



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, 2018
With Comparative Totals for 2017**

GREATER ALBUQUERQUE HABITAT FOR HUMANITY
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For the Year Ended June 30, 2018, With Comparative Totals for 2017

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**GREATER ALBUQUERQUE HABITAT FOR HUMANITY
OFFICIAL ROSTER
As of June 30, 2018**

Board of Directors

Jeffery Payne	President
Gary Van Luchene	Secretary
Lori Valdez	Past President
Ryan Jones	Treasurer
Greg Hunt	Member
Ryan Jones	Member
Tom Bullard	Member
Michael Montoya	Member
Mike Athens	Member

Administrative Personnel

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, 2018, 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, 2018, 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 2017 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 7, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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 10, 2018, 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 10, 2018

GREATER ALBUQUERQUE HABITAT FOR HUMANITY
STATEMENT OF FINANCIAL POSITION
As of June 30, 2018, With Comparative Totals For 2017

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
ASSETS			
Current Assets			
Cash and cash equivalents	D	\$ 321,816	280,592
Donor restricted cash and cash equivalents	D, H	533,056	416,106
Investments, at fair value	G	218,509	193,034
Pledges receivable	C-11	7,250	2,600
Other receivables		48,993	166,897
ReStore inventory	C-6, L	98,900	97,870
Prepaid assets		17,269	16,579
Housing under construction	C-7	258,651	94,341
Mortgages receivable, current portion	F	325,715	325,715
Total current assets		<u>1,830,159</u>	<u>1,593,734</u>
Property and equipment, net	E	2,120,007	2,189,445
Land held for development and other	C-7	276,700	321,700
Mortgages receivable	F	2,300,724	2,320,989
Homeowner escrow accounts		24,769	24,769
		<u>4,722,200</u>	<u>4,856,903</u>
TOTAL ASSETS	\$	<u>6,552,359</u>	<u>6,450,637</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable		\$ 37,736	41,786
Accrued liabilities	C-17	57,600	50,758
Escrow and other liabilities		71,499	77,992
Long-term debt - current	M	69,000	65,000
Total current liabilities		<u>235,835</u>	<u>235,536</u>
Long-term debt	M	1,411,080	1,480,115
TOTAL LIABILITIES		<u>1,646,915</u>	<u>1,715,651</u>
NET ASSETS			
Unrestricted net assets			
Undesignated		4,372,388	4,318,880
Board designated	H	151,977	56,290
Temporarily restricted net assets	H	381,079	359,816
		<u>4,905,444</u>	<u>4,734,986</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>6,552,359</u>	<u>6,450,637</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, 2018, With Comparative Totals For 2017

	Unrestricted	Temporarily Restricted	2018 Totals	2017 Totals
Revenues and Gains				
Sales of homes	\$ 320,000	-	320,000	630,000
ReStore sales	1,071,882	-	1,071,882	995,632
Investment income	24,879	-	24,879	18,022
Gain on disposition of assets	1,649	-	1,649	65,007
Discount amortization income	215,633	-	215,633	221,189
Other income	39,325	-	39,325	25,867
Total Revenue	<u>1,673,368</u>	-	<u>1,673,368</u>	1,955,717
Public Support				
Contributions	92,201	284,933	377,134	535,683
Donated supplies and materials	29,905	-	29,905	57,690
Grants	32,300	179,500	211,800	252,681
Special events, net	-	86,349	86,349	85,814
Total Support	<u>154,406</u>	<u>550,782</u>	<u>705,188</u>	931,868
Satisfaction of program restrictions	529,519	(529,519)	-	-
Total Support, Revenue, & Reclassifications	<u>2,357,293</u>	<u>21,263</u>	<u>2,378,556</u>	2,887,585
Operating Expenses				
Programs:				
Construction	632,774	-	632,774	976,250
ReStore	812,312	-	812,312	839,798
Family and Mortgage Services	292,051	-	292,051	453,543
Total Programs	<u>1,737,137</u>	-	<u>1,737,137</u>	2,269,591
Supporting Services:				
General & administrative	318,543	-	318,543	344,691
Fundraising expense	152,418	-	152,418	144,289
Total Operating Expenses	<u>2,208,098</u>	-	<u>2,208,098</u>	2,758,571
Change in net assets	149,195	21,263	170,458	129,014
Net assets, beginning	<u>4,375,170</u>	<u>359,816</u>	<u>4,734,986</u>	4,605,972
Net assets, ending	<u>\$ 4,524,365</u>	<u>381,079</u>	<u>4,905,444</u>	<u>4,734,986</u>

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GREATER ALBUQUERQUE HABITAT FOR HUMANITY
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2018, With Comparative Totals For 2017

	Program Services				Supporting Services		2018	2017
	Construction	ReStore	Family and Mortgage Services	Total Program	General & Administrative	Fundraising	Total	Total
Personnel expenses:								
Salaries	\$ 92,780	314,824	44,310	451,914	344,486	81,318	877,718	844,773
Payroll taxes	8,579	30,245	4,174	42,998	33,245	7,924	84,167	93,589
Benefits	13,029	23,612	4,617	41,258	20,276	7,896	69,430	46,622
Total personnel	114,388	368,681	53,101	536,170	398,007	97,138	1,031,315	984,984
Cost of homes and goods sold	369,874	9,612	-	379,486	26,940	-	406,426	713,036
Discount on mortgages	-	-	156,255	156,255	-	-	156,255	338,458
Advertising and promotion	-	36,528	486	37,014	1,643	25,270	63,927	67,227
Interest & finance charge	-	47,072	-	47,072	15,690	-	62,762	64,978
Repairs and maintenance	1,499	8,090	-	9,589	16,882	-	26,471	22,815
Communications and IT	1,140	1,993	450	3,583	49,178	1,018	53,779	89,026
Insurance	10,060	15,102	-	25,162	15,095	-	40,257	48,155
Professional and contract services	-	6,768	470	7,238	31,500	3,375	42,113	62,819
Utilities	-	29,072	-	29,072	9,815	-	38,887	45,400
Rent	-	3,675	-	3,675	-	-	3,675	44,100
Automobile	3,415	14,963	23	18,401	1,904	305	20,610	23,351
Business expense	5,099	4,011	939	10,049	3,538	4,872	18,459	21,288
Construction and office supplies	7,670	2,416	254	10,340	6,511	130	16,981	28,266
Bank fees and credit card fees	-	17,247	527	17,774	2,192	2,276	22,242	20,948
Tithe	-	-	21,000	21,000	-	-	21,000	21,000
Equipment rental	432	22,160	-	22,592	16,085	-	38,677	25,968
Volunteer costs	6,287	513	15	6,815	121	-	6,962	6,000
Board and staff development	604	837	174	1,615	9,375	854	11,818	19,302
Property taxes	7,893	-	-	7,893	2,647	-	10,540	12,029
Printing	-	474	1,044	1,518	568	14,509	16,595	6,927
Dues and subscriptions	300	3,906	203	4,409	1,783	345	6,537	3,248
Postage	-	-	600	600	1,912	3,011	5,523	3,860
Miscellaneous	18	(21)	-	(3)	104	-	101	498
Uniforms	-	2,642	-	2,642	-	-	2,642	-
Bad debt	-	-	-	-	1,200	-	1,200	-
Family expense	-	-	162	162	-	-	162	89
Indirect allocation of admin	103,420	176,576	56,348	336,344	(335,659)	(685)	-	-
Total general expenses	517,711	403,636	238,950	1,160,297	(120,976)	55,280	1,094,601	1,688,788
Depreciation expense	675	39,995	-	40,670	41,512	-	82,182	84,799
Total expenses	\$ 632,774	812,312	292,051	1,737,137	318,543	152,418	2,208,098	2,758,571

SEE INDEPENDENT AUDITOR'S REPORT
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GREATER ALBUQUERQUE HABITAT FOR HUMANITY
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2018, With Comparative Totals For 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	2018	2017
Change in net assets	\$ 170,458	129,014
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation expense	82,182	84,799
Mortgages made to homeowners	(320,000)	(630,000)
Adjust for change in donated inventory on hand	94,716	88,530
Discount earned on mortgage loan discounts	(215,633)	(221,189)
Discount on mortgages	156,255	338,458
Gain on disposition of assets	(1,649)	(45,457)
Realized and unrealized (gains)/losses	(13,882)	(9,813)
(Increase) decrease in pledges receivable	(4,650)	(1,600)
(Increase) decrease in other receivable	117,904	(131,101)
(Increase) decrease in purchased ReStore inventory	5,156	502
(Increase) decrease in prepaid and other assets	(690)	(2,109)
(Increase) decrease in housing and land held for develop.	(120,959)	19,424
Increase (decrease) in accounts payable	(4,050)	7,624
Increase (decrease) in accrued liabilities	6,842	6,270
Increase (decrease) in homeowner escrow accounts	(6,493)	16,146
Net cash provided (used) by operating activities	(54,493)	(350,502)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Mortgage principal payments received	315,391	356,471
Purchase of property and equipment	(12,214)	-
Proceeds from investments	3,978	114,601
Purchase of investments	(29,453)	(133,233)
Net cash provided (used) by investing activities	277,702	337,839
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	(65,035)	(62,906)
Net cash provided (used) by financing activities	(65,035)	(62,906)
Net increase (decrease) in cash	158,174	(75,569)
Cash, restricted cash & cash equivalents, beginning of year	696,698	772,267
Cash, restricted cash & cash equivalents, end of year	\$ 854,872	696,698
Supplementary Noncash Information		
Issuance of non-interest bearing mortgage loans	285,270	617,645
Discount on non-interest bearing mortgage loans	(156,255)	(273,430)
Purchase of land through a note payable	1,013,046	55,000
Donated supplies and materials	29,905	57,690
Interest paid	62,762	64,978
	\$ 1,234,728	521,883

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, 2018, With Comparative Totals for 2017

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 2018 and 2017.

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, Restricted 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, 2018, With Comparative Totals for 2017

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 2018 and one in 2017.

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, 2018 and 2017. Accordingly, no allowance for loan losses is reported as of June 30, 2018 and 2017 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, 2018 and 2017.

GREATER ALBUQUERQUE HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018, With Comparative Totals for 2017

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, housing under construction, 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. Use of 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

GREATER ALBUQUERQUE HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018, With Comparative Totals for 2017

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.

GREATER ALBUQUERQUE HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018, With Comparative Totals for 2017

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:

Assets at Fair Value		
Description	2018	2017
	Level 1	
Mutual funds	\$ 218,509	193,034

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, 2018 or at June 30, 2017.

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.

Receivables	2018	2017
Pledges	\$ 7,250	2,600
Allowance for doubtful accounts	-	-
Total pledge receivables, net	\$ 7,250	2,600

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

GREATER ALBUQUERQUE HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018, With Comparative Totals for 2017

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>2018</u>	<u>2017</u>
<i>Unrestricted contributions</i>		
Donated materials and supplies	\$ 29,905	57,690
Total in-kind contributions	<u>\$ 29,905</u>	<u>57,690</u>

In addition, during the special events donated contributions were received as identified in Note O, Special Events. Also, a substantial number of volunteers donated significant amounts of their time to Habitat's programs and its fund-raising campaigns, which were not recognized in the financial statements because they did not meet the criteria for recognition.

The community service volunteer hours and estimated value was as follows:

<u>Volunteer Hours</u>	<u>2018</u>		
	<u>Hours</u>	<u>Rate</u>	<u>Amount</u>
Community Service Volunteers	<u>4,554</u>	<u>7.25</u>	<u>\$ 33,017</u>

The total number of volunteers that contributed to Habitat for the year ended June 30, 2018 was 3,567.

15. Property and Equipment and Depreciation

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

GREATER ALBUQUERQUE HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018, With Comparative Totals for 2017

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.

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:

	2018	2017
Accrued wages \$	33,807	30,968
Compensated absences	23,793	19,790
	\$ 57,600	50,758

18. Advertising

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

	2018	2017
Advertising and promotion \$	63,927	67,227

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 contributes 3% of qualified employee's gross salaries, and for the years ended June 30 the contributions were as follows:

	2018	2017
<u>SIMPLE IRA</u> Company Contributions \$	14,801	6,090

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.

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 2015. The organization is not currently

GREATER ALBUQUERQUE HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018, With Comparative Totals for 2017

under audit nor has the organization been contacted by any of these jurisdictions. Management believes that they are operating within their tax-exempt purpose.

22. 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, 2017, from which the summarized information was derived.

23. Reclassifications

Certain reclassifications may have been made to 2017 amounts to conform to 2018 presentation.

24. 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 10, 2018, 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:

Cash, Restricted Cash and Cash Equivalents	2018	2017
Unrestricted		
Operations	\$ 18,574	42,659
Savings	88,289	129,804
Building Loan	9,585	9,383
Mortgage Payments	129,991	32,166
Escrow	74,277	65,480
Petty Cash	1,100	1,100
Total unrestricted cash	<u>321,816</u>	<u>280,592</u>
Restricted		
Land Legacy-Money Market	286,977	56,290
Construction	246,079	359,816
Total Restricted	<u>533,056</u>	<u>416,106</u>
Total cash, restricted cash and cash equivalents	<u>\$ 854,872</u>	<u>696,698</u>

GREATER ALBUQUERQUE HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018, With Comparative Totals for 2017

NOTE E—PROPERTY, EQUIPMENT AND DEPRECIATION

Property and equipment consisted of the following at June 30:

<u>Type</u>	<u>2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>2018</u>
Land	\$ 380,800	-	-	380,800
Buildings and Bldg. improvements	2,083,705	5,370	-	2,089,075
Equipment and furniture	35,730	6,844	-	42,574
Vehicles	33,199	-	-	33,199
Subtotal	2,533,434	12,214	-	2,545,648
Less: Accumulated depreciation	(343,989)	(81,652)	-	(425,641)
Total Property and Equipment, net	<u>\$ 2,189,445</u>	<u>(69,438)</u>	<u>-</u>	<u>2,120,007</u>

Depreciation expense for the years ended June 30, 2018 and 2017 was \$82,182 and \$84,269, 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>2018</u>	<u>2017</u>
Due within one year	\$ 325,715	325,715
Due after one year	4,272,432	4,352,106
Less unamortized discounts on mortgages	<u>(1,971,708)</u>	<u>(2,031,117)</u>
Total mortgages receivable, net	<u>\$ 2,626,439</u>	<u>2,646,704</u>

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

<u>2018</u>	<u>2017</u>
7.57%	7.47%

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

<u>Days Late</u>	<u>2018</u>	<u>2017</u>
0-30 days	7	11
31-60 days	3	4
61-90 days	2	2
90-120 days	3	-
120 days +	1	-
Foreclosed	1	1
	<u>17</u>	<u>18</u>

GREATER ALBUQUERQUE HABITAT FOR HUMANITY
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For the Year Ended June 30, 2018, With Comparative Totals for 2017

NOTE G—INVESTMENTS

Investment consist of the following:

<u>Type</u>		<u>2018</u>	<u>2017</u>
Mutual fund, beginning balance	\$	193,034	173,885
Contributions		6,118	117,243
Withdrawals		(2,531)	(113,340)
Investment fees		(1,447)	(1,260)
Interest and dividend income on investments		10,997	8,209
Unrealized/realized gain (loss) on investments		12,338	8,297
Mutual fund, ending balance	\$	<u>218,509</u>	<u>193,034</u>

NOTE H—NET ASSET CLASSIFICATIONS

Unrestricted—Board Designated

Habitat maintains board designated funds for specific purposes. The Board has the discretion to reverse any board designated funds. Board designated net assets are a type of unrestricted net assets. Board designated amounts are as follows:

<u>Board Designated Funds</u>		<u>2018</u>	<u>2017</u>	<u>Purpose</u>
Land Legacy Funds	\$	<u>151,977</u>	<u>56,290</u>	Land purchases

Temporarily Restricted

Habitat maintain funds temporarily restricted for specific purposes. Temporarily restricted funds are as follows:

<u>Grantor or Purpose</u>		<u>2017</u>	<u>Restricted Contributions</u>	<u>Transfers</u>	<u>Released</u>	<u>2018</u>	<u>Purpose</u>
Wells Fargo Foundation	\$	135,000	135,000	-	(135,000)	135,000	Construction of homes
Bank of America Foundation		-	30,000	-	(30,000)	-	Construction of homes
Walmart		3,000	8,000	-	(11,000)	-	Construction of homes
Compass Bank		7,500	-	-	(7,500)	-	Construction of homes
US Bank		-	5,000	-	(5,000)	-	Construction of homes
Washington Federal Savings		1,500	1,500	-	(3,000)	-	Construction of homes
Contributions		118,396	284,933	(135,000)	(157,250)	111,079	Construction of homes
Special Events, net		85,814	86,349	-	(172,163)	-	Construction of homes
Other Grants		8,606	-	-	(8,606)	-	Construction of homes
Mesa Del Rio Project		-	-	135,000	-	135,000	Land purchases
	\$	<u>359,816</u>	<u>550,782</u>	<u>-</u>	<u>(529,519)</u>	<u>381,079</u>	

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 2018 or the 2017 years that required allocations.

GREATER ALBUQUERQUE HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018, With Comparative Totals for 2017

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:

Concentration of Funding Sources	2018		2017	
	Amount	%	Amount	%
ReStore sales	\$ 1,071,882	45%	995,632	34%
Contributions	377,134	16%	535,683	19%
Sales of homes	320,000	13%	630,000	22%
	\$ 1,769,016	74%	2,161,315	75%
Total Revenue	\$ 2,378,556		2,887,585	

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:

	Amount	
	2018	2017
Uninsured balances	\$ 628,684	432,439

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:

	2018	2017
Donated inventory	\$ 94,716	88,530
Purchased inventory	4,184	9,340
	\$ 98,900	97,870

GREATER ALBUQUERQUE HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018, With Comparative Totals for 2017

NOTE M—NOTES PAYABLE

Notes payable consists of the following:

<u>Notes Payable</u>	<u>2018</u>	<u>2017</u>
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.	1,259,599	1,290,491
 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.	 200,481	 214,624
 Note payable to HFHNM, 0% interest, matures December 2018, unsecured, 1% administrative fee of \$1,000 then \$20,000 due annually.	 20,000	 40,000
 Total debt	 <u>1,480,080</u>	 <u>1,545,115</u>
Less current portion	(69,000)	(65,000)
Total notes payable long-term portion	\$ <u>1,411,080</u>	<u>1,480,115</u>

Interest expense was as follows:

	<u>2018</u>	<u>2017</u>
Interest expense	\$ 62,762	64,978
Interest capitalized	\$ 0	0

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

	<u>Amount</u>
2019	\$ 69,000
2020	51,000
2021	54,000
2022	57,000
Thereafter	<u>1,249,080</u>
Total	<u>\$ 1,480,080</u>

NOTE N—COMMITMENTS AND CONTINGENCIES

Leases

Habitat has 5 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 December 2022. Lease expenses were approximately 42,352 and 70,068 for the year ended June 30 2018 and 2017, respectively. Future lease obligations are as follows:

<u>Year ending</u>	<u>Amount</u>
2019	\$ 30,799
2020	8,702
2021	6,459
2022	6,459
2023	<u>3,229</u>
Total of all payments	<u>\$ 55,648</u>

GREATER ALBUQUERQUE HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018, With Comparative Totals for 2017

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>2018</u>	<u>2017</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>2018</u>	<u>2017</u>
Contributions received	\$ -	-
Historical dollar value	\$ 123,662	123,662
Endowment fair value	\$ 131,368	129,892

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

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 2018 or 2017) At June 30, the total mortgages sold with recourse, which may be assumed upon mortgagee default, were as follows:

<u>Mortgages Sold With Recourse</u>	<u>2018</u>	<u>2017</u>
Unpaid balance as of June 30,	\$ <u>224,814</u>	<u>300,883</u>

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:

	<u>2018</u>	<u>2017</u>
<u>Special Events</u>	<u>Breakfast</u>	<u>Breakfast</u>
Gross receipts	\$ 94,564	94,676
In-kind charitable contributions	16,012	-
Less direct expenses	<u>(24,227)</u>	<u>(8,862)</u>
Special Events, net	<u>86,349</u>	<u>85,814</u>

**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, 2018, 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 10, 2018.

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 10,
2018

**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**

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 10, 2018

**GREATER ALBUQUERQUE HABITAT FOR HUMANITY
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2018, With Comparative Totals for 2017**

FINDINGS AND RESPONSES

Findings	Status of Current and Prior Year Findings	Type of Finding*
Prior Year Findings		
NONE		
Current Year Findings		
NONE		
Legend for Type of Findings		
A. Material Weakness		
B. Significant Deficiency		
C. Other Matters		