

***HABITAT FOR HUMANITY
OF
YORK COUNTY, INC.***

***FINANCIAL STATEMENTS
JUNE 30, 2016***

Habitat for Humanity of York County, Inc.

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June 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Habitat for Humanity of York County, Inc.
Rock Hill, South Carolina

We have audited the accompanying financial statements of Habitat for Humanity of York County, Inc. ("Habitat" - a nonprofit corporation), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Habitat for Humanity of York County, Inc., as of June 30, 2016 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Habitat's 2015 financial statements, and our report dated August 28, 2015, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. Dewitt Foard & Company, P.A.
September 19, 2016

Habitat for Humanity of York County, Inc.
Statement of Financial Position
June 30, 2016, with prior year comparative totals

	June 30,	
	2016	2015
<u>ASSETS</u>		
Cash	\$ 245,759	\$ 216,510
Receivables:		
Grants and contributions	92,927	28,500
Mortgages	1,066,641	1,017,767
Inventories:		
Land held for development	225,200	281,100
Construction in process	26,415	48,208
Resale store	47,493	48,907
Prepays	18,557	50,694
Certificate of deposit	54,897	54,153
Property and equipment (net of depreciation)	817,806	841,996
<i>TOTAL ASSETS</i>	<i>\$ 2,595,695</i>	<i>\$ 2,587,835</i>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 13,929	\$ 14,345
Payroll liabilities	26,144	24,868
Forgiveable loans	22,882	27,543
Escrows	3,991	3,956
Note payable	634,792	666,884
Total Liabilities	701,738	737,596
Net Assets:		
Unrestricted	1,789,742	1,697,571
Temporarily restricted	104,215	152,668
Total Net Assets	1,893,957	1,850,239
<i>TOTAL LIABILITIES AND NET ASSETS</i>	<i>\$ 2,595,695</i>	<i>\$ 2,587,835</i>

Habitat for Humanity of York County, Inc.**Statement of Activities****Year Ended June 30, 2016, with prior year comparative totals**

	Year Ended June 30, 2016			2015
	Unrestricted	Temporarily Restricted	TOTALS	TOTALS
<u>SUPPORT AND REVENUE</u>				
Grants	\$ 10,000	\$ 128,034	\$ 138,034	\$ 252,555
Contributions	167,922	149,975	317,897	263,081
Donated goods and services	23,659	-	23,659	31,323
Sale of homes	111,853	-	111,853	119,339
Resale store	552,755	-	552,755	582,799
Mortgage loan discount amortization	74,989	-	74,989	78,412
Second mortgage income	-	-	-	14,984
Special events	10,872	-	10,872	33,916
Other income	17,113	-	17,113	11,788
Net assets released from restrictions	326,462	(326,462)	-	-
<i>TOTAL</i>	<i>1,295,625</i>	<i>(48,453)</i>	<i>1,247,172</i>	<i>1,388,197</i>
<u>EXPENSES</u>				
Program services	730,314	-	730,314	687,223
Management and general	97,755	-	97,755	95,979
Fundraising:				
Resale store	347,305	-	347,305	351,614
Other	28,080	-	28,080	54,237
<i>TOTAL</i>	<i>1,203,454</i>	<i>-</i>	<i>1,203,454</i>	<i>1,189,053</i>
<i>CHANGE IN NET ASSETS</i>	<i>92,171</i>	<i>(48,453)</i>	<i>43,718</i>	<i>199,144</i>
<i>NET ASSETS, BEGINNING</i>	<i>1,697,571</i>	<i>152,668</i>	<i>1,850,239</i>	<i>1,651,095</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 1,789,742</i>	<i>\$ 104,215</i>	<i>\$ 1,893,957</i>	<i>\$ 1,850,239</i>

Habitat for Humanity of York County, Inc.
Statement of Functional Expenses
Year Ended June 30, 2016, with prior year comparative totals

	Year Ended June 30, 2016					2015	
	Program	Management and General	ReStore	Fundraising	TOTALS	TOTALS	
PERSONNEL							
Wages	\$ 174,948	\$ 61,456	\$ 151,586	\$ 17,817	\$ 405,807	\$ 370,787	
Payroll taxes	12,653	4,400	11,956	1,276	30,285	34,821	
Benefits	16,510	9,014	23,766	1,507	50,797	36,031	
Total	204,111	74,870	187,308	20,600	486,889	441,639	
OTHER EXPENSES							
Cost of homes	153,420	-	-	-	153,420	298,132	
Repair	231,312	-	-	-	231,312	43,049	
Supplies	7,017	899	11,620	2,866	22,402	40,076	
Occupancy	10,826	459	40,486	292	52,063	51,516	
Interest expense	6,048	452	19,319	288	26,107	27,297	
Insurance	16,738	1,251	21,628	798	40,415	44,097	
Mileage/Vehicle	8,492	1,440	9,839	417	20,188	27,241	
Global Village	14,046	-	-	-	14,046	18,917	
Services	13,400	11,840	19,896	845	45,981	61,079	
Training and meetin	17,916	-	120	-	18,036	20,301	
Equipment costs	5,317	2,562	2,722	743	11,344	13,856	
Printing and postage	1,146	552	1,802	160	3,660	4,533	
Tithe	26,619	-	-	-	26,619	22,231	
Communications	3,705	1,786	6,356	518	12,365	11,397	
Depreciation	7,954	1,104	15,225	444	24,727	29,024	
Cost of goods sold	-	-	10,681	-	10,681	22,033	
Other	2,247	540	303	109	3,199	12,635	
Total	526,203	22,885	159,997	7,480	716,565	747,414	
TOTAL	\$ 730,314	\$ 97,755	\$ 347,305	\$ 28,080	\$ 1,203,454	\$ 1,189,053	

Habitat for Humanity of York County, Inc.**Statement of Cash Flows****Year Ended June 30, 2016, with prior year comparative totals**

	Year Ended June 30,	
	2016	2015
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 43,718	\$ 199,144
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	24,727	29,024
Donated land	(28,000)	(40,000)
Amortization of loan discount	(79,650)	(83,074)
Decrease (increase) in operating assets:		
Operating receivables	(64,427)	(27,500)
Inventories	107,107	(14,557)
Prepays	32,137	(34,951)
Increase (decrease) in operating liabilities:		
Payables	(416)	(3,261)
Payroll liabilities	1,276	2,903
Escrows	35	(138)
	<u>36,507</u>	<u>27,590</u>
	<i>Cash Flows from Operating Activities</i>	<i>27,590</i>
<u>INVESTING ACTIVITIES</u>		
Mortgages made to homeowners (net of discounts)	(111,853)	(119,339)
Principal payments received from homeowners	137,968	155,556
Proceeds from (purchases of) certificates of deposit, net	(744)	54,186
Purchase of property and equipment	(537)	(808)
	<u>24,834</u>	<u>89,595</u>
	<i>Cash Flows from Investing Activities</i>	<i>89,595</i>
<u>FINANCING ACTIVITIES</u>		
Principal payments on note payable	(32,092)	(30,913)
	<u>(32,092)</u>	<u>(30,913)</u>
	<i>Cash Flows from Financing Activities</i>	<i>(30,913)</i>
CHANGE IN CASH	29,249	86,272
CASH, BEGINNING	216,510	130,238
CASH, ENDING	\$ 245,759	\$ 216,510

Habitat for Humanity of York County, Inc.

Notes to Financial Statements

June 30, 2016

NOTE 1 – NATURE OF OPERATIONS

Organization

Habitat for Humanity of York County, Inc., (Habitat) is a South Carolina not-for-profit corporation that operates from facilities in Rock Hill, South Carolina. Habitat seeks to eliminate poverty housing and homelessness within York County. Furthermore, Habitat strives to make decent housing a matter of conscience and action. Habitat is an affiliate of Habitat for Humanity International (HFH International).

Purpose

The purpose of Habitat is to create decent, affordable housing for those in need. Habitat builds homes that are sold to individuals at no profit, utilizing non-interest bearing mortgages. The families are required to contribute 250 hours of “sweat equity” towards the construction of their home and other projects.

Funding sources

Habitat is supported primarily through contributions, grants, and homeowner mortgage payments. In addition, Habitat operates a resale store, which sells donated furniture and goods.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets can be both undesignated and designated in nature. Undesignated, unrestricted net assets are those currently available for use in the day-to-day operation of Habitat and those resources invested in property and equipment. From time to time, the Board of Directors may designate certain amounts to be utilized or invested to meet specific objectives of Habitat. Such amounts, if any, are reflected as unrestricted, board-designated net assets in the accompanying statement of financial position.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Habitat and/or the passage of time. When a 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 statement of activities as net assets released from restrictions. Net assets were released during the year by payment for the restricted purposes. Temporarily restricted net assets at year end were restricted to Home for the Holidays (\$73,235), home preservation (\$25,000) and other (\$5,980).

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by Habitat. During the year, Habitat had no permanently restricted net assets.

Habitat for Humanity of York County, Inc.

Notes to Financial Statements

June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Cash

Cash consist of cash on hand, cash in banks, and money market funds.

Receivables

Grants and contributions receivable consist of unconditional promises to give. All amounts are expected to be collected in the subsequent fiscal year so no present value discount has been provided. In addition, management has determined that no allowance for doubtful accounts is necessary based on an evaluation of the receivables, historical experience, and current and anticipated economic conditions.

Resale store inventory

Purchased inventory is recorded at cost, utilizing a first-in, first-out flow assumption. Habitat receives a large amount of furniture and other goods which are sold in its resale store. Management has estimated the value of this inventory at any given time approximates one month's sales.

Other inventory

Inventories also include land and construction in process, which are expected to be sold to homeowners, and are carried on the books at cost or the fair value when donated. Donated land is recorded at appraised value; however, if an appraisal was not available at the date of the contribution, it is recorded at the value used for assessing local property taxes. Costs benefiting all lots, including lots to be used in construction, are allocated between lots. Management has determined that lots carried on the books at \$36,000 are not currently buildable, due to zoning or other issues. Construction in progress consists of costs related to construction, donated goods and services capitalized in construction and an overhead allocation based on construction expenses and salaries and wages.

Property and equipment

Property is recorded at cost if purchased or fair value if donated, subject to a \$500 capitalization policy. Costs that improve or extend the useful lives of assets are capitalized. Amounts paid for maintenance and repairs are expensed as incurred. Depreciation expense is recorded using the straight-line method of depreciation over the estimated useful lives of the assets, which range from three years for computers, five to ten years for furniture and equipment, and 30 to 40 years for buildings.

Donated services

Habitat pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist Habitat with program services, management and general support, and fundraising efforts. Habitat depends on volunteers to construct homes and the resale store utilizes a large number of volunteers for related functions. In accordance with accounting standards, the value of such services is not recorded in the financial statements unless the services require specialized skills or enhance the value of the Organization's assets. During the year, Habitat recognized services requiring specialized skills with an approximate value of \$23,659.

Habitat for Humanity of York County, Inc.

Notes to Financial Statements

June 30, 2016

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Escrows

Escrows consists primarily of amounts received from new homeowners which will be used to pay for closing costs.

Federal income tax status

Habitat is exempt from Federal income tax on its exempt function income under Internal Revenue Code Section 501(c)(3) under a group exemption letter granted to HFH International, which is classified as other than a private foundation as defined by Section 509(a) of the Internal Revenue Code.

Cash flows

Interest expense actually paid during the year ended June 30, 2016 amounted to \$26,198.

Use of estimates

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

Functional expenses

Expenses are charged directly to program costs, administrative or fundraising in general categories based on specific identification. Indirect expenses have been allocated based on salary expenditures or other relevant criteria.

Prior-year comparative totals

The financial statements include certain prior-year summarized information, which is presented for comparative purposes only. Accordingly, such information should be read in conjunction with the Habitat's 2015 financial statements, from which the summarized information was derived. Also, certain prior-year amounts have been reclassified to conform with the current-year presentation.

NOTE 3 – CERTIFICATE OF DEPOSIT

Balance at year-end

The certificate of deposit is reported at cost plus accrued interest, which approximates fair value and at June 30, 2016, bore interest at 1.25 percent and matures on December 11, 2019.

Habitat for Humanity of York County, Inc.**Notes to Financial Statements****June 30, 2016**

NOTE 3 – CERTIFICATES OF DEPOSIT, continued*Fair value disclosures*

Generally accepted accounting principles require fair value of financial instruments to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. It establishes a three-level valuation hierarchy based upon observable and unobservable inputs. Fair value for Level 1 assets is based on quoted prices in active markets for identical assets or liabilities. Fair value for Level 2 assets is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Fair value for Level 3 assets is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Habitat's certificate of deposit is classified as a Level 2 asset and is valued at cost plus accrued interest which approximates fair value.

NOTE 4 – PROPERTY AND EQUIPMENT*Balance at June 30, 2016*

Property and equipment which are used by Habitat in its operations consists of the following at June 30, 2016:

Buildings and improvements	\$ 802,398
Land	156,013
Furniture and equipment	26,490
Vehicles	<u>61,505</u>
Total	1,046,406
Less – accumulated depreciation	<u>228,600</u>
TOTAL	<u>\$ 817,806</u>

NOTE 5 – DEBT*Note payable*

The note payable is due to a local financial institution and is secured by Habitat's land and building. The note requires monthly payments of \$4,857, applied first to interest at 3.95 percent and then to principal, with all remaining balance due when the loan matures in February, 2019. Future minimum payments of principal for the year ending June 30 are as follows:

2017	\$ 33,858
2018	35,220
2019	<u>565,714</u>
TOTAL	<u>\$ 634,792</u>

Habitat for Humanity of York County, Inc.**Notes to Financial Statements****June 30, 2016**

NOTE 5 – DEBT, continued*Forgivable loans*

From fiscal years 1999 to 2001, the Organization was awarded forgivable loans of \$135,253 from the South Carolina Land Trust Fund. Approximately 5% of the original loan value is forgiven each year that a qualifying low-income homeowner lives in a home constructed with these funds. The amount forgiven during the current fiscal year was \$4,661 and the remaining loan amounts to forgive totaled \$22,882 as of June 30, 2016.

NOTE 6 – MORTGAGES RECEIVABLE*Balances at June 30, 2016*

Mortgages receivable from homeowners do not bear interest. Therefore, these mortgages are carried on the books net of a discount for the present value of future payments. The rate of interest used to determine this discount is established annually by Habitat for Humanity International and the interest rate in effect for the year the home was sold to the homeowner is used for the life of the mortgage. This interest rate was 7.48 percent for the current fiscal year and has varied from 7.39 – 9.00 percent during Habitat's existence. Mortgage activity for the year ended June 30, 2016 was as follows:

	<u>Mortgages</u>	<u>Discount</u>
Mortgages receivable, beginning	\$ 1,983,079	\$ 965,312
Add – new mortgages	<u>281,000</u>	<u>169,147</u>
Subtotal	2,264,079	1,134,459
Deduct:		
Payments received and amortization of discount	<u>137,968</u>	<u>74,989</u>
Mortgages receivable, ending	<u>\$ 2,126,111</u>	<u>\$ 1,059,470</u>

The \$111,853 sale of homes revenue shown in the statement of activities represents the \$281,000 of new mortgages less the loan discount of \$169,147. Management reviews the outstanding balances regularly for collectability to determine if an allowance for doubtful accounts is needed and has frequent communication with the homeowners and is able to identify collection problems. Because the mortgages are collateralized by the related homes, which are worth more than the discounted mortgage, management feels no allowance for uncollectible accounts is required at June 30, 2016.

Habitat for Humanity of York County, Inc.**Notes to Financial Statements****June 30, 2016**

NOTE 7 – LEASES

Habitat leases warehouse space and office equipment under operating lease agreements. Lease expense for the current fiscal year was \$13,849. Future minimum lease payments of \$1,574 are due for the year ending June 30, 2017. Future minimum payments of \$1,716 are due during each of the years ending June 30, 2018 through 2021.

NOTE 8 – CONCENTRATIONS OF RISK***Geographic area***

Habitat operates in a small geographic area, and is therefore sensitive to changes in the local economy.

NOTE 9 – RELATED PARTY TRANSACTIONS

Habitat annually remits a portion of its contributions (excluding any in-kind contributions) to Habitat for Humanity International. These funds are used to construct houses in economically depressed areas around the world. During the year, Habitat contributed \$26,619 to Habitat International. In addition, Habitat received a capacity grant from Habitat International of \$29,769.

NOTE 10 – SUBSEQUENT EVENTS

Habitat has evaluated subsequent events from the date of the statement of financial position through the date of the audit report, which is the date the financial statements were available to be issued. During this period, no material recognizable subsequent events were identified.