Greater Albuquerque Habitat for Humanity

Financial Statements and Independent Auditors' Report

For the Years Ended June 30, 2023 and 2022

Schlenker & Cantwell, P.A.

8830 Horizon Blvd NE

Albuquerque, NM 87113

TABLE OF CONTENTS

SCHLENKER & CANTWELL, P.A.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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, 2023, 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, 2023, 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 Auditors' 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.

Auditors' 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 auditors' 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schlenker & Cantwell, P.A.

SCHLENKER & CANTWELL, P.A.
Certified Public Accountants

October 10, 2023
Albuquerque, New Mexico

GREATER ALBUQUERQUE HABITAT FOR HUMANITY
Statements of Financial Position
June 30, 2023 and 2022

ASSETS

	2023	2022
Current assets		
Cash and cash equivalents	$ 4,195,358	$ 3,392,917
ReStore inventory	117,371	123,526
Prepaid assets	40,392	29,524
Housing under construction	250,255	157,272
Mortgages receivable, current maturities	297,438	312,173
Total current assets	4,900,814	4,015,412
Investments	821,135	747,680
Property and equipment, net	1,916,511	1,969,306
Land held for development and other	1,044,208	583,439
Mortgages receivable, net	1,896,510	2,013,669
Homeowner escrow accounts	2,260	6,799
Total assets	$ 10,581,438	$ 9,336,305

LIABILITIES AND NET ASSETS

	2023	2022
Current liabilities		
Accounts payable	$ 129,755	$ 28,240
Accrued liabilities	39,632	30,796
Escrow liabilities	15,852	16,814
Notes payable, current maturities	62,758	60,511
Total current liabilities	247,997	136,361
Long-term notes payable	995,192	1,057,443
Total liabilities	1,243,189	1,193,804
Net assets		
Without donor restrictions		
Undesignated	6,967,592	5,802,036
Board designated	1,449,806	1,449,806
Total net assets without donor restrictions	8,417,398	7,251,842
With donor restrictions	920,851	890,659
Total net assets with donor restrictions	920,851	890,659
Total net assets	9,338,249	8,142,501
Total liabilities and net assets	$ 10,581,438	$ 9,336,305

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2023

(with comparative totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Totals	2022 Totals
Revenue and support				
Revenue				
ReStore sales	$ 1,346,254	$ -	$ 1,346,254	$ 1,257,777
Sales of homes	130,000	-	130,000	130,000
Discount amortization income	200,072	-	200,072	231,159
Investment income (loss)	91,623	-	91,623	(92,701)
Other income	434,784	-	434,784	44,626
Gain on disposal of assets	6,548	-	6,548	70,065
Support				
Contributions	399,632	593,368	993,000	995,195
Grants	42,150	150,000	192,150	203,500
Special events, net	51,462	-	51,462	80,409
In-kind revenues	13,216	-	13,216	5,250
Net assets released from restrictions	713,176	(713,176)	-	-
Total revenue and support	3,428,917	30,192	3,459,109	2,925,280
Expenses				
Program services				
Construction	628,733	-	628,733	509,907
ReStore	680,119	-	680,119	566,154
Family and mortgage services	258,943	-	258,943	215,757
Total program services	1,567,795	-	1,567,795	1,291,818
Management and general	432,863	-	432,863	352,464
Fundraising	262,703	-	262,703	259,237
Total expenses	2,263,361	-	2,263,361	1,903,519
Changes in net assets	1,165,556	30,192	1,195,748	1,021,761
Net assets, beginning of year	7,251,842	890,659	8,142,501	7,120,740
Net assets, end of year	$ 8,417,398	$ 920,851	$ 9,338,249	$ 8,142,501

GREATER ALBUQUERQUE HABITAT FOR HUMANITY
Statement of Functional Expenses
For the Year Ended June 30, 2023
(with comparative totals for 2022)

	Program Services							
	Construction	ReStore	Family and Mortgage Services	Total Program Services	Management and General	Fundraising	2023 Totals	2022 Totals
Personnel expenses								
Salaries and wages	$ 239,309	$ 326,107	$ 125,099	$ 690,515	$ 146,450	$ 186,696	$ 1,023,661	$ 901,885
Employee benefits	29,844	24,781	13,892	68,517	19,443	18,944	106,904	86,127
Payroll taxes	19,124	26,575	9,968	55,667	11,529	15,041	82,237	68,737
Total personnel expenses	288,277	377,463	148,959	814,699	177,422	220,681	1,212,802	1,056,749
Cost of homes and goods sold	152,009	22,991	-	175,000	6,805	-	181,805	154,385
Homeowner and building repairs	74,060	23,223	2,041	99,324	16,333	4,083	119,740	76,267
Professional and contract services	11,901	24,994	6,362	43,257	48,968	6,663	98,888	55,660
Mortgage discounts and selling expenses	-	-	79,801	79,801	9,272	-	89,073	78,003
Communications	10,786	11,241	6,984	29,011	35,222	7,598	71,831	44,414
Insurance	18,790	22,901	1,762	43,453	14,093	3,523	61,069	52,763
Auto expenses	9,823	30,614	-	40,437	998	185	41,620	27,050
Interest and finance charges	1,553	30,275	776	32,604	6,210	1,553	40,367	50,777
Occupancy	2,830	30,741	677	34,248	5,417	1,354	41,019	42,052
Business expenses	4,233	5,196	5,698	15,127	22,368	738	38,233	21,309
Tithe	-	-	-	-	34,000	-	34,000	24,000
Bank and credit card fees	-	18,872	201	19,073	6,729	2,511	28,313	31,059
Construction and office supplies	11,926	1,721	432	14,079	2,557	639	17,275	13,988
Equipment rental	3,555	4,574	515	8,644	4,123	1,030	13,797	17,904
Advertising	-	11,339	-	11,339	694	216	12,249	14,329
Miscellaneous	6,247	279	28	6,554	5,290	-	11,844	9,405
Board and staff development	1,770	3,108	1,165	6,043	5,054	177	11,274	16,843
Property taxes	6,495	-	-	6,495	718	-	7,213	7,449
Printing and postage	232	116	145	493	2,039	4,125	6,657	6,828
Dues and subscriptions	170	-	-	170	1,378	834	2,382	1,969
Total expenses before depreciation	604,657	619,648	255,546	1,479,851	405,690	255,910	2,141,451	1,803,203
Depreciation	24,076	60,471	3,397	87,944	27,173	6,793	121,910	100,316
Total expenses	$ 628,733	$ 680,119	$ 258,943	$ 1,567,795	$ 432,863	$ 262,703	$ 2,263,361	$ 1,903,519

GREATER ALBUQUERQUE HABITAT FOR HUMANITY
Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Changes in net assets	$ 1,195,748	$ 1,021,761
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	121,910	100,316
Mortgage made to homeowners	(129,500)	(143,854)
Adjustment for change in donated inventory on hand	6,155	(14,820)
Discount earned on mortgage loan discounts	(200,203)	(231,158)
Gain on disposition of assets	71,586	78,003
Realized and unrealized (gains) losses	(35,744)	111,319
Donated stock	(10,426)	(524,942)
(Increase) decrease in operating assets:		
Pledges receivable	-	2,635
Other receivables	-	117,288
Prepaid assets	(10,868)	(8,542)
Housing and land held for development	(549,213)	(191,499)
Increase (decrease) in operating liabilities:		
Accounts payable	101,515	6,427
Accrued liabilities	8,836	(39,002)
Escrow liabilities	(962)	(15,709)
Net cash provided by operating activities	568,834	268,223
Cash flows from investing activities		
Mortgage principal payments received	383,463	438,039
Purchases of property and equipment	(62,567)	(118,530)
Withdrawals from investments	10,423	20,769
Reinvested dividends and interest, net of fees	(37,708)	(25,626)
Net cash provided by investing activities	293,611	314,652
Cash flows from financing activities		
Principal payments on notes payable	(60,004)	(49,225)
Net cash used by financing activities	(60,004)	(49,225)
Net increase in cash	802,441	533,650
Cash and cash equivalents, beginning of year	3,392,917	2,859,267
Cash and cash equivalents, end of year	$ 4,195,358	$ 3,392,917
Supplemental Disclosures of Cash Flows:		
Donated supplies and materials	$ 13,216	$ 5,250
Interest paid	$ 40,367	$ 50,777

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 a 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.

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, 2022, from which the summarized information was derived.

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.

Adoption of New Accounting Standards - Leases

In February 2016, FASB issued Accounting Standards Update 2016-02, *Leases* (ASC 842). This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Adoption of New Accounting Standards - Contributed Nonfinancial Assets

In September 2020, FASB issued amended guidance for contributed nonfinancial assets with ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). The guidance requires the presentation of contributed nonfinancial assets as a separate line item in the statement of activities, disclosure of the disaggregated amount by type, and disclosure of qualitative information about whether the contributed nonfinancial assets were monetized or utilized during the reporting period as well as a description of the programs or other activities in which the assets were used. The guidance also requires disclosure of any donor-imposed restrictions and a description of valuation techniques. The Organization adopted ASU 2020-07 for the year ending June 30, 2023.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of New Accounting Standards - Contributed Nonfinancial Assets

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, 2023, and 2022, these volunteers donated approximately 11,731 and 4,721 hours, respectively.

Revenue Recognition

The Organization's financial statements are presented in accordance with FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers.* Under ASC 2014-09, the Organization is required to recognize revenue to 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.

Revenue recognition for the Organization is as follows:

Contributions and Grants

Unconditional promises to give are recognized as revenue in the period the promise was made. Contributions, grants, and bequests are recognized as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. 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. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Conditional grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures or deliverables, as defined in each contract, are met. Funds received but not yet earned are shown as Deferred Revenue. Expenditures under contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions Received and Contributions Made

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.

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, 2023, and 2022. 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, 2023, and 2022, 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 an 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 that 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 2023 and 2022.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Mortgage Discount Amortization

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, 2023, and 2022. Accordingly, no allowance for loan losses is reported as of June 30, 2023, and 2022 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 the sale of the receivables depend 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") assets – operating and lease liability – operating, and finance leases are included in right-of-use ("ROU") assets – financing and lease liability – financing in the statements of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as an expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the statements of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities. There were no leases that met the requirements of capitalization for ASC-842.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Project Costs (continued)

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, 2023, 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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 $12,249 and $14,329 for the years ended June 30, 2023, and 2022, respectively.

NOTE 3 - INVESTMENTS

Investments consist of the following as of June 30:

	2023	2022
Beginning balance	$ 747,680	$ 329,200
Contributions	22,426	536,466
Withdrawals	(10,423)	(20,769)
Investment fees	(5,642)	(4,378)
Dividend and interest income	31,350	18,480
Realized and unrealized gains (losses)	35,744	(111,319)
Ending balance	$ 821,135	$ 747,680

NOTE 4 - RESTORE INVENTORY

Inventory consists of the following as of June 30:

	2023	2022
Donated inventory	$ 112,943	$ 114,616
Purchased inventory	4,428	8,910
Total inventory	$ 117,371	$ 123,526

NOTE 5 - MORTGAGES RECEIVABLE

Mortgages receivables 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 7.85% and 7.49% in 2023 and 2022, respectively, based on the rates established by Habitat for Humanity International.

Mortgages receivable consisted of the following as of June 30:

	2023	2022
Due within one year	$ 297,438	$ 312,173
Due after one year	3,419,502	3,658,730
Total mortgages receivable	3,716,940	3,970,903
Unamortized discounts	(1,522,992)	(1,645,061)
Mortgages receivable, net	$ 2,193,948	$ 2,325,842

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:

Days Late	2023	2022
0-30	9	10
31-60	5	3
61-90	2	1
90-120	2	1
120+	2	5
Foreclosed	0	0
Total	20	20

NOTE 6 - PROPERTY AND EQUIPMENT

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

	2023	2022
Buildings and building improvements	$ 2,135,433	$ 2,135,433
Land	380,800	380,800
Equipment and furniture	118,019	108,738
Vehicles	206,832	146,998
Total property and equipment	2,841,084	2,771,969
Accumulated depreciation	(924,573)	(802,663)
Property and equipment, net	$ 1,916,511	$ 1,969,306

Depreciation expense was $121,910 and $100,316 for the years ended June 30, 2023, and 2022, respectively.

NOTE 7 – IN-KIND DONATIONS

In-kind donations were made up of the following:

	2023	2022
In-kind services	$ 13,216	$ 5,250
In-kind goods	-	-
Total	$ 13,216	$ 5,250

NOTE 8 - NOTES PAYABLE

Notes payable consist of the following as of June 30:

	2023	2022
Note payable to Wells Fargo, interest at 3.65%, maturing November 2031, with monthly payments including interest of $8,364 for 119 months, after which the loan will be re-priced with a 10-year-balloon payment. Secured by land and building.	$ 1,057,950	$ 1,117,954
Total notes payable	1,057,950	1,117,954
Less current maturities	(62,758)	(60,511)
Long-term notes payable, net	$ 995,192	$ 1,057,443

NOTE 8 - NOTES PAYABLE (continued)

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

2024	$ 62,758
2025	65,087
2026	67,503
2027	70,008
2028	72,607
Thereafter	719,987
Total	$ 1,057,950

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:

	2023	2022
Undesignated	$ 6,967,592	$ 5,802,036
Board designated - Land Legacy	1,449,806	1,449,806
Total net assets without donor restrictions	$ 8,417,398	$ 7,251,842

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

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

	2023	2022
Construction	$ 909,097	$ 725,306
Land Legacy	11,754	165,353
Total net assets with donor restrictions	$ 920,851	$ 890,659

NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS

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

	2023	2022
Construction	$ 537,198	$ 381,768
Land Legacy	175,978	260,238
Total net assets released from donor restrictions	$ 713,176	$ 642,006

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.

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 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.

NOTE 12 - FAIR VALUE MEASUREMENT (continued)

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, 2023, and 2022.

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.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2023:

Description	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 118,840	$ -	$ -	$ 118,840
Equity securities	476,309	-	-	476,309
Fixed income securities	225,986	-	-	225,986
Total fair market value	$ 821,135	$ -	$ -	$ 821,135

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2022:

Description	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 98,003	$ -	$ -	$ 98,003
Equity securities	445,765	-	-	445,765
Fixed income securities	203,912	-	-	203,912
Total fair market value	$ 747,680	$ -	$ -	$ 747,680

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, 2023, are as follows:

Event/Activity	Revenue	Cost of Direct Benefits to Attendees	Other Costs	Net Revenue
Breakfast fundraiser	$ 64,154	$ -	$ 12,692	$ 51,462
Total fundraising events and activities	$ 64,154	$ -	$ 12,692	$ 51,462

The revenue and related expenses from such events and activities for the year ended June 30, 2022, are as follows:

Event/Activity	Revenue	Cost of Direct Benefits to Attendees	Other Costs	Net Revenue
Breakfast fundraiser	$ 85,459	$ -	$ 5,050	$ 80,409
Total fundraising events and activities	$ 85,459	$ -	$ 5,050	$ 80,409

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 $16,339 and $15,918 for the years ended June 30, 2023, and 2022, respectively. Amounts are included in "employee benefits" on the accompanying statement of functional expenses.

Operating 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, 2023, and 2022 was $13,797 and $17,904, respectively, and is included in "equipment" on the accompanying statement of functional expenses.

NOTE 14 – COMMITMENTS (continued)

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

2024	$	6,693
2025		5,297
2026		5,297
2027		2,648
Total	$	19,935

NOTE 15 - ANNUAL SOSI (Stewardship and Organizational Sustainability Initiative) and ANNUAL TITHE

The Organization sets a minimum SOSI payment for affiliates in the United States based on the general population of their general service area. The SOSI amount set for the Organization due to Habitat International is $15,000.

In addition, the Organization provides a special TITHE to Habitat Guatemala, and the Orphans and Vulnerable Groups fund to support global operations in the amount of $9,000 per year. SOSI and TITHES for the years ended June 30, 2023, and 2022 were $34,000 and $24,000; respectively.

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, 2023, was zero.

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 2023 and 2022). As of June 30, 2023, and 2022, the total mortgages sold with recourse, which may be assumed upon mortgagee default, were $107,333 and $135,015 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 57% and 71% of annual program funding in 2023 and 2022, 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, 2023, and 2022, the Organization had working capital of approximately $4,355,379 and $3,879,051 and average days cash on hand of 715 days and 687 days, respectively.

The Organization manages its cash available to meet general expenditures by 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.

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

	2023	2022
Financial assets as of year end:		
Cash and cash equivalents	$ 4,195,358	$ 3,392,917
ReStore inventory	117,371	123,526
Housing under construction	250,255	157,272
Mortgages receivable, current maturities	297,438	312,173
Total financial assets	4,860,422	3,985,888
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(920,851)	(890,659)
Plus net assets with time and purpose restrictions expected to be met within one year	300,000	400,000
Total financial assets available for general expenditures within one year	$ 4,239,571	$ 3,495,229

NOTE 19 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 10, 2023, 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, 2023. Management has concluded that there were no material subsequent events that require adjustment or disclosure.