

# Cross Timber Homes

## Financial Statements

December 31, 2021 and 2020



# Cross Timber Homes

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## **Independent Auditor's Report**

To the Board of Directors of  
Cross Timber Homes

### ***Opinion***

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, 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.

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, 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.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cross Timber Homes and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about Cross Timber Homes' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

## Independent Auditor's Report

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In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of Cross Timber Homes' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cross Timber Homes' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Report on Summarized Comparative Information***

We have previously audited Cross Timber Homes' 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 11, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, 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 10, 2022

## **Financial Statements**

## Cross Timber Homes

### Statements of Financial Position December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 533,832	\$ 457,628
Accounts Receivable	334,602	-
Grants and Other Receivables	29,998	-
Prepaid Expenses	13,651	12,656
Homes Under Construction or Held for Sale	184,293	337,313
Land Held for Future Development	-	35,170
<b>Total Current Assets</b>	<u><b>1,096,376</b></u>	<u><b>842,767</b></u>
<b>Total Assets</b>	<u><b>\$ 1,096,376</b></u>	<u><b>\$ 842,767</b></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ <u>404,454</u>	\$ <u>344,093</u>
<b>Total Current Liabilities</b>	<u><b>404,454</b></u>	<u><b>344,093</b></u>
<b>Total Liabilities</b>	<u><b>404,454</b></u>	<u><b>344,093</b></u>
<b>Net Assets:</b>		
Without Donor Restrictions	<u><b>691,922</b></u>	<u><b>498,674</b></u>
<b>Total Net Assets</b>	<u><b>691,922</b></u>	<u><b>498,674</b></u>
<b>Total Liabilities and Net Assets</b>	<u><b>\$ 1,096,376</b></u>	<u><b>\$ 842,767</b></u>

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

## Cross Timber Homes

### Statement of Activities

Year Ended December 31, 2021 (with Comparative Totals for the Year Ended December 31, 2020)

	<b>2021</b>	2020
	<b>Without Donor Restrictions</b>	<b>Totals</b>
<b>Support and Revenues</b>		
Sales of Homes	\$ 1,836,100	\$ 1,898,400
Donated Management Services	-	133,580
Grants	286,489	334,988
Interest Income	15	30
Miscellaneous Income	-	5,635
<b>Total Support and Revenues</b>	<b>2,122,604</b>	<b>2,372,633</b>
<b>Expenses</b>		
Program Services	1,879,071	2,061,296
Management and General	50,285	42,796
<b>Total Expenses</b>	<b>1,929,356</b>	<b>2,104,092</b>
<b>Change in Net Assets</b>	<b>193,248</b>	<b>268,541</b>
<b>Net Assets at Beginning of Year</b>	<b>498,674</b>	<b>230,133</b>
<b>Net Assets at End of Year</b>	<b>\$ 691,922</b>	<b>\$ 498,674</b>

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

## Cross Timber Homes

### Statement of Functional Expenses

Year Ended December 31, 2021 (with Comparative Totals for the Year Ended December 31, 2020)

	<b>2021</b>			2020
	<u>Program Services</u>	<u>Management and General</u>	<u>Totals</u>	<u>Totals</u>
Accounting and Audit	\$ -	\$ 6,884	\$ <b>6,884</b>	\$ 5,700
Advertising and Promotions	100	-	<b>100</b>	3,764
Auto and Travel	20	-	<b>20</b>	20
Building Materials and Services	1,333,500	-	<b>1,333,500</b>	1,312,897
Conferences, Meetings, and Training	-	80	<b>80</b>	115
Donations	-	-	<b>-</b>	300,000
Down Payment Assistance	39,414	-	<b>39,414</b>	37,912
Insurance	10,493	1,220	<b>11,713</b>	9,725
Information Technology	197	72	<b>269</b>	522
Land Used	233,306	-	<b>233,306</b>	217,318
Legal Fees	4,875	-	<b>4,875</b>	4,975
Management Services	200,164	40,848	<b>241,012</b>	133,580
Office Expense	1,168	835	<b>2,003</b>	2,287
Miscellaneous	400	195	<b>595</b>	110
Postage and Freight	-	3	<b>3</b>	124
Realtor and Closing Fees	55,299	-	<b>55,299</b>	74,481
Printing and Publications	135	148	<b>283</b>	562
<b>Total Expenses</b>	<u>\$ 1,879,071</u>	<u>\$ 50,285</u>	<u>\$ <b>1,929,356</b></u>	<u>\$ 2,104,092</u>

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



## Cross Timber Homes

### Statements of Cash Flows Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash Flows From Operating Activities:</b>		
Change in Net Assets	\$ 193,248	\$ 268,541
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
(Increase) Decrease in:		
Accounts Receivable	(334,602)	14,999
Grants Receivable and Other Receivables	(29,998)	-
Homes Under Construction or Held for Sale	153,020	110,399
Prepaid Expenses	(995)	3,992
Land Held for Future Development	35,170	(697)
Increase (Decrease) in:		
Accounts Payable	60,361	(109,578)
<b>Net Cash Provided by Operating Activities</b>	<u>76,204</u>	<u>287,656</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>76,204</b>	<b>287,656</b>
Cash and Cash Equivalents, Beginning of Year	<u>457,628</u>	<u>169,972</u>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ <u>533,832</u></b>	<b>\$ <u>457,628</u></b>

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

## **Cross Timber Homes**

Notes to Financial Statements  
December 31, 2021 and 2020

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### **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.

### **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, 2021, 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, 2021, there were no net assets with donor restrictions.

## **Cross Timber Homes**

Notes to Financial Statements  
December 31, 2021 and 2020

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### **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 are 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, 2021 and 2020

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### 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 \$100 and \$3,764 for the years ended December 31, 2021 and 2020, respectively.

#### *Donated Services*

Donated services are valued based on their estimated fair market value on the date of contribution.

#### *Recent Accounting Pronouncements*

##### Future Adoption

In February 2016, The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*, effective for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. Under this new pronouncement, generally, leases with terms of more than 12 months will be recognized in the Statements of Financial Position as an asset (right to use leased asset) and a liability (lease liability). Management of Cross Timber Homes expects the impact to operations to be minimal and is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

## Cross Timber Homes

Notes to Financial Statements  
December 31, 2021 and 2020

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### Note 2: Summary of Accounting Principles (Continued)

#### Recent Accounting Pronouncements (Continued)

##### Future Adoption (Continued)

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities* (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, effective for fiscal years beginning after June 15, 2021 and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The FASB ASU requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. Management of Cross Timber Homes expects the impact to operations to be minimal and is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

### Note 3: Risk and Uncertainty

COVID-19 and various world events are having a broad and negative impact on commerce around the world and locally for Cross Timber Homes. Cross Timber Homes is closely monitoring its assets and strategically making decisions to minimize the impact of these declines and the related uncertainty. Accordingly, the extent of the impact to Cross Timber Homes' financial position and changes in net assets and cash flows are uncertain. The accompanying financial statements include no accrued adjustment relating to the future effects of these world events.

### Note 4: Liquidity and Availability of Financial Resources

The following represents Cross Timber Homes financial assets at December 31, 2021 and 2020 available to meet general expenditures over the next twelve months:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash and Cash Equivalents	\$ 533,832	\$ 457,628
Accounts Receivable	334,602	-
Grants and Other Receivables	29,998	-
Homes Under Construction	184,293	337,313
Land Held for Future Development	-	35,170
Total financial assets	<u>1,082,725</u>	<u>830,111</u>
Less those unavailable for general expenditures within one year due to:		
Accounts Payable	<u>(404,454)</u>	<u>(344,093)</u>
	<u>(404,454)</u>	<u>(344,093)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 678,271</u>	<u>\$ 486,018</u>

Accounts payable is comprised of costs associated with construction in progress. Construction costs are not expensed until the corresponding house is sold.

## Cross Timber Homes

Notes to Financial Statements  
December 31, 2021 and 2020

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### Note 5: Management Fees and Related Party Transaction

Cross Timber Homes' policies allowed for the recognition of 'in-kind professional fees' from Habitat for Humanity of San Antonio (Habitat) for Site Construction, Accounting, and the Executive Director's time. In 2020, \$133,580 was recognized as Donated Management Services on the statement of activities and management services on the statement of functional expenses. In 2021, Cross Timber Homes began paying a management fee to Habitat for those services and did not record donated management services. Management Services of \$241,012 were recognized on the statement of functional expenses for the year ended December 31, 2021.

### 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 81% and 71% of Cross Timber Homes' total expenses for the years ended December 31, 2021 and 2020, 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). As of December 31, 2021, Cross Timber Homes' deposits at the Bank exceeded the FDIC limit of \$250,000 by \$283,832. 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: Neighborhood Stabilization Program Grant

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, 2021 and 2020 are as follows for Cross Timber Homes:

	2021	2020
Neighborhood Stabilization Program Grant	\$ 29,998	\$ -
Total Receivables	\$ 29,998	\$ -

## Cross Timber Homes

Notes to Financial Statements  
December 31, 2021 and 2020

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### Note 8: Homes Under Construction or Held for Sale

The following properties were under construction or held for sale at December 31,:

	<u>2021</u>	<u>2020</u>
Project C-038	\$ 79,940	\$ -
Project C-039	80,415	-
Project C-040	9,739	-
Project C-041	14,200	-
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
	<u>-</u>	<u>200</u>
Total Homes Under Construction or Held for Sale	\$ <u>184,293</u>	\$ <u>337,313</u>

### Note 9: Subsequent Events

Subsequent events have been evaluated through June 10, 2022, which is the date the financial statements were available to be issued.