



**HABITAT FOR HUMANITY IN
ATLANTA, INC. AND SUBSIDIARY**

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2019

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL REPORT DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors

Habitat for Humanity in Atlanta, Inc. and Subsidiary
Atlanta, Georgia

We have audited the accompanying consolidated financial statements of **Habitat for Humanity in Atlanta, Inc. and Subsidiary** (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity in Atlanta, Inc. and Subsidiary as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 29 through 33 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Mauldin & Jenkins, LLC

Atlanta, Georgia

June 22, 2020

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents		
Operating	\$ 257,819	\$ 1,727,969
Non-operating	1,564,474	1,637,920
Construction loan disbursement funds	8,841,746	3,318
Trustee reserve funds	452,077	-
Homeowners' escrow funds	2,363,684	2,527,768
Pledges and grants receivable	3,431,982	4,474,861
Note receivable	20,819,597	11,306,243
Accrued interest receivable	634,055	583,954
Investments	1,857,300	3,347,310
Land held for future construction, net	8,501,888	8,071,783
Construction in progress	758,430	455,411
Completed homes inventory	17,442,835	16,204,456
Building materials inventory	246,659	223,947
Non-interest bearing mortgage loans receivable, net of discounts of \$28,875,117 and \$28,662,764 for 2019 and 2018, respectively	28,415,465	28,153,028
Fixed assets, net	13,189,592	13,350,902
Prepaid expenses	53,404	166,975
Total assets	\$ 108,831,007	\$ 92,235,845
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and other accrued expenses	\$ 749,622	\$ 749,941
Notes payable, net of unamortized issuance costs	28,407,729	12,720,477
Line of credit	-	1,900,000
Homeowners' escrow accounts payable	2,363,684	2,527,768
Deferred revenue	136,095	290,106
Other liabilities	592,310	517,984
Total liabilities	32,249,440	18,706,276
Net assets:		
Without donor restrictions:		
Undesignated	70,019,016	64,265,054
Board designated	1,857,300	3,347,310
Total without donor restrictions	71,876,316	67,612,364
With donor restrictions	4,705,251	5,917,205
Total net assets	76,581,567	73,529,569
Total liabilities and net assets	\$ 108,831,007	\$ 92,235,845

See Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Home sales	\$ 5,556,589	\$ -	\$ 5,556,589
Amortization of discounts on non-interest bearing mortgage loans receivable	2,755,656	-	2,755,656
Interest income	853,839	-	853,839
Unrealized gains on investments	614,443	-	614,443
Capital campaign contributions	-	4,302,588	4,302,588
Other contributions	2,105,521	4,073,136	6,178,657
Grant revenue	232,000	-	232,000
ReStore revenue	1,379,298	-	1,379,298
Gain on sale of land held for future construction	150,500	-	150,500
Other income and support	213,840	-	213,840
Total	13,861,686	8,375,724	22,237,410
Net assets released from restrictions	9,587,678	(9,587,678)	-
Total revenues and other support	23,449,364	(1,211,954)	22,237,410
Expenses			
Program services:			
Home construction	8,727,744	-	8,727,744
Repair and brush with kindness	1,540,228	-	1,540,228
ReStore	1,301,977	-	1,301,977
Family services and outreach	1,269,631	-	1,269,631
Mortgage services	3,384,143	-	3,384,143
Total program services	16,223,723	-	16,223,723
Supporting services:			
General and administrative	1,182,952	-	1,182,952
Fundraising	1,778,737	-	1,778,737
Total supporting services	2,961,689	-	2,961,689
Total expenses	19,185,412	-	19,185,412
Change in net assets	4,263,952	(1,211,954)	3,051,998
Net assets, beginning of year	67,612,364	5,917,205	73,529,569
Net assets, end of year	\$ 71,876,316	\$ 4,705,251	\$ 76,581,567

See Notes to Consolidated Financial Statements.

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Home sales	\$ 5,152,189	\$ -	\$ 5,152,189
Amortization of discounts on non-interest bearing mortgage loans receivable	2,571,621	-	2,571,621
Interest income	816,094	-	816,094
Unrealized (losses) on investments	(219,730)	-	(219,730)
Capital campaign contributions	-	6,747,875	6,747,875
Other contributions	1,900,602	4,728,276	6,628,878
Grant revenue	100,000	-	100,000
ReStore revenue	1,558,482	-	1,558,482
Gain on sale of land held for future construction	155,868	-	155,868
Other income and support	204,738	-	204,738
Total	12,239,864	11,476,151	23,716,015
Net assets released from restrictions	7,599,037	(7,599,037)	-
Total revenues and other support	19,838,901	3,877,114	23,716,015
Expenses			
Program services:			
Home construction	7,204,878	-	7,204,878
Repair and brush with kindness	946,761	-	946,761
ReStore	1,223,259	-	1,223,259
Family services and outreach	1,244,188	-	1,244,188
Mortgage services	2,949,161	-	2,949,161
Total program services	13,568,247	-	13,568,247
Supporting services:			
General and administrative	1,032,614	-	1,032,614
Fundraising	1,838,507	-	1,838,507
Total supporting services	2,871,121	-	2,871,121
Total expenses	16,439,368	-	16,439,368
Change in net assets	3,399,533	3,877,114	7,276,647
Net assets, beginning of year	64,212,831	2,040,091	66,252,922
Net assets, end of year	\$ 67,612,364	\$ 5,917,205	\$ 73,529,569

See Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services					Supporting Services			Total
	Home Construction	Repair and Brush With Kindness	ReStore	Family Services and Outreach	Mortgage Services	Total Program Services	General and Administrative	Fundraising	
Compensation and benefits	\$ 1,506,284	\$ 173,086	\$ 898,680	\$ 1,027,951	\$ 307,534	\$ 3,913,535	\$ 778,354	\$ 1,104,137	\$ 5,796,026
Accounting fees	-	-	-	-	-	-	36,464	-	36,464
Legal fees	-	-	-	75	-	75	-	-	75
Professional fundraising services	-	-	-	-	-	-	-	129,745	129,745
Advertising and promotion	-	-	23,098	-	-	23,098	18,006	36,012	77,116
Information technology	67,466	12,395	31,838	49,583	24,972	186,254	65,447	47,584	299,285
Occupancy	100,189	24,845	93,224	24,845	24,845	267,948	18,925	24,845	311,718
Insurance	58,021	4,011	27,508	4,011	4,011	97,562	5,738	4,011	107,311
Vehicles expenses	106,274	2,687	23,779	-	-	132,740	-	-	132,740
Professional development	17,420	1,718	4,264	7,411	1,448	32,261	17,457	2,346	52,064
Travel and entertainment	6,847	28	796	6,129	28	13,828	23,320	5,264	42,412
Payments to affiliates	77,350	-	-	-	-	77,350	13,650	16,286	107,286
Depreciation & amortization	432,738	33,790	101,371	33,790	33,790	635,479	33,790	33,790	703,059
Interest	247,943	-	-	-	-	247,943	-	-	247,943
Construction & program services	4,885,132	1,280,378	9	2,670	8,546	6,176,735	-	-	6,176,735
Discount of home mortgages	-	-	-	-	2,968,009	2,968,009	-	-	2,968,009
Impairment losses	1,124,923	-	-	-	-	1,124,923	-	-	1,124,923
Donor events	-	-	-	-	-	-	-	199,652	199,652
Office expenses	43,132	3,470	23,617	16,590	7,128	93,937	79,849	24,351	198,137
Bank fees	-	-	39,403	-	-	39,403	46,108	14,822	100,333
Other	54,025	3,820	34,390	96,576	3,832	192,643	45,844	135,892	374,379
Total expenses	\$ 8,727,744	\$ 1,540,228	\$ 1,301,977	\$ 1,269,631	\$ 3,384,143	\$ 16,223,723	\$ 1,182,952	\$ 1,778,737	\$ 19,185,412

See Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services					Supporting Services			Total
	Home Construction	Repair and Brush With Kindness	ReStore	Family Services and Outreach	Mortgage Services	Total Program Services	General and Administrative	Fundraising	
Compensation and benefits	\$ 1,516,411	\$ 138,877	\$ 846,460	\$ 1,002,900	\$ 319,782	\$ 3,824,430	\$ 673,216	\$ 1,130,281	\$ 5,627,927
Accounting fees	-	-	-	-	-	-	26,598	-	26,598
Legal fees	-	-	-	17,500	-	17,500	12,500	-	30,000
Professional fundraising services	-	-	-	-	-	-	-	148,759	148,759
Advertising and promotion	-	-	31,372	-	-	31,372	26,938	53,875	112,185
Information technology	55,661	9,952	22,333	39,806	19,903	147,655	57,998	35,277	240,930
Occupancy	96,632	21,097	92,044	21,097	21,097	251,967	18,529	19,344	289,840
Insurance	59,894	3,074	21,080	3,074	3,074	90,196	2,377	3,074	95,647
Vehicles expenses	111,319	816	35,364	-	-	147,499	-	-	147,499
Professional development	8,892	1,533	1,981	5,840	340	18,586	25,965	8,267	52,818
Travel and entertainment	5,721	71	1,053	5,412	21	12,278	21,425	4,145	37,848
Payments to affiliates	91,000	-	-	-	-	91,000	-	23,433	114,433
Depreciation & amortization	410,739	34,229	102,685	34,229	34,229	616,111	34,229	34,229	684,569
Interest	248,441	-	-	-	-	248,441	-	-	248,441
Construction & program services	3,904,210	731,782	-	-	5,580	4,641,572	-	-	4,641,572
Discount of home mortgages	-	-	-	-	2,538,395	2,538,395	-	-	2,538,395
Impairment losses	568,933	-	-	-	-	568,933	-	-	568,933
Donor events	-	-	-	-	-	-	-	225,105	225,105
Office expenses	29,472	3,913	19,088	14,169	5,727	72,369	64,333	13,934	150,636
Bank fees	-	-	35,897	-	-	35,897	40,030	22,170	98,097
Other	97,553	1,417	13,902	100,161	1,013	214,046	28,476	116,614	359,136
Total expenses	\$ 7,204,878	\$ 946,761	\$ 1,223,259	\$ 1,244,188	\$ 2,949,161	\$ 13,568,247	\$ 1,032,614	\$ 1,838,507	\$ 16,439,368

See Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from contributions, sponsorships, and grants	\$ 11,602,113	\$ 10,376,232
Cash received from ReStore sales	1,379,298	1,558,482
Interest received	803,738	769,951
Other miscellaneous cash receipts received	213,840	204,738
Cash paid for home construction and repairs	(8,573,831)	(6,129,020)
Cash paid to employees in compensation and for employee benefits	(5,796,026)	(5,627,927)
Interest paid	(247,943)	(248,441)
Other miscellaneous cash payments made	(1,571,085)	(1,537,098)
	<u>(2,189,896)</u>	<u>(633,083)</u>
Net cash (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(497,879)	(457,852)
Payments of capitalized interest	(41,777)	(43,493)
Proceeds from the disposal of fixed assets	-	25,300
Proceeds from the sale of land held for future construction	328,157	240,495
Issuance of notes receivable	(8,929,400)	-
Accrued interest added to the principal portion of note receivable	(583,954)	(537,811)
Mortgage payments received	3,797,205	3,762,405
Sales (purchases) of investments, net	2,104,453	106,495
	<u>(3,823,195)</u>	<u>3,095,539</u>
Net cash (used in) provided by investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on line of credit	(1,900,000)	-
Proceeds from notes payable	15,660,000	-
	<u>13,760,000</u>	<u>-</u>
Net cash provided by financing activities		
Net increase in cash and cash equivalents	7,746,909	2,462,456
Cash and cash equivalents, beginning of year	3,369,207	906,751
Cash and cash equivalents, end of year	<u>11,116,116</u>	<u>3,369,207</u>
Operating	257,819	1,727,969
Non-operating	1,564,474	1,637,920
Construction loan disbursement funds	8,841,746	3,318
Trustee reserve fund	452,077	-
Cash and cash equivalents, end of year	<u>\$ 11,116,116</u>	<u>\$ 3,369,207</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid (excluding capitalized interest)	<u>\$ 247,943</u>	<u>\$ 253,181</u>

See Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
RECONCILIATION OF CHANGE IN NET ASSETS		
(USED IN) OPERATING ACTIVITIES		
Change in net assets	\$ 3,051,998	\$ 7,276,647
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Discounts on current year originations of non-interest bearing mortgage loans	2,968,009	2,538,395
Amortization of discounts on non-interest bearing mortgage loans receivable	(2,755,656)	(2,571,621)
Issuances of non-interest bearing mortgage loans receivable	(4,875,982)	(4,194,067)
Repossession of takeback and foreclosed homes	603,987	196,496
Unrealized losses (gains) on investments	(614,443)	219,730
(Gains) losses of sale of land held for future construction	(150,500)	(155,868)
Impairment losses	1,124,923	568,933
Losses on disposal of assets	25,159	-
Depreciation	675,807	657,313
Amortization	27,252	27,252
(Increase) decrease in assets:		
Pledges and grants receivable	1,042,879	(3,018,751)
Accrued interest receivable	(50,101)	(46,143)
Land held for future construction	(607,762)	40,866
Construction in progress	(303,019)	192,289
Completed homes inventory	(2,363,302)	(2,820,353)
Building materials inventory	(22,712)	9,528
Prepaid expenses	113,571	(48,013)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(319)	501,449
Deferred revenue	(154,011)	(81,770)
Other liabilities	74,326	74,605
Net cash (used in) operating activities	<u>\$ (2,189,896)</u>	<u>\$ (633,083)</u>

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Habitat for Humanity in Atlanta, Inc. (“Atlanta Habitat”) was created in 1983 for the purpose of partnering with working families, sponsors, and communities to build affordable, green, quality homes and provide support services to promote successful home purchase and ownership. Atlanta Habitat is one of the largest builders of affordable housing in Atlanta, constructing and renovating over 1,500 houses, repairing and painting over 125 houses, and improving the quality of life for more than 5,500 family members.

Atlanta Habitat is an affiliate of Habitat for Humanity International, Inc. (“HFHI”); however, both organizations have separate Section 501(c)(3) designations and are autonomous corporations. While the organizations’ missions are similar, Atlanta Habitat and HFHI do not share any board members or otherwise control one another. Atlanta Habitat participates in HFHI-sponsored programs for business and homeowners’ insurance, building materials donations from national suppliers, building materials cost reimbursements, and national house sponsor grants. For the years ended December 31, 2019 and 2018, HFHI forwarded to Atlanta Habitat donations, cost reimbursements, and grants totaling \$761,681 and \$828,172, respectively.

Significant Accounting Policies

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Atlanta Habitat presents its financial statements in accordance with the Financial Accounting Standards Board (FASB)’s *Not-For-Profit* presentation and disclosure guidance. Under this guidance, Atlanta Habitat is required to report information regarding its financial position and activities according to two categories of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions which are used to account for resources available to carry out the purposes of Atlanta Habitat in accordance with the limitations of its bylaws. Board designated net assets are without donor restrictions but are designated by the Board to be spent for specific purposes. At December 31, 2019 and 2018, board designated net assets was \$1,857,300 and \$3,347,310, respectively.

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. At December 31, 2019 and 2018, Atlanta Habitat had no donor imposed restrictions that were perpetual in nature. 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 restriction has been fulfilled, or both.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Principles of Consolidation

The consolidated financial statements include the accounts of AH Capital Campaign, Inc. ("AHCC"), a Georgia nonprofit corporation. AHCC was formed as a nonprofit charity to operate exclusively for the benefit of Atlanta Habitat. All significant intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of the consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Internal Revenue Service has determined that Atlanta Habitat and AHCC are exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes has been made in these consolidated financial statements.

Management of Atlanta Habitat considers the likelihood of changes by taxing authorities in its exempt organization returns and discloses potential significant changes that management believes are more likely than not to occur upon examination by tax authorities. Management has not identified any uncertain tax positions in filed returns that require disclosure in the accompanying financial statements.

Atlanta Habitat and AHCC file Form 990's in the U.S. federal jurisdiction and the State of Georgia.

Cash and Cash Equivalents

Atlanta Habitat considers all highly-liquid investments with a maturity of three months or less when purchased or those that can be easily converted into cash to be cash equivalents.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Investments

In 2015, Atlanta Habitat established an investment account for its board designated endowment fund (Note 15). Investments consist primarily of money market accounts, mutual funds, and equity securities, and are carried at fair value.

Realized and unrealized gains and losses on the portfolio are recognized as income or loss.

Investment securities are exposed to various risks, such as interest rate risk, market risk, and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the accompanying consolidated financial statements.

Gifts and Contributions

Atlanta Habitat records contributions upon receipt of an unconditional promise to give, less an allowance for uncollectible amounts and an allowance for the present value of gifts to be received over more than one year. Gifts, bequests, and other promises or receipts restricted by donors as to use or time period are recorded as net assets with restrictions until used in the manner designated or upon expiration of the time period. Donated property and equipment are recorded at fair market value at the date received as with or without donor restrictions, based on the donor's intent. When the assets are used for their intended purposes, the applicable amount is transferred to net assets without donor restrictions. Contributions without donor restrictions received are recorded as contribution revenue. Atlanta Habitat writes off pledges and grants receivables that it deems uncollectible based on unique facts and circumstances. At December 31, 2019 and 2018, Atlanta Habitat considers all amounts collectible.

Building Materials Inventory

Building materials are stated at the lower of cost (utilizing the weighted-average method) or fair value.

Land Held for Future Construction

Land held for future construction is recorded at cost when payment is made or at estimated fair value when donated. Land held for future construction included a valuation allowance of \$2,231,423 and \$2,390,633 at December 31, 2019 and 2018, respectively. The valuation allowance offsets land costs in excess of the amount management estimates will be recovered once the home is eventually sold.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Land Held for Future Construction (Continued)

When homes are completed, all construction costs are capitalized and recorded as property inventory along with land and site development costs. At year end, construction costs for homes not yet completed are recorded as construction in progress. Under guidelines provided by HFHI, a portion of administrative costs is allocated to the cost of each home and becomes a part of the final cost of the home.

Construction in Progress and Completed Homes Inventory

Costs of construction in progress consist of direct home construction costs only. Once a home is completed, the actual direct construction costs are transferred from construction in progress to completed home inventory along with transferring the actual cost of the land from land inventory, and construction overhead is allocated to the completed job at that time. Homes completed pending closing are classified as completed homes inventory until delivered. Atlanta Habitat reviews the capitalized home costs in the month the home is completed and if the proposed sales price as determined by an appraisal is less than the capitalized home costs, an impairment loss is recorded in that same month. FASB's *Not-For-Profit* presentation and disclosure guidance require that if the undiscounted cash flows expected to be generated by an asset are less than its carrying amount, an impairment charge should be recorded to write down the carrying amount of such asset to its fair value.

Atlanta Habitat requires prospective homeowners, who are generally in the 25% to 60% range of area median income, a.) to complete pre-established post building requirements, and b.) to occupy the completed home for at least twelve months, before the sale is closed. From time to time, the occupancy period is extended because the prospective homeowners do not complete the pre-established post building requirements by the minimum twelve month occupancy period requirement. Therefore, it is not unusual for home sales revenue noted on the consolidated statements of activities to fluctuate from year to year.

In order to qualify for credit, the potential homebuyer's debt-to-income ratio cannot exceed 41%, and they must have a proven ability to pay their bills in addition to other criteria. As mentioned above, during the occupancy period the homebuyer must fulfill certain post building requirements and demonstrate the ability to make timely payments. A significant portion of monthly payments received by Atlanta Habitat from a potential homebuyer during the pending closing phase is treated as a down payment on the purchase of the property and is recorded as a pre-purchase deposit liability. Some potential homebuyers do not fulfill the requirements necessary to purchase the home; therefore, the pre-purchase agreement is terminated and pre-purchase deposits are included in other income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Construction in Progress and Completed Homes Inventory (Continued)

For the years ended December 31, 2019 and 2018, Atlanta Habitat recognized \$22,509 and \$28,337 in other income from terminated pre-purchase agreements and support in the accompanying consolidated statements of activities, respectively.

Non-Interest Bearing Mortgage Loans Receivable

It is Atlanta Habitat's policy to sell affordable housing with interest free mortgages. In accordance with generally accepted accounting principles, the mortgages receivable have been discounted based upon the prevailing market rates at the inception of the mortgage. Non-interest bearing mortgage loans receivable, representing 999 and 998 mortgages at December 31, 2019 and 2018, respectively, are recorded based on the present value of the scheduled loan repayments at the time of closing. The present value of mortgage loans receivable is calculated using interest rates based on the market rates for a similar type of loan, which range from six to ten percent. Discounts are amortized using the effective interest method over the life of the loans. Typically, the present value discount approximates 60% of the cost of the home securing the mortgage. For the years ended December 31, 2019 and 2018, principal payments received on non-interest bearing mortgage loans receivable were \$3,797,205 and \$3,762,405, respectively.

Allowance for Loan Losses

Allowance for credit loss on mortgage loans receivable is determined on the basis of loss experience, known and inherent risk in the mortgage loan portfolio, the estimated value of the underlying collateral, and current economic conditions. At December 31, 2019 and 2018, management has not established an allowance for credit loss because it can reclaim homes through foreclosure in the event that a mortgage loan is deemed to be uncollectible. Assets repossessed that are expected to be re-sold in the normal course of Atlanta Habitat's operations are included in property inventory in the accompanying consolidated statements of financial position at the lower of cost or recoverable value.

Fixed Assets

Fixed assets are recorded at cost or estimated fair value on the donation date. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, ranging from three to twenty-seven and a half years. Additions and replacements are recorded as fixed assets, while repairs and maintenance are charged to expense as incurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Homeowners' Escrow Accounts

Each homeowner pays monthly escrow and home maintenance account deposits along with their monthly mortgage principal payments. Atlanta Habitat makes annual homeowner's insurance and property tax payments at the proper time for each homeowner from these funds. Homeowners can access their maintenance account to pay for necessary repairs and maintenance of their home. As of December 31, 2019 and 2018, Atlanta Habitat held \$2,363,684, and \$2,527,768, respectively, in homeowners' escrow funds that are included on the consolidated statements of financial position.

ReStore Revenue

Donated home materials, appliances, and furnishings not used by Atlanta Habitat for its constructed homes are sold to the public through its ReStore retail outlet. Revenue is recognized at the time the goods are sold; therefore, no value for ReStore inventory is included in these consolidated financial statements.

Donated Materials and Services

Donations of building materials (in-kind contributions) are recorded at their estimated fair value at the date of donation.

Donated materials and professional services in the amount of \$382,968 and \$410,268 were recognized as contributed material and services for the years ended December 31, 2019 and 2018, respectively.

No amounts have been reflected in the consolidated statements of activities for volunteer services because the criteria for recognition of such volunteer efforts under FASB guidance have not been satisfied. Nevertheless, volunteers have donated a substantial amount of their time to the program services of Atlanta Habitat.

Fair Value of Financial Instruments

Atlanta Habitat follows FASB's fair value measurements and disclosure guidance, which provides a framework for measuring fair value under generally accepted accounting principles. This guidance applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in the FASB issued guidance, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Atlanta Habitat uses various methods including market, income and cost approaches.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Fair Value of Financial Instruments (Continued)

Based on these approaches, Atlanta Habitat often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. Atlanta Habitat utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques Atlanta Habitat is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker-traded transactions.

Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets and liabilities.

If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of these instruments.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Atlanta Habitat 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.

For the years ended December 31, 2019 and 2018, the application of valuation techniques applied to similar assets and liabilities has been consistent. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Functional Allocation of Expenses

Atlanta Habitat reports certain categories of expenses that are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Compensation and benefits, advertising and promotion, information technology, professional development, travel and entertainment, and other expenses include certain expenses that are allocated on the basis of estimates of time and effort. Occupancy, insurance, depreciation and amortization, and office expenses include certain expenses that are allocated on a square footage basis.

Recent Accounting Pronouncements

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASC Topic 606) affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. This ASU requires entities to make new judgements and estimates and provide expanded disclosures about revenue.

For the year ending December 31, 2019, Atlanta Habitat adopted ASU 2014-09 and has adjusted the presentation in these financial statements accordingly. Atlanta Habitat recognizes home sales, ReStore revenue, grant revenue, and sales of land held for future construction in accordance with ASC Topic 606, which are all recognized at the time the transaction is executed, as that is the point in time Atlanta Habitat fulfills the performance obligation.

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and establishes standards for characterizing grants and similar contracts with resource providers as contributions (nonreciprocal) subject to ASC Topic 958, or as exchange transactions (reciprocal) subject to ASC Topic 606.

For the year ending December 31, 2019, Atlanta Habitat adopted ASU 2018-08 and has adjusted the presentation in these financial statements accordingly. Atlanta Habitat recognizes contributions in the accompanying statements of activities, in accordance with ASC Topic 958. The adoption of ASU 2018-08 did not have an impact on the timing of the revenue recognition of the contributions.

Atlanta Habitat also earns revenue from amortization of discounts on non-interest bearing mortgage loans receivable, interest income, and other income and support, which consists of loan fees derived from mortgage lending activities, from its mortgage lending activities with its customers. Atlanta Habitat recognizes these revenues in accordance with FASB's *Financial Services – Mortgage Banking* (ASC Topic 948) presentation and disclosure guidance.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. Atlanta Habitat adopted the provisions of this new standard during the year ended December 31, 2019. The update requires that the statement of cash flows explains the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents have been included with cash and cash equivalents when reconciling the beginning of year and end of year cash total amounts shown on the statement of cash flows. The accompanying information from the 2018 financial statements has been adjusted to conform to the 2019 presentation and disclosure requirements of ASU 2016-18. This adjustment did not have an effect on total net assets or the change in net assets for 2018.

NOTE 2. LIQUIDITY AND AVAILABILITY

Atlanta Habitat manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of Atlanta Habitat are expected to be met on a monthly basis from the program service revenues generated, as well as contributions and scheduled mortgage payments received. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position as of December 31, 2019 and 2018, comprise the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 257,819	\$ 1,727,969
Pledges and grants receivable	281,205	166,512
Current portion of non-interest bearing mortgage loans receivable	<u>3,246,218</u>	<u>3,290,940</u>
	<u>\$ 3,785,242</u>	<u>\$ 5,185,421</u>

As of December 31, 2019 and 2018, Atlanta Habitat's endowment funds consist of funds designated by the Board as endowments. The board designated endowment of \$1,857,300 and \$3,347,310, respectively, is subject to expenditure at the discretion of the board. Although Atlanta Habitat does not intend to spend from this board designed endowment (other than amount appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3. CONCENTRATION OF CREDIT RISK

Atlanta Habitat had a total of \$13,174,789 and \$6,330,388 on deposit with several banks as of December 31, 2019 and 2018, respectively. Of this total, \$12,924,789 and \$5,869,357, respectively, was in excess of federally insured limits. Atlanta Habitat believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 4. PLEDGES AND GRANTS RECEIVABLES

Pledges and grants receivables are summarized as follows at December 31:

	2019	2018
Capital campaign pledges	\$ 2,645,803	\$ 3,356,993
Sponsor pledges	494,974	941,356
Other	291,205	176,512
Total grants and pledges receivables	<u>\$ 3,431,982</u>	<u>\$ 4,474,861</u>
Amount due in:		
Less than one year	\$ 3,141,149	\$ 4,157,295
One to three years	290,833	317,566
Total grants and pledges receivables	<u>\$ 3,431,982</u>	<u>\$ 4,474,861</u>

Atlanta Habitat had entered into multiple HOME grant agreements that were terminated in December 2019, and which was used to provide home down payment assistance to its future homeowners. Since the grant agreements required the eligible homeowner to close on the home before Atlanta Habitat had rights to the grant monies, management considered it to be conditional under FASB's *Not-For-Profit* presentation and disclosure guidance. Therefore, Atlanta Habitat recognized the earned grant revenue when an eligible homeowner closes on its home. Under the HOME grants for the years ending December 31, 2019 and 2018, Atlanta Habitat has recognized earned grant revenue of \$150,000 and \$100,000, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5. FIXED ASSETS

Fixed assets consisted of the following at December 31, 2019 and 2018:

	2019	2018
Headquarters and operating facility:		
Land	\$ 2,630,000	\$ 2,630,000
Buildings	10,547,897	10,433,376
Furniture and fixtures	762,655	760,962
Computers and software	533,992	499,528
Vehicles and construction equipment	850,456	729,893
Headquarters and operating facility total:	15,325,000	15,053,759
 South Fulton headquarters and operating facility:		
Land	1,142,259	1,083,385
Construction in progress	244,713	60,330
South Fulton headquarters and operating facility total:	1,386,972	1,143,715
 Total	16,711,972	16,197,474
Less accumulated depreciation	3,522,380	2,846,572
Fixed assets, net	\$ 13,189,592	\$ 13,350,902

Depreciation expense totaled \$675,807 and \$657,313 for the years ended December 31, 2019 and 2018, respectively.

Capitalized interest totaled \$41,777 and \$43,493 for the years ended December 31, 2019 and 2018, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. NON-INTEREST BEARING MORTGAGE LOANS RECEIVABLE

There were non-interest bearing mortgage loans receivable on 999 and 998 homes at December 31, 2019 and 2018, respectively.

The following is a summary of mortgages receivable, presented net of the imputed interest amounts at December 31:

	2019	2018
Balance, beginning of year	\$ 28,153,028	\$ 27,884,636
New mortgages issued	4,875,982	4,194,067
	33,029,010	32,078,703
Current year payments received	(3,797,205)	(3,762,405)
Discounts on current year originations of non-interest bearing mortgage loans receivable	(2,968,009)	(2,538,395)
Amortization of discounts on non-interest bearing mortgage loans receivable	2,755,656	2,571,621
Repossession of take-back and foreclosed homes	(603,987)	(196,496)
	\$ 28,415,465	\$ 28,153,028

Maturities of non-interest bearing mortgage loans receivable are summarized as follows at December 31:

	2019	2018
Gross amounts due in:		
Less than one year	\$ 3,246,218	\$ 3,290,940
1 to 5 years	12,572,509	12,799,752
After 5 years	41,471,855	40,725,100
	57,290,582	56,815,792
Unamortized discount	(28,875,117)	(28,662,764)
Net amounts due	\$ 28,415,465	\$ 28,153,028

During the years ended December 31, 2019 and 2018, less than one-half of one percent of the mortgage loans receivable were modified. These loan modifications resulted in an extended mortgage term so that the homeowner may pay the delinquent balance. During the years ended December 31, 2019 and 2018, assets totaling \$603,987 and \$196,496, respectively, were repossessed in satisfaction of mortgage loans receivable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, Atlanta Habitat's investments at fair value as of December 31, 2019:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 24,450	\$ -	\$ -	\$ 24,450
Mutual funds	175,868	-	-	175,868
Equity securities	1,656,982	-	-	1,656,982
Total investments at fair value	<u>\$ 1,857,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,857,300</u>

The following table sets forth by level, within the fair value hierarchy, Atlanta Habitat's investments at fair value as of December 31, 2018:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 72,449	\$ -	\$ -	\$ 72,449
Mutual funds	108,566	-	-	108,566
Equity securities	3,166,295	-	-	3,166,295
Total investments at fair value	<u>\$ 3,347,310</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,347,310</u>

NOTE 8. NEW MARKETS TAX CREDIT TRANSACTION

The New Markets Tax Credit Program ("NMTC Program") was established by Congress in 2000 to attract investment capital to low-income communities by permitting investors to receive tax credit incentives in exchange for making equity investments in certified Community Development Entities ("CDE"). Under this program, certain commercial banks and other investors are able to subsidize eligible projects that meet the NMTC Program requirements.

2012 New Market Tax Credit

Atlanta Habitat's new headquarters and operating facility is located within a census tract that is eligible for the NMTC Program. In order to benefit under the NMTC Program, during 2012, Atlanta Habitat entered into a series of agreements and transactions with a CDE and an investment fund affiliated with a commercial bank. Atlanta Habitat formed AHCC to facilitate the transaction, by issuance of a \$9,000,000 note receivable agreement (Note 9) to the investment fund. A portion of the funds loaned were financed by a \$6,000,000 bridge loan agreement with the Bank, proceeds of which funded construction costs. In 2013, the bridge loan was repaid in full using funds raised in the capital campaign.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. NEW MARKETS TAX CREDIT TRANSACTION (Continued)

2019 New Market Tax Credit

Atlanta Habitat's South Fulton Headquarters and operating facility is located within a census tract that is eligible for the NMTC Program. In order to benefit under the NMTC Program, in December 2019, Atlanta Habitat entered into a series of agreements and transactions with three CDEs and an investment fund affiliated with a commercial bank. AHCC facilitated the transaction, by issuance of a \$8,929,400 note receivable agreement (Note 9) to the investment fund. A portion of the funds loaned were financed by a \$3,000,000 bridge loan agreement with the Bank, proceeds of which funded construction costs.

At the end of the compliance period (in December 2026, seven years from closing date), the commercial bank will exercise their put/call option, which will sell Habitat Investment Fund, LLC to AH Capital Campaign, Inc. Simultaneous with this put/call option, the three CDEs will all exit the transaction as prescribed by those individual entities operating agreements (as noted in the "redemption options" section in each respective operating agreement). Then at that point in time, the remaining \$3,730,600 (which is representative of the difference between the note receivables and note payables) can be forgiven.

Also, Atlanta Habitat repaid its existing line of credit with proceeds from a long-term note payable to the CDE totaling \$12,660,000 (Note 11). In 2019, Atlanta Habitat renewed the revolving line of credit (Note 10).

NOTE 9. NOTES RECEIVABLE

As discussed in Note 8, in December 2012, AHCC executed a \$9,000,000 promissory note receivable with a limited liability company as part of the NMTC transaction. The note is comprised of two tranches (referred to as tranche A and B), each in the original principal amount of \$4,500,000. Tranche A accrues interest at 4.67% per annum, with monthly interest payments of \$17,500 due beginning in February 2013. Tranche A, including unpaid principal and interest, is due in full in January 2020. Tranche B accrues interest at 8.58% per annum, and is added to principal annually on January 1 of each following year. Tranche B, including unpaid principal and interest, is due in full in January 2020.

As discussed in Note 8, in December 2019, AHCC executed an \$8,929,400 promissory note receivable with a limited liability company as part of the NMTC transaction. The note is comprised of two tranches (referred to as tranche A and B), tranche A in original principal amount of \$6,073,102 and tranche B in original principal amount of \$2,856,298. Tranche A and B accrue interest at 1.42% per annum, with monthly interest payments of \$31,646 due beginning in April 2020. Tranche A and B, including unpaid principal and interest, is due in full in January 2050.

At December 31, 2019 and 2018, the outstanding principal balance of the notes receivable was \$20,819,597 and \$11,306,243, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10. LINES OF CREDIT

As discussed in Note 8, in December 2012, Atlanta Habitat obtained a bank revolving line of credit which allowed maximum borrowings of \$3 million, and was secured by the property at 824 Memorial Drive in Atlanta, Georgia and assignment of capital campaign pledges receivable. The line of credit matured in November 2015.

In December 2018, Atlanta Habitat renewed the bank revolving line of credit, which allowed maximum borrowings of \$3 million and matured in February 2019. Interest on outstanding borrowings was payable monthly beginning in January 2019 at the one month LIBOR Index plus 2% per annum (4.35% at December 31, 2018), and was secured by the property at 824 Memorial Drive in Atlanta, Georgia and assignment of capital campaign pledges receivable. The outstanding borrowings against this line of credit was \$1,900,000 as of December 31, 2018.

In February 2019, Atlanta Habitat renewed the same bank revolving line of credit, which allows maximum borrowings of \$3 million and matures in October 2020. Interest on outstanding borrowings was payable monthly beginning in March 2019 at the one month LIBOR Index plus 2% per annum. The line of credit was secured by the property at 824 Memorial Drive in Atlanta, Georgia and assignment of capital campaign pledges receivable. The line of credit was paid off in full in December 2019.

NOTE 11. NOTES PAYABLE

As discussed in Note 8, in December 2012, Atlanta Habitat entered into a \$12,750,000 note payable with a limited liability company. The note bears interest at 1.90% per annum and matures in January 2020. The total outstanding principal balance is due at maturity. Monthly interest payments are due commencing February 1, 2013. The note is secured by the property at 824 Memorial Drive in Atlanta, Georgia.

In December 2019, Atlanta Habitat obtained a bank bridge loan in the amount of \$3 million and matures in November 2022. Interest on outstanding borrowings is payable monthly beginning in January 2020 at the one month LIBOR Index plus 1.75% per annum (3.33% at December 31, 2019) and was secured by the assignment of capital campaign pledges receivable.

As discussed in Note 8, in December 2019, Atlanta Habitat entered into a \$12,660,000 note payable with three different institutions. The note bears interest at 1% per annum and matures in December 2054. The total outstanding principal balance is due at maturity. Monthly interest payments are due commencing January 5, 2020. The note is secured by the property at 824 Memorial Drive in Atlanta, Georgia.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11. NOTE PAYABLE (Continued)

The note payable balances are as follows at December 31:

	2019	2018
Outstanding note payable principal balance	\$ 28,410,000	\$ 12,750,000
Unamortized debt issuance costs	(2,271)	(29,523)
	\$ 28,407,729	\$ 12,720,477

Scheduled principal payments of notes payable as of December 31, 2019 are as follows:

2020	\$ 12,750,000
2021	-
2022	-
2023	-
2024	-
Thereafter	15,660,000
	\$ 28,410,000

NOTE 12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction are restricted for the following purposes at December 31:

	2019	2018
Net assets subject to expenditure for specified purpose:		
Future home build sponsorship program	\$ 1,277,781	\$ 1,658,549
Repairs with kindness	113,687	254,720
Faith and community partnership program	-	50,000
Capital campaign	3,203,593	3,862,646
Other	110,190	91,290
Total net assets with donor restrictions:	\$ 4,705,251	\$ 5,917,205

Net assets with donor restrictions are comprised of the following at December 31:

	2019	2018
Net assets subject to expenditure for specified purpose:		
Cash and cash equivalents	\$ 1,564,474	\$ 1,618,856
Pledges and grants receivable	3,140,777	4,298,349
Total net assets with donor restrictions:	\$ 4,705,251	\$ 5,917,205

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during 2019 and 2018 by incurring expenses satisfying the restricted purposes specified by donors as follows:

	2019	2018
Future home build sponsorship program	\$ 3,976,414	\$ 3,464,233
Repairs with kindness	546,033	578,318
Faith and community partnership program	50,000	-
Capital campaign	4,961,641	3,504,379
Other	53,590	52,107
Net assets released from restrictions	\$ 9,587,678	\$ 7,599,037

NOTE 14. LEASE COMMITMENTS

Atlanta Habitat leases office space, vehicles, and various office equipment under non-cancelable operating leases with varying terms through September 2024. Rent expense under these leases was \$71,538 and \$50,260 for the years ended December 31, 2019 and 2018, respectively.

Minimum future rental payments under the non-cancelable operating leases having a remaining term in excess of one year as of December 31, 2019 are:

Year ending December 31,	
2020	116,659
2021	54,814
2022	30,119
2023	30,010
2024	21,604
Total minimum future rental payments	\$ 253,206

NOTE 15. ENDOWMENT

In 2015, Atlanta Habitat opened an investment account to establish a board designated endowment fund. The Board of Directors intent is to ensure future financial sustainability to Atlanta Habitat.

Return Objectives and Risk Parameters

Atlanta Habitat has adopted an investment policy for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the historic dollar value of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Finance Committee of the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of benchmark indexes of similar asset classes while assuming a moderate level of investment risk.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15. ENDOWMENT (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Atlanta Habitat relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Atlanta Habitat targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

The Endowment Net Asset Composition by type of Fund for the year ended December 31, 2019 are:

Endowment Net Asset Composition by Type of Fund			
as of December 31, 2019			
	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	\$ 1,857,300	\$ -	\$ 1,857,300

The Changes in Endowment Net Asset for the year ended December 31, 2019, are:

Changes in Endowment Net Asset for the Fiscal Year Ended			
December 31, 2019			
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 3,347,310	\$ -	\$ 3,347,310
Net appreciation (realized and unrealized gains)	614,443	-	614,443
Appropriation of endowment assets for expenditure	(2,104,453)		(2,104,453)
Endowment net assets, end of year	\$ 1,857,300	\$ -	\$ 1,857,300

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15. ENDOWMENT (Continued)

The Endowment Net Asset Composition by type of Fund for the year ended December 31, 2018 are:

	Endowment Net Asset Composition by Type of Fund as of December 31, 2018		
	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	\$ 3,347,310	\$ -	\$ 3,347,310

The Changes in Endowment Net Asset for the year ended December 31, 2018 are:

	Changes in Endowment Net Asset for the Fiscal Year Ended December 31, 2018		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 3,673,535	\$ -	\$ 3,673,535
Net depreciation (realized and unrealized losses)	(219,730)	-	(219,730)
Appropriation of endowment assets for expenditure	(106,495)	-	(106,495)
Endowment net assets, end of year	\$ 3,347,310	\$ -	\$ 3,347,310

NOTE 16. RETIREMENT SAVINGS PLAN

Atlanta Habitat provides a 403(b) retirement savings plan covering substantially all employees upon employment. Atlanta Habitat may contribute a discretionary matching contribution. Atlanta Habitat is matching 50% of employee contributions up to six percent of each eligible employee's total compensation for each pay period. For the years ended December 31, 2019 and 2018, the employer contributions to the plan were \$130,448 and \$98,763, respectively.

NOTE 17. CONTINGENCIES

Atlanta Habitat is involved in a number of legal actions relating to delinquent mortgages. It is the policy of Atlanta Habitat to foreclose or receive the residence by way of a deed in lieu of foreclosure. Atlanta Habitat does not anticipate any losses to be incurred from any of these legal actions.

NOTE 18. TITHE TO HABITAT INTERNATIONAL

Atlanta Habitat annually remits a portion of its revenues to Habitat International. These funds are used to construct homes in economically depressed areas around the world. Atlanta Habitat contributed \$91,000 and \$91,000 for the years ended December 31, 2019 and 2018, respectively. This amount is included in program services expense in the consolidated statements activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19. SUBSEQUENT EVENTS

Atlanta Habitat has evaluated subsequent events occurring through June 22, 2020, the date on which the consolidated financial statements were available to be issued.

In January 2020, the applicable notes receivable and notes payable associated with the 2012 new market tax credit transaction (see Note 8) matured. At maturity, the notes receivable and the accrued interest receivable of approximately \$12,750,000, as well as the note payable of \$12,750,000, were removed from the consolidated statement of financial position.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact the change in net assets. Other financial impacts could occur though the extent of potential impact is unknown at this time.

SUPPLEMENTARY INFORMATION

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2019

	<u>Atlanta Habitat</u>	<u>AHCC</u>	<u>Eliminations</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents				
Operating	\$ (92,181)	\$ 350,000	\$ -	\$ 257,819
Capital campaign and other restricted cash	1,006,684	557,790	-	1,564,474
Construction loan disbursement funds	8,841,746	-	-	8,841,746
Trustee reserve funds	452,077	-	-	452,077
Homeowners' escrow funds	2,363,684	-	-	2,363,684
Pledges and grants receivable	786,179	2,645,803	-	3,431,982
Note receivable	-	20,819,597	-	20,819,597
Accrued interest receivable	-	634,055	-	634,055
Investments	1,857,300	-	-	1,857,300
Intercompany accounts receivable	-	1,956,372	1,956,372	-
Land held for future construction, net	8,501,888	-	-	8,501,888
Construction in progress	758,430	-	-	758,430
Completed homes inventory	17,442,835	-	-	17,442,835
Building materials inventory	246,659	-	-	246,659
Non-interest bearing mortgage loans receivable, net of discounts of \$28,875,117	28,415,465	-	-	28,415,465
Fixed assets, net	13,092,015	97,577	-	13,189,592
Prepaid expenses	53,404	-	-	53,404
Total assets	\$ 83,726,185	\$ 27,061,194	\$ 1,956,372	\$ 108,831,007
<u>Liabilities and Net Assets</u>				
Liabilities:				
Accounts payable and other accrued expenses	\$ 743,551	\$ 6,071	\$ -	\$ 749,622
Intercompany accounts payable	1,956,372	-	1,956,372	-
Note payable, net of unamortized issuance costs	25,407,729	3,000,000	-	28,407,729
Homeowners' escrow accounts payable	2,363,684	-	-	2,363,684
Deferred revenue	136,095	-	-	136,095
Other liabilities	592,310	-	-	592,310
Total liabilities	31,199,741	3,006,071	1,956,372	32,249,440
Net assets:				
Without donor restrictions:				
Undesignated	49,167,486	20,851,530	-	70,019,016
Board designated	1,857,300	-	-	1,857,300
Total without donor restrictions	51,024,786	20,851,530	-	71,876,316
With donor restrictions	1,501,658	3,203,593	-	4,705,251
Total net assets	52,526,444	24,055,123	-	76,581,567
Total liabilities and net assets	\$ 83,726,185	\$ 27,061,194	\$ 1,956,372	\$ 108,831,007

See Note to Supplementary Information.

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2018

	Atlanta Habitat	AHCC	Eliminations	Total
<u>Assets</u>				
Cash and cash equivalents				
Operating	\$ 1,727,969	\$ -	\$ -	\$ 1,727,969
Capital campaign and other restricted cash	1,132,267	505,653	-	1,637,920
Construction loan disbursement funds	3,318	-	-	3,318
Homeowners' escrow funds	2,527,768	-	-	2,527,768
Pledges and grants receivable	1,117,868	3,356,993	-	4,474,861
Note receivable	-	11,306,243	-	11,306,243
Accrued interest receivable	-	583,954	-	583,954
Investments	3,347,310	-	-	3,347,310
Intercompany accounts receivable	-	2,431,223	2,431,223	-
Land held for future construction, net	8,071,783	-	-	8,071,783
Construction in progress	455,411	-	-	455,411
Completed homes inventory	16,204,456	-	-	16,204,456
Building materials inventory	223,947	-	-	223,947
Non-interest bearing mortgage loans receivable, net of discounts of \$28,662,764	28,153,028	-	-	28,153,028
Fixed assets, net	13,350,902	-	-	13,350,902
Prepaid expenses	166,975	-	-	166,975
	Total assets	\$ 18,184,066	\$ 2,431,223	\$ 92,235,845
<u>Liabilities and Net Assets</u>				
Liabilities:				
Accounts payable and other accrued expenses	\$ 749,941	\$ -	\$ -	\$ 749,941
Intercompany accounts payable	2,431,223	-	2,431,223	-
Note payable, net of unamortized issuance costs	12,720,477	-	-	12,720,477
Line of credit	1,900,000	-	-	1,900,000
Homeowners' escrow accounts payable	2,527,768	-	-	2,527,768
Deferred revenue	290,106	-	-	290,106
Other liabilities	517,984	-	-	517,984
	Total liabilities	-	2,431,223	18,706,276
Net assets:				
Without donor restrictions:				
Undesignated	49,943,634	14,321,420	-	64,265,054
Board designated	3,347,310	-	-	3,347,310
Total without donor restrictions	53,290,944	14,321,420	-	67,612,364
With donor restrictions	2,054,559	3,862,646	-	5,917,205
	Total net assets	18,184,066	-	73,529,569
	Total liabilities and net assets	\$ 18,184,066	\$ 2,431,223	\$ 92,235,845

See Note to Supplementary Information.

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2019

	Atlanta Habitat	AHCC	Eliminations	Total
REVENUES AND OTHER SUPPORT				
Home sales	\$ 5,556,589	\$ -	\$ -	\$ 5,556,589
Amortization of discounts on non-interest bearing mortgage loans receivable	2,755,656	-	-	2,755,656
Interest income	9,784	844,055	-	853,839
Unrealized gains on investments	614,443	-	-	614,443
Capital campaign contributions	-	4,302,588	-	4,302,588
Other contributions	7,932,077	2,856,298	4,609,718	6,178,657
Grant revenue	232,000	-	-	232,000
ReStore revenue	1,379,298	-	-	1,379,298
Gain on sale of land held for future construction	150,500	-	-	150,500
Other income and support	213,840	-	-	213,840
	18,844,187	8,002,941	4,609,718	22,237,410
EXPENSES				
Program services:				
Home construction	8,727,744	1,753,420	1,753,420	8,727,744
Repair and brush with kindness	1,540,228	-	-	1,540,228
ReStore	1,301,977	-	-	1,301,977
Family services and outreach	1,269,631	-	-	1,269,631
Mortgage services	3,384,143	-	-	3,384,143
	16,223,723	1,753,420	1,753,420	16,223,723
Supporting services:				
General and administrative	1,176,174	6,778	-	1,182,952
Fundraising	4,263,349	371,686	2,856,298	1,778,737
	5,439,523	378,464	2,856,298	2,961,689
Total expenses	21,663,246	2,131,884	4,609,718	19,185,412
Change in net assets	(2,819,059)	5,871,057	-	3,051,998
Net assets, beginning of year	55,345,503	18,184,066	-	73,529,569
Net assets, end of year	\$ 52,526,444	\$ 24,055,123	\$ -	\$ 76,581,567

See Note to Supplementary Information.

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2018

	Atlanta Habitat	AHCC	Eliminations	Total
REVENUES AND OTHER SUPPORT				
Home sales	\$ 5,152,189	\$ -	\$ -	\$ 5,152,189
Amortization of discounts on non-interest bearing mortgage loans receivable	2,571,621	-	-	2,571,621
Interest income	22,140	793,954	-	816,094
Unrealized (losses) on investments	(219,730)	-	-	(219,730)
Capital campaign contributions	-	6,747,875	-	6,747,875
Other contributions	7,828,878	-	1,200,000	6,628,878
Grant revenue	100,000	-	-	100,000
ReStore revenue	1,558,482	-	-	1,558,482
Gain on sale of land held for future construction	155,868	-	-	155,868
Other income and support	204,738	-	-	204,738
	<u>17,374,186</u>	<u>7,541,829</u>	<u>1,200,000</u>	<u>23,716,015</u>
Total revenues and other support				
EXPENSES				
Program services:				
Home construction	7,204,878	900,000	900,000	7,204,878
Repair and brush with kindness	946,761	300,000	300,000	946,761
ReStore	1,223,259	-	-	1,223,259
Family services and outreach	1,244,188	-	-	1,244,188
Mortgage services	2,949,161	-	-	2,949,161
	<u>13,568,247</u>	<u>1,200,000</u>	<u>1,200,000</u>	<u>13,568,247</u>
Total program services				
Supporting services:				
General and administrative	1,031,103	1,511	-	1,032,614
Fundraising	1,462,409	376,098	-	1,838,507
	<u>2,493,512</u>	<u>377,609</u>	<u>-</u>	<u>2,871,121</u>
Total supporting services				
Total expenses	<u>16,061,759</u>	<u>1,577,609</u>	<u>1,200,000</u>	<u>16,439,368</u>
Change in net assets	<u>1,312,427</u>	<u>5,964,220</u>	<u>-</u>	<u>7,276,647</u>
Net assets, beginning of year	<u>54,946,679</u>	<u>11,306,243</u>	<u>-</u>	<u>66,252,922</u>
Transfers	<u>(913,603)</u>	<u>913,603</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 55,345,503</u>	<u>\$ 18,184,066</u>	<u>\$ -</u>	<u>\$ 73,529,569</u>

See Note to Supplementary Information.

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY
NOTE TO SUPPLEMENTARY INFORMATION

NOTE 1. CONSOLIDATING FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018, Atlanta Habitat has presented the investments in subsidiary at cost on the consolidating financial statements.