

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

***FINANCIAL STATEMENTS
JUNE 30, 2018***

Habitat for Humanity of York County, Inc.

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June 30, 2018

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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, 2018, 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, 2018 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 2017 financial statements, and our report dated September 28, 2017, 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, 2017, 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, 2018

Habitat for Humanity of York County, Inc.
Statement of Financial Position
June 30, 2018, with prior year comparative totals

	June 30,	
	2018	2017
<u>ASSETS</u>		
Cash	\$ 286,715	\$ 163,158
Receivables:		
Grants and contributions	131,056	51,856
Mortgages	1,350,909	1,086,838
Inventories:		
Land held for development	231,445	312,200
Construction in process	16,943	87,211
Resale store	105,936	58,530
Prepays	17,270	16,597
Certificate of deposit	56,278	55,583
Property and equipment (net of depreciation)	835,119	849,552
<u>TOTAL ASSETS</u>	\$ 3,031,671	\$ 2,681,525
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 37,001	\$ 9,975
Payroll liabilities	39,177	44,744
Forgiveable loans	13,558	18,220
Escrows	3,714	4,891
Notes payable	613,073	660,061
Total Liabilities	706,523	737,891
Net Assets:		
Unrestricted	2,297,572	1,899,310
Temporarily restricted	27,576	44,324
Total Net Assets	2,325,148	1,943,634
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$ 3,031,671	\$ 2,681,525

Habitat for Humanity of York County, Inc.**Statement of Activities****Year Ended June 30, 2018, with prior year comparative totals**

	Year Ended June 30, 2018			2017
	Unrestricted	Temporarily Restricted	TOTALS	TOTALS
<u>SUPPORT AND REVENUE</u>				
Grants	\$ -	\$ 265,083	\$ 265,083	\$ 272,237
Contributions	178,467	162,985	341,452	342,292
Donated goods and services	57,223	-	57,223	48,751
Sale of homes	142,043	-	142,043	151,408
Resale store	791,444	-	791,444	638,944
Mortgage loan discount amortization	275,886	-	275,886	105,120
Other operating revenue	61,858	-	61,858	9,148
Special events	13,263	-	13,263	9,812
Other income	13,155	-	13,155	19,430
Net assets released from restrictions	444,816	(444,816)	-	-
<i>TOTAL</i>	<i>1,978,155</i>	<i>(16,748)</i>	<i>1,961,407</i>	<i>1,597,142</i>
<u>EXPENSES</u>				
Program services	912,117	-	912,117	956,348
Management and general	139,594	-	139,594	113,706
Fundraising:				
Resale store	485,890	-	485,890	443,580
Other	42,291	-	42,291	33,831
<i>TOTAL</i>	<i>1,579,892</i>	<i>-</i>	<i>1,579,892</i>	<i>1,547,465</i>
<i>CHANGE IN NET ASSETS</i>	<i>398,263</i>	<i>(16,748)</i>	<i>381,515</i>	<i>49,677</i>
<i>NET ASSETS, BEGINNING</i>	<i>1,899,310</i>	<i>44,324</i>	<i>1,943,634</i>	<i>1,893,957</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 2,297,573</i>	<i>\$ 27,576</i>	<i>\$ 2,325,149</i>	<i>\$ 1,943,634</i>

Habitat for Humanity of York County, Inc.
Statement of Functional Expenses
Year Ended June 30, 2018, with prior year comparative totals

	Year Ended June 30, 2018				2017	
	Program Services	Management and General	ReStore	Fundraising	TOTALS	TOTALS
PERSONNEL						
Wages	\$ 212,330	\$ 83,907	\$ 202,177	\$ 23,679	\$ 522,093	\$ 503,085
Payroll taxes	15,403	6,087	17,244	1,718	40,452	38,003
Benefits	30,310	11,697	14,784	2,742	59,533	52,638
Total	258,043	101,691	234,205	28,139	622,078	593,726
OTHER EXPENSES						
Cost of homes	398,803	-	-	-	398,803	359,948
Home repair	115,570	-	-	-	115,570	173,339
Supplies	26,891	1,101	17,457	4,231	49,680	30,899
Occupancy	7,132	4,758	57,426	2,173	71,489	64,578
Interest expense	2,078	2,842	19,118	1,298	25,336	25,283
Insurance	13,920	5,501	23,106	1,552	44,079	48,585
Mileage/Vehicle	10,619	1,034	7,911	292	19,856	18,149
Global Village	1,029	-	-	-	1,029	6,636
Services	16,984	14,146	26,750	1,859	59,739	84,860
Training and meetings	12,390	-	4,651	-	17,041	15,834
Equipment costs	5,528	2,184	5,477	616	13,805	15,449
Printing and postage	1,301	514	3,908	145	5,868	5,030
Tithe	25,500	-	-	-	25,500	31,300
Communications	4,425	1,749	6,640	493	13,307	12,370
Depreciation	5,024	3,375	24,428	1,398	34,225	26,695
Cost of goods sold	-	-	52,940	-	52,940	27,722
Other	6,880	699	1,873	95	9,547	7,062
Total	654,074	37,903	251,685	14,152	957,814	953,739
TOTAL	\$ 912,117	\$ 139,594	\$ 485,890	\$ 42,291	\$ 1,579,892	\$ 1,547,465

Habitat for Humanity of York County, Inc.**Statement of Cash Flows****Year Ended June 30, 2018, with prior year comparative totals**

	Year Ended June 30,	
	2018	2017
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 381,515	\$ 49,677
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation and amortization	34,225	26,695
Donated land	(7,000)	(119,000)
Amortization of loan discount	(280,548)	(109,782)
Decrease (increase) in operating assets:		
Operating receivables	(79,200)	41,071
Inventories	110,617	(9,872)
Prepays	(673)	1,960
Increase (decrease) in operating liabilities:		
Payables	27,026	(3,954)
Payroll liabilities	(5,567)	18,600
Escrows	(1,177)	900
	<u>179,218</u>	<u>(103,705)</u>
	<i>Cash Flows from Operating Activities</i>	<i>(103,705)</i>
<u>INVESTING ACTIVITIES</u>		
Mortgages made to homeowners (net of discounts)	(142,043)	(151,408)
Principal payments received from homeowners	153,858	206,370
Proceeds from (purchases of) certificates of deposit, net	(695)	(686)
Purchase of property and equipment	(19,792)	(58,441)
	<u>(8,672)</u>	<u>(4,165)</u>
	<i>Cash Flows from Investing Activities</i>	<i>(4,165)</i>
<u>FINANCING ACTIVITIES</u>		
Proceeds from notes payable	566,479	63,763
Principal payments on notes payable	(613,467)	(38,494)
	<u>(46,988)</u>	<u>25,269</u>
	<i>Cash Flows from Financing Activities</i>	<i>25,269</i>
CHANGE IN CASH	123,558	(82,601)
CASH, BEGINNING	163,158	245,759
CASH, ENDING	\$ 286,716	\$ 163,158

Habitat for Humanity of York County, Inc.

Notes to Financial Statements

June 30, 2018

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 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 specific home builds (\$23,348) and various other restricted purposes (\$4,228).

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, 2018

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. Conditional promises to give are not recorded until the conditions are substantially met. At June 30, 2018, Habitat had one conditional promise to give for \$67,500.

Resale store inventory

Purchased inventory is recorded at cost, utilizing a first-in, first-out flow assumption, and was \$49,066 as of June 30, 2018. Habitat receives a large amount of furniture and other goods which are sold in its resale store. 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, 2018, was \$56,870.

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.

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 \$57,223.

Habitat for Humanity of York County, Inc.

Notes to Financial Statements

June 30, 2018

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, 2018 amounted to \$6,217.

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 2017 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, 2018

NOTE 3 – CERTIFICATES OF DEPOSIT, continuedFair 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 EQUIPMENTBalance at June 30, 2018

Property and equipment which are used by Habitat in its operations consists of the following at June 30, 2018:

Buildings and improvements	\$ 830,048
Land	156,013
Furniture and equipment	38,807
Vehicles	<u>100,268</u>
Total	1,125,136
Less – accumulated depreciation	<u>290,017</u>
TOTAL	<u>\$ 835,119</u>

NOTE 5 – MORTGAGES RECEIVABLEBalances at June 30, 2018

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 7.57 percent for the current fiscal year. During the year management 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. This change in estimate resulted in a decrease in the mortgage discount of \$192,858.

Habitat for Humanity of York County, Inc.**Notes to Financial Statements****June 30, 2018**

NOTE 5 – MORTGAGES RECEIVABLE, continued

Mortgage activity for the year ended June 30, 2018 was as follows:

	<u>Mortgages</u>	<u>Discount</u>
Mortgages receivable, beginning	\$ 2,244,665	\$ 1,157,827
Add – new mortgages	<u>380,000</u>	<u>237,957</u>
Subtotal	2,624,665	1,395,784
Deduct:		
Payments received and amortization of discount	153,858	83,028
Change in value of discount	<u>-</u>	<u>192,858</u>
Mortgages receivable, ending	<u>\$ 2,470,807</u>	<u>\$ 1,119,898</u>

The \$142,043 sale of homes revenue shown in the statement of activities represents the \$380,000 of new mortgages less the loan discount of \$237,957. 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, 2018.

NOTE 6 – DEBT*Mortgage payable*

A mortgage note payable of \$566,479 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 \$31,830 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.

Capacity Building note payable

The Capacity Building note payable of \$14,764 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, 2018

NOTE 6 – DEBT, continuedMaturities

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

2019	\$ 51,052
2020	50,142
2021	45,471
2022	47,255
2023	<u>419,153</u>
TOTAL	<u>\$ 613,073</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 \$13,558 as of June 30, 2018.

NOTE 7 – LEASES

Habitat leases warehouse space and office equipment under operating lease agreements. Lease expense for the current fiscal year was \$20,440. Future minimum payments for office equipment of \$1,716 are due during each of the years ending June 30, 2019 through 2021, with a remaining amount of \$286 due during the year ending June 30, 2022.

NOTE 8 – CONCENTRATIONS OF RISKGeographic 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 \$25,500 to Habitat International.

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.