

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

***FINANCIAL STATEMENTS
JUNE 30, 2020***

Habitat for Humanity of York County, Inc.

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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, 2020, 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, 2020 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 2019 financial statements, and our report dated December 5, 2019, 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. Dewitt Foard & Company, P.A.
November 2, 2020

Habitat for Humanity of York County, Inc.
Statement of Financial Position
June 30, 2020, with prior year comparative totals

	June 30,	
	2020	2019
<u>ASSETS</u>		
Cash	\$ 633,606	\$ 269,379
Receivables:		
Grants and contributions	31,567	47,082
Mortgages	1,437,854	1,265,257
Inventories:		
Land held for development	153,627	234,689
Construction in process	101,710	178,609
Resale store	152,917	141,826
Prepays	15,347	46,069
Certificate of deposit	-	56,978
Property and equipment (net of depreciation)	879,246	922,618
<i>TOTAL ASSETS</i>	<i>\$ 3,405,874</i>	<i>\$ 3,162,507</i>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 28,372	\$ 44,873
Payroll liabilities	44,310	65,725
Refundable advance	103,486	-
Forgiveable loans	5,538	8,896
Escrows	23,633	15,596
Capital lease obligation	34,013	43,612
Notes payable	567,266	616,866
Total Liabilities	806,618	795,568
Net Assets:		
Without donor restrictions	2,513,783	2,353,289
With donor restrictions	85,473	13,650
Total Net Assets	2,599,256	2,366,939
<i>TOTAL LIABILITIES AND NET ASSETS</i>	<i>\$ 3,405,874</i>	<i>\$ 3,162,507</i>

Habitat for Humanity of York County, Inc.**Statement of Activities****Year Ended June 30, 2020, with prior year comparative totals**

	Year Ended June 30, 2020			2019
	Without Donor Restrictions	With Donor Restrictions	TOTALS	TOTALS
<u>SUPPORT AND REVENUE</u>				
Grants	\$ -	\$ 323,721	\$ 323,721	\$ 221,198
Contributions	344,350	69,625	413,975	236,106
Donated goods and services	43,924	-	43,924	85,288
Sale of homes	526,695	-	526,695	186,527
Resale store	1,039,538	-	1,039,538	946,801
Mortgage loan discount amortization	258,576	-	258,576	81,242
Special events	10,610	-	10,610	6,324
Other income	11,861	-	11,861	43,761
Net assets released from restrictions	321,523	(321,523)	-	-
<i>TOTAL</i>	<i>2,557,077</i>	<i>71,823</i>	<i>2,628,900</i>	<i>1,807,247</i>
<u>EXPENSES</u>				
Program Services:				
Construction	1,200,139	-	1,200,139	733,781
Resale store	980,481	-	980,481	820,536
Management and general	157,136	-	157,136	164,611
Fundraising	58,827	-	58,827	46,528
<i>TOTAL</i>	<i>2,396,583</i>	<i>-</i>	<i>2,396,583</i>	<i>1,765,456</i>
<i>CHANGE IN NET ASSETS</i>	<i>160,494</i>	<i>71,823</i>	<i>232,317</i>	<i>41,791</i>
<i>NET ASSETS, BEGINNING</i>	<i>2,353,289</i>	<i>13,650</i>	<i>2,366,939</i>	<i>2,325,148</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 2,513,783</i>	<i>\$ 85,473</i>	<i>\$ 2,599,256</i>	<i>\$ 2,366,939</i>

Habitat for Humanity of York County, Inc.
Statement of Functional Expenses
Year Ended June 30, 2020, with prior year comparative totals

	Year Ended June 30, 2020						2019 TOTALS
	Program Services		Management and General	Fundraising	TOTALS		
	Construction	ReStore					
PERSONNEL							
Wages	\$ 257,462	\$ 348,198	\$ 83,731	\$ 27,664	\$ 717,055	\$ 715,608	
Payroll taxes	23,323	57,988	7,585	2,506	91,402	65,107	
Benefits	61,441	34,220	26,049	6,047	127,757	98,800	
Total	342,226	440,406	117,365	36,217	936,214	879,515	
OTHER EXPENSES							
Cost of homes	452,241	-	-	-	452,241	156,920	
Mortgage discount	142,800	-	-	-	142,800	-	
Home repair	67,628	-	-	-	67,628	81,969	
Supplies	38,839	36,546	2,131	13,079	90,595	96,685	
Occupancy	15,598	265,964	1,904	670	284,136	116,582	
Interest expense	3,226	14,476	1,299	457	19,458	24,940	
Insurance	22,752	35,405	7,399	2,445	68,001	50,723	
Mileage/Vehicle	11,768	8,695	1,140	376	21,979	29,155	
Global Village	14,237	-	-	-	14,237	14,421	
Services	25,947	30,596	16,606	1,220	74,369	59,691	
Dues and meetings	17,076	3,549	-	-	20,625	24,970	
Equipment costs	13,283	3,033	4,998	2,324	23,638	47,870	
Printing and postage	2,296	1,004	747	247	4,294	10,053	
Tithe	18,950	-	-	-	18,950	30,000	
Communications	6,248	7,674	2,032	671	16,625	24,922	
Depreciation	5,024	42,770	1,515	532	49,841	42,859	
Cost of goods sold	-	82,916	-	-	82,916	61,102	
Marketing and other	-	7,447	-	589	8,036	13,079	
Total	857,913	540,075	39,771	22,610	1,460,369	885,941	
TOTAL	\$ 1,200,139	\$ 980,481	\$ 157,136	\$ 58,827	\$ 2,396,583	\$ 1,765,456	

Habitat for Humanity of York County, Inc.

Statement of Cash Flows

Year Ended June 30, 2020, with prior year comparative totals

	Year Ended June 30,	
	2020	2019
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 232,317	\$ 41,791
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation and amortization	49,841	42,859
Donated land	-	(17,495)
Amortization of loan discount	(258,576)	(81,242)
Decrease (increase) in operating assets:		
Operating receivables	15,515	83,974
Inventories	146,870	(183,305)
Prepays	30,722	(28,799)
Increase (decrease) in operating liabilities:		
Payables	(16,501)	7,872
Payroll liabilities	(21,415)	26,548
Refundable advance	103,486	-
Escrows	8,037	11,882
<i>Cash Flows from Operating Activities</i>	<i>290,296</i>	<i>(95,915)</i>
<u>INVESTING ACTIVITIES</u>		
Mortgages made to homeowners (net of discounts)	(95,680)	-
Principal payments received from homeowners	181,659	166,894
Proceeds from (purchases of) certificates of deposit, net	56,978	(700)
Purchase of property and equipment	(9,827)	(86,521)
<i>Cash Flows from Investing Activities</i>	<i>133,130</i>	<i>79,673</i>
<u>FINANCING ACTIVITIES</u>		
Payments on capital lease obligation	(9,599)	(4,887)
Proceeds from notes payable	-	64,014
Principal payments on notes payable	(49,600)	(60,221)
<i>Cash Flows from Financing Activities</i>	<i>(59,199)</i>	<i>(1,094)</i>
<i>CHANGE IN CASH</i>	<i>364,227</i>	<i>(17,336)</i>
<i>CASH, BEGINNING</i>	<i>269,379</i>	<i>286,715</i>
<i>CASH, ENDING</i>	<i>\$ 633,606</i>	<i>\$ 269,379</i>

See accompanying notes to financial statements.

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Habitat for Humanity of York County, Inc.

Notes to Financial Statements

June 30, 2020

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 sell 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 restricted purposes. Temporarily restricted net assets at year-end were restricted to a new home construction (\$50,000) and repairs (\$35,473).

Habitat for Humanity of York County, Inc.

Notes to Financial Statements

June 30, 2020

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by Habitat. During the year ended June 30, 2020, 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, 2020, Habitat had no conditional promises to give.

New accounting pronouncement

Habitat expects to adopt the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers" (ASU 2014-09), during the fiscal year ending June 30, 2021. The core principle of this standard is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Habitat does not expect the implementation of this standard to have a material impact on its financial statements.

Resale store inventory

Purchased inventory is recorded at cost, utilizing a first-in, first-out flow assumption, and was \$72,039 as of June 30, 2020. 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, 2020, was \$74,520.

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.

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.

Habitat for Humanity of York County, Inc.

Notes to Financial Statements

June 30, 2020

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 \$9,550.

Escrows

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

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 Habitat for Humanity International (HFHI), which is classified as other than a private foundation as defined by Section 509(a) of the Internal Revenue Code.

Cash flows

Interest expense paid during the year ended June 30, 2020, amounted to \$15,963.

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.

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 Habitat's 2019 financial statements, from which the summarized information was derived. Also, certain prior-year amounts have been reclassified to conform to the current-year presentation.

Habitat for Humanity of York County, Inc.**Notes to Financial Statements****June 30, 2020**

NOTE 3 – PROPERTY AND EQUIPMENT*Balance at June 30, 2020*

Property and equipment which are used by Habitat in its operations consists of the following at June 30, 2020:

Buildings and improvements	\$ 878,547
Land	156,013
Furniture and equipment	97,266
Vehicles	<u>139,282</u>
Total	1,271,108
Less – accumulated depreciation	<u>391,862</u>
TOTAL	<u><u>\$ 879,246</u></u>

NOTE 4 – MORTGAGES RECEIVABLE*Balances at June 30, 2020*

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 HFHI and was 7.38 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.

Mortgage activity for the year ended June 30, 2020, was as follows:

	<u>Mortgages</u>	<u>Discount</u>
Mortgages receivable, beginning	\$ 2,303,913	\$ 1,038,656
Add – new mortgages	<u>238,480</u>	<u>142,800</u>
Subtotal	2,542,393	1,181,456
Deduct:		
Payments received and amortization of discount	<u>181,659</u>	<u>258,876</u>
Mortgages receivable, ending	<u><u>\$ 2,360,734</u></u>	<u><u>\$ 922,880</u></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, 2020. Payments of \$163,059 are expected in the fiscal year ending June 30, 2021.

Habitat for Humanity of York County, Inc.

Notes to Financial Statements

June 30, 2020

NOTE 5 – REFUNDABLE ADVANCE

Habitat obtained a refundable advance for \$210,382 as part of the Payroll Protection Program (PPP) to mitigate the effects of the COVID-19 pandemic. As of June 30, 2020, Habitat had utilized \$106,896 of this amount for eligible costs and recognized that amount as earned in the accompanying financial statements. The remaining \$103,486 is expected to be utilized in the following year and is reflected as a liability in the accompanying financial statements. Management expects the entire advance will be formally forgiven in the subsequent year when requests for forgiveness will be accepted. This program is not expected to be a recurring source of income for Habitat.

NOTE 6 – DEBT

Mortgage payable

A mortgage notes payable of \$502,531 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 notes payable

A truck notes payable of \$22,472 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 notes payable

A truck notes payable of \$27,571 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 \$14,692 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:

2021	\$	65,501
2022		58,052
2023		54,790
2024		388,311
2025 & thereafter		<u>612</u>
TOTAL	\$	<u><u>567,266</u></u>

Habitat for Humanity of York County, Inc.

Notes to Financial Statements

June 30, 2020

Forgivable loans

From fiscal years 1999 to 2001, Habitat was awarded forgivable loans of \$135,253 from the South Carolina Land Trust Fund. Approximately 5 percent 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 \$3,358 and the remaining loan amounts to forgive totaled \$5,538 as of June 30, 2020.

NOTE 7 – CAPITAL LEASE OBLIGATION

During the prior year, Habitat entered into two non-cancellable capital leases 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:		
2021	\$	9,700
2022		9,700
2023		9,700
2024		4,812
		<hr/>
Total	\$	<u>33,912</u>

NOTE 8 – OPERATING LEASES

Habitat leases retail, warehouse space and office equipment under operating lease agreements. Lease expense for the current fiscal year was \$187,280. Future minimum rental payments under these leases are as follows:

Year ending June 30:		
2021	\$	169,230
2022		167,799
2023		167,513
2024		167,268
2025 & thereafter		305,756
		<hr/>
Total	\$	<u>977,566</u>

NOTE 9 – CONCENTRATIONS OF RISK

Geographic area

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

Habitat for Humanity of York County, Inc.

Notes to Financial Statements

June 30, 2020

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 Habitat at year-end include \$296,692 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 tithing of \$18,950 and \$7,500 for its annual sustainability fee. Habitat also sent dues of \$7,500 to the South Carolina Association of Habitat Affiliates.

NOTE 11– LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Habitat has \$828,232 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$633,606, receivables of \$31,567, which are expected to be collected during the year, and the \$163,059 portion of mortgages receivable that are due from homeowners in the next fiscal year of these assets \$85,473 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 Habitat invests cash in excess of daily requirements in short-term investments, primarily money market funds.

NOTE 12 - UNCERTAINTIES

The COVID-19 pandemic has resulted in major changes in the local economy. At this point, the full impact of this pandemic on Habitat is unknown, but management believes that it may negatively impact its support and revenue for the foreseeable future.

NOTE 13 – 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.