

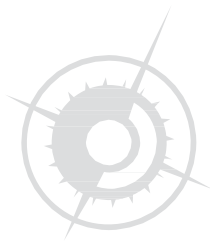
GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Financial Statements
and
Independent Auditors' Report

For the Years Ended
June 30, 2020 and 2019

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SCHLENKER & CANTWELL, P.A.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Greater Albuquerque Habitat for Humanity (a nonprofit organization) which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Albuquerque Habitat for Humanity as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements and Report on Summarized Comparative Information

We have previously audited Greater Albuquerque Habitat for Humanity's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 21, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



SCHLENKER & CANTWELL, P.A.
Certified Public Accountants

October 27, 2020
Albuquerque, New Mexico

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Statements of Financial Position

June 30, 2020 and 2019

	<u>ASSETS</u>	
	<u>2020</u>	<u>2019</u>
Current assets		
Cash and cash equivalents	\$ 2,216,745	\$ 1,764,596
Pledges receivable	44,870	187,882
Other receivables	1,749	56,271
ReStore inventory	127,703	114,033
Prepaid assets	21,954	19,574
Housing under construction	337,806	167,636
Mortgages receivable, current maturities	347,149	327,108
Total current assets	3,097,976	2,637,100
Investments	260,885	241,539
Property and equipment, net	2,045,246	2,059,633
Land held for development and other	353,629	201,700
Mortgages receivable, net	2,249,383	2,299,936
Homeowner escrow accounts	12,042	18,494
Total assets	<u>\$ 8,019,161</u>	<u>\$ 7,458,402</u>

	<u>LIABILITIES AND NET ASSETS</u>	
Current liabilities		
Accounts payable	\$ 49,965	\$ 25,768
Accrued liabilities	52,291	57,567
Escrow liabilities	79,889	74,212
Deferred revenue	1,800	-
Notes payable, current maturities	38,057	38,253
Total current liabilities	222,002	195,800
Long-term notes payable	1,556,305	1,387,688
Total liabilities	1,778,307	1,583,488
Net assets		
Without donor restrictions		
Undesignated	4,598,577	4,410,427
Board designated	934,806	686,806
Total net assets without donor restrictions	5,533,383	5,097,233
With donor restrictions	707,471	777,681
Total net assets with donor restrictions	707,471	777,681
Total net assets	6,240,854	5,874,914
Total liabilities and net assets	<u>\$ 8,019,161</u>	<u>\$ 7,458,402</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, 2020

(with comparative totals for 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Totals</u>	<u>2019 Totals</u>
Revenue and support				
Revenue				
ReStore sales	\$ 1,113,255	\$ -	\$ 1,113,255	\$ 1,209,799
Sales of homes	372,000	-	372,000	556,000
Discount amortization income	265,446	-	265,446	294,999
Other income	30,914	-	30,914	35,080
Investment income	15,055	-	15,055	16,430
Gain on disposal of assets	300	-	300	253
Support				
Contributions	103,256	464,960	568,216	956,907
Grants	97,540	65,200	162,740	319,360
Special events, net	96,787	-	96,787	96,461
Donated supplies and materials	15,150	-	15,150	49,900
Net assets released from restrictions	<u>600,370</u>	<u>(600,370)</u>	<u>-</u>	<u>-</u>
Total revenue and support	2,710,073	(70,210)	2,639,863	3,535,189
Expenses				
Program services				
Construction	599,546	-	599,546	839,730
ReStore	670,804	-	670,804	687,466
Family and mortgage services	<u>375,428</u>	<u>-</u>	<u>375,428</u>	<u>439,013</u>
Total program services	1,645,778	-	1,645,778	1,966,209
Management and general	350,553	-	350,553	354,765
Fundraising	<u>277,592</u>	<u>-</u>	<u>277,592</u>	<u>244,745</u>
Total expenses	<u>2,273,923</u>	<u>-</u>	<u>2,273,923</u>	<u>2,565,719</u>
Changes in net assets	436,150	(70,210)	365,940	969,470
Net assets, beginning of year	<u>5,097,233</u>	<u>777,681</u>	<u>5,874,914</u>	<u>4,905,444</u>
Net assets, end of year	<u><u>\$ 5,533,383</u></u>	<u><u>\$ 707,471</u></u>	<u><u>\$ 6,240,854</u></u>	<u><u>\$ 5,874,914</u></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, 2020

(with comparative totals for 2019)

	Program Services							
	Construction	ReStore	Family and Mortgage Services	Total Program Services	Management and General	Fundraising	2020 Totals	2019 Totals
Personnel expenses								
Salaries and wages	\$ 132,548	\$ 350,991	\$ 116,831	\$ 600,370	\$ 116,915	\$ 178,026	\$ 895,311	\$ 870,315
Employee benefits	16,844	31,152	9,523	57,519	8,517	15,107	81,143	78,583
Payroll taxes	10,798	29,628	9,677	50,103	9,804	14,551	74,458	75,964
Total personnel expenses	160,190	411,771	136,031	707,992	135,236	207,684	1,050,912	1,024,862
Cost of homes and goods sold	382,380	-	-	382,380	3,824	-	386,204	644,773
Discount on mortgages	-	-	215,169	215,169	2,046	-	217,215	299,227
Interest and finance charges	1,527	53,833	1,527	56,887	12,218	3,054	72,159	73,682
Communications	4,420	9,959	5,168	19,547	28,774	14,623	62,944	53,787
Advertising	-	27,661	2,593	30,254	4,273	17,881	52,408	45,491
Insurance	12,663	16,824	1,447	30,934	11,578	2,894	45,406	42,600
Business expenses	3,745	3,461	1,533	8,739	29,478	4,515	42,732	23,461
Occupancy	767	26,995	749	28,511	5,995	1,499	36,005	36,681
Professional and contract services	540	3,507	4,056	8,103	22,028	809	30,940	34,902
Equipment rental	1,228	20,784	527	22,539	4,745	1,582	28,866	29,172
Auto expenses	1,829	23,208	298	25,335	1,221	436	26,992	23,292
Tithe	-	-	-	-	24,000	-	24,000	21,000
Printing and postage	284	284	372	940	12,028	7,969	20,937	24,223
Miscellaneous	6,226	5,944	865	13,035	5,939	-	18,974	13,890
Construction and office supplies	7,295	2,270	671	10,236	4,840	1,250	16,326	21,801
Bank and credit card fees	-	12,115	387	12,502	369	2,473	15,344	17,327
Board and staff development	2,328	614	122	3,064	7,585	312	10,961	13,983
Repairs and maintenance	1,396	2,951	428	4,775	3,990	857	9,622	19,434
Property taxes	4,621	-	-	4,621	1,271	-	5,892	9,521
Dues and subscriptions	1,125	2,400	363	3,888	1,021	389	5,298	6,595
Bad debt	-	-	-	-	-	-	-	400
Total expenses before depreciation	592,564	624,581	372,306	1,589,451	322,459	268,227	2,180,137	2,480,104
Depreciation	6,982	46,223	3,122	56,327	28,094	9,365	93,786	85,615
Total expenses	\$ 599,546	\$ 670,804	\$ 375,428	\$ 1,645,778	\$ 350,553	\$ 277,592	\$ 2,273,923	\$ 2,565,719

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Changes in net assets	\$ 365,940	\$ 969,470
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation	93,786	85,615
Mortgage made to homeowners	(353,386)	(519,394)
Adjustment for change in donated inventory on hand	(13,652)	(12,218)
Discount earned on mortgage loan discounts	(265,446)	(294,999)
Gain on disposition of assets	215,169	286,551
Realized and unrealized gains	(2,749)	(6,816)
(Increase) decrease in operating assets:		
Pledges receivable	143,012	(180,632)
Other receivables	54,522	(7,278)
ReStore inventory	(18)	(2,915)
Prepaid assets	(2,380)	(2,305)
Housing and land held for development	(315,647)	172,290
Increase (decrease) in operating liabilities:		
Accounts payable	24,197	(11,968)
Accrued liabilities	(5,276)	(33)
Escrow liabilities	5,677	2,713
Deferred revenue	<u>1,800</u>	<u>-</u>
Net cash (used) provided by operating activities	(54,451)	478,081
Cash flows from investing activities		
Mortgage principal payments received	434,175	527,237
Purchases of property and equipment	(79,399)	(25,241)
Reinvested dividends and interest, net of fees	<u>(16,597)</u>	<u>(16,214)</u>
Net cash provided by investing activities	338,179	485,782
Cash flows from financing activities		
Proceeds from note payable - PPP loan	204,440	-
Principal payments on notes payable	<u>(36,019)</u>	<u>(54,139)</u>
Net cash provided (used) by financing activities	<u>168,421</u>	<u>(54,139)</u>
Net increase in cash	452,149	909,724
Cash and cash equivalents, beginning of year	<u>1,764,596</u>	<u>854,872</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,216,745</u></u>	<u><u>\$ 1,764,596</u></u>
Supplemental Disclosures of Cash Flows:		
Donated supplies and materials	\$ 15,150	\$ 49,900
Interest paid	\$ 72,159	\$ 73,682

See independent auditors' report and notes to the financial statements

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2020 and 2019

NOTE 1 - NATURE OF ORGANIZATION

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

The Organization also operates ReStore, which is a retail store that sells donated new and used building materials and household items to the public. The Organization is one of over three hundred Habitat for Humanity affiliates throughout the country that has a retail thrift shop like ReStore. Proceeds from the sale of materials help support the mission of the Organization. ReStore provides an environmentally and socially responsible way to keep good, reusable materials out of the landfill and offers a source of discounted construction materials to all homeowners. The Organization also builds with materials from the ReStore, thereby reducing the cost of construction.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

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

Basis of Presentation

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

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2020 and 2019

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, 2019, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 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.

New Accounting Pronouncement

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, 2020 and 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations of Credit Risk

The Organization maintains its cash balances in various financial institutions located in Albuquerque, New Mexico. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times the Organization's cash balances have exceeded federally insured limits. The Organization has not experienced any loss in such accounts. As of June 30, 2020 and 2019, uninsured balances totaled approximately \$1,955,654 and \$1,503,708, respectively. Management does not consider there to be significant risk from uninsured balances.

Financial Instruments

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

Cash and Cash Equivalents

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

Receivables

Receivables consist of amounts due for services rendered. The Organization considers all receivables to be collectible and that no reserves are necessary as of June 30, 2020 and 2019. Additionally, the Organization has receivables from pledges not yet collected as of year-end. Management reviews the collectability of its receivables and if necessary, records an allowance for its estimate of uncollectible accounts. Bad debt history and current facts and circumstances are the primary basis for this estimate. When an account is deemed uncollectible, it is charged off against the allowance. No allowance for pledges receivable was recorded as of June 30, 2020 and 2019, 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.

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2020 and 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2020 and one foreclosure in 2019.

Mortgage Discount Amortization

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

Allowance for Uncollectible Accounts

The Organization's estimate for allowance for loan losses is based on historical collection experience and a review of the status of the mortgages receivable. Through its Homeowner Services program, the Organization works with delinquent homeowners to identify opportunities for financial budgeting improvement.

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, 2020 and 2019. Accordingly, no allowance for loan losses is reported as of June 30, 2020 and 2019 in the accompanying financial statements.

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2020 and 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for Uncollectible Accounts (continued)

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.

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.

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2020 and 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2020, and has evaluated its tax positions taken for all open tax years. Currently, the 2016, 2017, and 2018 tax years are open and subject to examination by the Internal Revenue Service and New Mexico Taxation and Revenue Department. The Organization is not currently under audit nor have either of these jurisdictions contacted the Organization. Management believes that the activities of the Organization are within their tax-exempt purpose, and that there are no uncertain tax positions.

Compensated Absences

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

Net Assets

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

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

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

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2020 and 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Support

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

Unconditional and Conditional Promises to Give

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

Donated Materials and Services

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specified purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated services are recognized as contributions in accordance with FASB ASC 958-605 *Revenue Recognition*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, performed by people with those skills, which would otherwise be purchased by the Organization. No amounts have been recorded in the financial statements as they do not meet the criteria for recognition; however, a substantial number of volunteers have donated significant amounts of their time to the Organization's programs. The value of this contributed time is not reflected in the accompanying financial statements since the services do not require specialized skills. During the years ended June 30, 2020 and 2019, these volunteers donated approximately 20,364 and 24,546 hours, respectively.

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2020 and 2019

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 \$52,408 and \$45,491 for the years ended June 30, 2020 and 2019, respectively.

NOTE 3 - INVESTMENTS

Investments consist of the following as of June 30:

	2020	2019
Beginning balance	\$ 241,539	\$ 218,509
Contributions	7,200	6,600
Investment fees	(1,799)	(3,262)
Dividend and interest income	11,196	12,876
Realized and unrealized gains	2,749	6,816
Ending balance	<u>\$ 260,885</u>	<u>\$ 241,539</u>

NOTE 4 - RESTORE INVENTORY

Inventory consists of the following as of June 30:

	2020	2019
Donated inventory	\$ 120,586	\$ 106,934
Purchased inventory	7,117	7,099
Total inventory	<u>\$ 127,703</u>	<u>\$ 114,033</u>

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2020 and 2019

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 7.38% and 7.66% in 2020 and 2019, respectively, based on the rates established by Habitat for Humanity International.

Mortgages receivable consisted of the following as of June 30:

	2020	2019
Due within one year	\$ 347,149	\$ 327,108
Due after one year	4,162,319	4,263,195
Total mortgages receivable	4,509,468	4,590,303
Unamortized discounts	(1,912,936)	(1,963,259)
Mortgages receivable, net	<u>\$ 2,596,532</u>	<u>\$ 2,627,044</u>

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

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

<u>Days Late</u>	2020	2019
0-30	6	13
31-60	6	3
61-90	3	4
90-120	0	1
120+	2	1
Foreclosed	0	1
Total	<u>17</u>	<u>23</u>

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2020 and 2019

NOTE 6 - PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Buildings and building improvements	\$ 2,120,309	\$ 2,089,075
Land	380,800	380,800
Equipment and furniture	63,724	62,615
Vehicles	<u>85,454</u>	<u>38,399</u>
Total property and equipment	2,650,287	2,570,889
Accumulated depreciation	<u>(605,041)</u>	<u>(511,256)</u>
Property and equipment, net	<u><u>\$ 2,045,246</u></u>	<u><u>\$ 2,059,633</u></u>

Depreciation expense was \$93,786 and \$85,615 for the years ended June 30, 2020 and 2019, respectively.

NOTE 7 - NOTES PAYABLE

Notes payable consist of the following as of June 30:

	<u>2020</u>	<u>2019</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.	\$ 1,197,455	\$ 1,225,859
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	200,082
U.S. Bank Small Business Administration Payroll Protection Loan, 1% interest with deferred payments of principal and interest until 2021, maturing May 2022. Unsecured.	<u>204,440</u>	<u>-</u>
Total notes payable	1,594,362	1,425,941
Less current maturities	<u>(38,057)</u>	<u>(38,253)</u>
Long-term notes payable, net	<u><u>\$ 1,556,305</u></u>	<u><u>\$ 1,387,688</u></u>

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2020 and 2019

NOTE 7 - NOTES PAYABLE (continued)

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

2021	\$ 38,057
2022	244,419
2023	<u>1,311,886</u>
Total	<u>\$ 1,594,362</u>

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. Forgiveness of the loan is contingent upon the satisfaction of conditions stipulated in the loan agreement that, as of year-end, have not been fully satisfied. As such, the entire amount of the loan is recognized as a noncurrent liability in the statement of financial position. The Organization has used the proceeds for purposes consistent with the agreement and believes that its use of the loan proceeds will meet the conditions for at least partial forgiveness of the loan.

NOTE 8 - DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTIONS

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

Designated net assets as of June 30 are as follows:

	<u>2020</u>	<u>2019</u>
Undesignated	\$ 4,598,577	\$ 4,410,427
Board designated - Land Legacy	<u>934,806</u>	<u>686,806</u>
Total net assets without donor restrictions	<u>\$ 5,533,383</u>	<u>\$ 5,097,233</u>

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2020 and 2019

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Construction	\$ 359,768	\$ 464,313
Land Legacy	347,703	313,368
Total net assets with donor restrictions	<u>\$ 707,471</u>	<u>\$ 777,681</u>

NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS

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

	2020	2019
Construction	\$ 392,114	\$ 583,645
Land Legacy	208,256	5,926
Total net assets released from donor restrictions	<u>\$ 600,370</u>	<u>\$ 589,571</u>

NOTE 11 - FAIR VALUE MEASUREMENT

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

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.

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2020 and 2019

NOTE 11 - FAIR VALUE MEASUREMENT (continued)

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, 2020 and 2019.

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, 2020:

Description	Level 1	Level 2	Level 3	Total
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>

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2020 and 2019

NOTE 11 - 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, 2019:

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

NOTE 12 - FUNDRAISING ACTIVITIES

The Organization conducts various fundraising events and activities to help fund current operations. The revenue and related expenses from such events and activities for the year ended June 30, 2020, are as follows:

Event/Activity	Revenue	Cost of Direct Benefits to Attendees	Other Costs	Net Revenue
Breakfast fundraiser	<u>\$ 98,901</u>	<u>\$ -</u>	<u>\$ 2,114</u>	<u>\$ 96,787</u>
Total fundraising events and activities	<u>\$ 98,901</u>	<u>\$ -</u>	<u>\$ 2,114</u>	<u>\$ 96,787</u>

The revenue and related expenses from such events and activities for the year ended June 30, 2019, are as follows:

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

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2020 and 2019

NOTE 13 - COMMITMENTS

Retirement Benefits

The Organization maintains a 408(a) Savings Incentive Plan for Employees (SIMPLE IRA) retirement plan. The Organization contributes 3% of qualified employees' gross salaries. The Organization contributed \$16,235 and \$16,059 for the years ended June 30, 2020 and 2019, respectively. Amounts are included in "employee benefits" on the 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 between August 2019 and December 2022. Total lease expense for the years ended June 30, 2020 and 2019 was \$28,866 and \$29,172, respectively.

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

2021	\$	6,651
2022		6,651
2023		<u>3,280</u>
Total	\$	<u><u>16,582</u></u>

NOTE 14 - ANNUAL TITHE

The Organization sets a minimum tithe for affiliates in the United States based on their general service area. The tithe set for the Organization due to Habitat International is \$15,000 per year. In addition, the Organization tithes to Habitat Guatemala to support global operations in the amount of \$9,000 per year. Tithes for the years ended June 30, 2020 and 2019 were \$24,000 and \$21,000, respectively.

NOTE 15 - ESTATE PROCEEDS

The Organization is an income beneficiary of an endowment from the Wilhelmina Co Estate. The amount available for distribution as of June 30, 2020 was \$5,250.

GREATER ALBUQUERQUE HABITAT FOR HUMANITY

Notes to the Financial Statements

June 30, 2020 and 2019

NOTE 16 - MORTGAGES RECEIVABLE SOLD WITH RECOURSE

In prior years, the Organization sold mortgages receivables to the New Mexico Mortgage Finance Authority with full recourse. This recourse requires that in the event of default by the mortgagee, the Organization is obligated to buy back the mortgage. In 2009, the Organization sold the first 15 years of two 22-year mortgages for \$105,000 (none in 2020 and 2019) As of June 30, 2020 and 2019, the total mortgages sold with recourse, which may be assumed upon mortgagee default, was \$94,387 and \$159,465, respectively.

NOTE 17 - LIQUIDITY AND AVAILABILITY

The Organization receives significant revenue from ReStore sales, home sales, grants, and contributions without donor restrictions, and such support represented approximately 75% and 58% of annual program funding in 2020 and 2019, 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, 2020 and 2019, the Organization had a working capital of approximately \$2,875,974 and \$2,441,300 and average days cash on hand of 351 days and 247 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, 2020 and 2019

NOTE 17 - LIQUIDITY AND AVAILABILITY (continued)

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

	<u>2020</u>	<u>2019</u>
Financial assets as of year end:		
Cash and cash equivalents	\$ 2,216,745	\$ 1,764,596
Pledges and other receivables	46,619	244,153
ReStore inventory	127,703	114,033
Housing under construction	337,806	167,636
Mortgages receivable, current maturities	<u>347,149</u>	<u>327,108</u>
Total financial assets	3,076,022	2,617,526
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(707,471)	(777,681)
Plus net assets with time and purpose restrictions expected to be met within one year	<u>500,000</u>	<u>500,000</u>
Total financial assets available for general expenditures within one year	<u><u>\$ 2,868,551</u></u>	<u><u>\$ 2,339,845</u></u>

NOTE 18 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 27, 2020, 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, 2020.

In December 2019, the World Health Organization declared the outbreak from the novel strain of coronavirus to constitute a “Public Health Emergency of International Concern”. The outbreak has resulted in a disruption of supply chains, production, and sales across a broad range of industries. The extent of the impact on the Organization’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on customers, donors, employees, and vendors, all of which are uncertain and cannot be predicted. The extent to which the outbreak may impact the Organization’s financial condition and results of operations is uncertain.