HABITAT FOR HUMANITY IN
ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2017

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MAULDIN & JENKINS

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, 2017 and 2016, and the related consolidated statements of activities and changes in net assets 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, 2017 and 2016, 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.

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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 23 through 26 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
July 10, 2018

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

Assets	**2017**	2016
Cash and cash equivalents		
Operating	**$ 152,235**	$ 1,004,101
Non-operating	**751,008**	1,515,426
Construction loan disbursement funds	**3,508**	3,714
Homeowners' escrow funds	**2,735,615**	2,816,187
Pledges and grants receivable	**1,456,110**	573,549
Note receivable	**10,768,432**	10,273,117
Accrued interest receivable	**537,811**	495,315
Investments	**3,673,535**	3,169,302
Land held for future construction, net	**8,197,276**	8,068,672
Construction in progress	**647,700**	405,872
Completed homes inventory	**13,953,036**	12,713,352
Building materials inventory	**233,475**	213,234
Non-interest bearing mortgage loans receivable, net of discounts of $28,679,264 and $28,561,290 for 2017 and 2016, respectively	**27,884,636**	27,546,333
Fixed assets, net	**13,532,170**	12,787,533
Prepaid expenses	**118,962**	101,054
Total assets	**$ 84,645,509**	$ 81,686,761

Liabilities and Net Assets	**2017**	2016
Liabilities:		
Accounts payable and other accrued expenses	**$ 248,492**	$ 419,108
Note payable, net of unamortized issuance costs	**12,693,225**	12,665,973
Line of credit	**1,900,000**	900,000
Homeowners' escrow accounts payable	**2,735,615**	2,816,187
Deferred revenue	**371,876**	-
Other liabilities	**443,379**	323,149
Total liabilities	**18,392,587**	17,124,417
Net assets:		
Unrestricted:		
Undesignated	**60,539,296**	60,094,419
Board designated	**3,673,535**	3,169,302
	64,212,831	63,263,721
Temporarily restricted	**2,040,091**	1,298,623
Total net assets	**66,252,922**	64,562,344
Total liabilities and net assets	**$ 84,645,509**	$ 81,686,761

See Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			2016		
	Unrestricted	**Temporarily Restricted**	**Total**	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT						
Home sales	**$ 4,877,795**	**$ -**	**$ 4,877,795**	$ 4,201,312	$ -	$ 4,201,312
Amortization of discounts on non-interest bearing mortgage loans receivable	**2,471,801**	**-**	**2,471,801**	2,313,051	-	2,313,051
Interest income	**761,187**	**-**	**761,187**	699,325	-	699,325
Unrealized gains on investments	**503,838**	**-**	**503,838**	210,134	-	210,134
Capital campaign contributions	**-**	**619,150**	**619,150**	-	-	-
Other contributions	**1,267,223**	**4,580,755**	**5,847,978**	1,854,152	3,996,175	5,850,327
Grant revenue	**670,000**	**-**	**670,000**	220,000	-	220,000
ReStore revenue	**1,618,189**	**-**	**1,618,189**	1,501,382	-	1,501,382
(Loss) on sale of land held for future construction	**(25,594)**	**-**	**(25,594)**	(432,026)	-	(432,026)
Other income and support	**176,976**	**-**	**176,976**	85,906	-	85,906
Total	**12,321,415**	**5,199,905**	**17,521,320**	10,653,236	3,996,175	14,649,411
Net assets released from restrictions	**4,458,437**	**(4,458,437)**	**-**	4,303,355	(4,303,355)	-
Total revenues and other support	**16,779,852**	**741,468**	**17,521,320**	14,956,591	(307,180)	14,649,411
Expenses						
Program services:						
Home construction and support services	**9,234,974**	**-**	**9,234,974**	7,222,832	-	7,222,832
Discounts on current year originations of non-interest bearing mortgage loans	**2,603,308**	**-**	**2,603,308**	2,231,333	-	2,231,333
ReStore expenses	**828,559**	**-**	**828,559**	759,333	-	759,333
Property valuation adjustment	**284,375**	**-**	**284,375**	651,051	-	651,051
Neighborhood expense	**133,151**	**-**	**133,151**	-	-	-
Total program services	**13,084,367**	**-**	**13,084,367**	10,864,549	-	10,864,549
Supporting services:						
Management and general	**1,494,327**	**-**	**1,494,327**	1,120,236	-	1,120,236
Fundraising	**1,252,048**	**-**	**1,252,048**	1,093,324	-	1,093,324
Total supporting services	**2,746,375**	**-**	**2,746,375**	2,213,560	-	2,213,560
Total expenses	**15,830,742**	**-**	**15,830,742**	13,078,109	-	13,078,109
Change in net assets	**949,110**	**741,468**	**1,690,578**	1,878,482	(307,180)	1,571,302
Net assets, beginning of year	**63,263,721**	**1,298,623**	**64,562,344**	61,385,239	1,605,803	62,991,042
Net assets, end of year	**$ 64,212,831**	**$ 2,040,091**	**$ 66,252,922**	$ 63,263,721	$ 1,298,623	$ 64,562,344

See Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 1,690,578	$ 1,571,302
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	2,603,308	2,231,333
Amortization of discounts on non-interest bearing mortgage loans receivable	(2,471,801)	(2,313,051)
Issuances of non-interest bearing mortgage loans receivable	(4,278,133)	(3,707,774)
Repossession of takeback and foreclosed homes	292,586	313,665
Unrealized (gain) on investments	(503,838)	(210,134)
Loss on disposal of fixed assets	-	4,190
Loss of sale of land held for future construction	25,594	432,026
Depreciation	599,018	575,450
Amortization	27,252	27,252
(Increase) decrease in assets:		
Pledges and grants receivable	(882,561)	484,534
Accrued interest receivable	(42,496)	(18,786)
Land held for future construction	(370,660)	(1,219,829)
Construction in progress	(241,828)	(1,381)
Completed homes inventory	(1,239,684)	(2,110,368)
Building materials inventory	(20,241)	(118)
Prepaid expenses	(17,908)	(52,414)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	(170,616)	10,412
Deferred revenue	371,876	-
Other liabilities	120,230	99,173
Net cash (used in) operating activities	(4,509,324)	(3,884,518)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(1,343,655)	(156,155)
Proceeds from the sale of land held for future construction	216,462	256,338
Accrued interest added to the principal portion of note receivable	(495,315)	(456,176)
Mortgage payments received	3,515,737	3,032,814
Purchases of investments, net	(395)	-
Net cash provided by investing activities	1,892,834	2,676,821
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	1,000,000	900,000
Net cash provided by financing activities	1,000,000	900,000
Net decrease in cash and cash equivalents	(1,616,490)	(307,697)
Cash and cash equivalents, beginning of year	2,523,241	2,830,938
Cash and cash equivalents, end of year	906,751	2,523,241
Operating	152,235	1,004,101
Non-operating	751,008	1,515,426
Construction loan disbursement funds	3,508	3,714
Cash and cash equivalents, end of year	$ 906,751	$ 2,523,241
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	$ 253,181	$ 241,800

See 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 75 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, 2017 and 2016, HFHI forwarded to Atlanta Habitat donations, cost reimbursements, and grants totaling $530,583 and $481,107, 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 three categories of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are not restricted by donors or the 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 unrestricted, but are designated by the Board of Directors to be used for specific purposes.

Temporarily restricted net assets are those net assets subject to donor-imposed restrictions that permit Atlanta Habitat to use or expend the donated assets as specified and are satisfied either by the passage of time and/or by actions of Atlanta Habitat. Atlanta Habitat's policy is to record temporarily restricted contributions received and expended in the same period as unrestricted contributions.

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

Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Permanently restricted net assets are those net assets subject to donor-imposed restrictions that stipulate resources be maintained permanently, but permit Atlanta Habitat to use or expend part or all of the income derived from the donated assets for specified or unspecified purposes. Atlanta Habitat had no permanently restricted net assets at December 31, 2017 and 2016.

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.

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

Significant Accounting Policies (Continued)

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.

Cash and cash equivalents included $375,000 of variable rate demand bonds at December 31, 2016. Interest rates on these bonds are re-priced weekly, and the principal amounts of the bonds are backed by a bank letter of credit. Atlanta Habitat may sell the bonds at par value to the bank with seven days advance notice; therefore, the bonds are considered to be cash equivalents. During 2017, the variable rate demand bonds were sold.

Investments

In 2015, Atlanta Habitat established an investment account for its board designated endowment fund (Note 13). 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 temporarily restricted net assets 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 unrestricted or restricted net assets, based on the donor's intent. When the assets are used for their intended purposes, the applicable amount is transferred to unrestricted net assets. Unrestricted contributions 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, 2017 and 2016, Atlanta Habitat considers all amounts collectible.

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

Significant Accounting Policies (Continued)

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 $2,518,377 and $2,641,527 at December 31, 2017 and 2016, respectively. The valuation allowance offsets land costs in excess of the amount management estimates will be recovered once the home is eventually sold. 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 the actual amount for the land transferred from land inventory to the construction account and direct home construction costs, unless it is determined to be impaired. In that case, the impaired construction in progress is written down to fair value. Construction overhead is expensed as incurred. Homes completed pending closing are classified as completed homes inventory until delivered. Atlanta Habitat reviews construction in progress for impairment during each reporting period on a lot-by-lot basis. Generally accepted accounting principles 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.

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

Significant Accounting Policies (Continued)

Construction in Progress and Completed Homes Inventory (Continued)

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 and changes in net assets 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. For the years ended December 31, 2017 and 2016, Atlanta Habitat recognized $7,041 and $10,432 in other income from terminated pre-purchase agreements, 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 994 and 982 mortgages at December 31, 2017 and 2016, 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, 2017 and 2016, principal payments received on non-interest bearing mortgage loans receivable were $3,515,737 and $3,302,814, respectively.

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

Significant Accounting Policies (Continued)

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, 2017 and 2016, 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.

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, 2017 and 2016, Atlanta Habitat held $2,735,615, and $2,816,187, 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.

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

Significant Accounting Policies (Continued)

Donated Materials and Services (Continued)

Donated materials and professional services in the amount of $563,468 and $481,108 were recognized as contributed material and services for the years ended December 31, 2017 and 2016, respectively.

No amounts have been reflected in the consolidated statements of activities and changes in net assets 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.

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.

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

Significant Accounting Policies (Continued)

Fair Value of Financial Instruments (Continued)

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, 2017 and 2016, 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.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

NOTE 2. CONCENTRATION OF CREDIT RISK

Atlanta Habitat had a total of $4,007,199 and $5,338,616 on deposit with several banks as of December 31, 2017 and 2016, respectively. Of this total, $3,546,573 and $4,878,131, 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 3. PLEDGES AND GRANTS RECEIVABLES

Pledges and grants receivables are summarized as follows:

	2017	2016
Capital campaign pledges	**$ 540,413**	$ -
Sponsor pledges	**748,669**	228,447
Grants	**-**	275,000
Other	**167,028**	70,102
Total grants and pledges receivables	**$ 1,456,110**	$ 573,549
Amount due in:		
Less than one year	**$ 1,173,337**	$ 573,549
One to three years	**282,773**	-
Total grants and pledges receivables	**$ 1,456,110**	$ 573,549

The Community Foundation of Greater Atlanta, Inc. (“Community Foundation”) holds a donor-established advised fund (“Fund”) that was established in 2015 for the benefit of Atlanta Habitat. Under the terms of the agreement establishing the Fund, $2,000,000, paid in equal installments over ten years, is to be made available to Atlanta Habitat to support its general operations. The agreement granted variance power to the Community Foundation. Thus, the Fund is owned by the Community Foundation, and the Community Foundation has final authority and control over the disposition of the assets and earnings of the Fund.

NOTE 4. FIXED ASSETS

Fixed assets consisted of the following at December 31, 2017 and 2016:

	2017	2016
Headquarters and operating facility:		
Land	**$ 3,639,463**	$ 2,630,000
Headquarters and operating facility:		
Buildings	**10,380,543**	10,333,192
Furniture and fixtures	**713,007**	699,939
Computers and software	**279,940**	174,641
Vehicles and construction equipment	**708,476**	540,003
Total	**15,721,429**	14,377,775
Less accumulated depreciation	**2,189,259**	1,590,242
Fixed assets, net	**$ 13,532,170**	$ 12,787,533

Depreciation expense totaled $599,018 and $575,450 for the years ended December 31, 2017 and 2016, respectively.

NOTE 5. NON-INTEREST BEARING MORTGAGE LOANS RECEIVABLE

There were non-interest bearing mortgage loans receivable on 994 and 982 homes at December 31, 2017 and 2016, respectively.

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

	2017	2016
Balance, beginning of year	**$ 27,546,333**	$ 27,103,320
New mortgages issued	**4,278,133**	3,707,774
	31,824,466	30,811,094
Current year payments received	**(3,515,737)**	(3,032,814)
Discounts on current year originations of non-interest bearing mortgage loans receivable	**(2,603,308)**	(2,231,333)
Amortization of discounts on non-interest bearing mortgage loans receivable	**2,471,801**	2,313,051
Repossession of take-back and foreclosed homes	**(292,586)**	(313,665)
	$ 27,884,636	$ 27,546,333

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

	2017	2016
Gross amounts due in:		
Less than one year	**$ 3,218,071**	$ 3,144,651
1 to 5 years	**12,596,208**	12,390,248
After 5 years	**40,749,621**	40,572,724
	56,563,900	56,107,623
Unamortized discount	**(28,679,264)**	(28,561,290)
Net amounts due	**$ 27,884,636**	$ 27,546,333

During the years ended December 31, 2017 and 2016, 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, 2017 and 2016, assets totaling $292,586 and $313,665, respectively, were repossessed in satisfaction of mortgage loans receivable.

NOTE 6. 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, 2017:

	Level 1	Level 2	Level 3	Total
Money market funds	**$ 85,506**	**$ -**	**$ -**	**$ 85,506**
Mutual funds	**1,491,139**	**-**	**-**	**1,491,139**
Equity securities	**2,096,890**	**-**	**-**	**2,096,890**
Total investments at fair value	**$ 3,673,535**	**$ -**	**$ -**	**$ 3,673,535**

The following table sets forth by level, within the fair value hierarchy, Atlanta Habitat's investments at fair value as of December 31, 2016:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 54,727	$ -	$ -	$ 54,727
Mutual funds	1,319,819	-	-	1,319,819
Equity securities	1,794,756	-	-	1,794,756
Total investments at fair value	$ 3,169,302	$ -	$ -	$ 3,169,302

NOTE 7. 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.

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 8) 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.

Also, Atlanta Habitat repaid its existing line of credit with proceeds from a long-term note payable to the CDE totaling $12,750,000 (Note 10). In 2017, Atlanta Habitat renewed the revolving line of credit (Note 9).

NOTE 8. NOTE RECEIVABLE

As discussed in Note 7, on December 21, 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 on January 21, 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 on January 21, 2020. At December 31, 2017 and 2016, the outstanding principal balance of the note receivable was $10,768,432 and $10,273,117, respectively.

NOTE 9. LINES OF CREDIT

As discussed in Note 7, on December 21, 2012, Atlanta Habitat obtained a bank revolving line of credit which allowed maximum borrowings of $3 million and matured on November 21, 2015. Interest on outstanding borrowings is payable monthly beginning February 2013 at the one month LIBOR Index plus 2.125% per annum. The line of credit is secured by the property at 824 Memorial Drive in Atlanta, Georgia and assignment of capital campaign pledges receivable.

In December 2016, Atlanta Habitat reopened the bank revolving line of credit, which allows maximum borrowings of $3 million and matures on December 27, 2017. Interest on outstanding borrowings is payable monthly beginning in January 2019 at the one month LIBOR Index plus 2% per annum. The line of credit is 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 $900,000 as of December 31, 2016.

In December 2017, Atlanta Habitat renewed the bank revolving line of credit, which allows maximum borrowings of $3 million and matures on December 19, 2018. Interest on outstanding borrowings is payable monthly beginning in January 2019 at the one month LIBOR Index plus 2% per annum. The line of credit is 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, 2017.

NOTE 10. NOTE PAYABLE

As discussed in Note 7, on December 21, 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 on January 21, 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.

NOTE 10. NOTE PAYABLE (Continued)

The note payable balance is as follows at December 31:

	2017	2016
Outstanding note payable principal balance	**$ 12,750,000**	$ 12,750,000
Unamortized debt issuance costs	**(56,775)**	(84,027)
	$ 12,693,225	$ 12,665,973

NOTE 11. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes as of December 31:

	2017	2016
Future home build sponsorship program	**$ 1,209,712**	$ 806,203
Repairs with kindness	**155,004**	399,175
Faith and community partnership program	**-**	48,973
Capital campaign	**619,150**	-
Other	**56,225**	44,272
Temporarily restricted net assets	**$ 2,040,091**	$ 1,298,623

Temporarily restricted net assets consist of the following as of December 31:

	2017	2016
Cash and cash equivalents	**$ 751,008**	$ 1,070,176
Pledges and grants receivable	**1,289,083**	228,447
Temporarily restricted net assets	**$ 2,040,091**	$ 1,298,623

NOTE 12. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during 2017 and 2016 by incurring expenses satisfying the restricted purposes specified by donors as follows:

	2017	2016
Future home build sponsorship program	**$ 3,556,579**	$ 3,734,553
Repairs with kindness	**712,838**	200,975
Faith and community partnership program	**54,973**	154,161
Capital campaign	**-**	117,994
Other	**134,047**	95,672
Net assets released from restrictions	**$ 4,458,437**	$ 4,303,355

NOTE 13. 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.

The Endowment Net Asset Composition by type of Fund for the year ended December 31, 2017 are:

	Endowment Net Asset Composition by Type of Fund as of December 31, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	$ 3,673,535	$ -	$ -	$ 3,673,535

The Changes in Endowment Net Asset for the year ended December 31, 2017 are:

	Changes in Endowment Net Asset for the Fiscal Year Ended December 31, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 3,169,302	$ -	$ -	$ 3,169,302
Contributions	-	-	-	-
Reinvested purchases from sales of endowment investments	395			395
Net appreciation (unrealized gains)	503,838	-	-	503,838
Endowment net assets, end of year	$ 3,673,535	$ -	$ -	$ 3,673,535

NOTE 13. ENDOWMENT (Continued)

The Endowment Net Asset Composition by type of Fund for the year ended December 31, 2016 are:

	Endowment Net Asset Composition by Type of Fund as of December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board-designated endowment funds	$ 3,169,302	$ -	$ -	$ 3,169,302

The Changes in Endowment Net Asset for the year ended December 31, 2016 are:

	Changes in Endowment Net Asset for the Fiscal Year Ended December 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 2,959,168	$ -	$ -	$ 2,959,168
Contributions	-	-	-	-
Net appreciation (unrealized gains)	210,134	-	-	210,134
Endowment net assets, end of year	$ 3,169,302	$ -	$ -	$ 3,169,302

NOTE 14. LEASE COMMITMENTS

Atlanta Habitat leases office space, vehicles, and various office equipment under non-cancelable operating leases with varying terms through November 2021. Rent expense under these leases was $32,061 and $27,535 for the years ended December 31, 2017 and 2016, respectively.

Minimum future rental payments under the non-cancelable operating leases having a remaining term in excess of one year as of December 31, 2017 are:

Year ending December 31,	
2018	**$ 50,260**
2019	**50,919**
2020	**47,162**
2021	**24,695**
Total minimum future rental payments	**$ 173,036**

NOTE 15. 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. 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, 2017 and 2016, the employer contributions to the plan were $80,703 and $68,545, respectively.

NOTE 16. 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 17. 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 $97,850 and $75,000 for the years ended December 31, 2017 and 2016, respectively. This amount is included in program services expense in the consolidated statements activities and changes in net assets.

NOTE 19. SUBSEQUENT EVENTS

Atlanta Habitat has evaluated subsequent events occurring through July 10, 2018, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

	Atlanta Habitat	AHCC	Eliminations	Total
Assets				
Cash and cash equivalents				
Operating	$ 152,235	$ -	$ -	$ 152,235
Capital campaign and other restricted cash	751,008	-	-	751,008
Construction loan disbursement funds	3,508	-	-	3,508
Homeowners' escrow funds	2,735,615	-	-	2,735,615
Pledges and grants receivable	1,456,110	-	-	1,456,110
Note receivable	-	10,768,432	-	10,768,432
Accrued interest receivable	-	537,811	-	537,811
Investments	3,673,535	-	-	3,673,535
Land held for future construction, net	8,197,276	-	-	8,197,276
Construction in progress	647,700	-	-	647,700
Completed homes inventory	13,953,036	-	-	13,953,036
Building materials inventory	233,475	-	-	233,475
Non-interest bearing mortgage loans receivable, net of discounts of $28,679,264	27,884,636	-	-	27,884,636
Fixed assets, net	13,532,170	-	-	13,532,170
Prepaid expenses	118,962	-	-	118,962
Total assets	$ 73,339,266	$ 11,306,243	$ -	$ 84,645,509
Liabilities and Net Assets				
Liabilities:				
Accounts payable and other accrued expenses	$ 248,492	$ -	$ -	$ 248,492
Note payable, net of unamortized issuance costs	12,693,225	-	-	12,693,225
Line of credit	1,900,000	-	-	1,900,000
Homeowners' escrow accounts payable	2,735,615	-	-	2,735,615
Deferred revenue	371,876	-	-	371,876
Other liabilities	443,379	-	-	443,379
Total liabilities	18,392,587	-	-	18,392,587
Net assets:				
Unrestricted:				
Undesignated	49,233,053	11,306,243	-	60,539,296
Board designated	3,673,535	-	-	3,673,535
	52,906,588	11,306,243	-	64,212,831
Temporarily restricted	2,040,091	-	-	2,040,091
Total net assets	54,946,679	11,306,243	-	66,252,922
Total liabilities and net assets	$ 73,339,266	$ 11,306,243	$ -	$ 84,645,509

See Note to Supplementary Information.

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

	Atlanta Habitat	AHCC	Eliminations	Total
Assets				
Cash and cash equivalents				
Operating	$ 1,004,101	$ -	$ -	$ 1,004,101
Capital campaign and other restricted cash	1,515,426	-	-	1,515,426
Construction loan disbursement funds	3,714	-	-	3,714
Homeowners' escrow funds	2,816,187	-	-	2,816,187
Pledges and grants receivable	573,549	-	-	573,549
Note receivable	-	10,273,117	-	10,273,117
Accrued interest receivable	-	495,315	-	495,315
Investments	3,169,302	-		3,169,302
Land held for future construction, net	8,068,672	-	-	8,068,672
Construction in progress	405,872	-	-	405,872
Completed homes inventory	12,713,352	-	-	12,713,352
Building materials inventory	213,234	-	-	213,234
Non-interest bearing mortgage loans receivable, net of discounts of $28,561,290	27,546,333	-	-	27,546,333
Fixed assets, net	12,787,533	-	-	12,787,533
Prepaid expenses	101,054	-	-	101,054
Total assets	$ 70,918,329	$ 10,768,432	$ -	$ 81,686,761
Liabilities and Net Assets				
Liabilities:				
Accounts payable and other accrued expenses	$ 419,108	$ -	$ -	$ 419,108
Note payable, net of unamortized issuance costs	12,665,973	-	-	12,665,973
Line of Credit	900,000	-	-	900,000
Homeowners' escrow accounts payable	2,816,187			2,816,187
Other liabilities	323,149	-	-	323,149
Total liabilities	17,124,417	-	-	17,124,417
Net assets:				
Unrestricted:				
Undesignated	49,325,987	10,768,432	-	60,094,419
Board designated	3,169,302	-	-	3,169,302
	52,495,289	10,768,432	-	63,263,721
Temporarily restricted	1,298,623	-	-	1,298,623
Total net assets	53,793,912	10,768,432	-	64,562,344
Total liabilities and net assets	$ 70,918,329	$ 10,768,432	$ -	$ 81,686,761

See Note to Supplementary Information.

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2017

	Atlanta Habitat	AHCC	Eliminations	Total
REVENUES AND OTHER SUPPORT				
Home sales	$ 4,877,795	$ -	$ -	$ 4,877,795
Amortization of discounts on non-interest bearing mortgage loans receivable	2,471,801	-	-	2,471,801
Interest income	13,376	747,811	-	761,187
Unrealized gains on investments	503,838	-	-	503,838
Capital campaign contributions	619,150	-	-	619,150
Other contributions	6,057,903	-	209,925	5,847,978
Grant revenue	670,000	-	-	670,000
ReStore revenue	1,618,189	-	-	1,618,189
Loss on sale of land held for future construction	(25,594)	-	-	(25,594)
Other income and support	176,976	-	-	176,976
Total revenues and other support	16,983,434	747,811	209,925	17,521,320
EXPENSES				
Program services:				
Home construction and support services	9,234,974	-	-	9,234,974
Contribution expenses	-	209,925	209,925	-
Discounts on current year originations of non-interest bearing mortgage loans	2,603,308	-	-	2,603,308
ReStore expenses	828,559	-	-	828,559
Property valuation adjustment	284,375	-	-	284,375
Neighborhood expense	133,151	-	-	133,151
Total program services	13,084,367	209,925	209,925	13,084,367
Supporting services:				
Management and general	1,494,252	75	-	1,494,327
Fundraising	1,252,048	-	-	1,252,048
Total supporting services	2,746,300	75	-	2,746,375
Total expenses	15,830,667	210,000	209,925	15,830,742
Change in net assets	1,152,767	537,811	-	1,690,578
Net assets, beginning of year	53,793,912	10,768,432	-	64,562,344
Net assets, end of year	$ 54,946,679	$ 11,306,243	$ -	$ 66,252,922

See Note to Supplementary Information.

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2016

	Atlanta Habitat	AHCC	Eliminations	Total
REVENUES AND OTHER SUPPORT				
Home sales	$ 4,201,312	$ -	$ -	$ 4,201,312
Amortization of discounts on non-interest bearing mortgage loans receivable	2,313,051	-	-	2,313,051
Interest income	14,363	684,962	-	699,325
Unrealized gains on investments	210,134	-	-	210,134
Other contributions	6,060,252	-	209,925	5,850,327
Grant revenue	220,000	-	-	220,000
ReStore revenue	1,501,382	-	-	1,501,382
Loss on sale of land held for future construction	(432,026)	-	-	(432,026)
Other income and support	85,906	-	-	85,906
Total revenues and other support	14,174,374	684,962	209,925	14,649,411
EXPENSES				
Program services:				
Home construction and support services	7,222,832	-	-	7,222,832
Contribution expenses	-	209,925	209,925	-
Discounts on current year originations of non-interest bearing mortgage loans	2,231,333	-	-	2,231,333
ReStore expenses	759,333	-	-	759,333
Property valuation adjustment	651,051	-	-	651,051
Total program services	10,864,549	209,925	209,925	10,864,549
Supporting services:				
Management and general	1,120,161	75	-	1,120,236
Fundraising	1,093,324	-	-	1,093,324
Total supporting services	2,213,485	75	-	2,213,560
Total expenses	13,078,034	210,000	209,925	13,078,109
Change in net assets	1,096,340	474,962	-	1,571,302
Net assets, beginning of year	52,697,572	10,293,470	-	62,991,042
Net assets, end of year	$ 53,793,912	$ 10,768,432	$ -	$ 64,562,344

See Note to Supplementary Information.

NOTE 1. CONSOLIDATING FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016, Atlanta Habitat has presented the investments in subsidiary at cost on the consolidating financial statements.