



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

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2018

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL REPORT DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors

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

We have audited the accompanying consolidated financial statements of **Habitat for Humanity in Atlanta, Inc. and Subsidiary** (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related consolidated statement of functional expenses for the year ended December 31, 2018, 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 25 through 28 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Mauldin & Jenkins, LLC

Atlanta, Georgia
June 7, 2019

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2018 AND 2017

<u>Assets</u>	<u>2018</u>	<u>2017</u>
Cash and cash equivalents		
Operating	\$ 1,727,969	\$ 152,235
Non-operating	1,637,920	751,008
Construction loan disbursement funds	3,318	3,508
Homeowners' escrow funds	2,527,768	2,735,615
Pledges and grants receivable	4,474,861	1,456,110
Note receivable	11,306,243	10,768,432
Accrued interest receivable	583,954	537,811
Investments	3,347,310	3,673,535
Land held for future construction, net	8,071,783	8,197,276
Construction in progress	455,411	647,700
Completed homes inventory	16,204,456	13,953,036
Building materials inventory	223,947	233,475
Non-interest bearing mortgage loans receivable, net of discounts of \$28,662,764 and \$28,679,264 for 2018 and 2017, respectively	28,153,028	27,884,636
Fixed assets, net	13,350,902	13,532,170
Prepaid expenses	166,975	118,962
Total assets	\$ 92,235,845	\$ 84,645,509
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and other accrued expenses	\$ 749,941	\$ 248,492
Note payable, net of unamortized issuance costs	12,720,477	12,693,225
Line of credit	1,900,000	1,900,000
Homeowners' escrow accounts payable	2,527,768	2,735,615
Deferred revenue	290,106	371,876
Other liabilities	517,984	443,379
Total liabilities	18,706,276	18,392,587
Net assets:		
Without donor restrictions:		
Undesignated	64,265,054	60,539,296
Board designated	3,347,310	3,673,535
Total without donor restrictions	67,612,364	64,212,831
With donor restrictions	5,917,205	2,040,091
Total net assets	73,529,569	66,252,922
Total liabilities and net assets	\$ 92,235,845	\$ 84,645,509

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, 2018 AND 2017

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

See Notes to Consolidated Financial Statements.

	2017		
	Without Donor Restrictions	With Donor Restrictions	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	761,187	-	761,187
Unrealized gains on investments	503,838	-	503,838
Capital campaign contributions	-	619,150	619,150
Other contributions	1,267,223	4,580,755	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	12,321,415	5,199,905	17,521,320
Net assets released from restrictions	4,458,437	(4,458,437)	-
Total revenues and other support	16,779,852	741,468	17,521,320
Expenses			
Program services:			
Home construction	6,947,933	-	6,947,933
Repair and brush with kindness	912,997	-	912,997
ReStore	1,179,634	-	1,179,634
Family services and outreach	1,199,817	-	1,199,817
Mortgage services	2,843,986	-	2,843,986
Total program services	13,084,367	-	13,084,367
Supporting services:			
General and administrative	1,494,327	-	1,494,327
Fundraising	1,252,048	-	1,252,048
Total supporting services	2,746,375	-	2,746,375
Total expenses	15,830,742	-	15,830,742
Change in net assets	949,110	741,468	1,690,578
Net assets, beginning of year	63,263,721	1,298,623	64,562,344
Net assets, end of year	\$ 64,212,831	\$ 2,040,091	\$ 66,252,922

See Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

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

See Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from contributions, sponsorships, and grants	\$ 10,376,232	\$ 6,626,443
Cash received from ReStore sales	1,558,482	1,618,189
Interest received	769,951	718,691
Other miscellaneous cash receipts received	204,738	176,976
Cash paid for home construction and repairs	(6,129,020)	(7,449,538)
Cash paid to employees in compensation and for employee benefits	(5,627,927)	(5,419,724)
Interest paid	(248,441)	(253,181)
Other miscellaneous cash payments made	(1,537,098)	(527,180)
Net cash (used in) operating activities	<u>(633,083)</u>	<u>(4,509,324)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(457,852)	(1,343,655)
Payments of capitalized interest	(43,493)	-
Proceeds from the disposal of fixed assets	25,300	-
Proceeds from the sale of land held for future construction	240,495	216,462
Accrued interest added to the principal portion of note receivable	(537,811)	(495,315)
Mortgage payments received	3,762,405	3,515,737
Sales (purchases) of investments, net	106,495	(395)
Net cash provided by investing activities	<u>3,095,539</u>	<u>1,892,834</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	-	1,000,000
Net cash provided by financing activities	<u>-</u>	<u>1,000,000</u>
Net increase (decrease) in cash and cash equivalents	2,462,456	(1,616,490)
Cash and cash equivalents, beginning of year	<u>906,751</u>	<u>2,523,241</u>
Cash and cash equivalents, end of year	<u>3,369,207</u>	<u>906,751</u>
Operating	1,727,969	152,235
Non-operating	1,637,920	751,008
Construction loan disbursement funds	3,318	3,508
Cash and cash equivalents, end of year	<u>\$ 3,369,207</u>	<u>\$ 906,751</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid (excluding capitalized interest)	<u>\$ 248,441</u>	<u>\$ 253,181</u>

See Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
RECONCILIATION OF CHANGE IN NET ASSETS		
(USED IN) OPERATING ACTIVITIES		
Change in net assets	\$ 7,276,647	\$ 1,690,578
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	2,538,395	2,603,308
Amortization of discounts on non-interest bearing mortgage loans receivable	(2,571,621)	(2,471,801)
Issuances of non-interest bearing mortgage loans receivable	(4,194,067)	(4,278,133)
Repossession of takeback and foreclosed homes	196,496	292,586
Unrealized losses (gains) on investments	219,730	(503,838)
(Gains) losses of sale of land held for future construction	(155,868)	25,594
Impairment losses	568,933	284,375
Depreciation	657,313	599,018
Amortization	27,252	27,252
(Increase) decrease in assets:		
Pledges and grants receivable	(3,018,751)	(882,561)
Accrued interest receivable	(46,143)	(42,496)
Land held for future construction	40,866	(370,660)
Construction in progress	192,289	(241,828)
Completed homes inventory	(2,820,353)	(1,524,059)
Building materials inventory	9,528	(20,241)
Prepaid expenses	(48,013)	(17,908)
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	501,449	(170,616)
Deferred revenue	(81,770)	371,876
Other liabilities	74,605	120,230
	<u>74,605</u>	<u>120,230</u>
Net cash (used in) operating activities	<u>\$ (633,083)</u>	<u>\$ (4,509,324)</u>

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Habitat for Humanity in Atlanta, Inc. (“Atlanta Habitat”) was created in 1983 for the purpose of partnering with working families, sponsors, and communities to build affordable, green, quality homes and provide support services to promote successful home purchase and ownership. Atlanta Habitat is one of the largest builders of affordable housing in Atlanta, constructing and renovating over 1,500 houses, repairing and painting over 90 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, 2018 and 2017, HFHI forwarded to Atlanta Habitat donations, cost reimbursements, and grants totaling \$828,172 and \$530,583, respectively.

Significant Accounting Policies

Basis of Presentation

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

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions which are used to account for resources available to carry out the purposes of Atlanta Habitat in accordance with the limitations of its bylaws. Board designated net assets are without donor restrictions but are designated by the Board to be spent for specific purposes. At December 31, 2018 and 2017, board designated net assets was \$3,347,310 and \$3,673,535, 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, 2018 and 2017, Atlanta Habitat had no donor imposed restrictions that were perpetual in nature. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restriction has been fulfilled, or both.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Significant Accounting Policies (Continued)

Principles of Consolidation

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

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

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

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

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

Cash and Cash Equivalents

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Significant Accounting Policies (Continued)

Investments

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

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

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

Gifts and Contributions

Atlanta Habitat records contributions upon receipt of an unconditional promise to give, less an allowance for uncollectible amounts and an allowance for the present value of gifts to be received over more than one year. Gifts, bequests, and other promises or receipts restricted by donors as to use or time period are recorded as net assets with restrictions until used in the manner designated or upon expiration of the time period. Donated property and equipment are recorded at fair market value at the date received as with or without donor restrictions, based on the donor's intent. When the assets are used for their intended purposes, the applicable amount is transferred to net assets without donor restrictions. Contributions without donor restrictions received are recorded as contribution revenue. Atlanta Habitat writes off pledges and grants receivables that it deems uncollectible based on unique facts and circumstances. At December 31, 2018 and 2017, 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 \$2,390,633 and \$2,518,377 at December 31, 2018 and 2017, respectively. The valuation allowance offsets land costs in excess of the amount management estimates will be recovered once the home is eventually sold.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Significant Accounting Policies (Continued)

Land Held for Future Construction (Continued)

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

Construction in Progress and Completed Homes Inventory

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Significant Accounting Policies (Continued)

Construction in Progress and Completed Homes Inventory (Continued)

For the years ended December 31, 2018 and 2017, Atlanta Habitat recognized \$28,337 and \$7,041 in other income from terminated pre-purchase agreements and support in the accompanying consolidated statements of activities and changes in net assets, 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 998 and 994 mortgages at December 31, 2018 and 2017, 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, 2018 and 2017, principal payments received on non-interest bearing mortgage loans receivable were \$3,762,405 and \$3,515,737, 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, 2018 and 2017, management has not established an allowance for credit loss because it can reclaim homes through foreclosure in the event that a mortgage loan is deemed to be uncollectible. Assets repossessed that are expected to be re-sold in the normal course of Atlanta Habitat's operations are included in property inventory in the accompanying consolidated statements of financial position at the lower of cost or recoverable value.

Fixed Assets

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Significant Accounting Policies (Continued)

Homeowners' Escrow Accounts

Each homeowner pays monthly escrow and home maintenance account deposits along with their monthly mortgage principal payments. Atlanta Habitat makes annual homeowner's insurance and property tax payments at the proper time for each homeowner from these funds. Homeowners can access their maintenance account to pay for necessary repairs and maintenance of their home. As of December 31, 2018 and 2017, Atlanta Habitat held \$2,527,768, and \$2,735,615, 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 \$410,268 and \$563,468 were recognized as contributed material and services for the years ended December 31, 2018 and 2017, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Significant Accounting Policies (Continued)

Fair Value of Financial Instruments (Continued)

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

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

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

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

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

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

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

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Atlanta Habitat believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

For the years ended December 31, 2018 and 2017, the application of valuation techniques applied to similar assets and liabilities has been consistent. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Significant Accounting Policies (Continued)

Functional Allocation of Expenses

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

Recent Accounting Pronouncements

In 2018, Atlanta Habitat adopted Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is available to not-for-profit organizations to simplify the financial statement presentation. Under the newly adopted standard, Atlanta Habitat now presents net assets as net assets without donor restriction and net assets with donor restriction. Atlanta Habitat also presents a statement of functional expenses and detailed information on liquidity and availability of Atlanta Habitat (see Note 2).

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 statement of financial position as of December 31, 2018, comprise the following:

Cash and cash equivalents	\$	1,727,969
Pledges and grants receivable		166,512
Current portion of non-interest bearing mortgage loans receivable		3,290,940
	\$	<u>5,185,421</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. LIQUIDITY AND AVAILABILITY (Continued)

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

NOTE 3. CONCENTRATION OF CREDIT RISK

Atlanta Habitat had a total of \$6,330,388 and \$4,007,199 on deposit with several banks as of December 31, 2018 and 2017, respectively. Of this total, \$5,869,357 and \$3,546,573, 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:

	2018	2017
Capital campaign pledges	\$ 3,356,993	\$ 540,413
Sponsor pledges	941,356	748,669
Other	176,512	167,028
Total grants and pledges receivables	\$ 4,474,861	\$ 1,456,110
Amount due in:		
Less than one year	\$ 4,157,295	\$ 1,173,337
One to three years	317,566	282,773
Total grants and pledges receivables	\$ 4,474,861	\$ 1,456,110

Atlanta Habitat has entered into multiple HOME grant agreements that have periods of performance through December 2019, and which are used to provide home down payment assistance to its future homeowners. Since the grant agreements require the eligible homeowner to close on the home before Atlanta Habitat has rights to the grant monies, management considers it to be conditional under FASB's *Not-For-Profit* presentation and disclosure guidance. Therefore, Atlanta Habitat recognizes the earned grant revenue when an eligible homeowner closes on its home. Under the HOME grants for the years ending December 31, 2018 and 2017, Atlanta Habitat has recognized earned grant revenue of \$100,000 and \$100,000, respectively. At December 31, 2018, Atlanta Habitat has \$324,576 of available HOME grant funds that can be used under the program requirements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5. FIXED ASSETS

Fixed assets consisted of the following at December 31, 2018 and 2017:

	2018	2017
Headquarters and operating facility:		
Land	\$ 2,630,000	\$ 2,630,000
Buildings	10,433,376	10,380,543
Furniture and fixtures	760,962	713,007
Computers and software	499,528	279,940
Vehicles and construction equipment	729,893	708,476
Headquarters and operating facility total:	15,053,759	14,711,966
 South Fulton headquarters and operating facility:		
Land	1,083,385	1,009,463
Construction in progress	60,330	-
South Fulton headquarters and operating facility total:	1,143,715	1,009,463
 Total	16,197,474	15,721,429
Less accumulated depreciation	2,846,572	2,189,259
Fixed assets, net	\$ 13,350,902	\$ 13,532,170

Depreciation expense totaled \$657,313 and \$599,018 for the years ended December 31, 2018 and 2017, respectively.

Capitalized interest totaled \$43,493 for the year ended December 31, 2018. Atlanta Habitat did not have capitalized interest for the year ended December 31, 2017.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. NON-INTEREST BEARING MORTGAGE LOANS RECEIVABLE

There were non-interest bearing mortgage loans receivable on 998 and 994 homes at December 31, 2018 and 2017, respectively.

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

	2018	2017
Balance, beginning of year	\$ 27,884,636	\$ 27,546,333
New mortgages issued	<u>4,194,067</u>	<u>4,278,133</u>
	32,078,703	31,824,466
Current year payments received	(3,762,405)	(3,515,737)
Discounts on current year originations of non-interest bearing mortgage loans receivable	(2,538,395)	(2,603,308)
Amortization of discounts on non-interest bearing mortgage loans receivable	2,571,621	2,471,801
Repossession of take-back and foreclosed homes	(196,496)	(292,586)
	<u>\$ 28,153,028</u>	<u>\$ 27,884,636</u>

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

	2018	2017
Gross amounts due in:		
Less than one year	\$ 3,290,940	\$ 3,218,071
1 to 5 years	12,799,752	12,596,208
After 5 years	<u>40,725,100</u>	<u>40,749,621</u>
	56,815,792	56,563,900
Unamortized discount	(28,662,764)	(28,679,264)
Net amounts due	<u>\$ 28,153,028</u>	<u>\$ 27,884,636</u>

During the years ended December 31, 2018 and 2017, 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, 2018 and 2017, assets totaling \$196,496 and \$292,586, respectively, were repossessed in satisfaction of mortgage loans receivable.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7. FAIR VALUE MEASUREMENTS

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

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

The following table sets forth by level, within the fair value hierarchy, Atlanta Habitat's investments at fair value as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 85,506	\$ -	\$ -	\$ 85,506
Mutual funds	1,491,139	-	-	1,491,139
Equity securities	<u>2,096,890</u>	-	-	<u>2,096,890</u>
Total investments at fair value	<u>\$ 3,673,535</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,673,535</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.

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

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 11). In 2018, Atlanta Habitat renewed the revolving line of credit (Note 10).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9. NOTE RECEIVABLE

As discussed in Note 8, 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, 2018 and 2017, the outstanding principal balance of the note receivable was \$11,306,243 and \$10,768,432, respectively.

NOTE 10. LINES OF CREDIT

As discussed in Note 8, on December 21, 2012, Atlanta Habitat obtained a bank revolving line of credit which allowed maximum borrowings of \$3 million, and was secured by the property at 824 Memorial Drive in Atlanta, Georgia and assignment of capital campaign pledges receivable. The line of credit matured on November 21, 2015.

In December 2017, Atlanta Habitat renewed the bank revolving line of credit, which allowed maximum borrowings of \$3 million and matured in December 2018. Interest on outstanding borrowings was payable monthly beginning in January 2018 at the one month LIBOR Index plus 2% per annum (3.23% at December 31, 2017), and was secured by the property at 824 Memorial Drive in Atlanta, Georgia and assignment of capital campaign pledges receivable. The outstanding borrowings against this line of credit was \$1,900,000 as of December 31, 2017.

In December 2018, Atlanta Habitat renewed the same bank revolving line of credit, which allows maximum borrowings of \$3 million and matures in February 2019. Interest on outstanding borrowings is payable monthly beginning in January 2019 at the one month LIBOR Index plus 2% per annum (4.35% at December 31, 2018). 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, 2018.

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

NOTE 11. NOTE PAYABLE

As discussed in Note 8, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11. NOTE PAYABLE (Continued)

The note payable balances are as follows at December 31:

	2018	2017
Outstanding note payable principal balance	\$ 12,750,000	\$ 12,750,000
Unamortized debt issuance costs	(29,523)	(56,775)
	\$ 12,720,477	\$ 12,693,225

NOTE 12. NET ASSETS WITH DONOR RESTRICTIONS

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

	2018	2017
Net assets subject to expenditure for specified purpose:		
Future home build sponsorship program	\$ 1,658,549	\$ 1,209,712
Repairs with kindness	254,720	155,004
Faith and community partnership program	50,000	-
Capital campaign	3,862,646	619,150
Other	91,290	56,225
Total net assets with donor restrictions:	\$ 5,917,205	\$ 2,040,091

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

	2018	2017
Net assets subject to expenditure for specified purpose:		
Cash and cash equivalents	\$ 1,618,856	\$ 751,008
Pledges and grants receivable	4,298,349	1,289,083
Total net assets with donor restrictions:	\$ 5,917,205	\$ 2,040,091

NOTE 13. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during 2018 and 2017 by incurring expenses satisfying the restricted purposes specified by donors as follows:

	2018	2017
Future home build sponsorship program	\$ 3,464,233	\$ 3,556,579
Repairs with kindness	578,318	712,838
Faith and community partnership program	-	54,973
Capital campaign	3,504,379	-
Other	52,107	134,047
Net assets released from restrictions	\$ 7,599,037	\$ 4,458,437

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 \$50,260 and \$32,061 for the years ended December 31, 2018 and 2017, respectively.

Minimum future rental payments under the non-cancelable operating leases having a remaining term in excess of one year as of December 31, 2018 are:

Year ending December 31,	
2019	50,919
2020	47,162
2021	24,695
Total minimum future rental payments	\$ 122,776

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.

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15. ENDOWMENT (Continued)

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

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

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		
	Without Donor Restriction	With Donor Restriction	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		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 3,169,302	\$ -	\$ 3,169,302
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 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, 2018 and 2017, the employer contributions to the plan were \$98,763 and \$80,703, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17. CONTINGENCIES

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

NOTE 18. TITHE TO HABITAT INTERNATIONAL

Atlanta Habitat annually remits a portion of its revenues to Habitat International. These funds are used to construct homes in economically depressed areas around the world. Atlanta Habitat contributed \$91,000 and \$97,850 for the years ended December 31, 2018 and 2017, 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 June 7, 2019, 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, 2018

	Atlanta Habitat	AHCC	Eliminations	Total
<u>Assets</u>				
Cash and cash equivalents				
Operating	\$ 1,727,969	\$ -	\$ -	\$ 1,727,969
Capital campaign and other restricted cash	1,132,267	505,653	-	1,637,920
Construction loan disbursement funds	3,318	-	-	3,318
Homeowners' escrow funds	2,527,768	-	-	2,527,768
Pledges and grants receivable	1,117,868	3,356,993	-	4,474,861
Note receivable	-	11,306,243	-	11,306,243
Accrued interest receivable	-	583,954	-	583,954
Investments	3,347,310	-	-	3,347,310
Intercompany accounts receivable	-	2,431,223	2,431,223	-
Land held for future construction, net	8,071,783	-	-	8,071,783
Construction in progress	455,411	-	-	455,411
Completed homes inventory	16,204,456	-	-	16,204,456
Building materials inventory	223,947	-	-	223,947
Non-interest bearing mortgage loans receivable, net of discounts of \$28,662,764	28,153,028	-	-	28,153,028
Fixed assets, net	13,350,902	-	-	13,350,902
Prepaid expenses	166,975	-	-	166,975
Total assets	\$ 76,483,002	\$ 18,184,066	\$ 2,431,223	\$ 92,235,845
<u>Liabilities and Net Assets</u>				
Liabilities:				
Accounts payable and other accrued expenses	\$ 749,941	\$ -	\$ -	\$ 749,941
Intercompany accounts payable	2,431,223	-	2,431,223	-
Note payable, net of unamortized issuance costs	12,720,477	-	-	12,720,477
Line of credit	1,900,000	-	-	1,900,000
Homeowners' escrow accounts payable	2,527,768	-	-	2,527,768
Deferred revenue	290,106	-	-	290,106
Other liabilities	517,984	-	-	517,984
Total liabilities	21,137,499	-	2,431,223	18,706,276
Net assets:				
Without donor restrictions:				
Undesignated	49,943,634	14,321,420	-	64,265,054
Board designated	3,347,310	-	-	3,347,310
Total without donor restrictions	53,290,944	14,321,420	-	67,612,364
With donor restrictions	2,054,559	3,862,646	-	5,917,205
Total net assets	55,345,503	18,184,066	-	73,529,569
Total liabilities and net assets	\$ 76,483,002	\$ 18,184,066	\$ 2,431,223	\$ 92,235,845

See Note to Supplementary Information.

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2017

	Atlanta Habitat	AHCC	Eliminations	Total
<u>Assets</u>				
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
<u>Liabilities and Net Assets</u>				
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:				
Without donor restrictions:				
Undesignated	49,233,053	11,306,243	-	60,539,296
Board designated	3,673,535	-	-	3,673,535
Total without donor restrictions	52,906,588	11,306,243	-	64,212,831
With donor restrictions	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 ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2018

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

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

	<u>Atlanta Habitat</u>	<u>AHCC</u>	<u>Eliminations</u>	<u>Total</u>
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
	<u>16,983,434</u>	<u>747,811</u>	<u>209,925</u>	<u>17,521,320</u>
Total revenues and other support				
EXPENSES				
Program services:				
Home construction	6,947,933	-	-	6,947,933
Repair and brush with kindness	912,997	-	-	912,997
ReStore	1,179,634	-	-	1,179,634
Family services and outreach	1,199,817	-	-	1,199,817
Mortgage services	2,843,986	-	-	2,843,986
Contribution expenses	-	209,925	209,925	-
	<u>13,084,367</u>	<u>209,925</u>	<u>209,925</u>	<u>13,084,367</u>
Total program services				
Supporting services:				
General and administrative	1,494,252	75	-	1,494,327
Fundraising	1,252,048	-	-	1,252,048
	<u>2,746,300</u>	<u>75</u>	<u>-</u>	<u>2,746,375</u>
Total supporting services				
Total expenses	<u>15,830,667</u>	<u>210,000</u>	<u>209,925</u>	<u>15,830,742</u>
Change in net assets	<u>1,152,767</u>	<u>537,811</u>	<u>-</u>	<u>1,690,578</u>
Net assets, beginning of year	<u>53,793,912</u>	<u>10,768,432</u>	<u>-</u>	<u>64,562,344</u>
Net assets, end of year	<u>\$ 54,946,679</u>	<u>\$ 11,306,243</u>	<u>\$ -</u>	<u>\$ 66,252,922</u>

See Note to Supplementary Information.

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

NOTE 1. CONSOLIDATING FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017, Atlanta Habitat has presented the investments in subsidiary at cost on the consolidating financial statements.