

GREATER BIRMINGHAM HABITAT FOR HUMANITY, INC.

Consolidated Financial Statements

June 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Greater Birmingham Habitat for Humanity, Inc.
Fairfield, Alabama

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Greater Birmingham Habitat for Humanity, Inc., its affiliated entity, and subsidiary (the Organization), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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 auditors' 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 entity's preparation and fair presentation of the consolidated 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 consolidated financial position of the Organization as of June 30, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) 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 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2019 on our consideration of the Organization'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 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 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 the Organization's internal control over financial reporting and compliance.

BMSS, LLC

Birmingham, Alabama
January 18, 2019

GREATER BIRMINGHAM HABITAT FOR HUMANITY, INC.
Consolidated Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	\$ 4,867,472	\$ 4,228,627
Restricted cash	813,526	60,101
Investment in joint venture	-	4,082,934
Investment in partnership	1,202,011	-
Mortgage loans receivable, net	16,164,865	16,201,429
Inventory	333,008	370,887
Land held for development	430,601	501,141
Homes available for sale	665,500	540,916
Neighborhood Stabilization Program properties	-	295,309
Property and equipment, net	2,786,582	2,417,577
Construction in progress	2,818,927	2,200,676
Intangible assets	173,556	61,166
Other assets	567,342	433,646
	\$ 30,823,390	\$ 31,394,409
Liabilities and Net Assets		
Liabilities		
Accrued expenses	\$ 178,458	\$ 155,021
Accounts payable	149,614	250,429
Due to affiliate	28,987	-
Long-term debt	2,726,159	6,897,852
	3,083,218	7,303,302
Net assets		
Unrestricted	27,690,552	23,706,369
Temporarily restricted	49,620	384,738
	27,740,172	24,091,107
	\$ 30,823,390	\$ 31,394,409

See notes to consolidated financial statements.

GREATER BIRMINGHAM HABITAT FOR HUMANITY, INC.

Consolidated Statements of Activities

Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Unrestricted Net Assets		
Support		
Cash contributions	\$ 639,654	\$ 534,831
In-kind donations	462,597	-
Grant revenues - general	1,072,042	1,172,480
Transfers to homeowners	1,291,844	1,260,614
Interest income	1,882,280	2,122,453
Outlet store revenues	1,802,996	1,846,473
Donated services	-	15,000
Other	2,244,345	615,341
	<u>9,395,758</u>	<u>7,567,192</u>
Satisfaction of program restrictions	1,127,721	681,830
	<u>10,523,479</u>	<u>8,249,022</u>
Expenses		
Program services	5,900,401	5,806,197
Supporting services	638,895	615,538
	<u>6,539,296</u>	<u>6,421,735</u>
Change in unrestricted net assets	3,984,183	1,827,287
Temporarily Restricted Net Assets		
Support		
Cash contributions	792,603	673,786
Net assets released from restrictions	(1,127,721)	(681,830)
	<u>(335,118)</u>	<u>(8,044)</u>
Change in temporarily restricted net assets	(335,118)	(8,044)
Net assets - beginning of year	<u>24,091,107</u>	<u>22,271,864</u>
Net assets - end of year	<u>\$ 27,740,172</u>	<u>\$ 24,091,107</u>

See notes to consolidated financial statements.

GREATER BIRMINGHAM HABITAT FOR HUMANITY, INC.
Consolidated Statement of Functional Expenses
Year ended June 30, 2018

	Program Services						Supporting Services			Total	
	Construction	Family Services	Rehab	Neighborhood Stabilization Program		Other	Total	Management and Fundraising			Total
				General	Fundraising			Total			
Land and home building supplies	\$ 2,308,269	\$ -	\$ 38,297	\$ -	\$ 674,801	\$ 3,021,367	\$ -	\$ -	\$ -	\$ 3,021,367	
Other salaries and wages	443,308	120,451	83,981	-	326,532	974,272	114,496	87,790	202,286	1,176,558	
Employee benefits	58,923	8,971	6,683	-	25,160	99,737	36,250	17,706	53,956	153,693	
Payroll taxes	35,287	9,545	7,108	-	25,140	77,080	12,503	7,311	19,814	96,894	
Professional fees	1,045	25	-	-	675	1,745	43,732	-	43,732	45,477	
Supplies	1,777	284	-	-	4,748	6,809	16,829	4,144	20,973	27,782	
Telephone	3,065	-	-	-	3,946	7,011	7,777	872	8,649	15,660	
Postage and shipping	-	-	-	-	24	24	3,784	125	3,909	3,933	
Occupancy	17,188	-	-	-	84,282	101,470	53,524	-	53,524	154,994	
Equipment rental and maintenance	5,229	-	-	-	4,681	9,910	2,895	-	2,895	12,805	
Fundraising	175	-	-	-	25	200	769	9,420	10,189	10,389	
Printing and publications	-	-	-	-	122	122	2,113	1,495	3,608	3,730	
Travel, conferences, conventions and meetings	100	247	-	-	3,407	3,754	14,743	3,152	17,895	21,649	
Interest	23,641	-	-	-	4,247	27,888	-	-	-	27,888	
Depreciation	-	-	-	-	108,744	108,744	48,516	-	48,516	157,260	
Insurance	116,962	-	8,713	-	55,856	181,531	56,086	-	56,086	237,617	
Tithe to Habitat for Humanity International, Inc.	127,500	-	-	-	-	127,500	2,500	-	2,500	130,000	
Other expenses	119,634	954	53	-	1,030,596	1,151,237	74,470	15,893	90,363	1,241,600	
	<u>\$ 3,262,103</u>	<u>\$ 140,477</u>	<u>\$ 144,835</u>	<u>\$ -</u>	<u>\$ 2,352,986</u>	<u>\$ 5,900,401</u>	<u>\$ 490,987</u>	<u>\$ 147,908</u>	<u>\$ 638,895</u>	<u>\$ 6,539,296</u>	

See notes to consolidated financial statements.

GREATER BIRMINGHAM HABITAT FOR HUMANITY, INC.
Consolidated Statement of Functional Expenses
Year ended June 30, 2017

	Program Services						Supporting Services			Total
	Construction	Family	Rehab	Neighborhood Stabilization		Total	Management and			
		Services		Program	Other		General	Fundraising	Total	
Land and home building supplies	\$ 2,721,476	\$ -	\$ 192,436	\$ -	\$ 98,098	\$ 3,012,010	\$ -	\$ -	\$ -	\$ 3,012,010
Other salaries and wages	404,342	118,774	85,821	-	276,840	885,777	136,491	88,080	224,571	1,110,348
Employee benefits	45,470	7,788	5,344	-	19,961	78,563	10,069	13,160	23,229	101,792
Payroll taxes	31,618	9,182	7,144	-	20,704	68,648	13,992	7,265	21,257	89,905
Professional fees	370	-	-	-	-	370	45,109	-	45,109	45,479
Supplies	1,543	34	-	-	4,558	6,135	18,666	3,725	22,391	28,526
Telephone	2,942	150	-	-	4,140	7,232	6,490	850	7,340	14,572
Postage and shipping	-	-	-	-	6	6	3,830	48	3,878	3,884
Occupancy	18,360	1,587	-	-	62,542	82,489	48,999	-	48,999	131,488
Equipment rental and maintenance	4,495	-	-	-	7,318	11,813	1,127	16	1,143	12,956
Fundraising	-	-	-	-	350	350	2,485	25,628	28,113	28,463
Printing and publications	-	-	-	-	188	188	1,420	3,184	4,604	4,792
Travel, conferences, conventions and meetings	63	468	-	-	4,333	4,864	10,618	3,358	13,976	18,840
Interest	43,682	-	-	-	67,189	110,871	18,234	-	18,234	129,105
Depreciation	-	-	-	-	90,786	90,786	58,348	-	58,348	149,134
Insurance	110,828	-	7,894	980	48,167	167,869	24,822	-	24,822	192,691
Tithe to Habitat for Humanity International, Inc.	122,500	-	-	-	-	122,500	2,500	-	2,500	125,000
Other expenses	128,342	1,926	-	-	1,025,458	1,155,726	39,187	27,837	67,024	1,222,750
	<u>\$ 3,636,031</u>	<u>\$ 139,909</u>	<u>\$ 298,639</u>	<u>\$ 980</u>	<u>\$ 1,730,638</u>	<u>\$ 5,806,197</u>	<u>\$ 442,387</u>	<u>\$ 173,151</u>	<u>\$ 615,538</u>	<u>\$ 6,421,735</u>

See notes to consolidated financial statements.

GREATER BIRMINGHAM HABITAT FOR HUMANITY, INC.

Consolidated Statements of Cash Flows

Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Activities		
Increase in net assets	\$ 3,649,065	\$ 1,819,243
Adjustments to reconcile change in net assets to net cash used in operating activities		
Transfers to homeowners for non-interest bearing mortgage loans	(3,116,489)	(2,712,074)
Discounts on non-interest bearing mortgage loans	1,564,329	1,440,450
Depreciation and amortization	167,953	190,008
Interest on debt issuance costs	17,954	17,955
In-kind contributions - property	(267,600)	-
Imputed interest income on mortgage loans receivable	(1,036,479)	(1,244,566)
Gain on sale of mortgages	(844,499)	(876,887)
Gain on sale of property and equipment	(1,000)	(1,000)
Gain on maturity of New Market Tax Credit	(1,618,421)	-
Changes in operating assets and liabilities:		
Inventory	37,879	73,920
Construction in progress	269,451	(548,441)
Other assets	(133,696)	(45,318)
Accounts payable and accrued expenses	(2,342)	(26,098)
Due to affiliate	28,987	-
Deferred purchase price	-	(15,000)
Net cash used in operating activities	<u>(1,284,908)</u>	<u>(1,927,808)</u>

See notes to consolidated financial statements.

GREATER BIRMINGHAM HABITAT FOR HUMANITY, INC.

Consolidated Statements of Cash Flows

Years ended June 30, 2018 and 2017

(Continued)

	<u>2018</u>	<u>2017</u>
Investing Activities		
Change in restricted cash	\$ (753,425)	\$ 43,681
Return on investment in joint venture	4,245	43,673
Investment in partnership	(1,207,410)	-
Return on investment in partnership	5,399	-
Collections on mortgages receivable	1,740,897	1,989,492
Purchases of land held for development	(449,811)	(246,790)
Purchases of homes available for sale	(246,377)	(145,983)
Purchases of Neighborhood Stabilization Program property	(4,203)	(4,168)
Purchases of property and equipment	(300,594)	(117,030)
Purchases of intangible assets	(184,250)	-
Proceeds on sale of mortgage loan receivables	1,438,591	1,534,557
Proceeds on sale of land held for development	-	93,680
Proceeds on sale of homes available for sale	306,859	185,330
Proceeds on sale of Neighborhood Stabilization Program properties	4,203	-
Proceeds on sale of property and equipment	1,000	1,000
Net cash provided by investing activities	<u>355,124</u>	<u>3,377,442</u>
Financing Activities		
Payments on long-term debt	(146,371)	(855,429)
Net borrowings on long-term debt	1,715,000	19,313
Net cash provided by (used in) financing activities	<u>1,568,629</u>	<u>(836,116)</u>
Net increase in cash and cash equivalents	638,845	613,518
Cash and cash equivalents - beginning of year	<u>4,228,627</u>	<u>3,615,109</u>
Cash and cash equivalents - end of year	<u>\$ 4,867,472</u>	<u>\$ 4,228,627</u>

See notes to consolidated financial statements.

GREATER BIRMINGHAM HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Greater Birmingham Habitat for Humanity, Inc. (“Habitat”) (a nonprofit corporation) was incorporated on March 4, 1987. Habitat is an affiliate of Habitat for Humanity International, Inc. (“Habitat International”), a nondenominational Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, accounting policies, training, publications, prayer support, and in other ways, Habitat is primarily and directly responsible for its own operations.

Central Alabama Housing Alliance (“CAHA”) (a nonprofit corporation) was incorporated on July 30, 2013. CAHA was formed to engage in activities to provide quality, safe, affordable housing to low and moderate-income individuals and families within Jefferson, Shelby, St. Clair and Walker Counties of the State of Alabama who lack the financial and other resources necessary to obtain such housing without assistance provided by CAHA.

GBHFH Funding Company I, LLC (“GBHFH Funding”) (a disregarded entity) was organized on January 15, 2015 by Habitat as its sole member. GBHFH Funding was formed to purchase mortgages from Habitat and, in turn, issue a note to PNC Community Development Company, LLC (see Note 12).

Basis of Consolidation and Presentation

The consolidated financial statements include the accounts of Habitat, CAHA, and GBHFH Funding (“the Organization”). The consolidated financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America. All material intercompany transactions and balances have been eliminated in consolidation. In preparing the consolidated financial statements, management evaluated subsequent events through January 18, 2019, the date the consolidated financial statements were available to be issued.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

GREATER BIRMINGHAM HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

The Organization considers all instruments with an original maturity of three months or less to be cash and cash equivalents. Cash equivalents consist of money market securities stated at fair value which approximates cost. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. These amounts represent actual account balances held by financial institutions at the end of the period, and unlike the balance reported in the consolidated financial statements, the account balances do not reflect timing delays inherent in reconciling items such as outstanding checks and deposits in transit. The Organization has never experienced any losses related to these balances.

Restricted Cash

Restricted cash, as of June 30, 2018 and 2017, represents cash set aside that must be used to construct qualifying housing under the New Market Tax Credit investment as noted in Notes 2 and 3.

Investment in Joint Venture

The Organization's investment in a joint venture was accounted for on the cost basis as it did not possess the ability to exercise control or significant influence over the joint venture. The investment in the joint venture matured in July 2017.

Investment in Partnership

The Organization's investment in a partnership is accounted for on the cost basis as it does not possess the ability to exercise control or significant influence over the partnership.

Mortgage Loans Receivable

Mortgage loans receivable consist of non-interest-bearing mortgages which are secured by real estate and payable in monthly installments over the life of the mortgage. The mortgage loans have an original maturity of 20 to 30 years. Mortgages receivable are concentrated within the greater Birmingham area. These receivables have been discounted at prevailing market rates for low income housing in the years of origination. Interest income is recorded under the interest method. Interest income recognition ceases and loan collection is outsourced to collection professionals on a case-by-case basis.

GREATER BIRMINGHAM HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Mortgage Loans Receivable - Continued

Management's periodic evaluation of the adequacy of the allowance for loan loss is based on the Organization's past loan loss experience and the historically significant specific collateral value in excess of related mortgages. Due to the collateral value in excess of related mortgages, the Organization has determined that credit quality indicators are not applicable in their evaluation of loan loss. Management has evaluated these factors and has determined that no allowance for loan loss is necessary at June 30, 2018 or 2017.

Grants Receivable

Grants receivable consist of amounts earned but not yet received under awarded grants. Generally, amounts awarded to the Organization are reimbursement grants, whereby the Organization expends funds in accordance with grant requirements and is subsequently reimbursed. The Organization had no grants receivable at June 30, 2018 or 2017. The Organization uses the allowance method to estimate uncollectible grant receivables. The allowance is based on historical experience and management's analysis of specific grants. Based on management's review of grants receivable, no allowance was considered necessary at June 30, 2018 or 2017.

Inventory

Inventory consists primarily of items purchased by the Organization and offered for public purchase at the Habitat ReStore in Irondale, Alabama. The Organization determines the cost of purchased inventory using the average cost method, not in excess of net realizable value. Donated inventory is not recorded until it is sold or used by the Organization. When donated items are used in construction, such items are expensed based upon the specific identification method.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and include expenditures which substantially increase the useful lives of existing property and equipment. Maintenance, repairs and minor renovations are charged to income as incurred. When property and equipment are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the respective accounts and any gain or loss on the disposition is credited or charged to income. The Organization provides for depreciation of property and equipment using the straight-line method designed to amortize costs over estimated useful lives as follows: buildings and improvements, 15 to 40 years; equipment and fixtures, 3 to 10 years; vehicles, 3 to 5 years; and rental homes, 27.5 years.

GREATER BIRMINGHAM HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Intangible Assets

Intangible assets with definite lives are amortized on the straight-line method over the useful life, seven to fifteen years. Amortizable intangible assets are reviewed for impairment whenever events or circumstances indicate the carrying amount of such assets may not be recoverable. The amortization period and method are reviewed at least at each financial year end.

Compensated Absences

Full-time employees accrue vacation leave at a rate established by the Organization. Upon separation of employment from the Organization, an employee will be compensated for any unused vacation leave accrued. Amounts accrued by employees have been included in accrued expenses in the accompanying consolidated statement of financial position.

Net Assets

The Organization reports information regarding its consolidated financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization had no permanently restricted net assets at June 30, 2018 and 2017.

- Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired.
- Temporarily restricted net assets contain donor-imposed restrictions that permit the Organization to use or expend the donated assets as specified and are satisfied either by the passage of time or by actions of the Organization.

Contributions

Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. A portion of the contributions received by the Organization are temporarily restricted for a specific purpose. It is the Organization's policy to use such funds for the specified purpose as soon as practical and prudent.

Donated Assets

Donated property is recorded as a contribution at its estimated fair value at the date of donation. Subsequent permanent declines in value are expensed in the year the reduction in value occurs.

GREATER BIRMINGHAM HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributed Services

A substantial number of volunteers have made significant contributions of their time to the Organization's program and supporting services. The value of this contributed time is not reflected in the consolidated financial statements since it does not require a specialized skill and is not susceptible to objective measurement or valuation.

Income Taxes

The Organization is organized as a not-for-profit corporation under the Alabama Nonprofit Corporation Act. Additionally, the Organization has been granted tax-exempt status by the Internal Revenue Service for income tax purposes. The Organization is subject to unrelated business income tax (UBIT) only if it engages in activities subject to the UBIT regulations.

Tax positions are initially recognized in the consolidated financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. The Organization had no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements as of June 30, 2018 and 2017 based on an assessment of many factors including experience and interpretations of tax laws applied to the facts of each matter for all open tax years.

Transfers to Homeowners

Transfers to homeowners represent the sale of houses. The resulting mortgages are non-interest bearing and have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages. The transfers to homeowners presented in the consolidated statement of activities are net of this discount.

Home Construction Costs, Construction in Progress and Neighborhood Stabilization Program Properties

Costs incurred in conjunction with home construction and renovation are capitalized until each home is sold, at which time the construction and renovation costs are expensed and reported as home building supplies. Neighborhood Stabilization Program (NSP) properties represent existing foreclosed or abandoned homes that are purchased by the Organization, renovated, and used to provide affordable housing in keeping with their purpose.

Functional Allocation of Expenses

The costs of providing the various programs and other supporting activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

GREATER BIRMINGHAM HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Advertising Costs

Advertising costs are expensed as incurred, and totaled \$10,827 and \$50,296 in 2018 and 2017, respectively. Advertising costs consist primarily of print media.

NOTE 2 - INVESTMENT IN JOINT VENTURE

On June 29, 2010, the Organization, along with four other affiliates, invested in a joint venture (HFHI-SA Leverage V, LLC) with 39% ownership to participate in New Market Tax Credit (“NMTC”) financing. NMTC financing allows an entity to receive a loan or investment capital from outside investors, who will then receive new market tax credits to be applied against their federal tax liability. As a result, the Organization’s original investment totaled \$4,385,247 and secured a 15-year loan in the amount of \$5,758,276 payable to a community development entity (an affiliate of the joint venture). The loan proceeds are to be used solely for constructing and selling qualified housing properties to low income residents.

The loan accrued interest only for years 1 through 7 at a reduced rate of 0.76%. Beginning in year 8 through year 15, the principal balance of the loan is reduced by an 8-year amortization at the same rate of 0.76%. At June 30, 2017, the Organization recorded its 39% investment in HFHI-SA Leverage V, LLC at the cost of investment plus transaction costs, expendable construction funds, escrow cash, and program cost liabilities which resulted in a carrying value of \$4,082,934. During the year ended June 30, 2017, the return on investment was equivalent to 99.98% of the interest payments on the resulting \$5,758,276 debt, which was returned to the Organization as a return on investment. In July 2017, HFHI-SA Leverage V, LLC, (the Fund), and the upstream effective owner of HFHI-SA NMTC III, LLC (holder of the promissory note due from the Organization) exercised its put option. Under the terms of the put option agreement, the Fund purchased the ownership interest of the Fund. Exercise of the option allowed the Organization to extinguish its outstanding debt owed to the Fund.

GREATER BIRMINGHAM HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(Continued)

NOTE 3 - INVESTMENT IN PARTNERSHIP

On December 20, 2017, the Organization invested, along with five other Habitat for Humanity affiliates, in a partnership (Harbor Habitat Leverage II, LLC) with 16.6667% ownership to take advantage of NMTTC financing. As a result, the Organization invested \$1,207,410 and was able to secure a 20-year loan in the amount of \$1,715,000 payable to a community development entity. The loan proceeds are to be used solely for the purpose of acquiring, renovating and/or constructing single-family homes in qualified census tracts and selling 100% of such homes to low-income persons.

The loan accrues interest only for years 1 through 7 at a reduced rate of 0.70% per year. Beginning in year 8 through year 20, the principal balance of the loan is reduced by a twelve-year amortization at the same rate of 0.70%. In 2018, the Organization recorded its 16.6667% investment in Harbor Habitat Leverage II, LLC at the cost of \$1,207,410. During the year ended June 30, 2018, the return on investment was equivalent to 99.98% of the interest payments on the resulting \$1,715,000 debt, which was returned to the Organization as a return on investment. The carrying value at June 30, 2018 was \$1,202,011. In December 2024, Twain Investment Fund 296, LLC (the Fund), and the upstream effective owner of Harbor Community Fund XIII, LLC (holder of the promissory note due from the Organization) is expected to exercise its put option. Under the terms of the put option agreement, Harbor Habitat Leverage II, LLC is expected to purchase the ownership interest of the Fund. Exercise of the option will effectively allow the Organization to extinguish its outstanding debt owed to the Fund.

NOTE 4 - MORTGAGE LOANS RECEIVABLE

Mortgage loans receivable consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Mortgages receivable at face value	\$ 30,816,956	\$ 31,216,393
Less unamortized discount based on imputed interest rates ranging from 7.39% to 8.22%	(14,652,091)	(15,014,964)
	<u>\$ 16,164,865</u>	<u>\$ 16,201,429</u>

GREATER BIRMINGHAM HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(Continued)

NOTE 4 - MORTGAGE LOANS RECEIVABLE - Continued

The following table presents informative data by class of mortgage loans receivable regarding their age at June 30, 2018:

	Current	30-59 Days	60-89 Days	> 90 days	Total Financing Receivables
Mortgage loans	\$ 21,896,221	\$ 3,976,912	\$ 842,120	\$ 4,101,703	\$ 30,816,956

These mortgages are expected to be received in future years as follows:

2019	\$ 2,816,243
2020	2,674,247
2021	2,619,028
2022	2,586,099
2023	2,549,931
Thereafter	17,571,408
	<u>\$ 30,816,956</u>

Mortgage loans receivable of \$987,584 and \$1,097,295 were pledged as security for notes payable at June 30, 2018 and 2017, respectively. Mortgage loans receivable are collateralized with real estate concentrated within the greater Birmingham area.

During the years ended June 30, 2018 and 2017, Habitat entered into loan swaps with Alabama Housing Finance Authority (AHFA) for loans that were in need of foreclosure, but could not be processed by AHFA. Habitat received mortgage loans and a cash balance in the amount of the mortgage loans sold to AHFA. At June 30, 2018 and 2017, Habitat serviced \$2,775,048 and \$2,901,874, respectively, in mortgage loans for the benefit of AHFA.

GREATER BIRMINGHAM HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(Continued)

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Buildings and improvements	\$ 474,862	\$ 470,513
Rental properties	1,842,186	1,349,858
Outlet store	1,376,061	1,376,061
Office furniture and equipment	96,291	80,703
Tools and equipment	84,641	70,641
Vehicles	203,792	224,842
	<u>4,077,833</u>	<u>3,572,618</u>
Less accumulated depreciation	1,291,251	1,155,041
	<u>\$ 2,786,582</u>	<u>\$ 2,417,577</u>

Depreciation expense totaled \$157,259 and \$149,135 for the years ended June 30, 2018 and 2017, respectively.

NOTE 6 - INTANGIBLE ASSETS

Intangible assets at June 30, 2018 consist of the NMTC transaction expense of \$53,142, amortizable over 240 months (accumulated amortization was \$1,329 at June 30, 2018), QALICB service of \$27,125, amortizable over 84 months (accumulated amortization was \$1,938 at June 30, 2018), Community Development Entity structuring fee of \$13,333, amortizable over 84 months (accumulated amortization was \$952 at June 30, 2018), asset management fees of \$64,400, amortizable over 84 months (accumulated amortization was \$4,600 at June 30, 2018), and consulting fees of \$26,250, amortizable over 84 months (accumulated amortization was \$1,875 at June 30, 2018).

Intangible assets at June 30, 2017 consisted of the NMTC closing cost fee of \$114,686, amortizable over 180 months (accumulated amortization was \$53,520 at June 30, 2017) and a Community Development Entity structuring fee of \$217,087, amortizable over 84 months (accumulated amortization was \$217,087 at June 30, 2017). These intangible assets were written off during the year ended June 30, 2018 as part of the NMTC put option which was exercised (see Note 2).

GREATER BIRMINGHAM HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(Continued)

NOTE 6 - INTANGIBLE ASSETS - Continued

Amortization expense totaled \$9,365 and \$38,657 for the years ended June 30, 2018 and 2017, respectively. Expected amortization of intangibles in the future consists of the following:

2019	\$	21,387
2020		21,387
2021		21,387
2022		21,387
2023		21,387
Thereafter		66,621
	\$	<u>173,556</u>

NOTE 7 - LINE OF CREDIT

At June 30, 2018 and 2017, the Organization had a \$300,000 line of credit agreement with a bank secured by inventory, equipment and receivables. Interest is charged at the prime rate plus 1.00% (6.25% and 5.50% at June 30, 2018 and 2017, respectively). The line of credit will mature in February 2019. At June 30, 2018 and 2017, there was \$0 outstanding on the line of credit.

NOTE 8 - NOTES PAYABLE

Notes payable consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Qualified Low Income Community Investment Loan, interest only payments until June 2017 (interest at 0.76%). The loan matured in July 2017. The loan was secured by substantially all assets acquired by Habitat from the project loan proceeds, and had a put option feature that was exercised in 2017.	\$ -	\$ 5,758,276
Promissory note payable to Habitat for Humanity International, Inc., due in monthly installments of \$781 (0.00% interest), matured in December 2017.	-	4,698

GREATER BIRMINGHAM HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(Continued)

NOTE 8 - NOTES PAYABLE - Continued

	<u>2018</u>	<u>2017</u>
Promissory note payable to Habitat for Humanity International, Inc., due in monthly installments of \$1,745 (0.00% interest), matured in June 2018.	\$ -	\$ 15,339
Promissory note payable to Habitat for Humanity International, Inc., due in monthly installments of \$847 (0.00% interest) through December 2018.	5,126	15,290
Promissory note payable to Habitat for Humanity International, Inc., due in monthly installments of \$529 (0.00% interest) through June 2019.	6,352	12,700
Promissory note payable to Habitat for Humanity International, Inc., due in monthly installments of \$548 (0.00% interest) through June 2020.	13,190	19,766
Promissory note payable to Habitat for Humanity International, Inc., due in monthly installments of \$157 (0.00% interest) through June 2020.	3,784	5,668
Promissory note payable to Habitat for Humanity International, Inc., due in monthly installments of \$1,283 (0.00% interest) through June 2021.	46,229	61,625
Promissory note payable to Habitat for Humanity International, Inc., due in monthly installments of \$981 (0.00% interest) through June 2021.	20,616	32,388
Promissory note payable to Habitat for Humanity International, Inc., due in monthly installments of \$456 (0.00% interest) through December 2021.	13,686	19,157
Promissory note payable to Habitat for Humanity International, Inc., due in monthly installments of \$578 (0.00% interest) through December 2022.	19,313	19,313

GREATER BIRMINGHAM HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(Continued)

NOTE 8 - NOTES PAYABLE - Continued

	<u>2018</u>	<u>2017</u>
Qualified Low Income Community Investment Loan, interest only payments until December 2024 (interest at 0.70%). The loan matures in December 2037. The loan was secured by substantially all assets acquired by Habitat from the project loan proceeds, and has a put option feature that is exercisable in 2024.	\$ 1,715,000	\$ -
Promissory note payable from GBHFH Funding to PNC Community Development Company, LLC, due in monthly installments of \$5,702 (0.00% interest) through June 2038, collateralized by assignment of mortgage notes.	1,036,277	1,099,000
Promissory note payable to the UAB Educational Foundation, due in semi-annual installments of \$3,000 (0.00% interest) through July 2038.	117,000	123,000
	<u>2,996,573</u>	<u>7,186,220</u>
Less loan costs, net	270,414	288,368
	<u>\$ 2,726,159</u>	<u>\$ 6,897,852</u>

Future scheduled maturities of long-term debt for the next five years and thereafter are as follows:

2019	\$ 130,472
2020	119,588
2021	99,541
2022	76,399
2023	74,426
Thereafter	<u>2,496,147</u>
	<u>\$ 2,996,573</u>

During 2009, the Organization refinanced the note payable to New South Federal Savings Bank through financing with the Irondale Downtown Redevelopment Authority (IDRA), which issued new revenue bonds totaling \$1,250,000. During the year ended June 30, 2017, the balance of the loan was paid off. The collateral for the bonds is the Habitat ReStore located in Irondale, Alabama.

GREATER BIRMINGHAM HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(Continued)

NOTE 8 - NOTES PAYABLE - Continued

In connection with the bond trust indenture, the Organization has executed a lease agreement dated November 1, 2008. Monthly lease payments, the principal portion of which range from \$4,615 to \$9,488, are required to be made for the period December 2008 through October 2023. Each payment is an amount equal to the debt service due on that date. Interest is computed at the one-month London Interbank Offered Rate (LIBOR) plus 1.25% multiplied by the tax equivalent factor equal to 72%.

The Organization has an option to purchase the Habitat ReStore at any time following full payment of indebtedness for a purchase price of \$10 plus all expenses incurred by IDRA in connection with the bond trust indenture or the affiliated lease agreement between IDRA and the Organization.

NOTE 9 - DERIVATIVE FINANCIAL INSTRUMENTS

During the year ended June 30, 2009, the Organization entered into a derivative contract, known as an interest rate swap, to manage its interest rate risk. This contract hedged interest rate exposure for periods consistent with the underlying exposure and did not constitute an investment independent of this exposure. The Organization uses derivative financial instruments primarily to optimize borrowing costs under its financing strategy and does not hold or issue financial instruments for trading purposes.

Beginning November 10, 2008, the Organization entered into an interest rate swap that converted its variable rate revenue bond debt into fixed rate debt on a notional amount of \$1,250,000. The notional amounts of derivative financial instruments did not represent the actual amounts exchanged by the parties, but instead represented the amounts on which the contracts were based. The floating interest rate payment under this swap was based on the one-month LIBOR rate plus 1.25% multiplied by the tax equivalent factor equal to 72%. The agreement, which was retired in June 2017, effectively fixed the Organization's interest exposure at 4.39%. Interest paid or received on this contract adjusted interest expense.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The Organization received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under the terms of the grant or appropriation.

In October 2005, the Organization entered into an agreement with the Presbytery of Sheppards and Lapsley ("the Presbytery"), which commits the Organization to sponsor ten houses within the next fifteen years in conjunction with the Presbytery in exchange for title to the building that the Organization currently uses as an office building and an adjacent building in Fairfield, Alabama. Any remaining sponsorship obligation will expire at the end of the fifteen-year period, and the title of the buildings will be transferred to the Organization.

GREATER BIRMINGHAM HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

June 30, 2018 and 2017

(Continued)

NOTE 10 - COMMITMENTS AND CONTINGENCIES - Continued

During 2017, the Presbytery and the Organization sponsored a house, which resulted in recognition of \$15,000 of revenue as donated services in each year. The sponsorship commitment expired during the year ended June 30, 2017.

NOTE 11 - SUPPLEMENTAL CASH FLOW DISCLOSURES

Net cash used in operating activities reflects cash payments for interest totaling \$27,888 and \$129,105 for the years ended June 30, 2018 and 2017, respectively.

NOTE 12 - RELATED PARTY SALE OF MORTGAGES

During the year ended June 30, 2015, GBHFH Funding acquired twenty-four mortgages, at cost, from Habitat for a total of \$646,705, resulting in no income recognized on the Organization's books for the removal of the unamortized discount on each original mortgage. These two entities are consolidated, and all intercompany amounts are eliminated. GBHFH Funding then entered into a note purchase agreement with PNC Community Development Company, LLC (PNC). GBHFH Funding authorized the issuance and sale of a secured note in the amount of \$1,252,958 (gross balance of mortgages receivable transferred from Habitat) to PNC for \$924,193 on March 24, 2015. See Note 8 for terms and outstanding balance of the PNC note payable. The difference of \$328,765 from the secured note with PNC was capitalized as deferred costs on the books of GBHFH Funding and amortized over the life of the loan (280 months).

NOTE 13 - SUBSEQUENT EVENT

Subsequent to June 30, 2018, a merger between GBHFH and Pell City Area Habitat for Humanity, Inc. became effective.

FEDERAL AWARDS PROGRAMS



LOCAL FIRM
NATIONAL KNOWLEDGE
GLOBAL REACH

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

To the Board of Directors
Greater Birmingham Habitat for Humanity, Inc.
Fairfield, Alabama

We have audited, 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, the consolidated financial statements of Greater Birmingham Habitat for Humanity, Inc., its affiliated entity, and subsidiary (the Organization), which comprise the consolidated statements of financial position as of June 30, 2018, and the related consolidated 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 January 18, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the basic consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization's consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 determination of consolidated financial statement amounts. 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 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.

BMSS, LLC

Birmingham, Alabama
January 18, 2019



LOCAL FIRM
NATIONAL KNOWLEDGE
GLOBAL REACH

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

To the Board of Directors
Greater Birmingham Habitat for Humanity, Inc.
Fairfield, Alabama

Report on Compliance for Each Major Federal Program

We have audited Greater Birmingham Habitat for Humanity, Inc., its affiliated entity, and subsidiary (the Organization), compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. 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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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 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.

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

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.

BMSS, LLC

Birmingham, Alabama
January 18, 2019

GREATER BIRMINGHAM HABITAT FOR HUMANITY, INC.
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2018

<u>Federal Grantor / Pass-through Agency / Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Awards Expenditures</u>
U.S. Department of Housing and Urban Development		
Pass-through program from the City of Birmingham - Community Development Block Grant for entitlement communities, Resolution No. 1618-17	14.218	<u>\$ 799,959</u>
Total expenditures of federal awards		<u><u>\$ 799,959</u></u>

See note to schedule of expenditures of federal awards and independent auditors' report.

GREATER BIRMINGHAM HABITAT FOR HUMANITY, INC.

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2018

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Greater Birmingham Habitat for Humanity, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with 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).

NOTE 2 - INDIRECT COST RATE

Greater Birmingham Habitat for Humanity, Inc. has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

GREATER BIRMINGHAM HABITAT FOR HUMANITY, INC.
Schedule of Findings and Questioned Costs
Year ended June 30, 2018

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the consolidated financial statements of Greater Birmingham Habitat for Humanity, Inc.
2. No material weaknesses in internal control over financial reporting were disclosed during the audit of the consolidated financial statements.
3. No instances of noncompliance material to the consolidated financial statements of Greater Birmingham Habitat for Humanity, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses in internal control over major federal award programs are reported in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for Greater Birmingham Habitat for Humanity, Inc. expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The program tested as a major program was the Community Development Block Grant for entitlement communities (CFDA number 14.218).
8. The threshold for distinguishing between Type A and B programs was \$750,000.
9. Greater Birmingham Habitat for Humanity, Inc. did not qualify as a low-risk auditee.

CONSOLIDATED FINANCIAL STATEMENT FINDINGS

There are no consolidated financial statement findings required to be reported in accordance with *Government Auditing Standards*.

GREATER BIRMINGHAM HABITAT FOR HUMANITY, INC.

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

(Continued)

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

There are no current findings or questioned costs that are considered material instances of noncompliance in accordance with Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

There were no prior year findings or questioned costs that were considered material instances of noncompliance in accordance with Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*