

Cross Timber Homes

Financial Statements

December 31, 2020 and 2019



Cross Timber Homes

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Independent Auditor's Report

To the Board of Directors of
Cross Timber Homes

We have audited the accompanying financial statements of Cross Timber Homes (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the 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 present fairly, in all material respects, the financial position of Cross Timber Homes as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report

Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from Cross Timber Homes' 2019 financial statements which were audited by another auditor and, in their report dated June 12, 2020, they expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schrive, Carmona & Company, PLLC

San Antonio, Texas

June 11, 2021

Financial Statements

Cross Timber Homes

Statements of Financial Position December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
<i>Current Assets:</i>		
Cash and Cash Equivalents	\$ 457,628	\$ 169,972
Grants and Other Receivables	-	14,999
Prepaid Expenses	12,656	16,648
Homes Under Construction or Held for Sale	337,313	447,712
Land Held for Future Development	<u>35,170</u>	<u>34,473</u>
Total Current Assets	<u>842,767</u>	<u>683,804</u>
Total Assets	<u>\$ 842,767</u>	<u>\$ 683,804</u>
Liabilities and Net Assets		
<i>Current Liabilities:</i>		
Accounts Payable	\$ <u>344,093</u>	\$ 453,671
Total Current Liabilities	<u>344,093</u>	<u>453,671</u>
Total Liabilities	<u>344,093</u>	<u>453,671</u>
Net Assets:		
Without Donor Restrictions	<u>498,674</u>	<u>230,133</u>
Total Net Assets	<u>498,674</u>	<u>230,133</u>
Total Liabilities and Net Assets	<u>\$ 842,767</u>	<u>\$ 683,804</u>

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

Cross Timber Homes

Statement of Activities

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

	<u>2020</u>	
	<u>Without Donor</u>	2019
	<u>Restrictions</u>	<u>Totals</u>
Support and Revenues		
Sales of Homes	\$ 1,898,400	\$ 925,000
Donated Management Services	133,580	117,334
Grants	334,988	68,196
Interest Income	30	219
Miscellaneous Income	5,635	250
	<u>2,372,633</u>	<u>1,110,999</u>
Total Support and Revenues		
	<u>2,372,633</u>	<u>1,110,999</u>
Expenses		
Program Services	2,061,296	1,069,883
Management and General	42,796	38,940
	<u>2,104,092</u>	<u>1,108,823</u>
Total Expenses		
	<u>2,104,092</u>	<u>1,108,823</u>
Change in Net Assets	268,541	2,176
Net Assets at Beginning of Year	<u>230,133</u>	<u>227,957</u>
Net Assets at End of Year	<u>\$ 498,674</u>	<u>\$ 230,133</u>

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

Cross Timber Homes

Statement of Functional Expenses

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

	2020			2019 Totals
	Program Services	Management and General	Totals	
Accounting and Audit	\$ -	\$ 5,700	\$ 5,700	\$ 5,250
Advertising and Promotions	3,764	-	3,764	4,475
Auto and Travel	20	-	20	8
Building Materials and Services	1,312,897	-	1,312,897	643,792
Conferences, Meetings, and Training	-	115	115	496
Donations	300,000	-	300,000	175,000
Down Payment Assistance	37,912	-	37,912	19,525
Insurance	8,505	1,220	9,725	9,410
Information Technology	233	289	522	363
Land Used	217,318	-	217,318	99,596
Legal Fees	4,975	-	4,975	2,550
Management Services	98,940	34,640	133,580	117,334
Office Expense	1,461	826	2,287	1,763
Miscellaneous	110	-	110	21
Postage and Freight	118	6	124	196
Professional Fees	74,481	-	74,481	28,903
Printing and Publications	562	-	562	141
Total Expenses	\$ 2,061,296	\$ 42,796	\$ 2,104,092	\$ 1,108,823

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

Cross Timber Homes

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

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 268,541	\$ 2,176
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
(Increase) Decrease in:		
Grants Receivables	14,999	14,433
Other Receivables	-	502
Homes Under Construction or Held for Sale	110,399	(368,215)
Prepaid Expenses	3,992	(4,157)
Land Held for Future Development	(697)	(34,473)
Increase (Decrease) in:		
Accounts Payable	(109,578)	374,174
Net Cash Provided (Used) by Operating Activities	<u>287,656</u>	<u>(15,560)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	287,656	(15,560)
Cash and Cash Equivalents, Beginning of Year	<u>169,972</u>	<u>185,532</u>
Cash and Cash Equivalents, End of Year	\$ <u>457,628</u>	\$ <u>169,972</u>

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

Cross Timber Homes

Notes to Financial Statements
December 31, 2020 and 2019

Note 1: Nature of Organization

Cross Timber Homes was formed in March 2017 and is organized as a non-profit corporation to promote social welfare for a specific purpose under Section 501(c)(4) of the Internal Revenue Code. All program construction activity and most administrative services for Cross Timber Homes are provided at cost by Habitat for Humanity of San Antonio, Inc., a 501(c)(3) corporation.

Mission and Purpose

Cross Timber Homes' mission is to provide high-quality, affordable, single-family homes for low and moderate income families of San Antonio, who earn up to 120% of area median income, while aiming to build in distressed neighborhoods that may benefit from an investment in new, moderate income housing.

As a 501(c)(4), Cross Timber Homes promotes social welfare by donating to Habitat for Humanity of San Antonio (Habitat) in support of Habitat's core mission. For the year ended December 31, 2020, Cross Timber Homes made \$300,000 in donations to Habitat for Humanity of San Antonio.

Note 2: Summary of Accounting Principles

Federal Income Taxes

Cross Timber Homes is exempt from federal income taxes pursuant to provisions of Code Section 501(a) and file as a 501(c)(4) organization as defined by the Internal Revenue Code. Cross Timber Homes is required to file Internal Revenue Service Form 990, Return of Organization Exempt from Income Tax annually.

Cross Timber Homes adopted the provisions of FASB ASC Topic 740-10-25, Income Taxes – Overall – Recognition, which requires recognition and disclosure of uncertain tax positions in the financial statements and footnotes. The management of Cross Timber Homes believes it has no material uncertain tax positions. For the year ended December 31, 2020, Cross Timber Homes did not recognize any interest or penalties.

Basis of Accounting

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

- Without Donor Restrictions – net assets available for use in general operations and not subject to donor restrictions. Grants and contributions gifted for recurring programs of Cross Timber Homes generally are not considered “restricted” under GAAP, though for internal reporting Cross Timber Homes tracks such grants and contributions to verify the disbursement matches the intent. Assets restricted solely through the actions of the Board of Directors are reported as Net Assets Without Donor Restrictions, Board Designated.
- With Donor Restrictions – net assets subject to donor-imposed stipulations that are more restrictive than Cross Timber Homes mission and purpose. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. As of December 31, 2020, there were no net assets with donor restrictions.

Cross Timber Homes

Notes to Financial Statements
December 31, 2020 and 2019

Note 2: Summary of Accounting Principles (Continued)

Estimates

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

Cash and Cash Equivalents

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

Prepaid Expenses

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

Homes Under Construction or Held for Sale and Land Held for Future Development

Cross Timber Homes records homes under construction or held for sale and land held for future development at cost, which is equal to or less than estimated future sales prices. Costs associated with home construction expenses accumulate as homes under construction or held for sale. Land acquisition and related development expenses accumulate as land held for future development.

Methods Used for Allocation of Expenses among Program and Support Services

The costs of providing the services and other activities are summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. A portion of the Executive Director's fee is allocated and recorded under management services as a general and administrative expense. This allocation is based on salary surveys (time and efforts) of the employee. Other expenses considered by management to be non-programmatic are also recorded in the management and general category.

Revenue Recognition

In accordance with GAAP, revenue is recorded when earned rather than received. The following summarizes the revenue recognition policies for major classifications of revenue:

- *Sales of Homes* – Sales revenue is recorded as the performance obligations are satisfied at transaction amounts expected to be collected at the time of closing. Cross Timber Homes' performance obligations related to sales revenue are satisfied as homes are sold. Cross Timber Homes provides down payment assistance to qualifying individuals, up to \$5,000. Down payment assistance is recognized as an expense at the time of closing. The performance obligation related to the expense is satisfied and recognized at the time of closing. However, the assistance is repayable upon re-sale, if the buyer does not live in the home at least five years.

Cross Timber Homes

Notes to Financial Statements
December 31, 2020 and 2019

Note 2: Summary of Accounting Principles (Continued)

Revenue Recognition (Continued)

- Government Funding – Government funding is recorded on a reimbursement basis. Specifically, when qualifying expenses are incurred by Cross Timber Homes, both a receivable from the government granting agency and offsetting grant revenues are recorded. Cross Timber Homes receives a federal grant through the City of San Antonio as part of a Neighborhood Stabilization Program Developer Agreement to reimburse the cost of vacant lot acquisition. The maximum reimbursement Cross Timber Homes may receive per home is \$14,999. The total, multiyear grant award is \$455,000. Cross Timber Homes recognizes the revenue when the home is sold, as outlined in the agreement. The performance obligations related to the developer subsidy are satisfied as homes are completed.

Additionally, Cross Timber Homes' receives a grant from the San Antonio Affordable Housing, Inc. which is administered through the City of San Antonio as part of the Residential Development Agreement. The maximum reimbursement Cross Timber Homes may receive per home is \$30,000. The total, multiyear grant award is \$240,000. Cross Timber Homes recognizes the revenue when the home is sold, as outlined in the agreement. The performance obligations related to the residential development are satisfied as homes are completed.

Financial Instruments

Cross Timber Homes financial instruments include cash and cash equivalents, and payables. The carrying amount of these financial instruments, as reflected in the Statement of Financial Position, approximates fair value.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense totaled \$3,764 and \$4,475 for the years ended December 31, 2020 and 2019, respectively.

Donated Services

Donated services are valued based on their estimated fair market value on the date of contribution. (See **Note 5**)

Recent Accounting Pronouncements

Adopted in 2019

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 is effective for periods beginning after December 15, 2018, with early adoption permitted. The pronouncement clarifies the definition of an exchange transaction and contributions made and received. Management of the Organization evaluated the effect this pronouncement will have on the financial statements and related disclosures. The standard was adopted by Cross Timber Homes on January 1, 2019. The adoption of the new revenue recognition guidance resulted in no change to net assets as of January 1, 2019.

Cross Timber Homes

Notes to Financial Statements
December 31, 2020 and 2019

Note 2: Summary of Accounting Principles (Continued)

Recent Accounting Pronouncements (Continued)

Adopted in 2019 (Continued)

In May 2014, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from contracts with Customers*, Topic 606. For not-for-profit organizations that have issued, or are conduit bond obligors for, securities traded, listed, or quoted on an exchange or an over-the-counter market, the standard is currently in effect. For all other not-for-profit organizations, the standard takes effect in annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. The core principle of this pronouncement focuses on the contract between the organization and its customers for goods and services, and ultimately, the rights and obligations between the organization and the customer. The standard was adopted by Cross Timber Homes on January 1, 2019. The standard did not result in restatement of beginning balances.

Note 3: COVID-19 Risk and Uncertainty

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

Note 4: Liquidity and Availability

The following represents Cross Timber Homes financial assets at December 31, 2020 and 2019 available to meet general expenditures over the next twelve months:

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash and Cash Equivalents	\$ 457,628	\$ 169,972
Accounts Receivable	-	14,999
Homes Under Construction	337,313	447,712
Land Held for Future Development	35,170	34,473
Total financial assets	<u>830,111</u>	<u>667,156</u>
Less those unavailable for general expenditures within one year due to:		
Accounts Payable	<u>(344,093)</u>	<u>(453,671)</u>
	<u>(344,093)</u>	<u>(453,671)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 486,018</u>	<u>\$ 213,485</u>

Accounts payable contains construction in progress, which is not expensed on the financial statements until construction is complete.

Cross Timber Homes

Notes to Financial Statements
December 31, 2020 and 2019

Note 5: Donated Management Services

Cross Timber Homes' policies allow for the recognition of 'in-kind professional fees' for Site Construction, Accounting, and the Executive Director's time. These revenues and expenses have been recognized as Donated Management Services on the statement of activities and statement of functional expenses. Donated Management Services for the years ended December 31, 2020 and 2019 were \$133,580 and \$117,334, respectively.

Note 6: Concentrations

Home Construction and Land Acquisition Vendor

Cross Timber Homes relies on Habitat for Humanity of San Antonio for 100% of its home construction and related land acquisition activities, in order to keep costs low to meet Cross Timber Homes' targeted home pricing. Home construction and land acquisition activities, account for approximately 71% and 67% of Cross Timber Homes' total expenses for the years ended December 31, 2020 and 2019, respectively.

Credit Risk of Financial Instruments

Financial instruments that potentially subject Cross Timber Homes to concentrations of credit risk consist of its cash balances at the banks if such balances exceed the amount insured by Federal Deposit Insurance Corporation (FDIC). For the years ended, December 31, 2020, Cross Timber Homes deposits at the Bank exceeded the FDIC limit of \$250,000 by \$207,628. Cross Timber Homes has not experienced any losses in such accounts and management believes it is not exposed to any significant risk on its cash and cash equivalents.

Note 7: Grant and Other Receivables

Cross Timber Homes has been awarded a Neighborhood Stabilization Program (NSP) grant from the U.S. Department of Housing and Urban Development (HUD) through the City of San Antonio (COSA). The grant reimburses Cross Timber Homes up to \$14,999 for each eligible home built. Eligibility is based on buyer income levels. Cross Timber Homes issues deed restrictions to ensure income eligibility requirements are met with the original eligible buyer. If the home is sold by the original buyer within the first five years of conveyance, the eligibility requirements to the subsequent buyer must be maintained. Cross Timber Homes did not meet the standards applicable to expended federal or state grant monies to trigger a Single Audit under Uniform Guidance.

Receivables at December 31, 2020 and 2019 are as follows for Cross Timber Homes:

	<u>2020</u>	<u>2019</u>
Neighborhood Stabilization Program Grant	\$ -	\$ 14,999
Total Receivables	<u>\$ -</u>	<u>\$ 14,999</u>

Cross Timber Homes

Notes to Financial Statements
December 31, 2020 and 2019

Note 8: Homes Under Construction or Held for Sale

The following properties were under construction at December 31 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Project C-027	\$ 95,418	\$ -
Project C-028	108,671	-
Project C-029	55,950	-
Project C-030	68,968	-
Project C-031	3,878	-
Project C-032	3,828	-
Project C-033	200	-
Project C-034	200	-
Project C-035	200	-
Project C-014	-	106,554
Project C-015	-	109,506
Project C-017	-	86,020
Project C-018	-	86,025
Project C-019	-	47,626
Project C-020	-	10,251
Project C-021	-	460
Project C-022	-	400
Project C-023	-	360
Project C-024	-	510
Total	<u>\$ 337,313</u>	<u>\$ 447,712</u>

Note 9: Subsequent Events

Subsequent events have been evaluated through June 11, 2021, which is the date the financial statements were available to be issued.