

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

***FINANCIAL STATEMENTS
JUNE 30, 2017***

Habitat for Humanity of York County, Inc.

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June 30, 2017

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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, 2017, 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, 2017 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 2016 financial statements, and our report dated September 19, 2016, 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. Dewitt Foard & Company, P.A.
September 28, 2017

Habitat for Humanity of York County, Inc.
Statement of Financial Position
June 30, 2017, with prior year comparative totals

	June 30,	
	2017	2016
<u>ASSETS</u>		
Cash	\$ 163,158	\$ 245,759
Receivables:		
Grants and contributions	51,856	92,927
Mortgages	1,086,838	1,066,641
Inventories:		
Land held for development	312,200	225,200
Construction in process	87,211	26,415
Resale store	58,530	47,493
Prepays	16,597	18,557
Certificate of deposit	55,583	54,897
Property and equipment (net of depreciation)	849,552	817,806
<u>TOTAL ASSETS</u>	\$ 2,681,525	\$ 2,595,695
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 9,975	\$ 13,929
Payroll liabilities	44,744	26,144
Forgiveable loans	18,220	22,882
Escrows	4,891	3,991
Notes payable	660,061	634,792
Total Liabilities	737,891	701,738
Net Assets:		
Unrestricted	1,899,310	1,789,742
Temporarily restricted	44,324	104,215
Total Net Assets	1,943,634	1,893,957
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$ 2,681,525	\$ 2,595,695

Habitat for Humanity of York County, Inc.**Statement of Activities****Year Ended June 30, 2017, with prior year comparative totals**

	Year Ended June 30, 2017			2016
	Unrestricted	Temporarily Restricted	TOTALS	TOTALS
<u>SUPPORT AND REVENUE</u>				
Grants	\$ 4,000	\$ 268,237	\$ 272,237	\$ 138,034
Contributions	281,731	60,561	342,292	317,897
Donated goods and services	48,751	-	48,751	23,659
Sale of homes	151,408	-	151,408	111,853
Resale store	638,944	-	638,944	552,755
Mortgage loan discount amortization	105,120	-	105,120	74,989
Second mortgage income	9,148	-	9,148	-
Special events	9,812	-	9,812	10,872
Other income	19,430	-	19,430	17,113
Net assets released from restrictions	388,689	(388,689)	-	-
<i>TOTAL</i>	<i>1,657,033</i>	<i>(59,891)</i>	<i>1,597,142</i>	<i>1,247,172</i>
<u>EXPENSES</u>				
Program services	956,348	-	956,348	730,314
Management and general	113,706	-	113,706	97,755
Fundraising:				
Resale store	443,580	-	443,580	347,305
Other	33,831	-	33,831	28,080
<i>TOTAL</i>	<i>1,547,465</i>	<i>-</i>	<i>1,547,465</i>	<i>1,203,454</i>
<i>CHANGE IN NET ASSETS</i>	<i>109,568</i>	<i>(59,891)</i>	<i>49,677</i>	<i>43,718</i>
<i>NET ASSETS, BEGINNING</i>	<i>1,789,742</i>	<i>104,215</i>	<i>1,893,957</i>	<i>1,850,239</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 1,899,310</i>	<i>\$ 44,324</i>	<i>\$ 1,943,634</i>	<i>\$ 1,893,957</i>

Habitat for Humanity of York County, Inc.
Statement of Functional Expenses
Year Ended June 30, 2017, with prior year comparative totals

	Year Ended June 30, 2017					2016
	Program Services	Management and General	ReStore	Fundraising	TOTALS	TOTALS
PERSONNEL						
Wages	\$ 221,484	\$ 71,477	\$ 190,090	\$ 20,034	\$ 503,085	\$ 405,807
Payroll taxes	16,361	5,269	14,896	1,477	38,003	30,285
Benefits	21,299	8,901	20,138	2,300	52,638	50,797
Total	259,144	85,647	225,124	23,811	593,726	486,889
OTHER EXPENSES						
Cost of homes	359,948	-	-	-	359,948	153,420
Home repair	173,339	-	-	-	173,339	231,312
Supplies	9,480	1,038	16,253	4,128	30,899	22,402
Occupancy	17,116	661	46,379	422	64,578	52,063
Interest expense	5,727	428	18,855	273	25,283	26,107
Insurance	21,472	1,605	24,485	1,023	48,585	40,415
Mileage/Vehicle	8,456	1,005	8,406	282	18,149	20,188
Global Village	6,636	-	-	-	6,636	14,046
Services	23,819	13,687	45,570	1,784	84,860	45,981
Training and meeting:	15,834	-	-	-	15,834	18,036
Equipment costs	6,740	2,731	5,213	765	15,449	11,344
Printing and postage	1,594	646	2,609	181	5,030	3,660
Tithe	31,300	-	-	-	31,300	26,619
Communications	4,431	1,795	5,641	503	12,370	12,365
Depreciation	7,968	1,122	17,163	442	26,695	24,727
Cost of goods sold	-	-	27,722	-	27,722	10,681
Other	3,344	3,341	160	217	7,062	3,199
Total	697,204	28,059	218,456	10,020	953,739	716,565
TOTAL	\$ 956,348	\$ 113,706	\$ 443,580	\$ 33,831	\$ 1,547,465	\$ 1,203,454

Habitat for Humanity of York County, Inc.**Statement of Cash Flows****Year Ended June 30, 2017, with prior year comparative totals**

	Year Ended June 30,	
	2017	2016
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 49,677	\$ 43,718
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation and amortization	26,695	24,727
Donated land	(119,000)	(28,000)
Amortization of loan discount	(109,782)	(79,650)
Decrease (increase) in operating assets:		
Operating receivables	41,071	(64,427)
Inventories	(9,872)	107,107
Prepays	1,960	32,137
Increase (decrease) in operating liabilities:		
Payables	(3,954)	(416)
Payroll liabilities	18,600	1,276
Escrows	900	35
	<u>(103,705)</u>	<u>36,507</u>
<u>INVESTING ACTIVITIES</u>		
Mortgages made to homeowners (net of discounts)	(151,408)	(111,853)
Principal payments received from homeowners	206,370	137,968
Proceeds from (purchases of) certificates of deposit, net	(686)	(744)
Purchase of property and equipment	(58,441)	(537)
	<u>(4,165)</u>	<u>24,834</u>
<u>FINANCING ACTIVITIES</u>		
Proceeds from notes payable	63,763	-
Principal payments on notes payable	(38,494)	(32,092)
	<u>25,269</u>	<u>(32,092)</u>
CHANGE IN CASH	(82,601)	29,249
CASH, BEGINNING	245,759	216,510
CASH, ENDING	\$ 163,158	\$ 245,759

Habitat for Humanity of York County, Inc.

Notes to Financial Statements

June 30, 2017

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 preservation (\$29,324) and a specific house build (\$15,000).

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, 2017

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 \$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 \$48,751.

Habitat for Humanity of York County, Inc.

Notes to Financial Statements

June 30, 2017

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, 2017 amounted to \$25,283.

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 2016 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. 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, 2017**

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, 2017*

Property and equipment which are used by Habitat in its operations consists of the following at June 30, 2017:

Buildings and improvements	\$ 816,198
Land	156,013
Furniture and equipment	32,865
Vehicles	<u>100,268</u>
Total	1,105,344
Less – accumulated depreciation	<u>255,792</u>
TOTAL	<u>\$ 849,552</u>

NOTE 5 – MORTGAGES RECEIVABLE*Balances at June 30, 2017*

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.

Habitat for Humanity of York County, Inc.**Notes to Financial Statements****June 30, 2017**

NOTE 5 – MORTGAGES RECEIVABLE, continued

Mortgage activity for the year ended June 30, 2017 was as follows:

	<u>Mortgages</u>	<u>Discount</u>
Mortgages receivable, beginning	\$ 2,126,111	\$ 1,059,470
Add – new mortgages	<u>380,000</u>	<u>228,592</u>
Subtotal	2,506,111	1,288,062
Deduct:		
Foreclosed mortgage – moved to inventory	55,076	25,115
Payments received and amortization of discount	<u>206,370</u>	<u>105,120</u>
Mortgages receivable, ending	<u>\$ 2,244,665</u>	<u>\$ 1,157,827</u>

The \$151,408 sale of homes revenue shown in the statement of activities represents the \$380,000 of new mortgages less the loan discount of \$228,592. 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, 2017.

NOTE 6 – DEBTMortgage payable

A mortgage note payable of \$601,318 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.

Truck note payable

A truck note payable of \$37,807 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 \$20,936 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, 2017

NOTE 6 – DEBT, continuedMaturities

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

2018	\$	49,445
2019		580,305
2020		10,632
2021		6,597
2022		6,818
2023		<u>6,264</u>
TOTAL	\$	<u>660,061</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 \$18,220 as of June 30, 2017.

NOTE 7 – LEASES

Habitat leases warehouse space and office equipment under operating lease agreements. Lease expense for the current fiscal year was \$14,603. Future minimum payments for office equipment of \$1,716 are due during each of the years ending June 30, 2018 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 \$28,000 to Habitat International. In addition, Habitat received a capacity grant from Habitat International of \$10,385.

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.