



# HINKLE + LANDERS

Certified Public Accountants + Business Consultants

## **GREATER ALBUQUERQUE HABITAT FOR HUMANITY**

### **INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS**

**For The Year Ended June 30, 2017  
With Comparative Totals for 2016**



**GREATER ALBUQUERQUE HABITAT FOR HUMANITY**  
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**GREATER ALBUQUERQUE HABITAT FOR HUMANITY  
OFFICIAL ROSTER  
As of June 30, 2017**

*Board of Directors*

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|                  |                          |
|------------------|--------------------------|
| Lori Valdez      | President                |
| Jeffery Payne    | Vice-President/Secretary |
| Mark Lujan       | Past President           |
| Robert Arguelles | Treasurer                |
| Greg Hunt        | Member                   |
| Ryan Jones       | Member                   |
| Judy Lawrence    | Member                   |
| Michael Montoya  | Member                   |
| Gary Van Luchene | Member                   |
| Stephen Houret   | Member                   |

*Administrative Personnel*

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|               |                    |
|---------------|--------------------|
| Joan Costello | Executive Director |
| Bruce Haynes  | Finance Director   |

## **Independent Auditor's Report**

The Board of Directors of  
Greater Albuquerque Habitat for Humanity  
Albuquerque, New Mexico

### **Report on Financial Statements**

We have audited the accompanying financial statements of the Greater Albuquerque Habitat for Humanity (Habitat) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat as of June 30, 2017, 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**

The prior year summarized comparative information has been derived from Habitat's 2016 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2017, on our consideration of Habitat's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Habitat's internal control over financial reporting and compliance.



Hinkle + Landers, P.C.  
Albuquerque, NM  
November 7, 2017

**GREATER ALBUQUERQUE HABITAT FOR HUMANITY**  
**STATEMENT OF FINANCIAL POSITION**  
**As of June 30, 2017, With Comparative Totals For 2016**

|  | <u>Notes</u> | <u>2017</u>                | <u>2016</u>      |
|--|--------------|----------------------------|------------------|
| <b>ASSETS</b>                              |              |                            |                  |
| <b>Current Assets</b>                      |              |                            |                  |
| Cash and cash equivalents                  | D            | \$ <b>280,592</b>          | 193,585          |
| Donor restricted cash and cash equivalents | D, H         | <b>416,106</b>             | 578,682          |
| Investments, at fair value                 | G            | <b>193,034</b>             | 173,885          |
| Pledges receivable                         | C-11         | <b>2,600</b>               | 1,000            |
| Other receivables                          |              | <b>166,897</b>             | 35,796           |
| ReStore inventory                          | C-6, L       | <b>97,870</b>              | 84,773           |
| Prepaid assets                             |              | <b>16,579</b>              | 14,470           |
| Housing under construction                 | C-7          | <b>94,341</b>              | 154,222          |
| Mortgages receivable, current portion      | F            | <b>325,715</b>             | 311,711          |
| Total current assets                       |              | <u><b>1,593,734</b></u>    | <u>1,548,124</u> |
| <br>                                       |              |                            |                  |
| Property and equipment, net                | E            | <b>2,189,445</b>           | 2,292,094        |
| Land held for development and other        | C-7          | <b>321,700</b>             | 271,700          |
| Mortgages receivable                       | F            | <b>2,320,989</b>           | 2,211,239        |
| Homeowner escrow accounts                  |              | <b>24,769</b>              | 31,332           |
|  |              | <u><b>4,856,903</b></u>    | <u>4,806,365</u> |
| <b>TOTAL ASSETS</b>                        |              | <u><b>\$ 6,450,637</b></u> | <u>6,354,489</u> |
| <br>                                       |              |                            |                  |
| <b>LIABILITIES AND NET ASSETS</b>          |              |                            |                  |
| <b>Current Liabilities</b>                 |              |                            |                  |
| Accounts payable                           |              | \$ <b>41,786</b>           | 34,162           |
| Accrued liabilities                        | C-17         | <b>50,758</b>              | 44,488           |
| Escrow and other liabilities               |              | <b>77,992</b>              | 61,846           |
| Long-term debt - current                   | M            | <b>67,000</b>              | 65,000           |
| <b>TOTAL LIABILITIES</b>                   |              | <u><b>237,536</b></u>      | <u>205,496</u>   |
| <br>                                       |              |                            |                  |
| Long-term debt                             | M            | <b>1,478,115</b>           | 1,543,021        |
| Total liabilities                          |              | <u><b>1,715,651</b></u>    | <u>1,748,517</u> |
| <br>                                       |              |                            |                  |
| <b>NET ASSETS</b>                          |              |                            |                  |
| Unrestricted net assets                    |              |                            |                  |
| Undesignated                               |              | <b>3,674,550</b>           | 3,343,217        |
| Net investment in property and equipment   |              | <b>644,330</b>             | 684,073          |
| Temporarily restricted net assets          | H            | <b>416,106</b>             | 578,682          |
| <b>TOTAL NET ASSETS</b>                    |              | <u><b>4,734,986</b></u>    | <u>4,605,972</u> |
| <br>                                       |              |                            |                  |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>    |              | <u><b>\$ 6,450,637</b></u> | <u>6,354,489</u> |

SEE INDEPENDENT AUDITOR'S REPORT  
The accompanying notes are an integral part of these financial statements.

**GREATER ALBUQUERQUE HABITAT FOR HUMANITY**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2017, With Comparative Totals For 2016**

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>2017<br/>Totals</u>  | <u>2016<br/>Totals</u> |
|--|---------------------|-----------------------------------|-------------------------|------------------------|
| <b>Revenues and Gains</b>                      |                     |                                   |                         |                        |
| Sales of homes                                 | \$ 630,000          | -                                 | <b>630,000</b>          | 353,000                |
| ReStore sales                                  | 995,632             | -                                 | <b>995,632</b>          | 1,036,436              |
| Investment income                              | 18,022              | -                                 | <b>18,022</b>           | (9,159)                |
| Gain on disposition of assets                  | 65,007              | -                                 | <b>65,007</b>           | 39,730                 |
| Discount amortization income                   | 221,189             | -                                 | <b>221,189</b>          | 242,270                |
| Other income                                   | 33,743              | -                                 | <b>33,743</b>           | 52,384                 |
| Total Revenue                                  | <u>1,963,593</u>    | -                                 | <u><b>1,963,593</b></u> | <u>1,714,661</u>       |
| <b>Public Support</b>                          |                     |                                   |                         |                        |
| Contributions                                  | -                   | 527,807                           | <b>527,807</b>          | 704,235                |
| Donated supplies and materials                 | 57,690              | -                                 | <b>57,690</b>           | 35,299                 |
| Grants   | 252,681             | -                                 | <b>252,681</b>          | 169,523                |
| Special events, net                            | 85,814              | -                                 | <b>85,814</b>           | 44,721                 |
| Total Support                                  | <u>396,185</u>      | <u>527,807</u>                    | <u><b>923,992</b></u>   | <u>953,778</u>         |
| Satisfaction of program restrictions           | 690,383             | (690,383)                         | -                       | -                      |
| Total Support, Revenue,<br>& Reclassifications | <u>3,050,161</u>    | <u>(162,576)</u>                  | <u><b>2,887,585</b></u> | <u>2,668,439</u>       |
| <b>Operating Expenses</b>                      |                     |                                   |                         |                        |
| Programs:                                      |                     |                                   |                         |                        |
| Construction                                   | 976,250             | -                                 | <b>976,250</b>          | 650,406                |
| ReStore  | 839,798             | -                                 | <b>839,798</b>          | 1,016,411              |
| Family and Mortgage Services                   | 453,543             | -                                 | <b>453,543</b>          | 264,023                |
| Total Programs                                 | <u>2,269,591</u>    | -                                 | <u><b>2,269,591</b></u> | <u>1,930,840</u>       |
| Supporting Services:                           |                     |                                   |                         |                        |
| General & administrative                       | 344,161             | -                                 | <b>344,161</b>          | 315,539                |
| Fundraising expense                            | 144,289             | -                                 | <b>144,289</b>          | 143,655                |
| Total Operating Expenses                       | <u>2,758,571</u>    | -                                 | <u><b>2,758,571</b></u> | <u>2,390,034</u>       |
| Adjustment to lower of cost or market          | -                   | -                                 | -                       | 5,992                  |
| Change in net assets                           | 291,590             | (162,576)                         | <b>129,014</b>          | 272,413                |
| Net assets, beginning                          | <u>4,027,290</u>    | <u>578,682</u>                    | <u><b>4,605,972</b></u> | <u>4,333,559</u>       |
| Net assets, ending                             | <u>\$ 4,318,880</u> | <u>416,106</u>                    | <u><b>4,734,986</b></u> | <u>4,605,972</u>       |

SEE INDEPENDENT AUDITOR'S REPORT  
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**GREATER ALBUQUERQUE HABITAT FOR HUMANITY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For The Year Ended June 30, 2017, With Comparative Totals For 2016**

|                                    | <b>Program Services</b> |                |                                     |                      | <b>Supporting Services</b>          |                    | <b>2017</b>      | <b>2016</b>  |
|------------------------------------|-------------------------|----------------|-------------------------------------|----------------------|-------------------------------------|--------------------|------------------|--------------|
|                                    | <b>Construction</b>     | <b>ReStore</b> | <b>Family and Mortgage Services</b> | <b>Total Program</b> | <b>General &amp; Administrative</b> | <b>Fundraising</b> | <b>Total</b>     | <b>Total</b> |
| Personnel expenses:                |                         |                |                                     |                      |                                     |                    |                  |              |
| Salaries                           | \$ 85,532               | 292,533        | 43,349                              | 421,414              | 343,621                             | 79,738             | <b>844,773</b>   | 807,105      |
| Payroll taxes                      | 8,824                   | 35,056         | 4,725                               | 48,605               | 36,385                              | 8,599              | <b>93,589</b>    | 96,640       |
| Benefits                           | 9,884                   | 14,817         | 3,494                               | 28,195               | 11,859                              | 6,568              | <b>46,622</b>    | 40,245       |
| Total personnel                    | 104,240                 | 342,406        | 51,568                              | 498,214              | 391,865                             | 94,905             | <b>984,984</b>   | 943,990      |
| Cost of homes and goods sold       | 684,676                 | 14,460         | -                                   | 699,136              | 13,900                              | -                  | <b>713,036</b>   | 489,585      |
| Discount on mortgages              | -                       | -              | 338,458                             | 338,458              | -                                   | -                  | <b>338,458</b>   | 163,282      |
| Advertising and promotion          | -                       | 30,701         | 666                                 | 31,367               | 1,820                               | 34,040             | <b>67,227</b>    | 107,118      |
| Interest & finance charge          | -                       | 48,669         | -                                   | 48,669               | 16,309                              | -                  | <b>64,978</b>    | 68,371       |
| Repairs and maintenance            | 7,750                   | 7,947          | -                                   | 15,697               | 7,118                               | -                  | <b>22,815</b>    | 66,980       |
| Communications and IT              | 585                     | 3,083          | 45                                  | 3,713                | 84,413                              | 900                | <b>89,026</b>    | 60,546       |
| Insurance                          | 12,131                  | 18,196         | -                                   | 30,327               | 17,828                              | -                  | <b>48,155</b>    | 51,860       |
| Professional and contract services | -                       | 13,160         | 13,306                              | 26,466               | 35,724                              | 629                | <b>62,819</b>    | 50,683       |
| Utilities                          | -                       | 34,967         | -                                   | 34,967               | 10,433                              | -                  | <b>45,400</b>    | 47,519       |
| Rent                               | -                       | 44,100         | -                                   | 44,100               | -                                   | -                  | <b>44,100</b>    | 45,500       |
| Automobile                         | 2,077                   | 18,064         | 92                                  | 20,233               | 2,437                               | 681                | <b>23,351</b>    | 40,233       |
| Business expense                   | 966                     | 6,452          | 2,422                               | 9,840                | 8,561                               | 2,887              | <b>21,288</b>    | 36,914       |
| Construction and office supplies   | 14,506                  | 7,801          | 147                                 | 22,454               | 5,603                               | 209                | <b>28,266</b>    | 24,581       |
| Bank fees and credit card fees     | -                       | 17,538         | 495                                 | 18,033               | 1,737                               | 1,178              | <b>20,948</b>    | 21,568       |
| Tithe                              | -                       | -              | 21,000                              | 21,000               | -                                   | -                  | <b>21,000</b>    | 21,000       |
| Equipment rental                   | 361                     | 10,859         | -                                   | 11,220               | 14,748                              | -                  | <b>25,968</b>    | 15,693       |
| Volunteer costs                    | 5,148                   | 515            | 221                                 | 5,884                | 116                                 | -                  | <b>6,000</b>     | 9,582        |
| Board and staff development        | 1,187                   | 451            | 1,217                               | 2,855                | 15,355                              | 1,092              | <b>19,302</b>    | 8,696        |
| Property taxes                     | 6,913                   | -              | -                                   | 6,913                | 5,116                               | -                  | <b>12,029</b>    | 8,055        |
| Printing                           | -                       | 474            | -                                   | 474                  | 1,220                               | 5,233              | <b>6,927</b>     | 7,715        |
| Dues and subscriptions             | 300                     | 1,362          | -                                   | 1,662                | 1,281                               | 305                | <b>3,248</b>     | 4,092        |
| Postage                            | -                       | -              | -                                   | -                    | 1,487                               | 2,373              | <b>3,860</b>     | 2,055        |
| Miscellaneous                      | 175                     | (341)          | -                                   | (166)                | 664                                 | -                  | <b>498</b>       | 848          |
| Family expense                     | -                       | -              | 89                                  | 89                   | -                                   | -                  | <b>89</b>        | 221          |
| Indirect allocation of admin       | 134,335                 | 175,708        | 23,817                              | 333,860              | (333,717)                           | (143)              | -                | -            |
| Total general expenses             | 871,110                 | 454,166        | 401,975                             | 1,727,251            | (87,847)                            | 49,384             | <b>1,688,788</b> | 1,352,697    |
| Depreciation expense               | 900                     | 43,226         | -                                   | 44,126               | 40,143                              | -                  | <b>84,799</b>    | 93,347       |
| Total expenses                     | \$ 976,250              | 839,798        | 453,543                             | 2,269,591            | 344,161                             | 144,289            | <b>2,758,571</b> | 2,390,034    |

SEE INDEPENDENT AUDITOR'S REPORT  
The accompanying notes are an integral part of these financial statements.

**GREATER ALBUQUERQUE HABITAT FOR HUMANITY**  
**STATEMENT OF CASH FLOWS**  
**For The Year Ended June 30, 2017, With Comparative Totals For 2016**

| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   | <u>2017</u>              | <u>2016</u>      |
|--|--------------------------|------------------|
| Change in net assets   | \$ <b>129,014</b>        | 272,413          |
| <b>Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities</b> |                          |                  |
| Depreciation expense   | <b>84,799</b>            | 93,347           |
| Mortgages made to homeowners   | <b>(630,000)</b>         | (353,000)        |
| Adjust for change in donated inventory on hand   | <b>88,530</b>            | 74,931           |
| Discount earned on mortgage loan discounts   | <b>(221,189)</b>         | (242,270)        |
| Discount on mortgages  | <b>338,458</b>           | 163,282          |
| Gain (Loss) on disposition of fixed assets   | <b>(45,457)</b>          | -                |
| Adjust to lower of cost or market  | -                        | 5,992            |
| Realized and unrealized (gains)/losses   | <b>(9,813)</b>           | 16,442           |
| (Increase) decrease in pledges receivable  | <b>(1,600)</b>           | 5,000            |
| (Increase) decrease in other receivable  | <b>(131,101)</b>         | 3,112            |
| (Increase) decrease in purchased ReStore inventory   | <b>502</b>               | 9,842            |
| (Increase) decrease in prepaid and other assets  | <b>(2,109)</b>           | (3,087)          |
| (Increase) decrease in housing and land held for develop.  | <b>19,424</b>            | 184,316          |
| Increase (decrease) in accounts payable  | <b>7,624</b>             | (3,329)          |
| Increase (decrease) in accrued liabilities   | <b>6,270</b>             | 5,544            |
| Increase (decrease) in homeowner escrow accounts   | <b>16,146</b>            | 19,939           |
| Net cash provided (used) by operating activities   | <u><b>(350,502)</b></u>  | 252,474          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |                          |                  |
| Mortgage principal payments received   | <b>356,471</b>           | 339,662          |
| Purchase of property and equipment   | -                        | (43,162)         |
| Proceeds from investments  | <b>114,601</b>           | 74,089           |
| Purchase of investments  | <u><b>(133,233)</b></u>  | <u>(69,157)</u>  |
| Net cash provided (used) by investing activities   | <u><b>337,839</b></u>    | <u>301,432</u>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |                          |                  |
| Principal payments on notes payable  | <u><b>(62,906)</b></u>   | <u>(141,648)</u> |
| Net cash provided (used) by financing activities   | <u><b>(62,906)</b></u>   | <u>(141,648)</u> |
| Net increase (decrease) in cash  | <b>(75,569)</b>          | 412,258          |
| Cash & cash equivalents, beginning of year   | <b>772,267</b>           | 360,009          |
| Less restricted cash   | <b>(416,106)</b>         | (578,682)        |
| Cash & cash equivalents, end of year   | \$ <u><b>280,592</b></u> | <u>193,585</u>   |
| <b>Supplementary Noncash Information</b>   |                          |                  |
| Issuance of non-interest bearing mortgage loans  | \$ <b>617,645</b>        | 297,240          |
| Discount on non-interest bearing mortgage loans  | <b>(273,430)</b>         | (163,282)        |
| Purchase of land through a note payable  | <b>55,000</b>            | -                |
| Donated supplies and materials   | <b>57,690</b>            | 35,299           |
| Interest paid  | <b>64,978</b>            | 68,371           |
|  | \$ <u><b>521,883</b></u> | <u>237,628</u>   |

SEE INDEPENDENT AUDITOR'S REPORT  
The accompanying notes are an integral part of these financial statements.

**GREATER ALBUQUERQUE HABITAT FOR HUMANITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30,2017, With Comparative Totals for 2016**

**NOTE A—NATURE OF OPERATIONS**

Greater Albuquerque Habitat for Humanity (Habitat), founded in 1987, is a locally run affiliate of Habitat for Humanity International, a nonprofit, ecumenical Christian housing organization. Habitat for Humanity works in partnership with people in need to build and renovate decent, affordable housing. The houses then are sold to those in need at no profit and with no interest charged. We offer simple, decent affordable homes to low-income families who are financially stable, yet are unable to improve their living situation in today's housing market.

Habitat also operates ReStore, which is a retail store that sells donated new and used building materials and household items to the public. Greater Albuquerque Habitat for Humanity is one of over 300 Habitat for Humanity affiliates throughout the country that has a retail thrift shop like ReStore. Proceeds from the sale of materials help support the mission of Habitat for Humanity.

ReStore provides an environmentally and socially-responsible way to keep good, reusable materials out of the landfill and offers a source of discounted construction materials to all homeowners. Habitat also builds with materials from the ReStore, thereby reducing the cost of construction.

**NOTE B—MISSION STATEMENT**

Greater Albuquerque Habitat for Humanity builds community one home, one family at a time by making it possible for low-income families to own simple, decent, affordable homes.

**NOTE C—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Financial Statement Presentation**

Habitat presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Financial Statements for Not-For-Profit Organizations. Under FASB ASC 958, Habitat is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted, temporarily restricted, and permanently restricted net assets. In addition, Habitat presents a statement of cash flows .

**Unrestricted Net Assets**

Unrestricted amounts are those net assets currently available at the discretion of the Board for use in Habitat's programs, and those resources invested in land, buildings and equipment.

**Temporarily Restricted Net Assets**

Temporarily restricted net assets result from contributions and other inflows of assets whose use by Habitat is limited by donor-imposed stipulations that expire by passage of time or can be fulfilled and removed by actions of Habitat pursuant to those stipulations.

**Permanently Restricted Net Assets**

Permanently restricted net assets result from contributions and other inflows of assets whose use by Habitat is limited by donor-imposed stipulations that cannot be removed by actions of Habitat. Habitat had no permanently restricted net assets for the year ended June 30 2017 and 2016.

**Basis of Accounting**

The accompanying financial statements have been prepared using the accrual basis of accounting. In conformity with accounting principles generally accepted in the United States of America.

**2. Cash and Cash Equivalents**

Habitat considers all highly liquid investments with a maturity date of less than three months when purchased to be cash equivalents. Such investments include investments in money market accounts but not cash and cash equivalents held temporarily for long-term investments.

**GREATER ALBUQUERQUE HABITAT FOR HUMANITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017, With Comparative Totals for 2016**

**3. Mortgages Receivable and Mortgages Discount Amortization**

**Mortgages Receivable**

Mortgages receivable consist of non-interest-bearing mortgages, which are secured by real estate and payable in monthly installments. The value of a Habitat house given in exchange for the mortgage note is deemed to be the present value of all future mortgage principal payments, using the effective mortgage interest rate at the time of issuance.

The mortgages' original amounts have been discounted at rates which are based on prevailing market rates for low-income housing at the inception of the mortgages. The terms of duration and historical prevailing interest rates are as follow:

| <u>Original Maturity of Mortgages</u> | <u>Prevailing Market Interest Rates</u> |
|---------------------------------------|---|
| 18-25 years                           | 6%-9%                                   |

Receivables related to the mortgages are considered past-due or delinquent by Habitat when they are 30 days late. Habitat has not established an allowance for doubtful accounts as it can reclaim homes through foreclosure in the event that a loan is deemed uncollectible. There was one foreclosure in 2017 and one in 2016.

**Interest Income (Mortgages Discount Amortization)**

Interest income (mortgage discount amortization) is recorded using the effective interest method over the lives of the mortgages. Habitat imputes interest on its mortgage receivables which carry a 0% stated interest rate. For purposes of calculating loan present values, interest rates are determined based on the market rates for a similar type of loan on the date of closing and Habitat records and accounts for mortgage loans receivable based on the present value of the loan using rates from Habitat for Humanity International.

**4. Allowance for Uncollectible Accounts**

Habitat's estimate for allowance for loan losses is based on historical collection experience and a review of the status of the mortgages receivable. Through its Homeowner Services program, Habitat works with delinquent homeowners to identify opportunities for financial budgeting improvement. Habitat has historically experienced great success in educating delinquent homeowners, and structuring payment plans to cure delinquencies within a minimal amount of time. It is reasonably possible that Habitat's estimate of the allowance for loan losses will change in future years. Due to the historical success experienced by Habitat in regards to collecting mortgages receivable, management has determined that all receivables are collectible as of June 30, 2017 and 2016. Accordingly, no allowance for loan losses is reported as of June 30, 2017 and 2016 in the accompanying financial statements.

At times, Habitat sells receivable residential mortgage loans to financial institutions, and obtains servicing assets as a result of the sale. Gain or loss on sale of the receivables depends in part on both the previous carrying amount of the financial assets involved in the transfer and the proceeds received. Habitat continues to service the sold mortgage loans, and remits related payment collections to the purchasing financial institutions in accordance with sale agreements. Due to the fact that payments are remitted in arrears in accordance with sales contracts, Habitat has reported an agency payable in the accompanying statements of financial position, reflective of the fact that certain collections related to the sold mortgages had not been remitted to the purchasing financial institutions as of June 30, 2017 and 2016.

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**5. Investments**

Investments are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized gains and losses are recorded on a specific identification method upon the sale of investment assets. Realized and unrealized gains and losses on investments are included in the accompanying statements of activities. Investment income and gains (losses) restricted by donors are reported as increases (decreases) in unrestricted net assets unless donor-imposed restrictions have not been met in the reporting period in which the income and gains are recognized.

The fair value of investments is subject to ongoing fluctuation. The amount ultimately realized upon disposition may differ than the amounts reported in these combined financial statements. Fair value estimates for securities are currently volatile, difficult to predict, and subject to material changes that could affect Habitat's financial condition and results of operations in the future.

All of Habitat's investments are considered to be Level 1, which are determined by reference to quoted market prices generated by market transactions.

**6. Inventory**

Habitat's inventories include:

- Restore inventory
- Housing under construction
- Land held for development

The ReStore inventory includes donated household building materials, appliances and furniture that are sold at the Habitat ReStore at a reduced rate to the general public. Merchandise is recorded at an estimated fair market value based on subsequent monthly sales purchased.

Habitat's purchased inventories are stated at the lower of cost or market value.

**7. Project Costs**

Costs such as land held for development, construction-in-progress, interest costs associated with debt acquired for construction are capitalized as incurred. Capitalized land costs are assigned to specific homes built. Once the project is complete, all costs are expensed to cost of homes sold at the time of sale. Completed homes are stated at the lower of cost (specific identification) or market (net realizable value).

All direct material and equipment costs and those indirect costs related to home construction are recorded as construction-in-process inventory on the statement of financial position as they are incurred. Land costs included in housing under construction are stated at the lower of cost or market value.

When revenue from the sale of a home is recognized, the corresponding costs are then expensed in the statement of activities and changes in net assets as program services.

**8. Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the use of management's estimates. Estimates and assumptions may be required by management that could affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the

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reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**9. Fair Value Measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized gains and losses are recorded on a specific identification method upon the sale of investment assets. Realized and unrealized gains and losses on investments are included in the accompanying statements of activities. Investment income and gains (losses) restricted by donors are reported as increases (decreases) in unrestricted net assets unless donor-imposed restrictions have not been met in the reporting period in which the income and gains are recognized.

The fair value of investments is subject to ongoing fluctuations. The amount ultimately realized upon disposition may differ than the amounts reported in these combined financial statements. Fair value estimates for securities are currently volatile, difficult to predict, and subject to material changes that could affect Habitat's financial condition and results of operations in the future.

The carrying amounts of cash and cash equivalents, receivables, payables, accrued expenses and other liabilities approximate fair value due to the short maturity periods of these instruments. The fair value of long-term debt is the carrying value due to the adjustable market rate of interest and the fair value of mortgages receivables are considered properly adjusted to fair value based on the present value calculation of unamortized discount as adopted per Habitat of Humanity International guidelines.

**Summary of Fair Value Exposure**

U.S. generally accepted accounting principles, as they relate to fair value measurement, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under Fair Value Measurement are described follows:

**Level 1**

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Investment Entity has the ability to access.

**Level 2**

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liabilities;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full of the asset or liability.

**Level 3**

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs and minimize the use of unobservable inputs.

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30:

| <b>Assets at Fair Value</b> |                   |         |
|-----------------------------|-------------------|---------|
|                             | 2017              | 2016    |
| Description                 | Level 1           |         |
| Mutual funds                | \$ <b>193,034</b> | 173,885 |

**10. Accounts and Grants Receivables**

Accounts receivable consist of amounts due for services rendered. Grants receivable consist of reimbursable costs at year end. Habitat considers all accounts and grants receivables to be collectible and that no reserves are necessary at June 30, 2017 or at June 30, 2016.

**11. Unconditional Promises to Give and Other Receivables**

Management reviews the collectability of its receivables and if necessary, records an allowance for its estimate of uncollectible accounts. Bad debt history and current facts and circumstances are the primary basis for this estimate. When an account is deemed uncollectible, it is charged off against the allowance. Pledges receivable are all considered current and are shown at fair value, and no discount factor has been applied.

| <b>Receivables</b>              | 2017            | 2016  |
|---------------------------------|-----------------|-------|
| Pledges                         | \$ <b>2,600</b> | 1,000 |
| Allowance for doubtful accounts | -               | -     |
| Total pledge receivables, net   | \$ <b>2,600</b> | 1,000 |

**12. Revenue Recognition**

In accordance with accounting principles generally accepted in the United States of America, revenue is recorded when earned rather than received. The following summarizes the revenue recognition policies for major classifications of revenue:

- **Sales of Homes**—Revenue is recorded at the time of closing and ownership has transferred to the new homeowner.
- **Contributions**—Contributions are reported when an unconditional promise to give or other asset is received (in accordance with ASC 958-605). Gifts of securities are recorded at their fair market value when received. Donor-imposed restrictions spent in the same year as contributed are included as unrestricted revenue.
- **Government Grants**—Government grants are typically recorded on a reimbursement basis. Specifically, when qualifying expenses are incurred by Habitat, both the receivable from the government granting agency and offsetting grant revenue are recorded.
- **Restore Sales**—Restore sales are recorded as revenue at point of sale.

**13. Contributed (Donated) Assets**

Habitat may receive contributions of non-cash assets. Donated marketable securities and other non-cash donations are recorded as in-kind contributions at their estimated fair values at the date of donation. Donations of property and equipment are recorded as support at their estimated fair

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value at the date of donation. Absent donor stipulations regarding how long those donated assets must be maintained, Habitat reports the expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Habitat reclassifies restricted net assets to unrestricted net assets at that time unless the donor has restricted the donated asset to a specific purpose.

**14. Contributed (Donated) Services**

Habitat pays for most services requiring specific expertise. Contributed (Donated) Services.

Contributions of services are recognized in the accompanying financial statements in accordance with FASB ASC 958-605-25-16; if the services received:

- Enhance or create non-financial assets,
- Require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

The table below summarized donated services and materials for fiscal years ending June 30:

| <u>Type</u>                       | <u>2017</u>          | <u>2016</u>   |
|-----------------------------------|----------------------|---------------|
| <i>Unrestricted contributions</i> |                      |               |
| Donated materials and supplies \$ | <b>57,690</b>        | 35,299        |
| Total in-kind contributions \$    | <b><u>57,690</u></b> | <u>35,299</u> |

In addition, a substantial number of volunteers have donated significant amounts of their time in Habitat's programs and in its fund-raising campaigns, which were not recognized in the financial statements because they did not meet the criteria for recognition.

**15. Property and Equipment**

Habitat's policy is to capitalize property and equipment with a cost of over \$1,000 with a useful life of at least 3 years. Property and equipment are recorded at cost. Donated property and equipment are recorded at fair market value. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets as follows:

| <u>Type</u>            | <u>Estimated Useful Lives</u> |
|------------------------|-------------------------------|
| Buildings              | 30 years                      |
| Leasehold Improvements | 5-25 years                    |
| Furniture & equipment  | 3-20 years                    |
| Vehicles               | 3-5 years                     |

**16. Public Support and Revenue**

Contributions are generally available for unrestricted use in the related year unless specifically restricted by the donor. Grants and restricted contributions of cash and other assets are typically reported as temporarily restricted support that limits the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified and reported in the statement of activities as net assets released from restrictions.

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**17. Compensated Absences**

Employees qualify for personal time off based on the number of years of service and monthly hours worked. Employees may carry unused leave forward into the subsequent calendar year, not to exceed 80 hours. Habitat's policy is to compensate for unused annual leave balance upon termination of employment. Employees are not compensated for unused sick leave balances upon termination.

The annual leave and accrued salaries balance at year end was as follows:

|                      | <b>2017</b>   | <b>2016</b> |
|----------------------|---------------|-------------|
| Accrued wages \$     | <b>30,968</b> | 25,720      |
| Compensated absences | <b>19,790</b> | 18,768      |
| \$                   | <b>50,758</b> | 44,488      |

**18. Advertising**

Habitat expenses advertising costs as incurred. Advertising costs are as follows:

|                              | <b>2017</b>   | <b>2016</b> |
|------------------------------|---------------|-------------|
| Advertising and promotion \$ | <b>67,227</b> | 107,118     |

**19. Retirement Benefits**

During the year, Habitat changed its retirement plan that it provides to its employees from a 403(b) to a 408(a) Savings Incentive Plan for Employees (SIMPLE IRA) retirement plan. The Plan was established in July 2016. Habitat did not provide any contributions for the previous plan for the year ended June 30, 2016. Habitat contributes 3% of qualified employee's gross salaries, and for the years ended June 30 the contributions were as follows:

|                          | <b>2017</b>  | <b>2016</b> |
|--------------------------|--------------|-------------|
| <u>SIMPLE IRA</u>        |              |             |
| Company Contributions \$ | <b>6,090</b> | -           |

**20. Functional Allocation of Expenses**

Expenses have been functionally allocated between Program Services and Supporting Services based on an analysis of estimated personnel time and space utilized for the related activities.

**21. Income Taxes**

Income taxes are not provided for in the financial statements since Habitat is exempt from the federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. Habitat is not classified as a private foundation.

**22. Uncertain Tax Provisions**

Habitat files their Federal Form 990 tax return in the U.S. federal jurisdiction and the online charitable registration in the Office of the Attorney General for the State of New Mexico. Habitat is generally no longer subject to examination by the Internal Revenue Service and the New Mexico Taxation and Revenue Department for fiscal years before 2014. The organization is not currently under audit nor has the organization been contacted by any of these jurisdictions. Management believes that they are operating within their tax-exempt purpose.

Habitat recognizes interest accrued related to unrecognized tax benefits in interest expenses and penalties in operating expenses, when applicable. No provision for the effects of uncertain tax positions has been recorded for the years ended June 30, 2017 and 2016.

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**23. Comparative Financial Statements:**

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with Habitat's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

**24. Reclassifications**

Certain reclassifications may have been made to 2016 amounts to conform to 2017 presentation.

**25. Evaluation Of Subsequent Events**

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. Habitat recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. Habitat's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued. The organization has evaluated subsequent events through November 7, 2017, which is the date the financial statements were available to be issued.

**NOTE D—CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consisted of the following at June 30:

| <b>Cash and Equivalents</b> | <b>2017</b>       | <b>2016</b>    |
|-----------------------------|-------------------|----------------|
| <b>Unrestricted</b>         |                   |                |
| Operations                  | \$ 42,659         | 40,239         |
| Savings                     | 129,804           | 90,864         |
| Building Loan               | 9,383             | 9,180          |
| Mortgage Payments           | 32,166            | 10,431         |
| Escrow                      | 65,480            | 41,758         |
| Petty Cash                  | 1,100             | 1,113          |
| Total Unrestricted          | <u>280,592</u>    | <u>193,585</u> |
| <b>Restricted</b>           |                   |                |
| Land Legacy-Money Market    | 56,290            | 101,458        |
| Construction                | 359,816           | 477,224        |
| Total Restricted            | <u>416,106</u>    | <u>578,682</u> |
| Total cash and equivalents  | <u>\$ 696,698</u> | <u>772,267</u> |

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**NOTE E—PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30:

| <u>Type</u>                       | <u>2016</u>  | <u>Additions</u> | <u>Deletions</u> | <u>2017</u>      |
|-----------------------------------|--------------|------------------|------------------|------------------|
| Land                              | 380,800      | -                | -                | <b>380,800</b>   |
| Buildings and Bldg. Improvements  | \$ 2,083,705 | -                | -                | <b>2,083,705</b> |
| Equipment and Furniture           | 35,730       | -                | -                | <b>35,730</b>    |
| Vehicles                          | 58,699       | -                | (25,500)         | <b>33,199</b>    |
| Subtotal                          | 2,558,934    | -                | (25,500)         | <b>2,533,434</b> |
| Less: Accumulated Depreciation    | (266,840)    | (83,099)         | 5,950            | <b>(343,989)</b> |
| Total Property and Equipment, net | \$ 2,292,094 | (83,099)         | (19,550)         | <b>2,189,445</b> |

Depreciation expense for the years ended June 30, 2017 and 2016 was \$84,799 and \$93,347, respectively.

**NOTE F—MORTGAGES RECEIVABLE**

Mortgages receivable from the sale of homes to low-income individuals and families. Greater Albuquerque Habitat for Humanity has adopted the policy of Habitat for Humanity International and does not charge interest on its mortgages. To comply with accounting principles generally accepted in the United States of America, Habitat has discounted the mortgages receivable issued as follows:

|   | <u>2017</u>         | <u>2016</u> |
|---|---------------------|-------------|
| Due within one year                     | \$ <b>325,715</b>   | 311,711     |
| Due after one year                      | <b>4,352,106</b>    | 4,125,087   |
| Less unamortized discounts on mortgages | <b>(2,031,117)</b>  | (1,913,848) |
| Total mortgages receivable, net         | \$ <b>2,646,704</b> | 2,522,950   |

Mortgages receivable issued were discounted by amounts and based on the rate established by Habitat for Humanity International as follows:

| <u>2017</u>  | <u>2016</u> |
|--------------|-------------|
| <b>7.47%</b> | 7.48%       |

Management considers mortgages to be fully collectible and, therefore, has not established an allowance for doubtful accounts. Due to the discounted prices of homes sold, the value of the home exceeds the mortgage balance and the mortgage value would be fully recoverable through foreclosure. Mortgages are considered delinquent in 15 days and foreclosure can be initiated after 90 days of non-payment.

Mortgages delinquencies as of June 30 are as follows:

| <u>Days Late</u> | <u>2017</u> | <u>2016</u> |
|------------------|-------------|-------------|
| 0-30 days        | <b>11</b>   | 4           |
| 31-60 days       | <b>4</b>    | -           |
| 61-90 days       | <b>2</b>    | -           |
|                  | <b>17</b>   | 4           |

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**NOTE G—INVESTMENTS**

Investment consist of the following:

| <b>Type</b>                 | <b>2017</b>       | <b>2016</b> |
|-----------------------------|-------------------|-------------|
| Mutual funds, at fair value | \$ <b>193,034</b> | 173,885     |

Investment income consists of the following:

|  | <b>2017</b>      | <b>2016</b> |
|--|------------------|-------------|
| Interest and dividend income on investments        | <b>8,209</b>     | 7,283       |
| Unrealized and realized gain (loss) on investments | <b>9,813</b>     | (16,442)    |
| Total investment income                            | \$ <b>18,022</b> | (9,159)     |

**NOTE H—TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes for periods after June 30:

| <b>Program</b>               | <b>2016</b> | <b>Restricted Contributions</b> | <b>Released</b> | <b>2017</b>    | <b>Purpose</b>            |
|------------------------------|-------------|---------------------------------|-----------------|----------------|---------------------------|
| Construction Funds           | \$ 477,224  | 392,975                         | (510,383)       | <b>359,816</b> | Construction of new homes |
| Land Legacy Funds            | 101,458     | 134,832                         | (180,000)       | <b>56,290</b>  | Land purchases            |
| Total Temporarily Restricted | \$ 578,682  | 527,807                         | (690,383)       | <b>416,106</b> |                           |

Net assets were released during the fiscal year by incurring expenses satisfying the time restricted specified by donors.

**NOTE I—JOINT COST ALLOCATIONS**

Habitat did not participate in joint activities during the 2017 year or the 2016 year that required allocations.

**NOTE J—ECONOMIC DEPENDENCY**

Habitat receives a significant portion of its revenue in the form of three main funding sources as shown below. Habitat expects these funding sources to continue into the foreseeable future. If, however, a significant portion of these funds are not continued, Habitat's ability to continue all programs would be diminished. The following is a summary of concentrations from its main funding sources of June 30:

| <b>Concentration of Funding Sources</b> | <b>2017</b>         |          | <b>2016</b>   |          |
|---|---------------------|----------|---------------|----------|
|   | <b>Amount</b>       | <b>%</b> | <b>Amount</b> | <b>%</b> |
| ReStore sales                           | \$ <b>995,632</b>   | 34%      | 1,036,436     | 39%      |
| Contributions                           | <b>527,807</b>      | 18%      | 704,235       | 26%      |
| Sales of homes                          | <b>630,000</b>      | 22%      | 353,000       | 13%      |
|   | \$ <b>2,153,439</b> | 75%      | 2,093,671     | 78%      |
| Total Revenue                           | \$ <b>2,887,585</b> |          | 2,668,439     |          |

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**NOTE K—CONCENTRATIONS OF CREDIT RISK**

Habitat maintains its cash balances in three financial institutions in Albuquerque New Mexico. The balances are insured up to \$250,000 by the Federal Deposit Insurance Corporation. Habitat's uninsured cash balance as of June 30 was as follows:

|                    | <b>Amount</b>     |             |
|--------------------|-------------------|-------------|
|                    | <b>2017</b>       | <b>2016</b> |
| Uninsured Balances | \$ <b>432,439</b> | 522,214     |

Management did not consider the uninsured balances to constitute a meaningful risk to operations.

**NOTE L—INVENTORY**

Habitat's inventory as of June 30 was as follows:

|                     | <b>2017</b>      | <b>2016</b> |
|---------------------|------------------|-------------|
| Donated inventory   | \$ <b>88,530</b> | 74,931      |
| Purchased inventory | <b>9,340</b>     | 9,842       |
|                     | \$ <b>97,870</b> | 84,773      |

**NOTE M—NOTES PAYABLE**

Notes payable consists of the following:

| <b>Notes Payable</b>   | <b>2017</b>         | <b>2016</b> |
|--|---------------------|-------------|
| Note payable to Wells Fargo, interest at prime + 1.10% currently 4.35%, \$ maturity June 2023, secured by first mortgage on land and building, monthly payments including interest based on a 25 year amortization of \$7,814 for 60 months, after which the loan will be re-priced, with a 10 year balloon. | <b>1,290,491</b>    | 1,326,474   |
| Note payable to NMFA Mortgage, 3.21% interest, maturity June 2023, secured by first mortgage on land and building, monthly payments including interest of \$1,169 for 119 months, with a 10 year balloon.  | <b>214,624</b>      | 221,547     |
| Note payable to HFHNM, 0% interest, matures December 2018, unsecured, 1% administrative fee of \$1,000 then \$20,000 due annually.   | <b>40,000</b>       | 60,000      |
| Total debt   | <b>1,545,115</b>    | 1,608,021   |
| Less current portion   | <b>(67,000)</b>     | (65,000)    |
| Total notes payable long-term portion  | \$ <b>1,478,115</b> | 1,543,021   |

Interest expense was as follows:

|                      | <b>2017</b> | <b>2016</b> |
|----------------------|-------------|-------------|
| Interest expense     | 64,978      | 68,371      |
| Interest capitalized | 0           | 0           |

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Maturities of notes payable for each of the succeeding years ending June 30 are as follows:

|            | <u>Amount</u>       |
|------------|---------------------|
| 2018       | \$ 67,000           |
| 2019       | 69,000              |
| 2020       | 51,000              |
| 2021       | 54,000              |
| 2022       | 57,000              |
| Thereafter | <u>1,247,115</u>    |
| Total      | <u>\$ 1,545,115</u> |

**NOTE N—COMMITMENTS AND CONTINGENCIES**

**Leases**

Habitat has 4 lease commitments which includes leases of a forklift, a truck, copiers and a security system. Payments range from \$304 to \$1,122 per month. The leases expire between December 2018 and August 2019. Rental equipment lease expenses were approximately \$40,654 and \$46,825 for the year ended June 30 2017 and 2016, respectively. Future lease obligations are as follows:

| <u>Year ending</u>    | <u>Amount</u>    |
|-----------------------|------------------|
| 2018                  | \$ 24,340        |
| 2019                  | 17,113           |
| 2020                  | 2,243            |
| 2021                  | -                |
| 2022                  | -                |
| Total of all payments | <u>\$ 43,696</u> |

**Annual Tithe**

Habitat International sets a minimum tithe for affiliates in the US based on their general service area. The tithe set for the Greater Albuquerque Habitat for Humanity due to Habitat International is \$15,000 per year. In addition, Greater Albuquerque Habitat for Humanity tithes to Habitat Guatemala to support Global operations in the amount of \$6,000 per year. Tithes for the year ended June 30 were as follows:

|        | <u>2017</u>      | <u>2016</u>   |
|--------|------------------|---------------|
| Tithes | <u>\$ 21,000</u> | <u>21,000</u> |

**Estate Proceeds**

Habitat is an income beneficiary of an endowment from the Wilhelmina Co Estate. Information about the endowment is as follows:

| <u>Beneficiary of Wilhelmina Coe Estate</u> | <u>2017</u>       | <u>2016</u> |
|---|-------------------|-------------|
| Contributions received                      | \$ -              | -           |
| Historical dollar value                     | \$ <b>123,662</b> | 123,662     |
| Endowment fair value                        | \$ <b>129,892</b> | 120,791     |

Historical dollar value is made up the original gifts and subsequent contributions.

**GREATER ALBUQUERQUE HABITAT FOR HUMANITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017, With Comparative Totals for 2016**

**Mortgages Receivable Sold with Recourse**

In prior years, Habitat sold mortgages receivables to the New Mexico Mortgage Finance Authority with full recourse. This recourse requires that in the event of default by the mortgagee, Habitat is obligated to buy back the mortgage.

In 2009, Habitat sold the first 15 years of two 22 year mortgages for \$105,000 (none in 2016 or 2015) At June 30, the total mortgages sold with recourse, which may be assumed upon mortgagee default, were as follows:

| <b>Mortgages Sold With Recourse</b> | <b>2017</b>       | <b>2016</b>    |
|-------------------------------------|-------------------|----------------|
| Unpaid Balance as of June 30,       | \$ <b>300,883</b> | <b>369,674</b> |
|                                     |                   |                |

**NOTE O—SPECIAL EVENTS**

Habitat holds special events to raise funds and awareness. Expenses related to these special events that are considered a direct benefit to the donor are shown in the statement of activities as a reduction of gross revenues. The following is a schedule of income and expenses for each major even held for the year ended June 30:

|                        | <b>2017</b>       |                  |                | <b>2016</b>  |
|------------------------|-------------------|------------------|----------------|--------------|
|                        | <b>Golf</b>       |                  |                |              |
|                        | <b>Tournament</b> | <b>Breakfast</b> | <b>Total</b>   | <b>Total</b> |
| Income \$              | <b>12,662</b>     | <b>82,014</b>    | <b>94,676</b>  | 59,574       |
| Less direct expenses   | <b>(1,249)</b>    | <b>(7,486)</b>   | <b>(8,862)</b> | (14,853)     |
| Special Events, net \$ | <b>11,413</b>     | <b>74,528</b>    | <b>85,814</b>  | 44,721       |

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors and Management  
Greater Albuquerque Habitat for Humanity  
Albuquerque NM

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Habitat for Humanity, (Habitat)(a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 7, 2017.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

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

November 7,  
2017

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS*, continued**

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**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Hinkle & Landers, P.C.*

Hinkle + Landers, PC  
Albuquerque, NM  
November 7, 2017

**GREATER ALBUQUERQUE HABITAT FOR HUMANITY  
SCHEDULE OF FINDINGS AND RESPONSES  
For the Year Ended June 30, 2017, With Comparative Totals for 2016**

**FINDINGS AND RESPONSES**

| <b>Findings</b>                    | <b>Status of<br/>Current and<br/>Prior Year<br/>Findings</b> | <b>Type of<br/>Finding*</b> |
|------------------------------------|--|-----------------------------|
| <b>Prior Year Findings</b>         |  |                             |
| NONE                               |  |                             |
| <b>Current Year Findings</b>       |  |                             |
| NONE                               |  |                             |
| <b>Legend for Type of Findings</b> |  |                             |
| A. Material Weakness               |  |                             |
| B. Significant Deficiency          |  |                             |
| C. Other Matters                   |  |                             |