

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

***FINANCIAL STATEMENTS
JUNE 30, 2019***

Habitat for Humanity of York County, Inc.

Table of Contents

June 30, 2019

	Page
Independent Auditors' Report	1
Audited Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses.....	4
Statement of Cash Flows	5
Notes to Financial Statements	6-13

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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, 2019, 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, 2019 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 2018 financial statements, and our report dated September 19, 2018, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. Dewitt Foard & Company, P.A.
December 5, 2019

Habitat for Humanity of York County, Inc.
Statement of Financial Position
June 30, 2019, with prior year comparative totals

	June 30,	
	2019	2018
<u>ASSETS</u>		
Cash	\$ 269,379	\$ 286,715
Receivables:		
Grants and contributions	47,082	131,056
Mortgages	1,265,257	1,350,909
Inventories:		
Land held for development	234,689	231,445
Construction in process	178,609	16,943
Resale store	141,826	105,936
Prepays	46,069	17,270
Certificate of deposit	56,978	56,278
Property and equipment (net of depreciation)	922,618	835,119
<i>TOTAL ASSETS</i>	<i>\$ 3,162,507</i>	<i>\$ 3,031,671</i>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 44,873	\$ 37,001
Payroll liabilities	65,725	39,177
Forgiveable loans	8,896	13,558
Escrows	15,596	3,714
Capital lease obligation	43,612	-
Notes payable	616,866	613,073
Total Liabilities	795,568	706,523
Net Assets:		
Without Donor Restriction	2,353,289	2,297,572
With Donor Restriction	13,650	27,576
Total Net Assets	2,366,939	2,325,148
<i>TOTAL LIABILITIES AND NET ASSETS</i>	<i>\$ 3,162,507</i>	<i>\$ 3,031,671</i>

Habitat for Humanity of York County, Inc.**Statement of Activities****Year Ended June 30, 2019, with prior year comparative totals**

	Year Ended June 30, 2019			2018
	Without Donor Restriction	With Donor Restriction	TOTALS	TOTALS
<u>SUPPORT AND REVENUE</u>				
Grants	\$ -	\$ 221,198	\$ 221,198	\$ 265,083
Contributions	172,908	63,198	236,106	341,452
Donated goods and services	85,288	-	85,288	57,223
Sale of homes	186,527	-	186,527	142,043
Resale store	946,801	-	946,801	791,444
Mortgage loan discount amortization	81,242	-	81,242	275,886
Sale of foreclosed home	-	-	-	61,858
Special events	6,324	-	6,324	13,263
Other income	43,761	-	43,761	13,155
Net assets released from restrictions	298,322	(298,322)	-	-
<i>TOTAL</i>	<i>1,821,173</i>	<i>(13,926)</i>	<i>1,807,247</i>	<i>1,961,407</i>
<u>EXPENSES</u>				
Program services:				
Construction	733,781	-	733,781	912,117
Resale store	820,536	-	820,536	485,890
Management and general	164,611	-	164,611	139,594
Fundraising	46,528	-	46,528	42,291
<i>TOTAL</i>	<i>1,765,456</i>	<i>-</i>	<i>1,765,456</i>	<i>1,579,892</i>
<i>CHANGE IN NET ASSETS</i>	<i>55,717</i>	<i>(13,926)</i>	<i>41,791</i>	<i>381,515</i>
<i>NET ASSETS, BEGINNING</i>	<i>2,297,572</i>	<i>27,576</i>	<i>2,325,148</i>	<i>1,943,633</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 2,353,289</i>	<i>\$ 13,650</i>	<i>\$ 2,366,939</i>	<i>\$ 2,325,148</i>

Habitat for Humanity of York County, Inc.
Statement of Functional Expenses
Year Ended June 30, 2019, with prior year comparative totals

	Year Ended June 30, 2019					2018
	Program Services		Management	Fundraising	TOTALS	TOTALS
	Construction	ReStore	and General			
PERSONNEL						
Wages	\$ 237,794	\$ 362,100	\$ 92,283	\$ 23,431	\$ 715,608	\$ 522,093
Payroll taxes	21,132	33,692	8,201	2,082	65,107	40,452
Benefits	41,997	35,139	18,198	3,466	98,800	59,533
Total	300,923	430,931	118,682	28,979	879,515	622,078
OTHER EXPENSES						
Cost of homes	156,920	-	-	-	156,920	398,803
Home repair	81,969	-	-	-	81,969	115,570
Supplies	29,537	62,927	2,269	1,952	96,685	49,680
Occupancy	21,552	79,180	10,881	4,969	116,582	71,489
Interest expense	1,856	19,387	2,538	1,159	24,940	25,336
Insurance	13,920	28,025	5,501	3,277	50,723	44,079
Mileage/Vehicle	14,691	12,711	1,398	355	29,155	19,856
Global Village	14,421	-	-	-	14,421	1,029
Services	24,835	21,647	12,573	636	59,691	59,739
Dues and meetings	19,810	5,160	-	-	24,970	17,041
Equipment costs	11,920	29,412	4,924	1,614	47,870	13,805
Printing and postage	2,265	6,686	879	223	10,053	5,868
Tithe	30,000	-	-	-	30,000	25,500
Communications	6,045	15,935	2,346	596	24,922	13,307
Depreciation	3,117	35,939	2,620	1,183	42,859	34,225
Cost of goods sold	-	61,102	-	-	61,102	52,940
Marketing and other	-	11,494	-	1,585	13,079	9,547
Total	432,858	389,605	45,929	17,549	885,941	957,814
TOTAL	\$ 733,781	\$ 820,536	\$ 164,611	\$ 46,528	\$ 1,765,456	\$ 1,579,892

Habitat for Humanity of York County, Inc.**Statement of Cash Flows****Year Ended June 30, 2019, with prior year comparative totals**

	Year Ended June 30,	
	2019	2018
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 41,791	\$ 381,515
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation and amortization	42,859	34,225
Donated land	(17,495)	(7,000)
Amortization of loan discount	(81,242)	(280,548)
Decrease (increase) in operating assets:		
Operating receivables	83,974	(79,200)
Inventories	(183,305)	110,617
Prepays	(28,799)	(673)
Increase (decrease) in operating liabilities:		
Payables	7,872	27,026
Payroll liabilities	26,548	(5,567)
Escrows	11,882	(1,177)
	<u>(95,915)</u>	<u>179,218</u>
<u>INVESTING ACTIVITIES</u>		
Mortgages made to homeowners (net of discounts)	-	(142,043)
Principal payments received from homeowners	166,894	153,858
Proceeds from (purchases of) certificates of deposit, net	(700)	(695)
Purchase of property and equipment	(86,521)	(19,792)
	<u>79,673</u>	<u>(8,672)</u>
<u>FINANCING ACTIVITIES</u>		
Payments on capital lease obligation	(4,887)	-
Proceeds from notes payable	64,014	566,479
Principal payments on notes payable	(60,221)	(613,467)
	<u>(1,094)</u>	<u>(46,988)</u>
CHANGE IN CASH	<u>(17,336)</u>	<u>123,558</u>
CASH, BEGINNING	<u>286,715</u>	<u>163,157</u>
CASH, ENDING	<u>\$ 269,379</u>	<u>\$ 286,715</u>

*See accompanying notes to financial statements.**Page 5*

Habitat for Humanity of York County, Inc.

Notes to Financial Statements

June 30, 2019

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 build homes, communities and hope 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 or preserve decent, affordable housing with 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. Habitat repairs homes in partnership with homeowners with incomes under 60% and who pay a portion of repair costs and contribute sweat equity in accordance with their abilities.

Funding sources

Habitat is supported primarily through contributions, grants, and homeowner mortgage payments. In addition, Habitat operates two resale stores, 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:

Net Assets Without Donor Restrictions – Net assets without donor restrictions can be both undesignated and designated in nature. Undesignated net assets without donor restrictions are those currently available for use in day-to-day operations 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. Such amounts, if any, are reflected as designated net assets without donor restrictions in the accompanying statement of financial position.

Net Assets With Donor Restrictions - Net assets with donor restrictions consist of temporarily restricted net assets and permanently restricted net assets. Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met, either by actions of Habitat 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 a specific home build (\$10,000), Global Village (\$3,500) and scholarship (\$150).

Habitat for Humanity of York County, Inc.

Notes to Financial Statements

June 30, 2019

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by Habitat. During the year ended June 30, 2019, Habitat had no permanently restricted net assets.

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. Conditional promises to give are not recorded until the conditions are substantially met. At June 30, 2019, Habitat had no conditional promises to give.

Resale store inventory

Purchased inventory is recorded at cost, utilizing a first-in, first-out flow assumption, and was \$73,142 as of June 30, 2019. Habitat receives a large amount of furniture and other goods which are sold in its resale stores. Management has estimated that the value of this donated inventory at any given time approximates one month's sales and the balance at June 30, 2019, was \$68,684.

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 \$28,000 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.

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 \$58,023.

Escrows

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

Habitat for Humanity of York County, Inc.

Notes to Financial Statements

June 30, 2019

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.

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, 2019 amounted to \$24,940. Equipment acquired through capital leases during the year were \$48,999.

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 allocation of expenses

Expenses that are inherently program, management and general, or fundraising, are charged directly to those functions. Facility costs are allocated based on the estimated square footage utilized by that function. All other expenses are allocated to program services, management and general, and fundraising based on management's estimates of time spent.

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 2018 financial statements, from which the summarized information was derived. Also, certain prior-year amounts have been reclassified to conform to 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. The certificate of deposits bears interest at 1.25 percent and matures on December 11, 2019.

Habitat for Humanity of York County, Inc.

Notes to Financial Statements

June 30, 2019

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, 2019

Property and equipment which are used by Habitat in its operations consists of the following at June 30, 2019:

Buildings and improvements	\$ 878,547
Land	156,013
Furniture and equipment	85,987
Vehicles	<u>139,282</u>
Total	1,259,829
Less – accumulated depreciation	<u>337,211</u>
TOTAL	<u><u>\$ 922,618</u></u>

NOTE 5 – MORTGAGES RECEIVABLE

Balances at June 30, 2019

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 was 7.66 percent for the current fiscal year. Management has adopted a policy to value all mortgages at the current year rate rather than the interest rate in effect for the year the home was sold to the homeowner.

Habitat for Humanity of York County, Inc.**Notes to Financial Statements****June 30, 2019**

Mortgage activity for the year ended June 30, 2019 was as follows:

	<u>Mortgages</u>	<u>Discount</u>
Mortgages receivable, beginning	\$ 2,470,807	\$ 1,119,898
Add – new mortgages	<u>-</u>	<u>-</u>
Subtotal	2,470,807	1,119,898
Deduct:		
Payments received and amortization of discount	<u>166,894</u>	<u>81,242</u>
Mortgages receivable, ending	<u>\$ 2,303,913</u>	<u>\$ 1,038,656</u>

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, 2019. Payments of \$161,631 are expected in the fiscal year ending June 30, 2020.

NOTE 6 – DEBTMortgage payable

A mortgage note payable of \$530,306 is due to a local financial institution and is secured by Habitat's land, building, inventory and equipment. The note requires monthly payments of \$4,803, applied first to interest at 3.95 percent and then to principal, with all remaining balance due when the loan matures in June 2023.

Truck note payable

A truck note payable of \$25,653 is due to a local financial institution and is secured by the related vehicle. The note requires monthly payments of \$594, applied first to interest at 3.25 percent and then to principal.

Truck note payable

A truck note payable of \$33,653 is due to a local financial institution and is secured by the related vehicle. The note requires monthly payments of \$611, applied first to interest at 4 percent and then to principal.

Capacity Building note payable

The Capacity Building note payable of \$6,390 is due to the South Carolina Association of Habitat Affiliates and is unsecured. The note requires quarterly payments of \$2,151, applied first to interest at 2.00 percent and then to principal.

Habitat for Humanity of York County, Inc.

Notes to Financial Statements

June 30, 2019

Capacity Building note payable

The Capacity Building note payable of \$20,864 is due to the South Carolina Association of Habitat Affiliates and is unsecured. The note requires quarterly payments of \$2,151, applied first to interest at 2.00 percent and then to principal.

Maturities

Future minimum payments of principal are due during the year ending June 30:

2020	\$ 64,474
2021	60,222
2022	58,052
2023	54,790
2024 & thereafter	<u>379,328</u>
TOTAL	<u>\$ 616,866</u>

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 \$4,662 and the remaining loan amounts to forgive totaled \$8,896 as of June 30, 2019.

NOTE 7 – CAPITAL LEASE OBLIGATION

During the year the Organization entered into two non-cancellable capital leases totaling \$48,499 for lighting. The leases are payable in 60 monthly installments of \$282 and \$527, respectively, through October 2024 and January 2024. These leases are interest-free and no provision for a discount has been recorded due to materiality. The lease obligation and related assets have been capitalized for financial reporting purposes. Future minimum rental payments due under the lease at year-end are as follows:

Year ending June 30:	
2020	\$ 9,700
2021	9,700
2022	9,700
2023	9,700
2024	<u>4,813</u>
Total	<u>\$ 43,612</u>

Habitat for Humanity of York County, Inc.**Notes to Financial Statements****June 30, 2019**

NOTE 8 – OPERATING LEASES

Habitat leases retail, warehouse space and office equipment under operating lease agreements. Lease expense for the current fiscal year was \$29,564. Future minimum rental payments under these leases are as follows:

Year ending June 30:		
2020	\$	169,230
2021		169,230
2022		167,799
2023		167,513
2024 & thereafter		<u>473,024</u>
Total	\$	<u><u>1,146,796</u></u>

NOTE 9 – CONCENTRATIONS OF RISKGeographic area

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

Cash and cash equivalents and certificate of deposit

Cash and cash equivalents held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The total cash and cash equivalents held by the Organization at year-end include \$36,037 in excess of insured limits covered by the FDIC.

NOTE 10 – RELATED PARTY TRANSACTIONS

Habitat annually remits a portion of its contributions (excluding any in-kind contributions) to Habitat for Humanity International (HFHI). These funds are used to construct houses in economically depressed areas around the world. During the year, Habitat sent HFHI a tithe of \$30,000 and \$7,500 for its annual sustainability fee. Habitat also sent dues of \$2,500 to the South Carolina Association of Habitat Affiliates.

NOTE 11– LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Habitat has \$491,018 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$269,379, receivables of \$60,008, which are expected to be collected during the year, and the \$161,631 portion of mortgages receivable that are due from homeowners in the next fiscal year. \$13,650 of these assets are subject to donor restrictions that they be utilized for a specific purpose. Habitat has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management the Organization invests cash in excess of daily requirements in short-term investments, primarily certificates of deposit and money market funds.

Habitat for Humanity of York County, Inc.

Notes to Financial Statements

June 30, 2019

NOTE 12 – 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.