(1,678)
HO Escrow Deposits	168,343
Total Current Liabilities	813,742
Long Term Liabilities	
Flexcap-HFHI	3,484
Flexcap-HMS	310,417
Benchmark Mortgage Assignments	121,155
Happy State Bank	784,206
Prosperity(Legacy) -Mortgage Assignments	377,520
Inwood Bank - Mortgage Assignments	253,873
Total Long Term Liabilities	1,850,655
Total Liabilities	2,664,397
Net Assets	
Beginning Net Assets	4,883,206
Net Income	663,833
Total Net Assets	5,547,039
TOTAL LIABILITIES & NET ASSETS	8,211,436

Home Repair Program Budget
July 2022 through June 2023

	Budget
Ordinary Income/Expense	
Income	
$Contributions	100,000
Grants	400,000
Other Income	50,000
Fundraising Proceeds	45,000
Speical Events Net Income	45,000
Total Income	640,000
Gross Profit	640,000
Expense	
Administrative	10,955
Employee Related Expenses	185,988
Fleet Expense	8,620
Marketing & Advertising	-
Meetings & Travel	750
Occupancy Expense	1,860
Prgm Svcs-Mission Specific	
McKinney	300,000
Collin County	125,000
Volunteer Support	2,500
Total Expense	635,673
Net Ordinary Income	4,327
Other Income/Expense	
Other Income	
6200-GIK-Material Donations	25,000
Total Other Income	25,000
Other Expense	
7200-Depreciation Expense	1,800
7800-Other GIK Expense	25,000
Total Other Expense	26,800
Net Other Income	(1,800)
Net Income	2,527

HABITAT FOR HUMANITY
OF COLLIN COUNTY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2021 AND 2020

WITH INDEPENDENT AUDITOR'S REPORT

HABITAT FOR HUMANITY OF COLLIN COUNTY

TABLE OF CONTENTS

PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Habitat for Humanity of Collin County

We have audited the accompanying financial statements of Habitat for Humanity of Collin County (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows 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; 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. 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 presented fairly in all material respects, the financial position of Habitat for Humanity of Collin County as of June 30, 2021, 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.

Report on Summarized Comparative Information

We have previously audited the Habitat for Humanity of Collin County's June 30, 2020 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated November 20, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
February 18, 2022

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FINANCIAL STATEMENTS

HABITAT FOR HUMANITY OF COLLIN COUNTY

STATEMENTS OF FINANICAL POSITION

JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 144,200	$ 247,354
Restricted cash	117,201	115,993
Contributions receivable	114,389	99,114
Grants receivable	-	47,103
Inventory - ReStore	510,443	409,440
Inventory - land held for development	770,260	777,191
Non-interest bearing mortgages receivable, current portion	415,881	389,679
TDHCA Boot Strap agency receivables, current portion	141,534	132,534
Due from ReStore	17,779	12,197
Prepaid expenses	64,311	30,449
Other receivables	42,929	49,254
Total current assets	2,338,927	2,310,308
LONG-TERM ASSETS		
Property and equipment (net)	1,274,338	1,332,201
Contributions receivable	80,920	144,250
Non-interest bearing mortgages receivable, long-term portion	6,255,629	6,162,675
TDHCA Boot Strap agency receivables, long-term portion	2,256,618	2,172,118
HBA agency receivable	12,616	16,584
Discount on non-interest bearing mortgage	(3,964,141)	(3,869,377)
Construction in progress	1,622,521	1,426,160
Total long-term assets	7,538,501	7,384,611
Total assets	$ 9,877,428	$ 9,694,919
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 208,958	$ 254,211
Escrow-mortgage holders	126,755	122,951
Due to TDHCA Boot Strap, current portion	141,534	132,534
PPP loan	3,551	284,700
Line of credit	296,423	342,394
Notes payable, current portion (net of discount)	186,030	145,068
Total current liabilities	963,251	1,281,858
LONG-TERM LIABILITIES		
Due to TDHCA Bootstrap, long-term portion	2,257,221	2,172,589
Due to HBA	2,979	7,979
Notes payable, long-term portion (net of discount)	1,771,270	1,615,518
Total long-term liabilities	4,031,470	3,796,086
Total liabilities	4,994,721	5,077,944
NET ASSETS		
Without donor restriction	4,571,433	4,357,164
With donor restriction	311,274	259,811
Total net assets	4,882,707	4,616,975
Total liabilities and net assets	$ 9,877,428	$ 9,694,919

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

HABITAT FOR HUMANITY OF COLLIN COUNTY

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	Without donor restriction	With donor restriction	2021 Total	2020 Total
REVENUE AND OTHER SUPPORT				
Grants	$ 329,947	$ 159,687	$ 489,634	$ 1,043,134
Contributions	250,402	308,531	558,933	661,014
Contributions - non cash	82,452	-	82,452	148,339
Donated materials	1,202,552	-	1,202,552	1,028,914
Discount amortization	358,809	-	358,809	205,921
Transfers to homeowners	1,096,716	-	1,096,716	892,856
ReStore sales	1,742,245	-	1,742,245	1,562,417
Gain on extinguishment of debt	281,149	-	281,149	-
Miscellaneous	56,955	-	56,955	79,151
Interest income	681	-	681	734
Net assets released from restrictions	416,755	(416,755)	-	-
Total revenue and other support	5,818,663	51,463	5,870,126	5,622,480
EXPENSES				
Home ownership program	2,350,851	-	2,350,851	1,941,623
ReStore program	2,667,805	-	2,667,805	2,660,997
Fundraising	278,850	-	278,850	222,891
Management and administrative	306,888	-	306,888	278,712
Total expenses	5,604,394	-	5,604,394	5,104,223
OTHER INCOME/(EXPENSES)				
Gain on disposition of assets	-	-	-	3,500
CHANGE IN NET ASSETS	214,269	51,463	265,732	521,757
NET ASSETS, BEGINNING OF YEAR	4,357,164	259,811	4,616,975	4,095,218
NET ASSETS, END OF YEAR	$ 4,571,433	$ 311,274	$ 4,882,707	$ 4,616,975

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

HABITAT FOR HUMANITY OF COLLIN COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2021

	Program Services		Support Services		Total
	Home Ownership	ReStore	Fundraising	Management and Administrative	2021
Bank charges	$ 64	$ -	$ -	$ 4,392	$ 4,456
Conference, convention, meetings	807	150	891	184	2,032
Consulting	10,019	-	100	44	10,163
Contract labor	5,496	-	320	14,954	20,770
Credit card fees	1,179	29,436	6,254	1,179	38,048
Depreciation expense	15,598	70,608	-	4,138	90,344
Dues and subscriptions	5,245	1,702	4,478	7,631	19,056
Equipment lease	1,241	805	732	1,189	3,967
Fleet Expense	21,075	26,854	85	249	48,263
Insurance	19,704	33,531	200	4,210	57,645
Interest expense	-	-	-	41,983	41,983
Materials and supplies	1,008,816	1,390,507	-	-	2,399,323
Miscellaneous	-	-	-	573	573
Mortgage discount	453,582	-	-	-	453,582
Office expenses	6,021	16,756	1,455	10,019	34,251
Postage	498	486	945	2,913	4,842
Printing, promotions, and advertising	5,860	50,110	44,565	-	100,535
Professional fees	4,520	5,085	-	1,695	11,300
Program expenses	245,326	229	-	-	245,555
Rent - warehouse/Plano ReStore/storage	-	208,500	-	-	208,500
Repairs & Maintenance	4,196	35,987	-	5,557	45,740
Salaries and benefits	469,173	685,553	217,998	197,175	1,569,899
Telephone	5,743	11,427	827	4,381	22,378
HfH International tithe/SOSI fee	56,500	-	-	-	56,500
Utilities	10,188	100,079	-	4,422	114,689
Total expenses	$ 2,350,851	$ 2,667,805	$ 278,850	$ 306,888	$ 5,604,394

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

HABITAT FOR HUMANITY OF COLLIN COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2020

	Program Services		Support Services		Total
	Home Ownership	ReStore	Fundraising	Management and Administrative	2020
Bank charges	$ 50	$ 140	$ -	$ 3,373	$ 3,563
Conference, convention, meetings	931	70	28	1,288	2,317
Consulting	12,824	-	-	458	13,282
Contract labor	23,751	50	-	1,911	25,712
Credit card fees	-	29,666	6,546	813	37,025
Depreciation expense	16,387	80,148	-	4,137	100,672
Dues and subscriptions	1,515	1,142	4,674	9,732	17,063
Equipment lease	1,354	278	799	1,156	3,587
Fleet Expense	28,697	29,988	-	821	59,506
Insurance	17,703	30,942	150	4,033	52,828
Interest expense	11	-	-	44,469	44,480
Materials and supplies	619,955	1,393,269	-	24	2,013,248
Miscellaneous	-	-	-	439	439
Mortgage discount	422,162	-	-	-	422,162
Office expenses	9,593	12,836	1,649	4,587	28,665
Postage	582	609	1,231	3,165	5,587
Printing, promotions, and advertising	2,983	53,052	30,718	836	87,589
Professional fees	4,480	5,040	-	1,680	11,200
Program expenses	221,997	365	450	307	223,119
Rent - warehouse/Plano ReStore/storage	-	205,149	-	-	205,149
Repairs & Maintenance	3,117	46,967	-	4,641	54,725
Salaries and benefits	488,594	662,668	174,423	181,212	1,506,897
Telephone	6,053	11,626	717	3,956	22,352
HfH International tithe/SOSI fee	47,500	-	-	-	47,500
Travel	567	953	1,506	1,022	4,048
Utilities	10,817	96,039	-	4,652	111,508
Total expenses	$ 1,941,623	$ 2,660,997	$ 222,891	$ 278,712	$ 5,104,223

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

HABITAT FOR HUMANITY OF COLLIN COUNTY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 265,732	$ 521,757
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense	90,344	100,672
Discount amortization-mortgages	(358,809)	(205,921)
Transfer to homeowners	(1,090,716)	(892,856)
Gain on the extinguishment of debt	(281,149)	-
Gain on the disposal of assets	-	(3,500)
Effect of changes in assets and liabilities:		
(Increase) decrease in inventories - (lots)	6,931	(46,835)
(Increase) decrease in inventories - (resale)	(101,003)	68,268
(Increase) decrease in contributions receivable	48,055	(2,420)
(Increase) decrease in grants receivable	47,103	(47,103)
(Increase) decrease in agency receivable	(900)	251,324
(Increase) decrease in other receivables	(33,119)	(26,371)
(Increase) decrease in homes under construction	(196,361)	(870,180)
Increase (decrease) in accounts payable and accrued expenses	(41,449)	7,286
Net cash used by operating activities	(1,645,341)	(1,145,879)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of land, building and equipment	(32,481)	(6,607)
Proceeds on the sale of assets	-	3,500
Net loan proceeds	150,743	298,858
Mortgage payments received	1,425,133	998,633
Net cash provided by investing activities	1,543,395	1,294,384
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(101,946)	148,505
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	363,347	214,842
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 261,401	$ 363,347
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Issuance of non-interest bearing mortgage loans	$ 1,090,716	$ 892,856
Discount on non-interest bearing mortgages loans	(453,582)	(422,162)
Transfers to homeowners subject to non-interest bearing mortgage loans	$ 637,134	$ 470,694
Cash paid for interest	$ 41,983	$ 44,480

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

1. ORGANIZATION

Habitat for Humanity of Collin County, Inc., (the "Habitat") is a not-for-profit interdenominational organization whose purpose is to encourage, promote and assist in the building and rehabilitation of housing for ownership by low-income persons in the Collin County area of north Texas. The Habitat is an affiliate of Habitat for Humanity International, Inc., located in Americus, Georgia.

Effective July 1, 2018, North Collin County Habitat for Humanity and South Collin County Habitat for Humanity merged to form Habitat for Humanity of Collin County.

The Habitat is a privately operated and financed program that transfers such housing to low-income persons at cost after completion of construction, utilizing non-interest bearing notes. The Habitat expects to continue to finance its operations through continuing contributions and mortgage receipts.

The Habitat's program services includes the home construction program and the ReStore program (a retail operation) that sells usable materials donated by retail businesses, construction companies, contractors, and the general public at below cost prices. The proceeds from the ReStore fund the Habitat's community programs.

The Habitat is a nonprofit organization, as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes and has been classified as a publicly supported organization as described in Sections 509(a)(1) and 170(b)(A)(VI).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Habitat have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities, in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Adoption of New Accounting Standard

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 to Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Habitat adopted the new standard effective July 1, 2020, the first day of the Habitat's fiscal year, using the modified retrospective approach.

Adoption of ASC 606 had no impact to the recognition of revenue in the Habitat's financial statements. The Habitat recognized no cumulative effect adjustment upon adoption. Adoption of the standard resulted in enhanced revenue-related disclosures that provide information with respect to the Habitat's analysis of certain contracts.

Although ASC 606 is not expected to have a material impact to the Habitat's ongoing net income, the Habitat implemented changes to its processes and procedures related to revenue recognition and the control activities within them.

Basis of Presentation

Net assets, revenues, gains and losses are classified on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and the changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Such net assets are available for any purpose consistent with the Habitat's mission. Designations of net assets by the governing board do not have the same legal requirements as do restrictions of funds and are included in this category.

Net Assets With Donor Restrictions – Net assets subject to specific, donor-imposed restrictions that must be met by actions of the Habitat and/or passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Habitat considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2021 and 2020.

Restricted Cash

As of June 31, 2021, restricted cash of $117,201 consisted of $115,965 restricted by donors for future builds and youth projects and $1,236 designated by the Board of Directors for purposes of renovations and reserves. As of June 30, 2020, restricted cash of $115,993 consisted of $16,447 restricted by donors for future builds and youth projects and $99,546 designated by the Board of Directors for purposes of renovations and reserves.

Contributions Receivable

Contributions, including unconditional promises to give, are recognized when made or received. All contributions are reported as increases in net assets without donor restriction unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restriction, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as with donor restriction until the payment is due.

Mortgages Receivable

Mortgages receivables consist of non-interest-bearing mortgages, which are secured by real estate and payable in monthly installments. The mortgages have an original maturity of 20 - 30 years. These mortgages have been discounted at various rates ranging from 7.23% to 8.78% based on the prevailing market rates at the inception of the mortgages. Interest income (amortization of the discount) is recorded using the straight-line method over the lives of the mortgages.

Property and Equipment

Fixed asset acquisitions are recorded at cost. Depreciation is provided over the estimated useful lives of the assets and is computed using the straight-line method. Leasehold improvements are amortized over the life of the lease or asset, whichever is shorter. This amortization expense is reported as a part of occupancy cost.

Construction in Progress

Construction in progress is recorded at cost and includes all direct material, labor and equipment costs and those indirect costs related to home construction such as indirect labor, supplies and tool costs. Land costs included in construction-in-progress are stated at the lower of cost or fair value at the date of the contribution. Included in land costs are any costs incurred in development. When revenue from the sale of a home is recognized, the corresponding costs are then expensed in the statement of activities as program services.

Support

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Grants, gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or when the purpose of the restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Donations of goods and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as restricted support. In the absence of explicit donor stipulations about how long-lived assets must be maintained, Habitat reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

ReStore revenue is recognized when the donated goods are sold. ReStore expenses are recognized when incurred.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The Habitat's significant estimates include the useful lives of property and equipment, the market value of donated inventory, and the amortization of discounts on mortgage loans based on the estimated life of the notes as a method that approximates the effective interest rates.

Income Taxes

The Habitat has been granted exemptions from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. As of June 30, 2021 and 2020, the Habitat collected unrelated business taxable income ("UBTI") and has prepared a Form 990-T to pay the related tax. However, no provision for income taxes is reflected in the financial statements.

The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Habitat may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Habitat and various positions related to the potential sources of UBTI. There were no unrecognized tax benefits identified or recorded as assets or liabilities for fiscal years 2021 and 2020.

The Habitat files its forms 990 and 990-T in the U.S. federal jurisdiction required and is generally no longer subject to examination by the Internal Revenue Service three years after filing.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Habitat.

Donated Services

A substantial number of volunteers have made significant contributions of their time to the Habitat's program and supporting services. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation.

Transfer or Sale to Homeowners

Transfers to homeowners are recorded at the gross mortgage. The mortgages do not bear interest, but have been discounted based upon applicable rates of interest published by Habitat for Humanity International, Inc. Using the interest method of amortization, these discounts will be recognized as mortgage loan amortization over the term of the mortgages.

Home Construction Costs

Costs incurred in conjunction with home construction are capitalized. Construction costs are expensed during the year a home is sold and included in program services.

Compensated Absences

Employees of the Habitat are entitled to paid vacations, sick days, and personal days off, depending on job classification, length of service, and other factors. The accrued paid time off is included in salaries and wages expense. Employees earn paid time off according to a set schedule based on length of service, and a maximum of 40 hours can be carried over to the next anniversary year. However, the employee handbook states that whether the employee can receive the cash value of unused hours earned is up to the Habitat's discretion determined upon a variety of factors such as employee's departure, how much notice is given of the departure and any other considerations the Habitat deems significant. Given these facts, the Habitat is not required to accrue paid time off in the financial statements but has elected to accrue $23,381 and $26,947 for the years ended June 30, 2021 and 2020, respectively.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with Habitat's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

3. PROPERTY AND EQUIPMENT

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

	2021	2020
Land	$ 253,847	$ 253,847
Buildings	1,365,321	1,365,321
Equipment	46,257	35,657
ReStore equipment	309,382	302,025
Leasehold improvements	83,196	83,196
Vehicles	192,172	177,648
	2,250,175	2,217,694
Less accumulated depreciation	(975,837)	(885,493)
Total property and equipment, net depreciation	$ 1,274,338	$ 1,332,201

Depreciation expense for the years ended June 30, 2021, and 2020 was $90,344 and $100,672, respectively.

4. CONSTRUCTION IN PROGRESS

Real estate costs, building materials and contract labor are recorded at cost when incurred. The administrative costs of developing projects are allocated to the respective projects. Construction in progress consists of the following:

	June 30, 2021		June 30, 2020	
	Homes	Cost	Homes	Cost
Homes under construction at beginning of year	8	$ 1,426,160	7	$ 555,980
Additional cost incurred during the year	-	426,014	-	1,246,535
New homes started during the year	3	235,326	6	262,588
Homes transferred during the year	(7)	(464,979)	(5)	(638,943)
Homes under construction at year-end	4	$ 1,622,521	8	$ 1,426,160

5. INVENTORIES

Land held for development consists of home lots to be developed and costs incurred in conjunction with home construction. They are capitalized until the completion of each home. Home lot inventory was $770,260 and $777,191 as of June 30, 2021, and 2020, respectively.

Inventory for the ReStore consists of items for resale which have been either purchased by Habitat or donated to the Habitat. All purchased inventory is valued at the lower of cost or market. All donated inventory is recognized as contribution revenue on the date of donation, with the fair market value being recorded as the asset, and the remainder is immediately recognized as contribution expense. The balance of inventory totaled $510,443 and $409,440 as of June 30, 2021, and 2020, respectively.

6. SALES TO HOMEOWNERS

During the year ended June 30, 2021, seven homes were sold to qualifying applicants. The resulting mortgages are non-interest bearing and the presentation of their book value has been discounted based upon the prevailing market rates for low-income housing at the inception of the mortgages. The discount rate for the year ended June 30, 2021, was 7.23%, and the discounts totaled $453,582.

During the year ended June 30, 2020, five homes were sold to qualifying applicants. The resulting mortgages are non-interest bearing and the presentation of their book value has been discounted based upon the prevailing market rates for low-income housing at the inception of the mortgages. The discount rate for the year ended June 30, 2020, was 7.38%, and the discounts totaled $422,162.

7. MORTGAGES RECEIVABLE

The Habitat finances all the homes that are sold. Each mortgage is issued as a zero-interest mortgage to the buyer. The Habitat discounts the mortgages using the current interest rates at the time the home is sold. The discount is amortized using the effective interest method. Mortgages receivable as of June 30, 2021, and 2020 are as follows:

	2021	2020
Mortgages receivable (at face value)	$ 6,671,510	$ 6,552,354
Unamortized discount on mortgages	(3,964,141)	(3,869,377)
Mortgages receivable, net of discount	$ 2,707,369	$ 2,682,977

Future collections, net of discount, on these mortgages will be received over the next five years as follows:

2022	$	415,881
2023		416,458
2024		415,470
2025		415,055
2026		415,055
Thereafter		629,450
Total	$	2,707,369

Mortgages are considered delinquent when the monthly mortgage payment is at least 31 days past due. As of June 30, 2021, twenty-one mortgages totaling $64,084 were past due. The Habitat is in the process of making arrangements with the individual homeowners to bring their balance to current. All balances are believed to be collectible and no allowance has been recognized.

Some of the homeowners who have mortgages with the Habitat have entered into a secondary loan agreement with the Texas Department of Housing and Community Affairs ("TDHCA") Texas Boot Strap Loan Program. The Habitat continues to collect and manage these mortgages, and then remits the amount collected to the agency. These amounts are reported as agency receivables and agency payables on the statement of financial position and normally do not have any effect on the change in net assets. As of June 30, 2021, and 2020, the balance in the agency receivables are $2,398,152 and $2,304,652 and agency payables account are $2,398,755 and $2,305,123, respectively. Typically, the balance of the agency receivable equals the balance of the agency payable. However, during the 2019 fiscal year, one homeowner sold their home. While the Habitat wrote off the outstanding receivable from the homeowner, Habitat is still liable to TDHCA for the balance due to them from the homeowner.

During fiscal year 2012, three homeowners, and fiscal year 2013, one homeowner, also entered into secondary agreements with the Texas Department of Housing and Community Affairs Homebuyer Assistance Program. Similar as to their agreement with the TDHCA Texas Boot Strap Loan Program, Habitat continues to collect and manage these mortgages and then remits the amount collected to the agency. These amounts are reported as agency receivables and agency payables on the statement of financial position and do not have any effect on the change in net assets. As of June 30, 2021, and 2020, the balances of the agency receivable were $12,616 and $16,584 and payable were $2,979 and $7,979, respectively.

8. LONG-TERM DEBT

Long-term debt, net of discounts, consists of the following notes as of June 30, 2021 and 2020:

	2021	2020
Notes payable to banks through the Texas Department of Housing and Community Affairs (TDHCA) in the original amounts of $3,109,938 as of June 30, 2021 bearing interest ranging from 0% to 4.00%, discount calculated based on an imputed interest rate ranging between 7.23% and 8.48%, the rate provided annually by Habitat for Humanity International, resulting in a discount of $646,293, as of June 30, 2021. The Habitat remits monthly payments of $11,018, and the loans mature January 2023 through December 2045.	$ 1,613,092	$ 1,740,366
Line of credit to Prosperity Bank in the amount of $100,000 due January 18, 2023; interest rate of 6.75%	61,872	94,872
Line of credit to North Dallas Bank & Trust in the amount of $400,000 due April 16, 2022; interest rate of 3.5%	169,912	185,789
Line of credit with Independent Bank in the amount of $100,000 due January 23, 2022; interest rate of 4.0%.	64,639	61,733
U.S. Small Business Administration PPP Loan in the amount of $284,700 with an interest rate of 1.0% due over two years if not forgiven.	3,551	284,700
HMS Flexcap note payable with Habitat for Humanity International due December 31, 2027; interest rate of 3.75%	337,288	-
Flexcap note payable with Habitat for Humanity International due December 31, 2021; interest rate of 5.5%	6,920	20,220
Total outstanding balance	2,257,274	2,387,680
Less current installments	(486,004)	(772,162)
Total long-term debt	$ 1,771,270	$ 1,615,518

The maturities of long-term debt by fiscal year are as follows:

2022	$ 486,004
2023	180,553
2024	179,093
2025	177,242
2026	169,428
Thereafter	1,064,954
Total	$ 2,257,274

The Habitat also took out a construction line of credit with Benchmark Bank during March 2021, in the amount of $980,000 for construction projects. As of June 30, 2021, no money had been drawn on this line of credit.

9. IN-KIND CONTRIBUTIONS

The Habitat receives in-kind contributions of land, materials and services used in the construction of its homes. The contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the Habitat's capitalization policy. The total amount for in-kind contributions for the years ending June 30, 2021, and 2020 were $82,452 and $148,339, respectively.

The Habitat also received furniture, household items and constructional materials used in home construction and repair for sale in the ReStore. All donations are valued at the estimated fair market value on the date the donation is made.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction consisted of the following:

	2021	2020
Temporarily restricted		
Net assets with donor restriction	$ 311,274	$ 259,811

11. COMMITMENTS AND CONTINGENCIES

In addition to the non-interest-bearing mortgages received from the sale of each home, the Habitat receives a shared appreciation agreement. The shared appreciation agreement allows the Habitat to collect the lowest independent appraised value as an additional amount upon the sale or refinance within 20 years of the original sale contract. The shared appreciation agreement payoff is considered less than probable or remote and therefore no receivable has been recorded in the financial statements.

12. CONCENTRATION OF CREDIT RISK

The Habitat maintains its cash and cash equivalents balances in local financial institutions. All accounts for a single depositor are insured by the Federal Deposits Insurance Corporation up to $250,000. As of June 30, 2021, and 2020, and at various times during the year, the Habitat maintained cash balances at financial institutions in excess of the federally insured limits. Given the economic environment and risks in the banking industry, there is the risk that these deposits may not be readily available or covered by insurance.

The Habitat's programs are concentrated in Collin County. The Habitat receives donations, home sales and collection of mortgage receivables in this area. Changes in economic conditions may impact the Habitat.

The Habitat's purpose is to provide housing for low-income homeowners. As such, it is likely that the mortgage holders would be unable to qualify for a mortgage from a traditional financial institution. This poses an inherent risk to the Habitat that the mortgages receivable will be partially uncollectible. To mitigate the risk of overstating the ability of the Habitat to fully collect the mortgages, the notes receivable have been discounted using the prevailing market rate for low-income housing at the inception of the note. Additionally, all notes receivable are collateralized by the real estate associated with the mortgage.

13. REVENUE RECOGNITION

The Habitat earns revenue from a variety of sources. The Habitat's principal sources of revenue are grants, contributions, ReStore sales and sales to homeowners, as discussed above in note 2.

Sales to homeowners and ReStore sales are exchange transactions within the scope of and accounted for under ASC 606. ASC 606 requires revenue to be recognized when the Habitat satisfies the related performance obligations by transferring a good or service to a customer through a 5-step process:

1) Identify the contract with the customer,
2) Identify the associated performance obligations,
3) Determine the transaction price,
4) Allocate the transaction price to the performance obligations, and
5) Recognize revenue when the performance obligations have been satisfied and the good or service has been transferred.

Sales to homeowners satisfy performance obligations at a point in time, on the date when the sale formally closes. ReStore sales also satisfy performance obligations at a point in time when control of the goods transfers to the customer at the point-of-sale.

Contributions and the composition of grants received by the Habitat are not exchange transactions and therefore, fall outside the scope of ASC 606. These revenue streams are recognized in accordance with ASC 958, Not-for-profit Entities.

14. ADVERTISING

The Habitat uses advertising to promote its program. Advertising expenses are expensed as incurred. For the years ended June 30, 2021, and 2020, advertising expenses were $100,535 and $87,589, respectively.

15. TRANSACTIONS WITH HABITAT INTERNATIONAL

The Habitat annually remits 10% of its unrestricted contributions (excluding in-kind contributions) to Habitat International. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2021, and 2020, Habitat contributed $24,000 and $30,000, respectively, to Habitat International. In addition to these unrestricted contributions to Habitat International, Habitat also paid a support fee in the amount of $32,500 and $17,500 for the years ended June 30, 2021, and 2020, respectively. The Habitat also has two loans with Habitat International as referenced in Note 8.

16. LIQUIDITY AND AVAILABLITY OF RESOURCES

The following reflects the Habitat's financial assets as of June 30, 2021, and 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	2021	2020
Cash & cash equivalents	$ 144,200	$ 247,354
Restricted cash	117,201	115,993
Due from ReStore	17,779	12,197
Mortgages receivable, current portion	415,881	389,679
Contributions receivable	195,309	243,364
Grants receivable	-	47,103
Other Receivables	42,929	49,254
Financial assets, at year-end	933,299	1,104,944
Less:		
Assets with donor restrictions	311,274	259,811
Assets with board designations	1,236	99,546
Financial assets available to meet cash needs for general expenditures within one year	$ 620,789	$ 745,587

17. RELATED PARTIES

In the normal course of business, the Habitat has business dealings with individuals who are associated with the Habitat. In the opinion of management, all business dealings are conducted in an arm's length manner.

18. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 18, 2022, the issuance date of the report. No subsequent events requiring disclosure were noted.

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IRS Department of the Treasury
Internal Revenue Service

P.O. Box 2508, Room 4010
Cincinnati OH 45201

In reply refer to: 4077967774
Feb. 04, 2020 LTR 4167C 0
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BODC: TE

HABITAT FOR HUMANITY INTERNATIONAL
INC
HABITAT FOR HUMANITY INTRNL PARENT
% LEGAL DEPARTMENT
270 PEACHTREE ST NW STE 1300
ATLANTA GA 30303-1246

015435

Employer identification number: 91-1914868
Group exemption number: 8545

Dear Taxpayer:

This is in response to your request dated Jan. 09, 2020, for information about your tax-exempt status.

Our records indicate we issued a determination letter to you in January 1987, and you're currently exempt under Internal Revenue Code (IRC) Section 501(c)(3).

We also recognized the subordinates on the list you submitted as exempt from federal income tax under IRC Section 501(c)(3).

For federal income tax purposes, donors can deduct contributions they make to you as provided in IRC Section 170. You're also qualified to receive tax deductible bequests, legacies, devises, transfers, or gifts under IRC Sections 2055, 2106 and 2522.

Because IRC Section 170(c) describes your subordinate organizations, donors can deduct contributions they make to them.

Please refer to www.irs.gov/charities for information about filing requirements. Specifically, IRC Section 6033(j) provides that, if you don't file a required return or notice for three consecutive years, your exempt status will be automatically revoked on the filing due date of the third required return or notice.

In addition, each subordinate organization is subject to automatic revocation if it doesn't file a required return or notice for three consecutive years. Subordinate organizations can file required returns or notices individually or as part of a group return.

For tax forms, instructions, and publications, visit www.irs.gov or call 1-800-TAX-FORM (1-800-829-3676).

If you have questions, call 1-877-829-5500 between 8 a.m. and 5 p.m., local time, Monday through Friday (Alaska and Hawaii follow Pacific Time).

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ATLANTA GA 30303-1246

Sincerely yours,

Stephen A. Martin

Stephen A. Martin
Director, EO Rulings & Agreements