

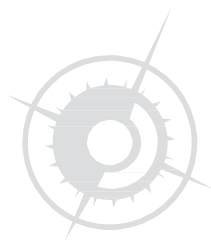
**GREATER ALBUQUERQUE HABITAT FOR HUMANITY**

Financial Statements  
and  
Independent Auditors' Report

For the Years Ended  
June 30, 2021 and 2020

## 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.....	9-25



SCHLENKER & CANTWELL, P.A.  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

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

### **Opinion**

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Albuquerque Habitat for Humanity as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

## **Report on Summarized Comparative Information**

We have previously audited Greater Albuquerque Habitat for Humanity's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Schlenker & Cantwell, P.A.*

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SCHLENKER & CANTWELL, P.A.  
Certified Public Accountants

October 26, 2021  
Albuquerque, New Mexico

**GREATER ALBUQUERQUE HABITAT FOR HUMANITY**

## Statements of Financial Position

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b><u>ASSETS</u></b>		
Current assets		
Cash and cash equivalents	\$ 2,859,267	\$ 2,216,745
Pledges receivable	2,635	44,870
Other receivables	117,288	1,749
ReStore inventory	108,706	127,703
Prepaid assets	20,982	21,954
Housing under construction	212,715	337,806
Mortgages receivable, current maturities	335,040	347,149
Total current assets	3,656,633	3,097,976
Investments	329,200	260,885
Property and equipment, net	1,951,092	2,045,246
Land held for development and other	336,022	353,629
Mortgages receivable, net	2,131,832	2,249,383
Homeowner escrow accounts	7,274	12,042
Total assets	<u>\$ 8,412,053</u>	<u>\$ 8,019,161</u>

<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current liabilities		
Accounts payable	\$ 21,813	\$ 49,965
Accrued liabilities	69,798	52,291
Escrow liabilities	32,523	79,889
Deferred revenue	-	1,800
Notes payable, current maturities	31,834	38,057
Total current liabilities	155,968	222,002
Paycheck Protection Program (PPP) - Refundable Advance	-	204,440
Long-term notes payable	1,135,345	1,351,865
Total liabilities	1,291,313	1,778,307
Net assets		
Without donor restrictions		
Undesignated	5,121,925	4,598,577
Board designated	949,806	934,806
Total net assets without donor restrictions	6,071,731	5,533,383
With donor restrictions	1,049,009	707,471
Total net assets with donor restrictions	1,049,009	707,471
Total net assets	7,120,740	6,240,854
Total liabilities and net assets	<u>\$ 8,412,053</u>	<u>\$ 8,019,161</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, 2021

(with comparative totals for 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Totals</u>	<u>2020 Totals</u>
Revenue and support				
Revenue				
ReStore sales	\$ 1,187,435	\$ -	\$ 1,187,435	\$ 1,113,255
Sales of homes	372,000	-	372,000	372,000
Discount amortization income	254,508	-	254,508	265,446
Investment income	61,279	-	61,279	15,055
Other income	38,070	-	38,070	30,914
Gain on disposal of assets	-	-	-	300
Support				
Contributions	83,297	757,883	841,180	568,216
Grants	74,828	65,200	140,028	162,740
Special events, net	118,742	-	118,742	96,787
Donated supplies and materials	15,550	-	15,550	15,150
Net assets released from restrictions	481,545	(481,545)	-	-
Total revenue and support	2,687,254	341,538	3,028,792	2,639,863
Expenses				
Program services				
Construction	669,193	-	669,193	599,546
ReStore	587,161	-	587,161	670,804
Family and mortgage services	303,646	-	303,646	375,428
Total program services	1,560,000	-	1,560,000	1,645,778
Management and general	312,368	-	312,368	350,553
Fundraising	276,538	-	276,538	277,592
Total expenses	2,148,906	-	2,148,906	2,273,923
Changes in net assets	538,348	341,538	879,886	365,940
Net assets, beginning of year	5,533,383	707,471	6,240,854	5,874,914
Net assets, end of year	<u>\$ 6,071,731</u>	<u>\$ 1,049,009</u>	<u>\$ 7,120,740</u>	<u>\$ 6,240,854</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, 2021

(with comparative totals for 2020)

	Program Services			Total Program Services	Management and General	Fundraising	2021 Totals	2020 Totals
	Construction	ReStore	Family and Mortgage Services					
Personnel expenses								
Salaries and wages	\$ 163,470	\$ 289,772	\$ 127,199	\$ 580,441	\$ 126,659	\$ 192,475	\$ 899,575	\$ 895,311
Employee benefits	17,392	24,866	10,996	53,254	9,937	16,476	79,667	81,143
Payroll taxes	12,416	22,636	9,860	44,912	9,837	14,880	69,629	74,458
Total personnel expenses	193,278	337,274	148,055	678,607	146,433	223,831	1,048,871	1,050,912
Cost of homes and goods sold	410,744	28,189	-	438,933	5,874	-	444,807	386,204
Discount on mortgages	-	-	139,743	139,743	-	-	139,743	217,215
Interest and finance charges	2,256	51,576	1,128	54,960	10,152	3,384	68,496	72,159
Insurance	14,572	18,264	1,198	34,034	10,784	3,595	48,413	45,406
Professional and contract services	908	5,429	2,409	8,746	29,745	1,247	39,738	30,940
Communications	4,953	6,166	2,715	13,834	17,984	7,523	39,341	62,944
Occupancy	1,267	26,533	634	28,434	5,703	1,901	36,038	36,005
Business expenses	2,869	3,654	1,270	7,793	16,329	4,838	28,960	42,732
Repairs and maintenance	16,167	3,170	606	19,943	5,453	1,818	27,214	9,622
Auto expenses	2,263	21,617	-	23,880	1,187	455	25,522	26,992
Tithe	-	-	-	-	24,000	-	24,000	24,000
Equipment rental	1,626	11,725	521	13,872	4,688	1,563	20,123	28,866
Bank and credit card fees	-	11,982	121	12,103	584	4,151	16,838	15,344
Advertising	-	9,932	462	10,394	1,172	3,617	15,183	52,408
Printing and postage	457	228	228	913	2,066	9,086	12,065	20,937
Property taxes	5,150	-	-	5,150	180	-	5,330	5,892
Construction and office supplies	2,166	1,298	887	4,351	340	288	4,979	16,326
Board and staff development	30	206	110	346	1,619	226	2,191	10,961
Miscellaneous	422	248	257	927	694	-	1,621	18,974
Dues and subscriptions	64	-	407	471	425	330	1,226	5,298
Bad debt	-	-	-	-	900	-	900	-
Total expenses before depreciation	659,192	537,491	300,751	1,497,434	286,312	267,853	2,051,599	2,180,137
Depreciation	10,001	49,670	2,895	62,566	26,056	8,685	97,307	93,786
Total expenses	\$ 669,193	\$ 587,161	\$ 303,646	\$ 1,560,000	\$ 312,368	\$ 276,538	\$ 2,148,906	\$ 2,273,923

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Changes in net assets	\$ 879,886	\$ 365,940
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	97,307	93,786
Mortgage made to homeowners	(233,680)	(353,386)
Adjustment for change in donated inventory on hand	18,997	(13,652)
Discount earned on mortgage loan discounts	(254,508)	(265,446)
Gain on disposition of assets	139,742	215,169
Realized and unrealized gains	(54,208)	(2,749)
Donated stock	(36,014)	-
(Increase) decrease in operating assets:		
Pledges receivable	42,235	143,012
Other receivables	(115,539)	54,522
ReStore inventory	-	(18)
Prepaid assets	972	(2,380)
Housing and land held for development	147,466	(315,647)
Increase (decrease) in operating liabilities:		
Accounts payable	(28,152)	24,197
Accrued liabilities	17,507	(5,276)
Escrow liabilities	(47,366)	5,677
Deferred revenue	(1,800)	1,800
Paycheck Protection Program (PPP) - Refundable Advance	<u>(204,440)</u>	<u>204,440</u>
Net cash provided by operating activities	368,405	149,989
Cash flows from investing activities		
Mortgage principal payments received	478,106	434,175
Purchases of property and equipment	(3,153)	(79,399)
Withdrawals from investments	36,068	-
Reinvested dividends and interest, net of fees	<u>(14,161)</u>	<u>(16,597)</u>
Net cash provided by investing activities	496,860	338,179
Cash flows from financing activities		
Principal payments on notes payable	<u>(222,743)</u>	<u>(36,019)</u>
Net cash used by financing activities	<u>(222,743)</u>	<u>(36,019)</u>
Net increase in cash	642,522	452,149
Cash and cash equivalents, beginning of year	<u>2,216,745</u>	<u>1,764,596</u>
Cash and cash equivalents, end of year	<u>\$ 2,859,267</u>	<u>\$ 2,216,745</u>
<b>Supplemental Disclosures of Cash Flows:</b>		
Donated supplies and materials	<u>\$ 15,550</u>	<u>\$ 15,150</u>
Interest paid	<u>\$ 68,496</u>	<u>\$ 72,159</u>

See independent auditors' report and notes to the financial statements



## **GREATER ALBUQUERQUE HABITAT FOR HUMANITY**

Notes to the Financial Statements

June 30, 2021 and 2020

### **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 (FASB) 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 a statement of functional expenses.

# GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2021 and 2020

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### 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, 2020, from which the summarized information was derived.

### Reclassifications

Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 presentation. These reclassifications have no impact on the Organization's changes in net assets.

### 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.

### Revenue from Contracts with Customers

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The guidance requires the Organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract.

ASU 2014-09 requires organizations to exercise more judgment and recognize revenue using a five-step process. The Organization adopted the requirements of the new guidance retrospectively to all periods presented in this report. Adoption of the new guidance did not result in significant changes to the accounting policies for revenue recognition, receivables, and deferred revenues since most of the Organization's revenue sources are not included in the scope of ASU 2014-09.

## GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2021 and 2020

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### New Accounting Pronouncement

The Organization adopted FASB ASU No. 2018-08 – *Not for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update provides a more robust framework for determining whether a transaction should be accounted for as a contribution or an exchange transaction. To accomplish this, the ASU clarifies how a not-for-profit organization determines whether a resource provider is receiving value in return for the resources transferred based on the following criteria:

- A resource provider (including a private foundation, a government agency, or other) is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider.
- Execution of a resource provider's mission or the positive sentiment from acting as a donor would not constitute commensurate value received by a resource provider for purposes of determining whether a transfer of assets is a contribution or an exchange.

In addition, this ASU also requires an organization to determine whether a contribution is conditional based on whether the agreement includes a barrier that must be overcome or whether a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

#### 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. Balances in these accounts exceeded FDIC limits at times during the fiscal year and at year-end. The Organization has not experienced any loss in such accounts and 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.

#### 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.

## GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2021 and 2020

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### Receivables

Receivables consist of amounts due for services rendered. The Organization considers all receivables to be collectible and that no reserves are necessary as of June 30, 2021 and 2020. 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 to bad debt expense. No allowance for pledges receivable was recorded as of June 30, 2021 and 2020, as management believes all pledges to be fully collectible.

#### 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.

#### 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 - 30 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 were no foreclosures in 2021 and 2020.

#### 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.

## GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2021 and 2020

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### Mortgages Discount Amortization (continued)

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.

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, 2021 and 2020. Accordingly, no allowance for loan losses is reported as of June 30, 2021 and 2020 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.

#### 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.

## GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2021 and 2020

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### 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.

#### 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.

#### 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.

#### 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, 2021, and has evaluated its tax positions taken for all open tax years. The Organization is not currently under audit nor has it been contacted by the Internal Revenue Service or New Mexico Taxation and Revenue Department. Management believes that the activities of the Organization are within their tax-exempt purpose, and that there are no uncertain tax positions.

# GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2021 and 2020

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### 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.

### 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.

# GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2021 and 2020

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### Donated Materials and Services (continued)

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, 2021 and 2020, these volunteers donated approximately 4,069 and 20,364 hours, respectively.

### 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.

### Advertising

The Organization expenses advertising costs as incurred. Advertising expense was \$15,183 and \$52,408 for the years ended June 30, 2021 and 2020, respectively.



## GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2021 and 2020

### NOTE 3 - INVESTMENTS

Investments consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 260,885	\$ 241,539
Contributions	43,253	7,200
Withdrawals	(36,068)	-
Investment fees	(2,164)	(1,799)
Dividend and interest income	9,086	11,196
Realized and unrealized gains	54,208	2,749
Ending balance	<u>\$ 329,200</u>	<u>\$ 260,885</u>

### NOTE 4 - RESTORE INVENTORY

Inventory consists of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Donated inventory	\$ 102,873	\$ 120,586
Purchased inventory	5,833	7,117
Total inventory	<u>\$ 108,706</u>	<u>\$ 127,703</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 7.23% and 7.38% in 2021 and 2020, respectively, based on the rates established by Habitat for Humanity International.

Mortgages receivable consisted of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Due within one year	\$ 335,040	\$ 347,149
Due after one year	3,930,048	4,162,319
Total mortgages receivable	4,265,088	4,509,468
Unamortized discounts	<u>(1,798,216)</u>	<u>(1,912,936)</u>
Mortgages receivable, net	<u>\$ 2,466,872</u>	<u>\$ 2,596,532</u>

## GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2021 and 2020

### **NOTE 5 - MORTGAGES RECEIVABLE (continued)**

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>2021</u>	<u>2020</u>
0-30	0	6
31-60	3	6
61-90	4	3
90-120	2	0
120+	5	2
Foreclosed	0	0
Total	<u>14</u>	<u>17</u>

### **NOTE 6 - PROPERTY AND EQUIPMENT**

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

	<u>2021</u>	<u>2020</u>
Buildings and building improvements	\$ 2,120,309	\$ 2,120,309
Land	380,800	380,800
Equipment and furniture	66,878	63,724
Vehicles	85,454	85,454
Total property and equipment	2,653,441	2,650,287
Accumulated depreciation	<u>(702,349)</u>	<u>(605,041)</u>
Property and equipment, net	<u>\$ 1,951,092</u>	<u>\$ 2,045,246</u>

Depreciation expense was \$97,307 and \$93,786 for the years ended June 30, 2021 and 2020, respectively.

## GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2021 and 2020

### **NOTE 7 - PAYCHECK PROTECTION PROGRAM (PPP) – REFUNDABLE ADVANCE**

In May 2020, the Organization received loan proceeds in the amount of \$204,440 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organization. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The loan was forgiven in full during the fiscal year and was recorded as “contributions” in the accompanying statement of activities and changes in net assets.

### **NOTE 8 - NOTES PAYABLE**

Notes payable consist of the following as of June 30:

	<u>2021</u>	<u>2020</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.	\$ 1,167,179	\$ 1,197,455
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.	-	192,467
Total notes payable	1,167,179	1,389,922
Less current maturities	(31,834)	(38,057)
Long-term notes payable, net	<u>\$ 1,135,345</u>	<u>\$ 1,351,865</u>

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

2022	\$ 31,834
2023	<u>1,135,345</u>
Total	<u>\$ 1,167,179</u>

## GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2021 and 2020

### **NOTE 9- 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:

	<b><u>2021</u></b>	<b><u>2020</u></b>
Undesignated	\$ 5,121,925	\$ 4,598,577
Board designated - Land Legacy	<u>949,806</u>	<u>934,806</u>
Total net assets without donor restrictions	<u><u>\$ 6,071,731</u></u>	<u><u>\$ 5,533,383</u></u>

### **NOTE 10- NET ASSETS WITH DONOR RESTRICTIONS**

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

	<b><u>2021</u></b>	<b><u>2020</u></b>
Construction	\$ 640,955	\$ 359,768
Land Legacy	<u>408,054</u>	<u>347,703</u>
Total net assets with donor restrictions	<u><u>\$ 1,049,009</u></u>	<u><u>\$ 707,471</u></u>

### **NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS**

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

	<b><u>2021</u></b>	<b><u>2020</u></b>
Construction	\$ 29,995	\$ 392,114
Land Legacy	<u>451,550</u>	<u>208,256</u>
Total net assets released from donor restrictions	<u><u>\$ 481,545</u></u>	<u><u>\$ 600,370</u></u>

### **NOTE 12- 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, 2021 and 2020

### **NOTE 12 - 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, 2021 and 2020.

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

*Fixed income securities and real estate mutual funds:* 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. 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.

**GREATER ALBUQUERQUE HABITAT FOR HUMANITY**

Notes to the Financial Statements

June 30, 2021 and 2020

**NOTE 12 - FAIR VALUE MEASUREMENT (continued)**

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2021:

<b>Description</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 36,978	\$ -	\$ -	\$ 36,978
Equity securities	213,295	-	-	213,295
Fixed income securities	78,927	-	-	78,927
Total fair market value	<u>\$ 329,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 329,200</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2020:

<b>Description</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 23,473	\$ -	\$ -	\$ 23,473
Equity securities	156,454	-	-	156,454
Fixed income securities	80,958	-	-	80,958
Total fair market value	<u>\$ 260,885</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,885</u>

**NOTE 13 - 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, 2021, are as follows:

<b>Event/Activity</b>	<b>Revenue</b>	<b>Cost of Direct Benefits to Attendees</b>	<b>Other Costs</b>	<b>Net Revenue</b>
Breakfast fundraiser	\$ 123,025	\$ -	\$ 4,283	\$ 118,742
Total fundraising events and activities	<u>\$ 123,025</u>	<u>\$ -</u>	<u>\$ 4,283</u>	<u>\$ 118,742</u>

**GREATER ALBUQUERQUE HABITAT FOR HUMANITY**

Notes to the Financial Statements

June 30, 2021 and 2020

**NOTE 13 - FUNDRAISING ACTIVITIES (continued)**

The revenue and related expenses from such events and activities for the year ended June 30, 2020, 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	\$ 98,901	\$ -	\$ 2,114	\$ 96,787
Total fundraising events and activities	<u>\$ 98,901</u>	<u>\$ -</u>	<u>\$ 2,114</u>	<u>\$ 96,787</u>

**NOTE 14 - 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 \$13,905 and \$16,235 for the years ended June 30, 2021 and 2020, respectively. Amounts are included in "employee benefits" on the accompanying statement of functional expenses.

Leases

The Organization leases construction and office equipment with payments ranging from \$304 to \$1,122 per month. The leases expire on various dates through December 2022. Total lease expense for the years ended June 30, 2021 and 2020 was \$20,123 and \$28,866, respectively, and is included in "equipment" on the accompanying statement of functional expenses.

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

2022	\$ 7,585
2023	<u>3,565</u>
Total	<u>\$ 11,150</u>

**NOTE 15 - 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.

## **GREATER ALBUQUERQUE HABITAT FOR HUMANITY**

Notes to the Financial Statements

June 30, 2021 and 2020

### **NOTE 15 - ANNUAL TITHE (continued)**

In addition, the Organization tithes to Habitat Guatemala to support global operations in the amount of \$9,000 per year. Tithes for the years ended June 30, 2021 and 2020 were \$24,000.

### **NOTE 16 - 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, 2021 was \$5,310.

### **NOTE 17 - 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 2021 and 2020). As of June 30, 2021 and 2020, the total mortgages sold with recourse, which may be assumed upon mortgagee default, was \$65,833 and \$94,387, respectively.

### **NOTE 18 - LIQUIDITY AND AVAILABILITY**

The Organization receives significant revenue from ReStore sales, home sales, grants, and contributions without donor restrictions, and such support represented approximately 84% and 75% of annual program funding in 2021 and 2020, 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, 2021 and 2020, the Organization had a working capital of approximately \$3,500,665 and \$2,875,974 and average days cash on hand of 509 days and 371 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 commitments and obligations that support mission fulfillment will continue to be met, ensuring the sustainability of the Organization.



**GREATER ALBUQUERQUE HABITAT FOR HUMANITY**

Notes to the Financial Statements

June 30, 2021 and 2020

**NOTE 18 - LIQUIDITY AND AVAILABILITY (continued)**

Financial assets available for general expenditures within one year are as follows:

	<u>2021</u>	<u>2020</u>
Financial assets as of year end:		
Cash and cash equivalents	\$ 2,859,267	\$ 2,216,745
Pledges and other receivables	119,923	46,619
ReStore inventory	108,706	127,703
Housing under construction	212,715	337,806
Mortgages receivable, current maturities	<u>335,040</u>	<u>347,149</u>
Total financial assets	3,635,651	3,076,022
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(1,049,009)	(707,471)
Plus net assets with time and purpose restrictions expected to be met within one year	<u>600,000</u>	<u>500,000</u>
Total financial assets available for general expenditures within one year	<u><u>\$ 3,186,642</u></u>	<u><u>\$ 2,868,551</u></u>

**NOTE 19 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 26, 2021, 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, 2021. Management has concluded that there were no material subsequent events that require adjustment or disclosure.