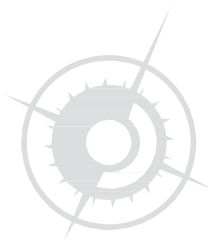


GREATER ALBUQUERQUE HABITAT FOR HUMANITY
Financial Statements
and
Independent Auditors' Report

For the Years Ended
June 30, 2019 and 2018

TABLE OF CONTENTS

Independent Auditors' Report.....	3-4
Statements of Financial Position.....	5
Statement of Activities and Changes in Net Assets.....	6
Statement of Functional Expenses	7
Statements of Cash Flows.....	8
Notes to the Financial Statements.....	9-26



SCHLENKER & CANTWELL, P.A.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Greater Albuquerque Habitat for Humanity
Albuquerque, New Mexico

We have audited the accompanying financial statements of Greater Albuquerque Habitat for Humanity (a nonprofit organization) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 Greater Albuquerque Habitat for Humanity as of June 30, 2019, 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.

Prior Period Financial Statements and Report on Summarized Comparative Information

The financial statements of Greater Albuquerque Habitat for Humanity as of June 30, 2018, were audited by other auditors whose report dated November 10, 2018, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schlenker & Cantwell, P.A.

SCHLENKER & CANTWELL, P.A.
Certified Public Accountants

October 21, 2019
Albuquerque, New Mexico

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Statements of Financial Position

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 1,764,596	\$ 854,872
Pledges receivable	187,882	7,250
Other receivables	56,271	48,993
ReStore inventory	114,033	98,900
Prepaid assets	19,574	17,269
Housing under construction	167,636	258,651
Mortgages receivable, current maturities	327,108	325,715
Total current assets	2,637,100	1,611,650
Investments	241,539	218,509
Property and equipment, net	2,059,633	2,120,007
Land held for development and other	201,700	276,700
Mortgages receivable, net	2,299,936	2,300,724
Homeowner escrow accounts	18,494	24,769
Total assets	<u>\$ 7,458,402</u>	<u>\$ 6,552,359</u>

<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 25,768	\$ 37,736
Accrued liabilities	57,567	57,600
Escrow liabilities	74,212	71,499
Notes payable, current maturities	38,253	69,000
Total current liabilities	195,800	235,835
Long-term notes payable	1,387,688	1,411,080
Total liabilities	1,583,488	1,646,915
Net assets		
Without donor restrictions		
Undesignated	4,410,427	4,372,388
Board designated	686,806	151,977
Total net assets without donor restrictions	5,097,233	4,524,365
With donor restrictions	777,681	381,079
Total net assets with donor restrictions	777,681	381,079
Total net assets	5,874,914	4,905,444
Total liabilities and net assets	<u>\$ 7,458,402</u>	<u>\$ 6,552,359</u>

See independent auditors' report and notes to the financial statements

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2019

(with comparative totals for 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Totals</u>	<u>2018 Totals</u>
Revenue and support				
Revenue				
ReStore sales	\$ 1,209,799	\$ -	\$ 1,209,799	\$ 1,071,882
Sales of homes	556,000	-	556,000	320,000
Discount amortization income	294,999	-	294,999	215,633
Other income	35,080	-	35,080	39,325
Investment income	19,692	-	19,692	24,879
Gain on disposal of assets	253	-	253	1,649
Support				
Contributions	230,134	726,773	956,907	377,134
Grants	59,960	259,400	319,360	211,800
Special events, net	96,461	-	96,461	86,349
Donated supplies and materials	49,900	-	49,900	29,905
Net assets released from restrictions	589,571	(589,571)	-	-
Total revenue and support	3,141,849	396,602	3,538,451	2,378,556
Expenses				
Program services				
Construction	839,730	-	839,730	632,774
ReStore	689,619	-	689,619	812,312
Family and mortgage services	440,122	-	440,122	292,051
Total program services	1,969,471	-	1,969,471	1,737,137
Management and general	354,765	-	354,765	318,543
Fundraising	244,745	-	244,745	152,418
Total expenses	2,568,981	-	2,568,981	2,208,098
Changes in net assets	572,868	396,602	969,470	170,458
Net assets, beginning of year	4,524,365	381,079	4,905,444	4,734,986
Net assets, end of year	<u>\$ 5,097,233</u>	<u>\$ 777,681</u>	<u>\$ 5,874,914</u>	<u>\$ 4,905,444</u>

See independent auditors' report and notes to the financial statements

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Statement of Functional Expenses

For the Year Ended June 30, 2019

(with comparative totals for 2018)

	Program Services			Family and Mortgage Services	Total Program Services	Management and General	Fundraising	2019		2018	
	Construction	ReStore						Totals	Totals		
Personnel expenses:											
Salaries and wages	\$ 126,510	\$ 359,168	\$ 108,173	\$ 593,851	\$ 120,700	\$ 155,764	\$ 870,315	\$ 877,718			
Employee benefits	16,583	31,934	9,132	57,649	7,062	13,872	78,583	69,430			
Payroll taxes	10,798	31,686	9,531	52,015	10,555	13,394	75,964	84,167			
Total personnel expenses	153,891	422,788	126,836	703,515	138,317	183,030	1,024,862	1,031,315			
Cost of homes and goods sold	628,577	-	-	628,577	16,196	-	644,773	406,426			
Discount on mortgages	-	-	286,551	286,551	12,676	-	299,227	156,255			
Interest and finance charges	1,536	55,246	1,536	58,318	13,828	1,536	73,682	62,762			
Communications	4,088	8,849	5,853	18,790	25,626	9,371	53,787	53,779			
Advertising	-	24,105	442	24,547	1,002	19,942	45,491	63,927			
Insurance	11,982	15,974	1,331	29,287	11,982	1,331	42,600	40,257			
Occupancy	710	28,160	710	29,580	6,391	710	36,681	42,562			
Professional and contract services	749	11,894	3,532	16,175	15,403	3,324	34,902	42,113			
Equipment rental	1,055	20,780	667	22,502	6,003	667	29,172	38,677			
Printing and postage	377	705	671	1,753	13,194	9,276	24,223	22,118			
Business expenses	2,723	4,039	3,026	9,788	7,796	5,877	23,461	18,459			
Auto expenses	2,464	19,478	55	21,997	711	584	23,292	20,610			
Construction and office supplies	8,451	4,358	926	13,735	7,234	832	21,801	16,981			
Tithe	-	-	-	-	21,000	-	21,000	21,000			
Bank and credit card fees	-	13,562	993	14,555	2,417	3,617	20,589	22,242			
Repairs and maintenance	3,919	5,946	870	10,735	7,829	870	19,434	26,471			
Board and staff development	500	2,114	1,556	4,170	9,726	87	13,983	11,844			
Miscellaneous	7,746	3,103	813	11,662	2,228	-	13,890	9,841			
Property taxes	7,002	-	-	7,002	2,519	-	9,521	10,540			
Dues and subscriptions	569	3,600	363	4,532	1,763	300	6,595	6,537			
Bad debt	-	-	-	-	400	-	400	1,200			
Total expenses before depreciation	836,339	644,701	436,731	1,917,771	324,241	241,354	2,483,366	2,125,916			
Depreciation	3,391	44,918	3,391	51,700	30,524	3,391	85,615	82,182			
Total expenses	\$ 839,730	\$ 689,619	\$ 440,122	\$ 1,969,471	\$ 354,765	\$ 244,745	\$ 2,568,981	\$ 2,208,098			

See independent auditors' report and notes to the financial statements

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Statements of Cash Flows

For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Changes in net assets	\$ 969,470	\$ 170,458
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	85,615	82,182
Mortgage made to homeowners	(556,000)	(320,000)
Adjustment for change in donated inventory on hand	(12,218)	94,716
Discount earned on mortgage loan discounts	(294,999)	(215,633)
Gain on disposition of assets	286,551	156,255
Realized and unrealized gains	(6,816)	(13,987)
(Increase) decrease in operating assets:		(13,882)
Pledges receivable	(180,632)	(4,650)
Other receivables	(7,278)	117,904
ReStore inventory	(2,915)	5,156
Prepaid assets	(2,305)	(690)
Housing and land held for development	172,290	(120,959)
Increase (decrease) in operating liabilities:		
Accounts payable	(11,968)	(4,050)
Accrued liabilities	(33)	6,842
Escrow liabilities	2,713	(6,493)
Net cash provided (used) by operating activities	441,475	(66,831)
Cash flows from investing activities		
Mortgage principal payments received	563,843	315,391
Purchase of property and equipment	(25,241)	(12,214)
Withdrawals from investments	-	2,531
Reinvested dividends and interest, net of fees	(16,214)	(15,668)
Net cash provided by investing activities	522,388	290,040
Cash flows from financing activities		
Principal payments on notes payable	(54,139)	(65,035)
Net cash used by financing activities	(54,139)	(65,035)
Net increase in cash	909,724	158,174
Cash and cash equivalents, beginning of year	854,872	696,698
Cash and cash equivalents, end of year	<u>\$ 1,764,596</u>	<u>\$ 854,872</u>
Supplemental Disclosures of Cash Flows:		
Issuance of non-interest bearing mortgage loans	\$ 527,239	\$ 285,270
Discount on non-interest bearing mortgage loans	\$ (286,551)	\$ (156,255)
Purchase of land through note payable	\$ -	\$ 1,013,046
Donated supplies and materials	\$ 49,900	\$ 29,905
Interest paid	\$ 73,682	\$ 62,762

See independent auditors' report and notes to the financial statements

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 1 - NATURE OF ORGANIZATION

Greater Albuquerque Habitat for Humanity (the Organization) is a nonprofit organization founded in 1987. The Organization 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 are then sold to those in need at no profit and with no interest charged. The Organization offers simple, decent affordable homes to low-income families who are financially stable but unable to improve their living situation in today's housing market.

The Organization also operates ReStore, which is a retail store that sells donated new and used building materials and household items to the public. The Organization is one of over three hundred 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 the Organization. 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. The Organization also builds with materials from the ReStore, thereby reducing the cost of construction.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. Accordingly, certain revenues are recognized when earned rather than when received and certain expenses and purchases of assets are recognized when the obligation is incurred rather than when cash is disbursed.

Basis of Presentation

The Organization's financial statements are presented in accordance with the Financial Accounting Standards Board Accounting Standards Codification (ASC) 2016-14, *Not-for-Profit Entities, Presenting Financial Statements*. Under ASC 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets, without donor restrictions and with donor restrictions. In addition, the Organization is required to present a statement of cash flows and statement of functional expenses.

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation. These reclassifications have no impact on the Organization's changes in net assets.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Adoption of New Accounting Pronouncement

For the year ended June 30, 2019, the Foundation adopted the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements Not-for-Profit Entities*. This update addresses the complexity and understanding of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted and permanently restricted net assets are now reported as net assets with donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and 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 and assumptions. Major estimates of the Organization include depreciable lives and estimated residual value of property and equipment.

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations of Credit Risk

The Organization maintains its cash balances in various financial institutions located in Albuquerque, New Mexico. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times the Organization's cash balances have exceeded federally insured limits. As of June 30, 2019 and 2018, uninsured balances were \$1,503,708 and \$628,684, respectively. Management does not consider there to be significant risk from uninsured balances.

Financial Instruments

The carrying amounts of cash, receivables, other assets, payables and other liabilities approximate fair value due to the short maturity periods of these instruments.

Functional Expense Allocation

Expenses and support services that can be identified with a specific program are allocated directly according to their natural expenditure classification. Common costs are allocated among the classifications benefited based upon estimated usage.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly-liquid investments with original maturity dates of three months or less. Such investments include investments in money market accounts but not cash and cash equivalents restricted for long-term investments. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Receivables

Receivables consist of amounts due for services rendered. Habitat considers all receivables to be collectible and that no reserves are necessary as of June 30, 2019 and 2018. Additionally, the Organization has receivables from pledges not yet collected as of year-end. 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. No allowance for pledges receivable was recorded as of June 30, 2019 and 2018, as management believes all pledges to be fully collectible.

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

The Organization's inventory consists of donated household building materials, appliances and furniture that are sold at the Habitat ReStore at a reduced rate to the general public. In addition to the inventory sold at ReStore, the Organization maintains inventory of housing under construction and land held for development. This inventory is recorded at its estimated fair market value based on subsequent monthly purchases. Purchased inventory is stated at lower of cost or market. Additionally, the Organization's inventory consists of housing under construction and land held for development.

Mortgages Receivable

Mortgages receivable consist of non-interest bearing mortgages, which are secured by real estate and payable in monthly installments. The value of an Organization 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 are 18 - 25 years and prevailing market interest rates are 6% - 9%.

Receivables related to the mortgages are considered past-due or delinquent by the Organization when they are 30 days late. The Organization 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 2019 and 2018.

Mortgage Discount Amortization

Interest income (mortgage discount amortization) is recorded using the effective interest method over the lives of the mortgages. The Organization 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 the Organization records and accounts for mortgage loans receivable based on the present value of the loan using rates from Habitat for Humanity International.

Allowance for Uncollectible Accounts

The Organization'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, the Organization works with delinquent homeowners to identify opportunities for financial budgeting improvement.

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for Uncollectible Accounts (continued)

The Organization 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 the Organization's estimate of the allowance for loan losses will change in future years. Due to the historical success experienced by the Organization in regards to collecting mortgages receivable, management has determined that all receivables are collectible as of June 30, 2019 and 2018. Accordingly, no allowance for loan losses is reported as of June 30, 2019 and 2018 in the accompanying financial statements.

At times, the Organization sells receivable residential mortgage loans to financial institutions, and obtains servicing assets as a result of the sale. Gains or losses 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.

The Organization 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, the Organization 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, 2019 and 2018.

Project Costs

Costs such as land held for development, housing under construction and 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.

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments in equity securities with readily-determinable fair values and all investments in debt securities are measured at fair values in the statements of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law. If restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized, the investment income is reported as without donor restrictions.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Purchased or donated property in excess of \$1,000 is capitalized. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets, which range from five to thirty years.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for the Land Legacy Fund.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Support

Contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is received. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Unconditional and Conditional Promises to Give

Contributions received, including unconditional promises to give, are recognized at fair value as revenues in the period received. Additionally, contributions received are recorded as with or without donor restrictions, depending on the existence and nature of any donor restrictions. Conditional promises to give are not included as support until the conditions are substantially met.

Donated Materials and Services

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specified purpose.

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated services are recognized as contributions in accordance with FASB ASC 958-605 Revenue Recognition, if the services (a) create or enhance non-financial assets or (b) require specialized skills, performed by people with those skills, which would otherwise be purchased by the Organization. No amounts have been recorded in the financial statements as they do not meet the criteria for recognition; however, a substantial number of volunteers have donated significant amounts of their time to the Organization's programs. The value of this contributed time is not reflected in the accompanying financial statements since the services do not require specialized skills. During the years ended June 30, 2019 and 2018, these volunteers donated approximately 24,546 and 4,554 hours, respectively.

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

The Organization expenses advertising costs as incurred. Advertising expense was \$45,491 and \$63,927 for the years ended June 30, 2019 and 2018, respectively.

Income Taxes

The Organization is tax-exempt under section 501(c)(3) of the Internal Revenue Code. The Organization has adopted accounting principles generally accepted in the United States of America as they relate to uncertain tax positions for the year ended June 30, 2019, and has evaluated its tax positions taken for all open tax years. Currently, the 2015, 2016, and 2017 tax years are open and subject to examination by the U.S. Internal Revenue Service. However, the Organization is not currently under audit nor has the Organization been contacted by this jurisdiction. Management believes that the activities of the Organization are within their tax-exempt purpose, and that there are no uncertain tax positions.

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. The Organization'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.

NOTE 3 - INVESTMENTS

Investments consist of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 218,509	\$ 193,034
Contributions	6,600	6,118
Withdrawals	-	(2,531)
Investment fees	(3,262)	(1,447)
Dividend and interest income	12,876	10,997
Realized and unrealized gains	6,816	12,338
Ending balance	<u>\$ 241,539</u>	<u>\$ 218,509</u>

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 4 - RESTORE INVENTORY

Inventory consists of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Donated inventory	\$ 106,934	\$ 94,716
Purchased inventory	7,099	4,184
Total inventory	<u>\$ 114,033</u>	<u>\$ 98,900</u>

NOTE 5 - MORTGAGES RECEIVABLE

Mortgages receivable consist of non-interest bearing mortgages, which are secured by real estate and payable in monthly installments. The Organization has adopted the policy of Habitat for Humanity International and does not charge interest on its mortgages. These receivables were discounted at 7.66% and 7.57% in 2019 and 2018, respectively, based on the rates established by Habitat for Humanity International.

Mortgages receivable consisted of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Due within one year	\$ 327,108	\$ 325,715
Due after one year	4,263,195	4,272,432
Total mortgages receivable	4,590,303	4,598,147
Unamortized discounts	(1,963,259)	(1,971,708)
Mortgages receivable, net	<u>\$ 2,627,044</u>	<u>\$ 2,626,439</u>

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.

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 5 - MORTGAGES RECEIVABLE (continued)

Mortgages delinquencies and foreclosures for the year ended June 30 are as follows:

<u>Days Late</u>	<u>2019</u>	<u>2018</u>
0-30	13	7
31-60	3	3
61-90	4	2
90-120	1	3
120+	1	1
Foreclosed	1	1
Total	<u>23</u>	<u>17</u>

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Buildings and building improvements	\$ 2,089,075	\$ 2,089,075
Land	380,800	380,800
Equipment and furniture	62,615	42,574
Vehicles	38,399	33,199
Total property and equipment	2,570,889	2,545,648
Accumulated depreciation	<u>(511,256)</u>	<u>(425,641)</u>
Property and equipment, net	<u>\$ 2,059,633</u>	<u>\$ 2,120,007</u>

Depreciation expense was \$85,615 and \$82,182 for the years ended June 30, 2019 and 2018, respectively.

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 7 - NOTES PAYABLE

Notes payable consist of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Note payable to Wells Fargo, interest at prime plus 1.10%, currently 5.30%, maturing June 2023, with 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 payment. Secured by land and building.	\$ 1,225,859	\$ 1,252,015
Note payable to NMFA Mortgage, 3.21% interest, maturing June 2023, with monthly payments including interest of \$1,169 for 119 months with a 10 year balloon payment. Secured by land and building.	200,082	208,065
Note payable to HFHNM, 0% interest, maturing December 2018, with 1% administrative fee of \$1,000 then \$20,000 due annually. Unsecured.	-	20,000
Total notes payable	1,425,941	1,480,080
Less current maturities	(38,253)	(69,000)
Long-term notes payable	<u>\$ 1,387,688</u>	<u>\$ 1,411,080</u>

Future maturities of notes payable are as follows as of June 30:

2020	\$ 38,253
2021	38,057
2022	39,979
2023	<u>1,309,652</u>
Total	<u>\$ 1,425,941</u>

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 8 - DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTIONS

The Organization maintains net assets designated for specific purposes and has the discretion to reverse any funds designated by the Board.

Designated net assets as of June 30 are as follows:

	2019	2018
Undesignated	\$ 4,410,428	\$ 4,372,388
Board designated - Land Legacy	686,805	151,977
Total net assets without donor restrictions	<u>\$ 5,097,233</u>	<u>\$ 4,524,365</u>

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of June 30:

	2019	2018
Construction	\$ 464,313	\$ 246,079
Land Legacy	313,368	135,000
Total net assets with donor restrictions	<u>\$ 777,681</u>	<u>\$ 381,079</u>

NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions consist of the following as of June 30:

	2019	2018
Construction	\$ 583,645	\$ 394,519
Land Legacy	5,926	135,000
Total net assets released from donor restrictions	<u>\$ 589,571</u>	<u>\$ 529,519</u>

NOTE 11 - FAIR VALUE MEASUREMENT

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 11 - FAIR VALUE MEASUREMENT (continued)

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 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- 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 liability;
- 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 term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2019 and 2018.

Equity securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Real estate mutual funds and fixed income securities: Valued at the net asset value for shares held by the Organization as of year-end as determined by quoted market prices.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 11 - FAIR VALUE MEASUREMENT (continued)

Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2019:

Description	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 17,570	\$ -	\$ -	\$ 17,570
Equity securities	170,509	-	-	170,509
Fixed income securities	30,128	-	-	30,128
Real estate mutual funds	23,332	-	-	23,332
Total fair market value	<u>\$ 241,539</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 241,539</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2018:

Description	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 15,581	\$ -	\$ -	\$ 15,581
Equity securities	153,849	-	-	153,849
Fixed income securities	27,998	-	-	27,998
Real estate mutual funds	21,081	-	-	21,081
Total fair market value	<u>\$ 218,509</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 218,509</u>

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 12 - FUNDRAISING ACTIVITIES

The Organization conducts various fundraising events and activities to help fund current operations. The revenue and related expenses from such events and activities for the year ended June 30, 2019, are as follows:

<u>Event/Activity</u>	<u>Revenue</u>	<u>Cost of Direct Benefits to Attendees</u>	<u>Other Costs</u>	<u>Net Revenue</u>
Breakfast fundraiser	\$ 101,820	\$ 9,008	\$ 1,911	\$ 90,901
Benefit concert	6,576	958	58	5,560
Total fundraising events and activities	<u>\$ 108,396</u>	<u>\$ 9,966</u>	<u>\$ 1,969</u>	<u>\$ 96,461</u>

The revenue and related expenses from such events and activities for the year ended June 30, 2018, are as follows:

<u>Event/Activity</u>	<u>Revenue</u>	<u>Cost of Direct Benefits to Attendees</u>	<u>Other Costs</u>	<u>Net Revenue</u>
Breakfast fundraiser	\$ 94,564	\$ 8,215	\$ -	\$ 86,349
Total fundraising events and activities	<u>\$ 94,564</u>	<u>\$ 8,215</u>	<u>\$ -</u>	<u>\$ 86,349</u>

NOTE 13 - COMMITMENTS

Retirement Benefits

The Organization maintains a 408(a) Savings Incentive Plan for Employees (SIMPLE IRA) retirement plan. The Organization contributes 3% of qualified employees' gross salaries. The Organization contributed \$16,059 and \$14,801 for the years ended June 30, 2019 and 2018, respectively.

Leases

The Organization leases construction and office equipment with payments ranging from \$304 to \$1,122 per month. The leases expire between August 2019 and December 2022. Total lease expense for the years ended June 30, 2019 and 2018 was \$29,172 and \$38,677, respectively.

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 13 – COMMITMENTS (continued)

Leases (continued)

Future obligations under these leases are as follows for the years ended June 30:

2020	\$	8,865
2021		6,561
2022		6,561
2023		3,280
Total	\$	<u>25,267</u>

NOTE 14 - ANNUAL TITHE

The Organization sets a minimum tithe for affiliates in the United States based on their general service area. The tithe set for the Organization due to Habitat International is \$15,000 per year. In addition, the Organization tithes to Habitat Guatemala to support Global operations in the amount of \$6,000 per year. Tithes for the years ended June 30, 2019 and 2018 were \$21,000.

NOTE 15 - ESTATE PROCEEDS

The Organization is an income beneficiary of an endowment from the Wilhelmina Co Estate. The amount available for distribution as of June 30, 2019 was \$5,263.

NOTE 16 - MORTGAGES RECEIVABLE SOLD WITH RECOURSE

In prior years, the Organization 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, the Organization is obligated to buy back the mortgage. In 2009, the Organization sold the first 15 years of two 22-year mortgages for \$105,000 (none in 2019 and 2018) As of June 30, 2019 and 2018, the total mortgages sold with recourse, which may be assumed upon mortgagee default, was \$159,465 and \$224,814, respectively.

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 17 - LIQUIDITY AND AVAILABILITY

The Organization receives significant revenue from ReStore sales, home sales and grants and contributions without donor restrictions, and such support has historically represented approximately 58% and 74% of annual program funding in 2019 and 2018, respectively.

As part of the Organization's liquidity management, it ensures its financial assets are available as its general expenditures, liabilities and other obligations come due. As of June 30, 2019 and 2018, the Organization had a working capital of approximately \$2,441,300 and \$1,375,815 and average days cash on hand of 247 days and 139 days, respectively.

The Organization manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that grant commitments and obligations that support mission fulfillment will continue to be met, ensuring the sustainability of the Organization.

	<u>2019</u>	<u>2018</u>
Financial assets as of year end:		
Cash and cash equivalents	\$ 1,764,596	\$ 854,872
Pledges and other receivables	244,153	56,243
ReStore inventory	114,033	98,900
Housing under construction	167,636	258,651
Mortgages receivable, current maturities	<u>327,108</u>	<u>325,715</u>
Total financial assets	2,617,526	1,594,381
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(777,681)	(381,079)
Plus net assets with time and purpose restrictions expected to be met within one year	<u>500,000</u>	<u>589,571</u>
Total financial assets available for general expenditures within one year	<u>\$ 2,339,845</u>	<u>\$ 1,802,873</u>

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2019 and 2018

NOTE 18 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 21, 2019 the date the financial statements were available for issuance, to determine whether such events should be recorded or disclosed in the financial statements for the year ended June 30, 2019.