

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

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2023



MAULDIN & JENKINS

CPAs & ADVISORS



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

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INDEPENDENT AUDITOR'S REPORT

Board of Directors

Habitat for Humanity in Atlanta, Inc. and Subsidiary

Atlanta, Georgia

Opinion

We have audited the accompanying consolidated financial statements of **Habitat for Humanity in Atlanta, Inc. and Subsidiary** (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity in Atlanta, Inc. and Subsidiary as of December 31, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

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

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

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

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

Report on Supplementary Information

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

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2024, on our consideration of Habitat for Humanity in Atlanta, Inc. and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Habitat for Humanity in Atlanta, Inc. and Subsidiary's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Habitat for Humanity in Atlanta, Inc. and Subsidiary's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
July 11, 2024

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

<u>Assets</u>	<u>2023</u>	<u>2022</u>
Cash and cash equivalents		
Operating	\$ 599,304	\$ 13,200,948
Nonoperating	2,598,283	2,379,565
Trustee reserve funds	224,643	285,893
Homeowners' escrow funds	1,763,073	2,567,491
Pledges and grants receivable	432,230	1,311,326
Notes receivable	8,929,400	8,929,400
Other note receivable, net of discounts of \$31,427 and \$52,066 for 2023 and 2022, respectively	243,467	627,934
Accrued interest receivable	24,422	24,422
Investments	11,595,003	1,840,781
Land held for future construction, net	8,926,300	9,235,676
Construction in progress	1,483,928	1,789,515
Completed homes inventory	18,416,630	15,324,199
Building materials inventory	273,760	364,003
Non-interest bearing mortgage loans receivable, net of discounts and expected credit losses of \$28,836,648 and \$28,231,131 for 2023 and 2022, respectively	28,494,023	27,910,651
Fixed assets, net	15,975,368	16,447,435
Right-of-use assets - operating	21,507	49,923
Prepaid expenses	2,633	-
Total assets	\$ 100,003,974	\$ 102,289,162
 <u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and other accrued expenses	\$ 1,486,632	\$ 1,112,634
Notes payable, net of unamortized debt issuance costs	12,660,000	12,660,000
Homeowners' escrow accounts payable	1,763,073	2,567,491
Deferred revenue	31,715	495,893
Operating lease liabilities	21,507	49,923
Other liabilities	814,876	878,974
Total liabilities	16,777,803	17,764,915
Net assets:		
Without donor restrictions:		
Undesignated	68,800,114	79,439,531
Board designated	11,595,003	1,840,781
Total without donor restrictions	80,395,117	81,280,312
With donor restrictions	2,831,054	3,243,935
Total net assets	83,226,171	84,524,247
Total liabilities and net assets	\$ 100,003,974	\$ 102,289,162

See Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT						
Home sales	\$ 7,245,657	\$ -	\$ 7,245,657	\$ 6,805,297	\$ -	\$ 6,805,297
Amortization of discounts on noninterest bearing mortgage loans receivable	2,767,670	-	2,767,670	2,850,290	-	2,850,290
Interest income	16,951	-	16,951	130,088	-	130,088
Unrealized gains (losses) on investments	1,354,220	-	1,354,220	(395,055)	-	(395,055)
In-kind contributions	368,357	-	368,357	267,455	-	267,455
Other contributions	4,714,286	2,930,467	7,644,753	16,805,022	2,921,853	19,726,875
Grant revenue	686,391	-	686,391	1,416,292	-	1,416,292
ReStore revenue	2,442,016	-	2,442,016	2,398,940	-	2,398,940
Gain on sale of land held for future construction	3,978	-	3,978	1,508,958	-	1,508,958
Other income and support	520,421	-	520,421	692,642	-	692,642
Total	20,119,947	2,930,467	23,050,414	32,479,929	2,921,853	35,401,782
Net assets released from restrictions	3,343,348	(3,343,348)	-	2,411,908	(2,411,908)	-
Total revenues and other support	23,463,295	(412,881)	23,050,414	34,891,837	509,945	35,401,782
EXPENSES						
Program services:						
Home construction	11,419,421	-	11,419,421	11,572,509	-	11,572,509
Repair and brush with kindness	2,166,876	-	2,166,876	1,829,880	-	1,829,880
ReStore	1,987,834	-	1,987,834	2,167,156	-	2,167,156
Family services and outreach	1,206,846	-	1,206,846	1,214,498	-	1,214,498
Mortgage services	3,633,083	-	3,633,083	3,475,870	-	3,475,870
Total program services	20,414,060	-	20,414,060	20,259,913	-	20,259,913
Supporting services:						
General and administrative	1,499,258	-	1,499,258	1,726,965	-	1,726,965
Fundraising	2,435,172	-	2,435,172	1,597,966	-	1,597,966
Total supporting services	3,934,430	-	3,934,430	3,324,931	-	3,324,931
Total expenses	24,348,490	-	24,348,490	23,584,844	-	23,584,844
Change in net assets	(885,195)	(412,881)	(1,298,076)	11,306,993	509,945	11,816,938
Net assets, beginning of year	81,280,312	3,243,935	84,524,247	69,973,319	2,733,990	72,707,309
Net assets, end of year	\$ 80,395,117	\$ 2,831,054	\$ 83,226,171	\$ 81,280,312	\$ 3,243,935	\$ 84,524,247

See Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Services					Supporting Services			
	Home Construction	Repair and Brush With Kindness	ReStore	Family Services and Outreach	Mortgage Services	Total Program Services	General and Administrative	Fundraising	Total
Compensation and benefits	\$ 2,269,422	\$ 360,761	\$ 1,544,208	\$ 1,000,801	\$ 526,458	\$ 5,701,650	\$ 897,880	\$ 1,527,666	\$ 8,127,196
Accounting fees	-	-	-	-	-	-	42,700	-	42,700
Legal fees	150	1,878	-	-	2,623	4,651	36,537	600	41,788
Advertising and promotion	405	41	5,414	81	41	5,982	4,873	10,825	21,680
Information technology	98,444	12,414	31,180	48,725	24,363	215,126	123,341	241,174	579,641
Occupancy	322,187	26	113,907	105	53	436,278	105	53	436,436
Insurance	206,277	-	31,544	-	-	237,821	16,137	-	253,958
Vehicles expenses	201,186	2,445	6,125	76	-	209,832	(1,659)	-	208,173
Professional development	18,172	276	3,384	1,866	257	23,955	89,878	10,378	124,211
Travel and entertainment	4,555	81	449	2,514	81	7,680	2,753	933	11,366
Payments to affiliates	-	-	-	-	-	-	117,000	-	117,000
Depreciation	473,476	39,456	118,369	39,456	39,456	710,213	39,457	39,456	789,126
Interest	-	-	-	-	-	-	17	-	17
Construction and program services	6,924,030	1,739,348	7,081	607	2,072	8,673,138	-	80,230	8,753,368
Discount of home mortgages	-	-	-	-	3,027,960	3,027,960	-	-	3,027,960
Impairment losses	682,791	-	-	-	-	682,791	-	-	682,791
Donor events	-	-	5,438	-	-	5,438	5,438	304,190	315,066
Office expenses	101,074	4,307	40,021	33,080	5,507	183,989	45,977	24,640	254,606
Bank fees	4,292	74	64,265	188	70	68,889	43,994	56,586	169,469
Other	112,960	5,769	16,449	79,347	4,142	218,667	34,830	138,441	391,938
Total expenses	<u>\$ 11,419,421</u>	<u>\$ 2,166,876</u>	<u>\$ 1,987,834</u>	<u>\$ 1,206,846</u>	<u>\$ 3,633,083</u>	<u>\$ 20,414,060</u>	<u>\$ 1,499,258</u>	<u>\$ 2,435,172</u>	<u>\$ 24,348,490</u>

See Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services					Supporting Services			
	Home Construction	Repair and Brush With Kindness	ReStore	Family Services and Outreach	Mortgage Services	Total Program Services	General and Administrative	Fundraising	Total
Compensation and benefits	\$ 2,081,886	\$ 295,988	\$ 1,519,191	\$ 983,932	\$ 442,155	\$ 5,323,152	\$ 971,259	\$ 999,682	\$ 7,294,093
Accounting fees	-	-	-	-	-	-	43,100	-	43,100
Legal fees	-	-	-	4,281	-	4,281	3,450	-	7,731
Professional fundraising services	-	-	19	183	-	202	-	1,243	1,445
Advertising and promotion	-	-	15,965	-	-	15,965	15,306	45,674	76,945
Information technology	56,340	10,001	25,690	45,412	20,001	157,444	84,855	189,109	431,408
Occupancy	113,246	32,262	135,011	32,262	32,262	345,043	35,301	32,262	412,606
Insurance	81,680	3,404	22,031	3,404	3,404	113,923	-	3,404	117,327
Vehicles expenses	164,186	2,366	11,914	-	-	178,466	-	-	178,466
Professional development	7,601	524	4,851	2,816	429	16,221	4,165	11,810	32,196
Travel and entertainment	4,583	92	286	183	92	5,236	14,980	1,500	21,716
Payments to affiliates	63,750	-	-	-	-	63,750	11,250	-	75,000
Depreciation	360,007	30,001	288,549	30,001	30,001	738,559	29,999	30,001	798,559
Interest	126,600	-	-	-	-	126,600	-	-	126,600
Construction and program services	6,902,596	1,443,783	-	-	11,121	8,357,500	-	143,563	8,501,063
Discount of home mortgages	-	-	-	-	2,923,453	2,923,453	366,479	-	3,289,932
Impairment losses	1,487,588	-	-	-	-	1,487,588	-	-	1,487,588
Office expenses	48,621	3,881	49,398	20,827	5,693	128,420	53,974	41,170	223,564
Bank fees	-	-	63,441	-	-	63,441	26,517	48,773	138,731
Other	73,825	7,578	30,810	91,197	7,259	210,669	66,330	49,775	326,774
Total expenses	<u>\$ 11,572,509</u>	<u>\$ 1,829,880</u>	<u>\$ 2,167,156</u>	<u>\$ 1,214,498</u>	<u>\$ 3,475,870</u>	<u>\$ 20,259,913</u>	<u>\$ 1,726,965</u>	<u>\$ 1,597,966</u>	<u>\$ 23,584,844</u>

See Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from contributions, sponsorships, and grants	\$ 9,151,168	\$ 20,530,815
Cash received from ReStore sales	2,442,016	2,398,940
Interest received	774	156,678
Other miscellaneous cash receipts	520,421	692,642
Cash paid for home construction and repairs	(10,767,266)	(7,136,161)
Cash paid to employees in compensation and for employee benefits	(8,127,196)	(7,294,093)
Interest paid	(17)	(126,600)
Other miscellaneous cash payments made	(2,048,975)	(1,896,324)
Net cash (used in) provided by operating activities	(8,829,075)	7,325,897
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(317,059)	(122,855)
Net (purchases) sales of investments	(8,400,002)	-
Proceeds from the sale of land held for future construction	858,427	370,137
Mortgage payments received	4,243,533	4,559,447
Net cash (used in) provided by investing activities	(3,615,101)	4,806,729
Net (decrease) increase in cash and cash equivalents	(12,444,176)	12,132,626
Cash and cash equivalents, beginning of year	15,866,406	3,733,780
Cash and cash equivalents, end of year	\$ 3,422,230	\$ 15,866,406
Operating	\$ 599,304	\$ 13,200,948
Non-operating	2,598,283	2,379,565
Trustee reserve fund	224,643	285,893
Cash and cash equivalents, end of year	\$ 3,422,230	\$ 15,866,406
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 17	\$ 126,600

See Notes to Consolidated Financial Statements.

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH		
(USED IN) PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ (1,298,076)	\$ 11,816,938
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Discounts on current year originations of noninterest bearing mortgage loans	2,940,011	2,961,361
Amortization of discounts on noninterest bearing mortgage loans receivable	(2,783,847)	(2,823,700)
Issuances of noninterest bearing mortgage loans receivable	(4,983,069)	(4,917,403)
Repossession of takeback and foreclosed homes	-	260,380
Unrealized (gains) losses on investments	(1,354,220)	395,056
(Gain) on sale of land held for future construction	(3,978)	(1,508,958)
Impairment losses	682,791	1,487,588
Depreciation	789,126	798,559
Amortization of discount on non-interest bearing note receivable	(20,639)	(64,498)
(Increase) decrease in assets:		
Pledges and grants receivable	1,284,202	(697,581)
Land held for future construction	(545,073)	1,895,101
Construction in progress	305,587	(903,832)
Completed homes inventory	(3,775,222)	(684,191)
Building materials inventory	90,243	(138,163)
Right-of-use assets - operating	28,416	(49,923)
Prepaid expenses	(2,633)	-
(Decrease) increase in liabilities:		
Accounts payable and accrued expenses	373,998	(377,794)
Excess checks over bank balance	-	(191,900)
Deferred revenue	(464,178)	85,229
Operating lease liabilities	(28,416)	49,923
Other liabilities	(64,098)	(66,295)
Net cash (used in) provided by operating activities	<u>\$ (8,829,075)</u>	<u>\$ 7,325,897</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 1,600 houses, repairing and painting over 500 houses, and improving the quality of life for more than 7,300 family members.

Atlanta Habitat is an affiliate of Habitat for Humanity International, Inc. ("HFHI"); however, both organizations have separate Section 501(c)(3) designations and are autonomous corporations. While the organizations' missions are similar, Atlanta Habitat and HFHI do not share any board members or otherwise control one another. Atlanta Habitat participates in HFHI-sponsored programs for business and homeowners' insurance, building materials donations from national suppliers, building materials cost reimbursements, and national house sponsor grants. For the years ended December 31, 2023 and 2022, HFHI forwarded to Atlanta Habitat donations, cost reimbursements, and grants totaling \$339,502 and \$164,163, respectively.

Significant Accounting Policies

Basis of Presentation

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

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions which are used to account for resources available to carry out the purposes of Atlanta Habitat in accordance with the limitations of its bylaws. Board-designated net assets are without donor restrictions but are designated by the Board to be spent for specific purposes. At December 31, 2023 and 2022, board-designated net assets was \$11,595,003 and \$1,840,781, 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, 2023 and 2022, Atlanta Habitat had no donor imposed restrictions that were perpetual in nature. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 donor restrictions until used in the manner designated or upon expiration of the time period. Donated property and equipment are recorded at fair market value at the date received as with or without donor restrictions, based on the donor's intent. When the assets are used for their intended purposes, the applicable amount is transferred to net assets without donor restrictions. Contributions without donor restrictions received are recorded as contribution revenue. Atlanta Habitat writes off pledges and grants receivables that it deems uncollectible based on unique facts and circumstances. At December 31, 2023 and 2022, 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 \$1,455,468 and \$1,534,173 at December 31, 2023 and 2022, respectively. The valuation allowance offsets land costs in excess of the amount management estimates will be recovered once the home is eventually sold.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Significant Accounting Policies (Continued)

Land Held for Future Construction (Continued)

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

Construction in Progress and Completed Homes Inventory

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Significant Accounting Policies (Continued)

Construction in Progress and Completed Homes Inventory (Continued)

For the years ended December 31, 2023 and 2022, Atlanta Habitat recognized \$86,044 and \$56,234, respectively, in other income from terminated pre-purchase agreements and support in the accompanying consolidated statement of activities.

Noninterest 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. Noninterest bearing mortgage loans receivable, representing 923 and 959 mortgages at December 31, 2023 and 2022, 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, 2023 and 2022, principal payments received on noninterest bearing mortgage loans receivable were \$4,243,533 and \$4,559,447, 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, 2023 and 2022, 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 resold 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, 2023 and 2022, Atlanta Habitat held \$1,763,073, and \$2,567,491, 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.

Fair Value of Financial Instruments

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2023 and 2022, the application of valuation techniques applied to similar assets and liabilities has been consistent. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker-dealers.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Significant Accounting Policies (Continued)

Functional Allocation of Expenses

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

Recent accounting pronouncements

On January 1, 2023, Atlanta Habitat adopted Accounting Standards Update (ASU) 2016-13 *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments* and all related subsequent amendments thereto (Accounting Standards Codification (ASC 326)).

This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable held-to forecasts and generally applies to financial assets measured at amortized cost, including maturity debt securities and accounts receivable. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses.

Atlanta Habitat adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and any off-balance sheet credit exposures. Results from reporting periods beginning after January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP.

There was no material impact to the estimate of credit losses. Disclosures about Atlanta Habitat’s estimated credit losses are presented in Note 1.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2. LIQUIDITY AND AVAILABILITY

Atlanta Habitat manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of Atlanta Habitat are expected to be met on a monthly basis from the program service revenues generated, as well as contributions and scheduled mortgage payments received.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position as of December 31, 2023 and 2022, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 449,808	\$ 13,200,948
Pledges and grants receivable	312,230	364,221
Current portion of noninterest bearing mortgage loans receivable	2,599,245	4,214,423
	<u>\$ 3,361,283</u>	<u>\$ 17,779,592</u>

As of December 31, 2023 and 2022, Atlanta Habitat's endowment funds consist of funds designated by the Board as endowments. The board-designated endowment of \$11,595,003 and \$1,840,781, respectively, is subject to expenditure at the discretion of the board. Although Atlanta Habitat does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

NOTE 3. CONCENTRATION OF CREDIT RISK

Atlanta Habitat had a total of \$5,127,565 and \$18,090,752 on deposit with several banks as of December 31, 2023 and 2022, respectively. Of this total, \$4,877,565 and \$17,840,752, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4. PLEDGES AND GRANTS RECEIVABLES

Pledges and grants receivables are summarized as follows at December 31, 2023 and 2022:

	2023	2022
Capital campaign pledges	\$ 60,105	\$ 60,105
Sponsor pledges	120,000	887,000
Grants receivable	252,125	364,221
Total pledges and grants receivables	<u>\$ 432,230</u>	<u>\$ 1,311,326</u>
Amount due in:		
Less than one year	\$ 432,230	\$ 811,326
One to three years	-	500,000
Total pledges and grants receivables	<u>\$ 432,230</u>	<u>\$ 1,311,326</u>

NOTE 5. FIXED ASSETS

Fixed assets consisted of the following at December 31, 2023 and 2022:

	2023	2022
Headquarters and operating facility:		
Land	\$ 2,630,000	\$ 2,630,000
Buildings	10,741,456	10,595,120
Furniture and fixtures	782,882	775,430
Computers and software	921,458	821,090
Vehicles and construction equipment	1,026,531	889,953
Headquarters and operating facility total	<u>16,102,327</u>	<u>15,711,593</u>
South Fulton headquarters and operating facility:		
Land	1,182,246	1,182,246
Buildings	5,229,203	5,302,879
South Fulton headquarters and operating facility total	<u>6,411,449</u>	<u>6,485,125</u>
Total	22,513,776	22,196,718
Less accumulated depreciation	6,538,408	5,749,283
Fixed assets, net	<u>\$ 15,975,368</u>	<u>\$ 16,447,435</u>

Depreciation expense totaled \$789,126 and \$798,559 for the years ended December 31, 2023 and 2022, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. NONINTEREST BEARING MORTGAGE LOANS RECEIVABLE

There were noninterest bearing mortgage loans receivable on 923 and 959 homes at December 31, 2023 and 2022, respectively.

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

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 27,910,651	\$ 27,950,736
New mortgages issued	4,983,069	4,917,403
	32,893,720	32,868,139
Current year payments received	(4,243,533)	(4,559,447)
Discounts, including expected credit losses, on current year originations of noninterest bearing mortgage loans receivable	(2,940,011)	(2,961,361)
Amortization of discounts on noninterest bearing mortgage loans receivable	2,783,847	2,823,700
Repossession of take-back and foreclosed homes	-	(260,380)
	<u>\$ 28,494,023</u>	<u>\$ 27,910,651</u>

Maturities of noninterest bearing mortgage loans receivable are summarized as follows at December 31:

	<u>2023</u>	<u>2022</u>
Gross amounts due in:		
Less than one year	\$ 2,599,245	\$ 3,665,387
1 to 5 years	10,386,394	14,283,513
After 5 years	44,345,032	38,192,882
	57,330,671	56,141,782
Unamortized discount and expected credit loss	(28,836,648)	(28,231,131)
Net amounts due	<u>\$ 28,494,023</u>	<u>\$ 27,910,651</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6. NONINTEREST BEARING MORTGAGE LOANS RECEIVABLE (Continued)

During the years ended December 31, 2023 and 2022, 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, 2023 and 2022, assets totaling \$- and \$260,380, respectively, were repossessed in satisfaction of mortgage loans receivable.

NOTE 7. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, Atlanta Habitat's investments at fair value as of December 31, 2023:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 595,492	\$ -	\$ -	\$ 595,492
Equity securities	7,180,402	-	-	7,180,402
Mutual funds	3,819,109	-	-	3,819,109
Total investments at fair value	<u>\$ 11,595,003</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,595,003</u>

The following table sets forth by level, within the fair value hierarchy, Atlanta Habitat's investments at fair value as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 202,533	\$ -	\$ -	\$ 202,533
Equity securities	304,759	-	-	304,759
Mutual funds	1,333,489	-	-	1,333,489
Total investments at fair value	<u>\$ 1,840,781</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,840,781</u>

NOTE 8. NEW MARKETS TAX CREDIT TRANSACTION

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

2019 New Market Tax Credit

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8. NEW MARKETS TAX CREDIT TRANSACTION (Continued)

2019 New Market Tax Credit (Continued)

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

Also, Atlanta Habitat repaid its existing line of credit with proceeds from a long-term note payable to the CDE totaling \$12,660,000 (Note 11). In 2021, Atlanta Habitat renewed the revolving line of credit (Note 10).

NOTE 9. NOTES RECEIVABLE

As discussed in Note 8, in December 2019, AHCC executed an \$8,929,400 promissory note receivable with a limited liability company as part of the NMTC transaction. The note is comprised of two tranches (referred to as Tranche A and B), Tranche A in original principal amount of \$6,073,102 and Tranche B in original principal amount of \$2,856,298. Tranche A and B accrue interest at 1.42% per annum, with quarterly interest payments of \$31,646 due beginning in April 2020, and then transition to quarterly principal and interest payments of \$113,910 in April 2027 through maturity. Tranche A and B, including unpaid principal and interest, are due in full in January 2050.

At both December 31, 2023 and 2022, the outstanding principal balance of the notes receivable was \$8,929,400.

NOTE 10. LINE OF CREDIT

In December 2021, Atlanta Habitat renewed a revolving line of credit, which allows maximum borrowings of \$1 million and matures in July 2024. Interest on outstanding borrowings was payable monthly beginning in February 2023 at the one month SOFR reference rate per annum (6.86% and 4.30% at December 31, 2023 and 2022, respectively). 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 zero as of December 31, 2023 and 2022.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11. NOTES PAYABLE

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

The notes payable balances are as follows at December 31:

	<u>2023</u>	<u>2022</u>
2019 New Market Tax Credit Notes Payable (Note 8)	\$ 12,660,000	\$ 12,660,000

Scheduled principal payments of notes payable as of December 31, 2023 are as follows:

2024	\$ -
2025	-
2026	-
2027	294,838
2028	396,457
Thereafter	11,968,705
	<u><u>\$ 12,660,000</u></u>

NOTE 12. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Net assets subject to expenditure for specified purpose:		
Future home build sponsorship program	\$ 2,310,467	\$ 2,486,128
Repairs with kindness	264,459	261,534
Capital campaign	60,105	376,710
Other	196,023	119,563
Total net assets with donor restrictions:	<u><u>\$ 2,831,054</u></u>	<u><u>\$ 3,243,935</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

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

	<u>2023</u>	<u>2022</u>
Net assets subject to expenditure for specified purpose:		
Cash and cash equivalents	\$ 2,650,949	\$ 2,296,830
Pledges and grants receivable	<u>180,105</u>	<u>947,105</u>
Total net assets with donor restrictions:	<u>\$ 2,831,054</u>	<u>\$ 3,243,935</u>

NOTE 13. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during 2023 and 2022 by incurring expenses satisfying the restricted purposes specified by donors as follows:

	<u>2023</u>	<u>2022</u>
Future home build sponsorship program	\$ 2,366,128	\$ 1,371,125
Repairs with kindness	597,075	826,904
Capital campaign	316,605	148,200
Other	<u>63,540</u>	<u>65,679</u>
Net assets released from restrictions	<u>\$ 3,343,348</u>	<u>\$ 2,411,908</u>

NOTE 14. LEASES

Atlanta Habitat leases various office equipment under noncancelable operating leases with varying terms through September 2024. Base rent is \$2,400 a month. Atlanta Habitat elected to use a risk-free rate as the discount rate for all leases. The discount rates related to the Organization's lease liability as of December 31, 2023 is 1.04%.

The following is a schedule by years of minimum future rentals on the operating leases and the amortization of the net present value (NPV) of the lease liability as of December 31, 2023:

Year Ending December 31:	<u>Minimum annual lease payments</u>	<u>Amortization of NPV of operating lease liabilities</u>
2024	\$ 21,600	\$ 21,507

The carrying value of the related operating right-of-use assets as of December 31, 2023 and 2022 are:

	<u>2023</u>	<u>2022</u>
Accumulated basis	\$ 75,712	\$ 75,712
Less – accumulated amortization	<u>(54,205)</u>	<u>(25,790)</u>
	<u>\$ 21,507</u>	<u>\$ 49,923</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14. LEASES (Continued)

Rent expense under these leases was \$28,032 and \$28,800 for the years ended December 31, 2023 and 2022, respectively.

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, 2023 are:

Endowment Net Asset Composition by Type of Fund as of December 31, 2023			
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 11,595,003	\$ -	\$ 11,595,003

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15. ENDOWMENT (Continued)

The Changes in Endowment Net Assets for the year ended December 31, 2023, are:

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2023			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,840,781	\$ -	\$ 1,840,781
Current year contributions	8,400,002		8,400,002
Net appreciation (realized and unrealized gains)	1,354,220	-	1,354,220
Endowment net assets, end of year	\$ 11,595,003	\$ -	\$ 11,595,003

The Endowment Net Asset Composition by Type of Fund for the year ended December 31, 2022 are:

Endowment Net Asset Composition by Type of Fund as of December 31, 2022			
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 1,840,781	\$ -	\$ 1,840,781

The Changes in Endowment Net Assets for the year ended December 31, 2022 are:

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2022			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,235,837	\$ -	\$ 2,235,837
Net depreciation (realized and unrealized losses)	(395,056)	-	(395,056)
Endowment net assets, end of year	\$ 1,840,781	\$ -	\$ 1,840,781

NOTE 16. IN-KIND CONTRIBUTIONS

For the years ended December 31, 2023 and 2022, contributed nonfinancial assets recognized within the consolidated statement of activities included:

	2023	2022
Construction supplies	\$ 368,357	\$ 260,055
Tools and equipment	-	7,400
	\$ 368,357	\$ 267,455

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16. IN-KIND CONTRIBUTIONS (Continued)

Atlanta Habitat recognizes contributed nonfinancial assets within revenue, including contributed supplies, services, promotional materials, and other services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. In-kind trades and donation expenses are included in the accompanying combined statements of functional expenses.

In valuing contributed materials, Atlanta Habitat estimated fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States. In valuing contributed services, Atlanta Habitat estimated fair value based on current rates for similar services.

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

NOTE 17. 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, 2023 and 2022, the employer contributions to the plan were \$136,074 and \$106,236, respectively.

NOTE 18. 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 19. 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 \$117,000 and \$75,000 for the years ended December 31, 2023 and 2022, respectively. This amount is included in program services expense in the consolidated statements of activities.

NOTE 20. EMPLOYEE RETENTION TAX CREDIT

Atlanta Habitat participated in the Employee Retention Tax Credit (commonly referred to as the "ERC") stimulus program that was initially established under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and later extended with the Consolidated Appropriation Act. The stimulus program was designed to lessen the disruptive impact caused by the COVID-19 pandemic and allows an eligible employer to receive a refundable tax credit against qualified wages and certain health insurance costs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20. EMPLOYEE RETENTION TAX CREDIT (Continued)

As prescribed under FASB's Not-for-Profit presentation and disclosure guidance, Atlanta Habitat considers the filing date of the amended quarterly payroll tax returns to be the date the conditions have been substantially met and the associated revenue is recognized. For the year ended December 31, 2022, Atlanta Habitat recognized \$906,292 of grant revenue in the accompanying consolidated statement of activities and grant receivable of \$384,221 in the accompanying consolidated statement of financial position. As of December 31, 2023, the remaining grant receivable had been collected.

NOTE 21. SUBSEQUENT EVENTS

Atlanta Habitat has evaluated subsequent events occurring through July 11, 2024, the date on which the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023

	Atlanta Habitat	AHCC	Less Eliminations	Total
<u>Assets</u>				
Cash and cash equivalents				
Operating	\$ 599,304	\$ -	\$ -	\$ 599,304
Capital campaign and other restricted cash	2,597,842	441	-	2,598,283
Trustee reserve funds	224,643	-	-	224,643
Homeowners' escrow funds	1,763,073	-	-	1,763,073
Pledges and grants receivable	372,125	60,105	-	432,230
Notes receivable	-	8,929,400	-	8,929,400
Other note receivable, net of discount of \$31,427	243,467	-	-	243,467
Accrued interest receivable	-	24,422	-	24,422
Investments	11,595,003	-	-	11,595,003
Intercompany accounts receivable	-	959,342	959,342	-
Land held for future construction, net	8,926,300	-	-	8,926,300
Construction in progress	1,483,928	-	-	1,483,928
Completed homes inventory	18,416,630	-	-	18,416,630
Building materials inventory	273,760	-	-	273,760
Non-interest bearing mortgage loans receivable, net of discounts and expected credit loss of \$28,836,648	28,494,023	-	-	28,494,023
Fixed assets, net	15,957,222	18,146	-	15,975,368
Right-of-use assets - operating	21,507	-	-	21,507
Prepaid expenses	2,633	-	-	2,633
Total assets	\$ 90,971,460	\$ 9,991,856	\$ 959,342	\$ 100,003,974
<u>Liabilities and Net Assets</u>				
Liabilities:				
Accounts payable and other accrued expenses	\$ 1,486,632	\$ -	\$ -	\$ 1,486,632
Intercompany accounts payable	959,342	-	959,342	-
Notes payable	12,660,000	-	-	12,660,000
Homeowners' escrow accounts payable	1,763,073	-	-	1,763,073
Deferred revenue	31,715	-	-	31,715
Operating lease liabilities	21,507	-	-	21,507
Other liabilities	814,876	-	-	814,876
Total liabilities	17,737,145	-	959,342	16,777,803
Net assets:				
Without donor restrictions:				
Undesignated	58,868,363	9,931,751	-	68,800,114
Board designated	11,595,003	-	-	11,595,003
Total without donor restrictions	70,463,366	9,931,751	-	80,395,117
With donor restrictions	2,770,949	60,105	-	2,831,054
Total net assets	73,234,315	9,991,856	-	83,226,171
Total liabilities and net assets	\$ 90,971,460	\$ 9,991,856	\$ 959,342	\$ 100,003,974

See Note to Supplementary Information.

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

	Atlanta Habitat	AHCC	Less Eliminations	Total
<u>Assets</u>				
Cash and cash equivalents				
Operating	\$ 12,911,083	\$ 289,865	\$ -	\$ 13,200,948
Capital campaign and other restricted cash	2,062,960	316,605	-	2,379,565
Trustee reserve funds	285,893	-	-	285,893
Homeowners' escrow funds	2,567,491	-	-	2,567,491
Pledges and grants receivable	1,251,221	60,105	-	1,311,326
Notes receivable	-	8,929,400	-	8,929,400
Other note receivable, net of discount of \$52,066	627,934	-	-	627,934
Accrued interest receivable	-	24,422	-	24,422
Investments	1,840,781	-	-	1,840,781
Intercompany accounts receivable	-	148,500	148,500	-
Land held for future construction, net	9,235,676	-	-	9,235,676
Construction in progress	1,789,515	-	-	1,789,515
Completed homes inventory	15,324,199	-	-	15,324,199
Building materials inventory	364,003	-	-	364,003
Non-interest bearing mortgage loans receivable, net of discounts and expected credit loss of \$28,231,131	27,910,651	-	-	27,910,651
Fixed assets, net	16,349,858	97,577	-	16,447,435
Right-of-use assets - operating	49,923	-	-	49,923
Total assets	\$ 92,571,188	\$ 9,866,474	\$ 148,500	\$ 102,289,162
<u>Liabilities and Net Assets</u>				
Liabilities:				
Accounts payable and other accrued expenses	\$ 1,112,634	\$ -	\$ -	\$ 1,112,634
Intercompany accounts payable	148,500	-	148,500	-
Notes payable	12,660,000	-	-	12,660,000
Homeowners' escrow accounts payable	2,567,491	-	-	2,567,491
Deferred revenue	495,893	-	-	495,893
Operating lease liabilities	49,923	-	-	49,923
Other liabilities	878,974	-	-	878,974
Total liabilities	17,913,415	-	148,500	17,764,915
Net assets:				
Without donor restrictions:				
Undesignated	69,949,767	9,489,764	-	79,439,531
Board designated	1,840,781	-	-	1,840,781
Total without donor restrictions	71,790,548	9,489,764	-	81,280,312
With donor restrictions	2,867,225	376,710	-	3,243,935
Total net assets	74,657,773	9,866,474	-	84,524,247
Total liabilities and net assets	\$ 92,571,188	\$ 9,866,474	\$ 148,500	\$ 102,289,162

See Note to Supplementary Information.

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Atlanta Habitat	AHCC	Less Eliminations	Total
REVENUES AND OTHER SUPPORT				
Home sales	\$ 7,245,657	\$ -	\$ -	\$ 7,245,657
Amortization of discounts on noninterest bearing mortgage loans receivable	2,767,670	-	-	2,767,670
Interest income	16,951	-	-	16,951
Unrealized gains on investments	1,354,220	-	-	1,354,220
In-kind contributions	368,357	-	-	368,357
Other contributions	7,644,753	-	-	7,644,753
Grant revenue	686,391	-	-	686,391
ReStore revenue	2,442,016	-	-	2,442,016
Gain on sale of land held for future construction	3,978	-	-	3,978
Other income and support	520,421	-	-	520,421
	<u>23,050,414</u>	<u>-</u>	<u>-</u>	<u>23,050,414</u>
Total revenues and other support				
	<u>23,050,414</u>	<u>-</u>	<u>-</u>	<u>23,050,414</u>
EXPENSES				
Program services:				
Home construction	11,546,003	(126,582)	-	11,419,421
Repair and brush with kindness	2,166,876	-	-	2,166,876
ReStore	1,987,834	-	-	1,987,834
Family services and outreach	1,206,846	-	-	1,206,846
Mortgage services	3,633,083	-	-	3,633,083
	<u>20,540,642</u>	<u>(126,582)</u>	<u>-</u>	<u>20,414,060</u>
Total program services				
	<u>20,540,642</u>	<u>(126,582)</u>	<u>-</u>	<u>20,414,060</u>
Supporting services:				
General and administrative	1,498,058	1,200	-	1,499,258
Fundraising	2,435,172	-	-	2,435,172
	<u>3,933,230</u>	<u>1,200</u>	<u>-</u>	<u>3,934,430</u>
Total supporting services				
	<u>3,933,230</u>	<u>1,200</u>	<u>-</u>	<u>3,934,430</u>
Total expenses				
	<u>24,473,872</u>	<u>(125,382)</u>	<u>-</u>	<u>24,348,490</u>
Change in net assets	<u>(1,423,458)</u>	<u>125,382</u>	<u>-</u>	<u>(1,298,076)</u>
Net assets, beginning of year	<u>74,657,773</u>	<u>9,866,474</u>	<u>-</u>	<u>84,524,247</u>
Net assets, end of year	<u>\$ 73,234,315</u>	<u>\$ 9,991,856</u>	<u>\$ -</u>	<u>\$ 83,226,171</u>

See Note to Supplementary Information.

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2022

	Atlanta Habitat	AHCC	Less Eliminations	Total
REVENUES AND OTHER SUPPORT				
Home sales	\$ 6,805,297	\$ -	\$ -	\$ 6,805,297
Amortization of discounts on noninterest bearing mortgage loans receivable	2,850,290	-	-	2,850,290
Interest income	3,505	126,583	-	130,088
Unrealized (losses) on investments	(395,055)	-	-	(395,055)
In-kind contributions	267,455	-	-	267,455
Other contributions	19,726,875	-	-	19,726,875
Grant revenue	1,416,292	-	-	1,416,292
ReStore revenue	2,398,940	-	-	2,398,940
Gain on sale of land held for future construction	1,508,958	-	-	1,508,958
Other income and support	692,642	-	-	692,642
	<u>35,275,199</u>	<u>126,583</u>	<u>-</u>	<u>35,401,782</u>
Total revenues and other support				
	<u>35,275,199</u>	<u>126,583</u>	<u>-</u>	<u>35,401,782</u>
EXPENSES				
Program services:				
Home construction	11,572,509	-	-	11,572,509
Repair and brush with kindness	1,829,880	-	-	1,829,880
ReStore	2,167,156	-	-	2,167,156
Family services and outreach	1,214,498	-	-	1,214,498
Mortgage services	3,475,870	-	-	3,475,870
	<u>20,259,913</u>	<u>-</u>	<u>-</u>	<u>20,259,913</u>
Total program services				
	<u>20,259,913</u>	<u>-</u>	<u>-</u>	<u>20,259,913</u>
Supporting services:				
General and administrative	1,725,765	1,200	-	1,726,965
Fundraising	1,597,966	-	-	1,597,966
	<u>3,323,731</u>	<u>1,200</u>	<u>-</u>	<u>3,324,931</u>
Total supporting services				
	<u>3,323,731</u>	<u>1,200</u>	<u>-</u>	<u>3,324,931</u>
Total expenses				
	<u>23,583,644</u>	<u>1,200</u>	<u>-</u>	<u>23,584,844</u>
Change in net assets	<u>11,691,555</u>	<u>125,383</u>	<u>-</u>	<u>11,816,938</u>
Net assets, beginning of year	<u>62,966,218</u>	<u>9,741,091</u>	<u>-</u>	<u>72,707,309</u>
Net assets, end of year	<u>\$ 74,657,773</u>	<u>\$ 9,866,474</u>	<u>\$ -</u>	<u>\$ 84,524,247</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, 2023 and 2022, Atlanta Habitat has presented the investments in subsidiary at cost on the consolidating financial statements.

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2023

Federal Granting Agency / Program	Pass-Through Grantor	Pass-Through/ Grant Number	Assistance Listing Number	Federal Expenditures
U.S. Department of Housing and Urban Development				
Home Investment Partnership Program (HOME) - Downpayment Assistance Program	City of Atlanta	#P6TNSULQRFF3 - M15-MC130200	14.239	\$ 96,000
U.S. Department of Treasury				
Coronavirus State and Local Fiscal Recovery Funds - American Rescue Plan Act State Fiscal Recovery Fund Negative Economic Impact Award	State of Georgia	n/a	21.027	654,439
Total Expenditures of Federal Awards				<u>\$ 750,439</u>

See Notes to Schedule of Expenditures of Federal Awards.

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of Habitat for Humanity in Atlanta, Inc. and Subsidiary under programs of the federal government for the year ended December 31, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because this schedule presents only a selected portion of the operations of Habitat for Humanity in Atlanta, Inc. and Subsidiary, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Habitat for Humanity in Atlanta, Inc. and Subsidiary.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. INDIRECT COST RATE

Habitat for Humanity in Atlanta, Inc. and Subsidiary has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**To the Board of Directors of
Habitat for Humanity in Atlanta, Inc. and Subsidiary**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Habitat for Humanity in Atlanta, Inc. and Subsidiary, which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated July 11, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Habitat for Humanity in Atlanta, Inc. and Subsidiary's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity in Atlanta, Inc. and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of Habitat for Humanity in Atlanta, Inc. and Subsidiary's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Habitat for Humanity in Atlanta, Inc. and Subsidiary's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
July 11, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees of
Habitat for Humanity in Atlanta, Inc. and Subsidiary

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Habitat for Humanity in Atlanta, Inc. and Subsidiary's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Habitat for Humanity in Atlanta, Inc. and Subsidiary's major federal programs for the year ended December 31, 2023. Habitat for Humanity in Atlanta, Inc. and Subsidiary's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Habitat for Humanity in Atlanta, Inc. and Subsidiary complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Habitat for Humanity in Atlanta, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Habitat for Humanity in Atlanta, Inc. and Subsidiary's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Habitat for Humanity in Atlanta, Inc. and Subsidiary's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Habitat for Humanity in Atlanta, Inc. and Subsidiary's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Habitat for Humanity in Atlanta, Inc. and Subsidiary's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Habitat for Humanity in Atlanta, Inc. and Subsidiary's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Habitat for Humanity in Atlanta, Inc. and Subsidiary's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity in Atlanta, Inc. and Subsidiary's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
July 11, 2024

HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS:

Financial Statements:

Type of auditor's report issued	<u>Unmodified</u>	
	<u>Yes</u>	<u>No</u>
Internal control over financial reporting:		
Material weaknesses identified?	<u> </u>	<u>X</u>
Significant deficiencies identified not considered to be material weaknesses?	<u> </u>	<u>None Reported</u>
Noncompliance material to the financial statements noted?	<u> </u>	<u>X</u>

Federal Awards:

Internal controls over major programs:		
Material weaknesses identified?	<u> </u>	<u>X</u>
Significant deficiencies identified not considered to be material weaknesses?	<u> </u>	<u>None Reported</u>
Type of auditor's report issued on compliance for major programs	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	<u>No</u>	

Identification of major programs:

Coronavirus State and Local Fiscal Recovery Funds – American Rescue Plan Act State Fiscal Recovery Fund Negative Economic Impact Award	<u>21.027</u>	
Dollar threshold used to distinguish between Type A and Type B programs	<u>\$ 750,000</u>	
	<u>Yes</u>	<u>No</u>
Auditee qualified as low-risk auditee?	<u> </u>	<u>X</u>
Financial statement findings?	<u> </u>	<u>X</u>
Findings and questioned costs for Federal awards?	<u> </u>	<u>X</u>

**HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

SECTION II – FINANCIAL STATEMENT FINDINGS:

None

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS:

None

**HABITAT FOR HUMANITY IN ATLANTA, INC. AND SUBSIDIARY
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

SECTION II – FINANCIAL STATEMENT FINDINGS:

None noted.

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS:

None noted.