



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

**CONSOLIDATED FINANCIAL REPORT**

**DECEMBER 31, 2021**

# HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

## CONSOLIDATED FINANCIAL REPORT DECEMBER 31, 2021

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## INDEPENDENT AUDITOR'S REPORT

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### Board of Directors

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

### Opinion

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, 2021 and 2020, 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.

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, 2021 and 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Consolidated Financial Statements

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

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

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

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

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

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

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

#### **Report on 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 27 through 31 is presented for purposes 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
May 31, 2022

**HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2021 AND 2020**

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Cash and cash equivalents		
Operating	\$ 163,282	\$ 451,930
Non-operating	2,361,423	1,428,465
Construction loan disbursement funds	861,932	4,926,691
Trustee reserve funds	347,143	408,393
Homeowners' escrow funds	2,885,024	2,746,988
Pledges and grants receivable	613,745	1,346,540
Notes receivable	8,929,400	8,929,400
Other note receivable, net of discount of \$116,564	563,436	-
Accrued interest receivable	24,422	24,422
Investments	2,235,837	2,041,624
Land held for future construction, net	9,991,956	9,115,586
Construction in progress	885,683	617,073
Completed homes inventory	16,127,596	20,619,660
Building materials inventory	225,840	250,693
Non-interest bearing mortgage loans receivable, net of discounts of \$28,093,470 and \$26,619,075 for 2021 and 2020, respectively	27,950,736	26,928,343
Fixed assets, net	17,123,139	16,560,941
Prepaid expenses	-	53,019
<b>Total assets</b>	<b>\$ 91,290,594</b>	<b>\$ 96,449,768</b>
 <b><u>Liabilities and Net Assets</u></b>  		
Liabilities:		
Accounts payable and other accrued expenses	\$ 1,490,428	\$ 1,186,451
Notes payable, net of unamortized debt issuance costs	12,660,000	13,324,236
Homeowners' escrow accounts payable	2,885,024	2,746,988
Excess checks over bank balance	191,900	-
Deferred revenue	410,664	543,956
Other liabilities	945,269	1,045,405
<b>Total liabilities</b>	<b>18,583,285</b>	<b>18,847,036</b>
Net assets:		
Without donor restrictions:		
Undesignated	67,737,482	73,222,689
Board designated	2,235,837	2,041,624
Total without donor restrictions	69,973,319	75,264,313
With donor restrictions	2,733,990	2,338,419
<b>Total net assets</b>	<b>72,707,309</b>	<b>77,602,732</b>
<b>Total liabilities and net assets</b>	<b>\$ 91,290,594</b>	<b>\$ 96,449,768</b>

**See Notes to Consolidated Financial Statements.**

**HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND OTHER SUPPORT</b>						
Home sales	\$ 7,814,812	\$ -	\$ 7,814,812	\$ 1,196,726	\$ -	\$ 1,196,726
Amortization of discounts on non-interest bearing mortgage loans receivable	2,495,486	-	2,495,486	2,745,490	-	2,745,490
Interest income	127,012	-	127,012	233,163	-	233,163
Unrealized gains on investments	194,213	-	194,213	184,324	-	184,324
Capital campaign contributions	-	-	-	-	590,107	590,107
Other contributions	2,290,272	2,592,291	4,882,563	2,223,144	2,277,152	4,500,296
Grant revenue	637,069	-	637,069	1,043,839	-	1,043,839
ReStore revenue	1,764,837	-	1,764,837	1,128,029	-	1,128,029
Loss on sale of land held for future construction	(87,412)	-	(87,412)	24,935	-	24,935
Other income and support	230,781	-	230,781	231,887	-	231,887
<b>Total</b>	<b>15,467,070</b>	<b>2,592,291</b>	<b>18,059,361</b>	<b>9,011,537</b>	<b>2,867,259</b>	<b>11,878,796</b>
Net assets released from restrictions	2,196,720	(2,196,720)	-	5,234,091	(5,234,091)	-
Total revenues and other support	17,663,790	395,571	18,059,361	14,245,628	(2,366,832)	11,878,796
<b>Expenses</b>						
<b>Program services:</b>						
Home construction	11,410,814	-	11,410,814	3,769,265	-	3,769,265
Repair and brush with kindness	1,341,146	-	1,341,146	1,048,193	-	1,048,193
ReStore	1,778,884	-	1,778,884	1,285,509	-	1,285,509
Family services and outreach	1,287,481	-	1,287,481	1,349,039	-	1,349,039
Mortgage services	4,557,366	-	4,557,366	918,194	-	918,194
Total program services	20,375,691	-	20,375,691	8,370,200	-	8,370,200
<b>Supporting services:</b>						
General and administrative	1,172,392	-	1,172,392	1,074,072	-	1,074,072
Fundraising	1,406,701	-	1,406,701	1,413,359	-	1,413,359
Total supporting services	2,579,093	-	2,579,093	2,487,431	-	2,487,431
Total expenses	22,954,784	-	22,954,784	10,857,631	-	10,857,631
<b>Change in net assets</b>	<b>(5,290,994)</b>	<b>395,571</b>	<b>(4,895,423)</b>	<b>3,387,997</b>	<b>(2,366,832)</b>	<b>1,021,165</b>
<b>Net assets, beginning of year</b>	<b>75,264,313</b>	<b>2,338,419</b>	<b>77,602,732</b>	<b>71,876,316</b>	<b>4,705,251</b>	<b>76,581,567</b>
<b>Net assets, end of year</b>	<b>\$ 69,973,319</b>	<b>\$ 2,733,990</b>	<b>\$ 72,707,309</b>	<b>\$ 75,264,313</b>	<b>\$ 2,338,419</b>	<b>\$ 77,602,732</b>

**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, 2021**

	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	\$ 1,893,319	\$ 222,706	\$ 1,161,213	\$ 1,112,289	\$ 368,699	\$ 4,758,226	\$ 692,731	\$ 1,055,585	\$ 6,506,542
Accounting fees	-	-	-	-	-	-	42,925	-	42,925
Legal fees	-	-	-	5,945	-	5,945	38,635	-	44,580
Professional fundraising services	-	-	-	-	-	-	-	70,987	70,987
Advertising and promotion	-	-	19,339	-	-	19,339	11,366	22,733	53,438
Information technology	47,686	8,483	24,248	33,934	16,967	131,318	54,024	96,089	281,431
Occupancy	77,152	17,903	118,065	17,903	17,903	248,926	11,937	17,903	278,766
Insurance	93,486	5,497	19,175	5,497	5,497	129,152	6,729	5,497	141,378
Vehicles expenses	107,635	1,242	59,093	-	-	167,970	-	-	167,970
Professional development	8,075	143	451	2,651	88	11,408	2,531	298	14,237
Travel and entertainment	1,597	19	215	37	19	1,887	7,975	1,309	11,171
Payments to affiliates	87,125	-	-	-	-	87,125	15,375	-	102,500
Depreciation & amortization	393,051	32,754	180,886	32,754	32,754	672,199	32,756	32,754	737,709
Interest	137,917	-	-	-	-	137,917	-	-	137,917
Construction & program services	7,941,178	1,039,097	-	2,800	10,176	8,993,251	-	28,252	9,021,503
Discount of home mortgages	-	-	-	-	4,086,445	4,086,445	-	-	4,086,445
Impairment losses	455,380	-	-	-	-	455,380	-	-	455,380
Office expenses	103,031	7,924	121,329	27,210	9,574	269,068	89,212	5,388	363,668
Bank fees	-	-	46,686	-	-	46,686	29,406	34,268	110,360
Other	64,182	5,378	28,184	46,461	9,244	153,449	136,790	35,638	325,877
<b>Total expenses</b>	<b>\$ 11,410,814</b>	<b>\$ 1,341,146</b>	<b>\$ 1,778,884</b>	<b>\$ 1,287,481</b>	<b>\$ 4,557,366</b>	<b>\$ 20,375,691</b>	<b>\$ 1,172,392</b>	<b>\$ 1,406,701</b>	<b>\$ 22,954,784</b>

**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, 2020**

	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	\$ 1,542,002	\$ 221,817	\$ 952,311	\$ 1,168,978	\$ 342,769	\$ 4,227,877	\$ 733,790	\$ 949,728	\$ 5,911,395
Accounting fees	-	-	-	-	-	-	38,400	-	38,400
Legal fees	-	-	-	3,498	-	3,498	-	-	3,498
Professional fundraising services	-	-	-	-	-	-	-	38,267	38,267
Advertising and promotion	-	-	15,122	-	-	15,122	13,213	26,424	54,759
Information technology	59,239	10,794	26,875	43,175	21,652	161,735	65,026	63,782	290,543
Occupancy	85,972	18,911	83,531	18,911	18,911	226,236	15,004	18,911	260,151
Insurance	88,073	3,912	26,966	3,912	3,912	126,775	6,650	3,912	137,337
Vehicles expenses	73,833	1,012	13,553	-	-	88,398	-	-	88,398
Professional development	6,979	514	1,360	2,415	413	11,681	12,725	536	24,942
Travel and entertainment	2,004	5	290	1,335	5	3,639	6,147	1,088	10,874
Payments to affiliates	11,475	-	-	-	-	11,475	2,025	-	13,500
Depreciation & amortization	416,652	34,532	103,595	34,532	34,532	623,843	34,531	34,532	692,906
Interest	206,088	-	-	-	-	206,088	-	-	206,088
Construction & program services	310,231	752,485	90	-	276	1,063,082	-	131,084	1,194,166
Discount of home mortgages	-	-	-	-	489,448	489,448	-	-	489,448
Impairment losses	908,917	-	-	-	-	908,917	-	-	908,917
Donor events	-	-	-	-	-	-	-	85,408	85,408
Office expenses	36,735	2,313	15,948	17,943	3,214	76,153	42,264	5,014	123,431
Bank fees	-	-	34,979	-	-	34,979	46,209	31,723	112,911
Other	21,065	1,898	10,889	54,340	3,062	91,254	58,088	22,950	172,292
<b>Total expenses</b>	<b>\$ 3,769,265</b>	<b>\$ 1,048,193</b>	<b>\$ 1,285,509</b>	<b>\$ 1,349,039</b>	<b>\$ 918,194</b>	<b>\$ 8,370,200</b>	<b>\$ 1,074,072</b>	<b>\$ 1,413,359</b>	<b>\$ 10,857,631</b>

**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, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from contributions, sponsorships, and grants	\$ 6,119,135	\$ 7,614,706
Cash received from the PPP grant	-	1,012,839
Cash received from ReStore sales	1,764,837	1,128,029
Interest received	142,685	842,796
Other miscellaneous cash receipts	230,781	231,887
Cash paid for home construction and repairs	(5,296,923)	(4,353,019)
Cash paid to employees in compensation and for employee benefits	(6,506,542)	(5,911,395)
Interest paid	(137,917)	(206,088)
Other miscellaneous cash payments made	(1,546,197)	(1,161,426)
Net cash used in operating activities	<u>(5,230,141)</u>	<u>(801,671)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of fixed assets	(1,299,905)	(4,061,984)
Proceeds from the sale of land held for future construction	211,039	128,217
Issuance of note receivable, net of discount	(547,763)	-
Accrued interest added to the principal portion of note receivable	-	(672,303)
Mortgage payments received	4,049,307	4,030,368
Proceeds from notes receivable	-	12,562,500
Net cash provided by investing activities	<u>2,412,678</u>	<u>11,986,798</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on line of credit	-	(182,004)
Proceeds from line of credit	-	182,004
Payments on notes payable	(664,236)	(15,085,764)
Net cash used in financing activities	<u>(664,236)</u>	<u>(15,085,764)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(3,481,699)</b>	<b>(3,900,637)</b>
Cash and cash equivalents, beginning of year	<u>7,215,479</u>	<u>11,116,116</u>
Cash and cash equivalents, end of year	<u>3,733,780</u>	<u>7,215,479</u>
Operating	163,282	451,930
Non-operating	2,361,423	1,428,465
Construction loan disbursement funds	861,932	4,926,691
Trustee reserve fund	347,143	408,393
Cash and cash equivalents, end of year	<u>\$ 3,733,780</u>	<u>\$ 7,215,479</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid (excluding capitalized interest)	<u>\$ 137,917</u>	<u>\$ 197,875</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, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH</b>		
<b>(USED IN) OPERATING ACTIVITIES</b>		
Change in net assets	\$ (4,895,423)	\$ 1,021,165
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	3,954,208	489,448
Amortization of discounts on non-interest bearing mortgage loans receivable	(2,479,813)	(2,745,490)
Issuances of non-interest bearing mortgage loans receivable	(6,686,095)	(818,673)
Repossession of takeback and foreclosed homes	140,000	531,469
Unrealized (gains) on investments	(194,213)	(184,324)
Loss (gain) on sale of land held for future construction	87,412	(24,935)
Impairment losses	455,380	908,917
Depreciation	737,707	690,635
Amortization of debt issuance costs	-	2,271
Amortization of discount on non-interest bearing note receivable	(15,673)	-
(Increase) decrease in assets:		
Pledges and grants receivable	732,795	2,085,442
Accrued interest receivable	-	609,633
Land held for future construction	(1,174,821)	(716,980)
Construction in progress	(268,610)	141,357
Completed homes inventory	4,036,684	(4,085,742)
Building materials inventory	24,853	(4,034)
Prepaid expenses	53,019	385
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	303,977	436,829
Excess checks over bank balance	191,900	
Deferred revenue	(133,292)	407,861
Other liabilities	(100,136)	453,095
	<u>(5,230,141)</u>	<u>(801,671)</u>
Net cash (used in) operating activities	\$ (5,230,141)	\$ (801,671)

# HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 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 1,600 houses, repairing and painting over 500 houses, and improving the quality of life for more than 7,300 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, 2021 and 2020, HFHI forwarded to Atlanta Habitat donations, cost reimbursements, and grants totaling \$220,629 and \$154,445, 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 consolidated 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, 2021 and 2020, board designated net assets was \$2,235,837 and \$2,041,624, 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, 2021 and 2020, 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 restricted has been fulfilled, or both.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 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

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### 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 donor 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, 2021 and 2020, 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 \$2,128,893 and \$2,173,308 at December 31, 2021 and 2020, 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

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### 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

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

#### Significant Accounting Policies (Continued)

#### Construction in Progress and Completed Homes Inventory (Continued)

For the year ended December 31, 2021, Atlanta Habitat recognized \$6,201 in other income from terminated pre-purchase agreements and support in the accompanying consolidated statement of activities. For the year ended December 31, 2020, Atlanta Habitat did not recognize any other income from terminated pre-purchase agreements.

#### 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 967 and 958 mortgages at December 31, 2021 and 2020, 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, 2021 and 2020, principal payments received on non-interest bearing mortgage loans receivable were \$4,049,307 and \$4,030,368, 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, 2021 and 2020, 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

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### 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, 2021 and 2020, Atlanta Habitat held \$2,885,024, and \$2,746,988, 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 \$216,230 and \$207,662 were recognized as contributed material and services for the years ended December 31, 2021 and 2020, 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, Atlanta Habitat uses various methods including market, income and cost approaches.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 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, 2021 and 2020, 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

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### 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.

### 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 statements of financial position as of December 31, 2021 and 2020, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 163,282	\$ 451,930
Pledges and grants receivable	-	125,325
Current portion of non-interest bearing mortgage loans receivable	<u>3,341,652</u>	<u>3,085,908</u>
	<u>\$ 3,504,934</u>	<u>\$ 3,663,163</u>

As of December 31, 2021 and 2020, Atlanta Habitat's endowment funds consist of funds designated by the Board as endowments. The board designated endowment of \$2,235,837 and \$2,041,624, respectively, is subject to expenditure at the discretion of the board. Although Atlanta Habitat does not intend to spend from this board designated endowment (other than amounts 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 \$6,306,894 and \$9,687,942 on deposit with several banks as of December 31, 2021 and 2020, respectively. Of this total, \$6,056,894 and \$9,437,942, 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, 2021 and 2020:

	2021	2020
Capital campaign pledges	\$ 207,105	\$ 845,825
Sponsor pledges	406,640	375,390
Other	-	125,325
Total grants and pledges receivables	\$ 613,745	\$ 1,346,540
Amount due in:		
Less than one year	\$ 573,745	\$ 1,216,540
One to three years	40,000	130,000
Total grants and pledges receivables	\$ 613,745	\$ 1,346,540

### NOTE 5. FIXED ASSETS

Fixed assets consisted of the following at December 31, 2021 and 2020:

	2021	2020
Headquarters and operating facility:		
Land	\$ 2,630,000	\$ 2,630,000
Buildings	10,547,897	10,547,897
Furniture and fixtures	775,430	770,164
Computers and software	754,278	635,341
Vehicles and construction equipment	889,953	855,987
Headquarters and operating facility total:	15,597,558	15,439,389
South Fulton headquarters and operating facility:		
Land	1,182,246	1,204,549
Buildings	5,294,059	-
Construction in progress	-	4,130,018
South Fulton headquarters and operating facility total:	6,476,305	5,334,567
Total	22,073,863	20,773,956
Less accumulated depreciation	4,950,724	4,213,015
Fixed assets, net	\$ 17,123,139	\$ 16,560,941

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 5. FIXED ASSETS (Continued)

Depreciation expense totaled \$737,709 and \$690,635 for the years ended December 31, 2021 and 2020, respectively.

There was no capitalized interest for the year ended December 31, 2021 and 2020.

### NOTE 6. NON-INTEREST BEARING MORTGAGE LOANS RECEIVABLE

There were non-interest bearing mortgage loans receivable on 967 and 958 homes at December 31, 2021 and 2020, respectively.

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

	2021	2020
Balance, beginning of year	\$ 26,928,343	\$ 28,415,465
New mortgages issued	<u>6,686,095</u>	<u>818,673</u>
	<b>33,614,438</b>	29,234,138
Current year payments received	(4,049,307)	(4,030,368)
Discounts on current year originations of non-interest bearing mortgage loans receivable	(3,954,208)	(489,448)
Amortization of discounts on non-interest bearing mortgage loans receivable	2,479,813	2,745,490
Repossession of take-back and foreclosed homes	<u>(140,000)</u>	<u>(531,469)</u>
	<u><b>\$ 27,950,736</b></u>	<u><b>\$ 26,928,343</b></u>

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

	2021	2020
Gross amounts due in:		
Less than one year	\$ 3,345,370	\$ 3,085,908
1 to 5 years	13,030,147	11,958,817
After 5 years	<u>39,668,689</u>	<u>38,502,693</u>
	<b>56,044,206</b>	53,547,418
Unamortized discount	<u>(28,093,470)</u>	<u>(26,619,075)</u>
Net amounts due	<u><b>\$ 27,950,736</b></u>	<u><b>\$ 26,928,343</b></u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 6. NON-INTEREST BEARING MORTGAGE LOANS RECEIVABLE (Continued)

During the years ended December 31, 2021 and 2020, 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, 2021 and 2020, assets totaling \$140,000 and \$531,469, respectively, were repossessed in satisfaction of mortgage loans receivable.

### 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, 2021:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 125,667	\$ -	\$ -	\$ 125,667
Equity securities	467,014	-	-	467,014
Mutual funds	1,643,156	-	-	1,643,156
Total investments at fair value	<u>\$ 2,235,837</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,235,837</u>

The following table sets forth by level, within the fair value hierarchy, Atlanta Habitat's investments at fair value as of December 31, 2020:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 87,774	\$ -	\$ -	\$ 87,774
Equity securities	594,629	-	-	594,629
Mutual funds	1,359,221	-	-	1,359,221
Total investments at fair value	<u>\$ 2,041,624</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,041,624</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.

#### 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### **NOTE 8. NEW MARKETS TAX CREDIT TRANSACTION (Continued)**

#### **2019 New Market Tax Credit (Continued)**

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). At that time, the remaining \$3,730,600 (which is representative of the difference between the note receivables and note payables) is scheduled to 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 2021, Atlanta Habitat renewed the revolving line of credit (Note 10).

### **NOTE 9. NOTES RECEIVABLE**

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 quarterly interest payments of \$31,646 due beginning in April 2020, and then transition to quarterly principal and interest payments of \$113,910 in April 2027 through maturity. Tranche A and B, including unpaid principal and interest, is due in full in January 2050.

At both December 31, 2021 and 2020, the outstanding principal balance of the notes receivable was \$8,929,400.

### **NOTE 10. LINE OF CREDIT**

In December 2021, Atlanta Habitat renewed a revolving line of credit, which allows maximum borrowings of \$1 million and matures in January 2022. Interest on outstanding borrowings was payable monthly beginning in January 2021 at the one month LIBOR Index plus 1.5% per annum (1.59% and 1.65% at December 31, 2021 and 2020, respectively). The line of credit 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 zero as of December 31, 2021 and 2020.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 11. NOTES PAYABLE

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 (1.84% and 1.90% at December 31, 2021 and 2020, respectively) 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.

The notes payable balances are as follows at December 31:

	2021	2020
2019 New Market Tax Credit Notes Payable (Note 8)	<b>\$ 12,660,000</b>	\$ 12,660,000
Bridge Loan Note Payable	-	664,236
	<b>\$ 12,660,000</b>	\$ 13,324,236

Scheduled principal payments of notes payable as of December 31, 2020 are as follows:

2022	\$ -
2023	-
2024	-
2025	-
2026	-
Thereafter	12,660,000
	<b>\$ 12,660,000</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 12. NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Net assets subject to expenditure for specified purpose:		
Future home build sponsorship program	\$ 1,536,150	\$ 847,094
Repairs with kindness	488,438	173,083
Capital campaign	524,910	1,229,210
Other	184,492	89,032
Total net assets with donor restrictions:	\$ 2,733,990	\$ 2,338,419

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

	2021	2020
Net assets subject to expenditure for specified purpose:		
Cash and cash equivalents	\$ 2,120,245	\$ 1,117,204
Pledges and grants receivable	613,745	1,221,215
Total net assets with donor restrictions:	\$ 2,733,990	\$ 2,338,419

### NOTE 13. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during 2021 and 2020 by incurring expenses satisfying the restricted purposes specified by donors as follows:

	2021	2020
Future home build sponsorship program	\$ 1,177,235	\$ 2,233,339
Repairs with kindness	284,645	402,604
Capital campaign	704,300	2,564,490
Other	30,540	33,658
Net assets released from restrictions	\$ 2,196,720	\$ 5,234,091



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 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 \$62,538 and \$120,520 for the years ended December 31, 2021 and 2020, respectively.

Minimum future rental payments under the non-cancelable operating leases having a remaining term in excess of one year as of December 31, 2021 are:

Year ending December 31,	
2022	\$ 30,119
2023	30,010
2024	<u>21,604</u>
Total minimum future rental payments	<u>\$ 81,733</u>

### 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.

#### **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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 15. ENDOWMENT (Continued)

The Endowment Net Asset Composition by Type of Fund for the year ended December 31, 2021 are:

#### Endowment Net Asset Composition by Type of Fund as of December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	<u>\$ 2,235,837</u>	<u>\$ -</u>	<u>\$ 2,235,837</u>

The Changes in Endowment Net Assets for the year ended December 31, 2021, are:

#### Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 2,041,624</u>	<u>\$ -</u>	<u>\$ 2,041,624</u>
Net appreciation (realized and unrealized gains)	<u>194,213</u>	<u>-</u>	<u>194,213</u>
Endowment net assets, end of year	<u>\$ 2,235,837</u>	<u>\$ -</u>	<u>\$ 2,235,837</u>

The Endowment Net Asset Composition by Type of Fund for the year ended December 31, 2020 are:

#### Endowment Net Asset Composition by Type of Fund as of December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	<u>\$ 2,041,624</u>	<u>\$ -</u>	<u>\$ 2,041,624</u>

The Changes in Endowment Net Assets for the year ended December 31, 2020 are:

#### Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 1,857,300</u>	<u>\$ -</u>	<u>\$ 1,857,300</u>
Net appreciation (realized and unrealized gains)	<u>184,324</u>	<u>-</u>	<u>184,324</u>
Endowment net assets, end of year	<u>\$ 2,041,624</u>	<u>\$ -</u>	<u>\$ 2,041,624</u>

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **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, 2021 and 2020, the employer contributions to the plan were \$98,343 and \$90,965, 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 \$95,000 and \$7,500 for the years ended December 31, 2021 and 2020, respectively. This amount is included in program services expense in the consolidated statements of activities.

### **NOTE 19. PAYCHECK PROTECTION PROGRAM**

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act commonly referred to as the CARES Act. One component of the CARES Act was the Paycheck Protection Program ("PPP") which provides small businesses with the resources needed to maintain their payroll and cover applicable overhead. The PPP is implemented by the Small Business Administration ("SBA") with support from the Department of Treasury. The PPP provides funds to pay up to 24 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities. The Organization applied for and was accepted to participate in this program. On April 17, 2020, the Organization received funding for \$1,012,839.

The Organization has elected to follow FASB's contribution and grant guidance to record the PPP loan as a conditional grant. Under this guidance, revenue for conditional grants is recognized when conditions are substantially met. The Organization recognized the entire amount as grant revenue in the accompanying consolidated statements of activities during the year ended December 31, 2020. In February 2021, the Organization received notification that the SBA had approved the forgiveness of the PPP loan in full.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### **NOTE 20. EFFECTS OF COVID-19 CORONAVIRUS**

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

### **NOTE 21. SUBSEQUENT EVENTS**

Atlanta Habitat has evaluated subsequent events occurring through May 31, 2022, the date on which the consolidated financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

**HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2021**

<u>Assets</u>	Atlanta Habitat	AHCC	Less Eliminations	Total
Cash and cash equivalents				
Operating	\$ -	\$ 163,282	\$ -	\$ 163,282
Capital campaign and other restricted cash	2,043,618	317,805	-	2,361,423
Construction loan disbursement funds	861,932	-	-	861,932
Trustee reserve funds	347,143	-	-	347,143
Homeowners' escrow funds	2,885,024	-	-	2,885,024
Pledges and grants receivable	406,640	207,105	-	613,745
Notes receivable	-	8,929,400	-	8,929,400
Other note receivable, net of discount of \$116,564	563,436	-	-	563,436
Accrued interest receivable	-	24,422	-	24,422
Investments	2,235,837	-	-	2,235,837
Intercompany accounts receivable	-	1,500	1,500	-
Land held for future construction, net	9,991,956	-	-	9,991,956
Construction in progress	885,683	-	-	885,683
Completed homes inventory	16,127,596	-	-	16,127,596
Building materials inventory	225,840	-	-	225,840
Non-interest bearing mortgage loans receivable, net of discounts of \$28,093,470	27,950,736	-	-	27,950,736
Fixed assets, net	17,025,562	97,577	-	17,123,139
Prepaid expenses	-	-	-	-
<b>Total assets</b>	<b>\$ 81,551,003</b>	<b>\$ 9,741,091</b>	<b>\$ 1,500</b>	<b>\$ 91,290,594</b>
<b><u>Liabilities and Net Assets</u></b>				
Liabilities:				
Accounts payable and other accrued expenses	\$ 1,490,428	\$ -	\$ -	\$ 1,490,428
Intercompany accounts payable	1,500	-	1,500	-
Notes payable	12,660,000	-	-	12,660,000
Homeowners' escrow accounts payable	2,885,024	-	-	2,885,024
Excess checks over bank balance	191,900	-	-	191,900
Deferred revenue	410,664	-	-	410,664
Other liabilities	945,269	-	-	945,269
<b>Total liabilities</b>	<b>18,584,785</b>	<b>-</b>	<b>1,500</b>	<b>18,583,285</b>
Net assets:				
Without donor restrictions:				
Undesignated	58,521,301	9,216,181	-	67,737,482
Board designated	2,235,837	-	-	2,235,837
Total without donor restrictions	60,757,138	9,216,181	-	69,973,319
With donor restrictions	2,209,080	524,910	-	2,733,990
<b>Total net assets</b>	<b>62,966,218</b>	<b>9,741,091</b>	<b>-</b>	<b>72,707,309</b>
<b>Total liabilities and net assets</b>	<b>\$ 81,551,003</b>	<b>\$ 9,741,091</b>	<b>\$ 1,500</b>	<b>\$ 91,290,594</b>

**See Note to Supplementary Information.**

**HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2020**

	<u>Atlanta Habitat</u>	<u>AHCC</u>	<u>Less Eliminations</u>	<u>Total</u>
<b><u>Assets</u></b>				
Cash and cash equivalents				
Operating	\$ 331,960	\$ 119,970	\$ -	\$ 451,930
Capital campaign and other restricted cash	1,045,080	383,385	-	1,428,465
Construction loan disbursement funds	4,926,691	-	-	4,926,691
Trustee reserve funds	408,393	-	-	408,393
Homeowners' escrow funds	2,746,988	-	-	2,746,988
Pledges and grants receivable	500,715	845,825	-	1,346,540
Notes receivable	-	8,929,400	-	8,929,400
Accrued interest receivable	-	24,422	-	24,422
Investments	2,041,624	-	-	2,041,624
Intercompany accounts receivable	-	2,495,374	2,495,374	-
Land held for future construction, net	9,115,586	-	-	9,115,586
Construction in progress	617,073	-	-	617,073
Completed homes inventory	20,619,660	-	-	20,619,660
Building materials inventory	250,693	-	-	250,693
Non-interest bearing mortgage loans receivable, net of discounts of \$26,619,075	26,928,343	-	-	26,928,343
Fixed assets, net	16,463,364	97,577	-	16,560,941
Prepaid expenses	53,019	-	-	53,019
<b>Total assets</b>	<b>\$ 86,049,189</b>	<b>\$ 12,895,953</b>	<b>\$ 2,495,374</b>	<b>\$ 96,449,768</b>
<b><u>Liabilities and Net Assets</u></b>				
Liabilities:				
Accounts payable and other accrued expenses	\$ 1,186,451	\$ -	\$ -	\$ 1,186,451
Intercompany accounts payable	2,495,374	-	2,495,374	-
Notes payable	12,660,000	664,236	-	13,324,236
Homeowners' escrow accounts payable	2,746,988	-	-	2,746,988
Deferred revenue	543,956	-	-	543,956
Other liabilities	1,045,405	-	-	1,045,405
<b>Total liabilities</b>	<b>20,678,174</b>	<b>664,236</b>	<b>2,495,374</b>	<b>18,847,036</b>
Net assets:				
Without donor restrictions:				
Undesignated	62,220,182	11,002,507	-	73,222,689
Board designated	2,041,624	-	-	2,041,624
Total without donor restrictions	64,261,806	11,002,507	-	75,264,313
With donor restrictions	1,109,209	1,229,210	-	2,338,419
<b>Total net assets</b>	<b>65,371,015</b>	<b>12,231,717</b>	<b>-</b>	<b>77,602,732</b>
<b>Total liabilities and net assets</b>	<b>\$ 86,049,189</b>	<b>\$ 12,895,953</b>	<b>\$ 2,495,374</b>	<b>\$ 96,449,768</b>

**See Note to Supplementary Information.**

**HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Atlanta Habitat</u>	<u>AHCC</u>	<u>Eliminations</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT</b>				
Home sales	\$ 7,814,812	\$ -	\$ -	\$ 7,814,812
Amortization of discounts on non-interest bearing mortgage loans receivable	2,495,486	-	-	2,495,486
Interest income	429	126,583	-	127,012
Unrealized gains on investments	194,213	-	-	194,213
Other contributions	7,446,493	-	2,563,930	4,882,563
Grant revenue	637,069	-	-	637,069
ReStore revenue	1,764,837	-	-	1,764,837
Loss on sale of land held for future construction	(87,412)	-	-	(87,412)
Other income and support	230,781	-	-	230,781
	<u>20,496,708</u>	<u>126,583</u>	<u>2,563,930</u>	<u>18,059,361</u>
Total revenues and other support				
<b>EXPENSES</b>				
<b>Program services:</b>				
Home construction	11,407,135	3,679	-	11,410,814
Repair and brush with kindness	1,341,146	-	-	1,341,146
ReStore	1,778,884	-	-	1,778,884
Family services and outreach	1,287,481	-	-	1,287,481
Mortgage services	4,557,366	-	-	4,557,366
	<u>20,372,012</u>	<u>3,679</u>	<u>-</u>	<u>20,375,691</u>
Total program services				
<b>Supporting services:</b>				
General and administrative	1,171,040	2,565,282	2,563,930	1,172,392
Fundraising	1,358,453	48,248	-	1,406,701
	<u>2,529,493</u>	<u>2,613,530</u>	<u>2,563,930</u>	<u>2,579,093</u>
Total supporting services				
Total expenses	<u>22,901,505</u>	<u>2,617,209</u>	<u>2,563,930</u>	<u>22,954,784</u>
<b>Change in net assets</b>	<u>(2,404,797)</u>	<u>(2,490,626)</u>	<u>-</u>	<u>(4,895,423)</u>
<b>Net assets, beginning of year</b>	<u>65,371,015</u>	<u>12,231,717</u>	<u>-</u>	<u>77,602,732</u>
<b>Net assets, end of year</b>	<u>\$ 62,966,218</u>	<u>\$ 9,741,091</u>	<u>\$ -</u>	<u>\$ 72,707,309</u>

**See Note to Supplementary Information.**



**HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Atlanta Habitat</u>	<u>AHCC</u>	<u>Eliminations</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT</b>				
Home sales	\$ 1,196,726	\$ -	\$ -	\$ 1,196,726
Amortization of discounts on non-interest bearing mortgage loans receivable	2,745,490	-	-	2,745,490
Interest income	4,739	228,424	-	233,163
Unrealized gains on investments	184,324	-	-	184,324
Capital campaign contributions	-	590,107	-	590,107
Other contributions	17,091,932	-	12,591,636	4,500,296
Grant revenue	1,043,839	-	-	1,043,839
ReStore revenue	1,128,029	-	-	1,128,029
Gain on sale of land held for future construction	24,935	-	-	24,935
Other income and support	231,887	-	-	231,887
	<u>23,651,901</u>	<u>818,531</u>	<u>12,591,636</u>	<u>11,878,796</u>
Total revenues and other support				
<b>EXPENSES</b>				
<b>Program services:</b>				
Home construction	3,732,129	37,136	-	3,769,265
Repair and brush with kindness	1,048,193	-	-	1,048,193
ReStore	1,285,509	-	-	1,285,509
Family services and outreach	1,349,039	-	-	1,349,039
Mortgage services	918,194	-	-	918,194
	<u>8,333,064</u>	<u>37,136</u>	<u>-</u>	<u>8,370,200</u>
Total program services				
<b>Supporting services:</b>				
General and administrative	1,072,802	12,592,906	12,591,636	1,074,072
Fundraising	1,401,464	11,895	-	1,413,359
	<u>2,474,266</u>	<u>12,604,801</u>	<u>12,591,636</u>	<u>2,487,431</u>
Total supporting services				
Total expenses	<u>10,807,330</u>	<u>12,641,937</u>	<u>12,591,636</u>	<u>10,857,631</u>
<b>Change in net assets</b>	<u>12,844,571</u>	<u>(11,823,406)</u>	<u>-</u>	<u>1,021,165</u>
<b>Net assets, beginning of year</b>	<u>52,526,444</u>	<u>24,055,123</u>	<u>-</u>	<u>76,581,567</u>
<b>Net assets, end of year</b>	<u>\$ 65,371,015</u>	<u>\$ 12,231,717</u>	<u>\$ -</u>	<u>\$ 77,602,732</u>

**See Note to Supplementary Information.**

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

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**NOTE 1. CONSOLIDATING FINANCIAL STATEMENTS**

For the years ended December 31, 2021 and 2020, Atlanta Habitat has presented the investments in subsidiary at cost on the consolidating financial statements.