

**HABITAT FOR HUMANITY OF SPARTANBURG, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

HABITAT FOR HUMANITY OF SPARTANBURG, INC.  
FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

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To the Board of Directors  
Habitat for Humanity of Spartanburg, Inc.  
Spartanburg, South Carolina

## INDEPENDENT AUDITOR'S REPORT

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Habitat for Humanity of Spartanburg, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Habitat for Humanity of Spartanburg, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Habitat for Humanity of Spartanburg, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Responsibility of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity of Spartanburg, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Habitat for Humanity of Spartanburg, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity of Spartanburg, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Halliday, Schuartz & Co.*

Spartanburg, South Carolina  
December 21, 2021

HABITAT FOR HUMANITY OF SPARTANBURG, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2021 AND 2020

ASSETS	2021	2020
	<u>2021</u>	<u>2020</u>
Current Assets		
Cash and cash equivalents	\$ 789,032	\$ 529,599
Accounts receivable	1,481	3,899
Pledges receivable	28,872	30,273
Construction in progress	143,528	137,928
Mortgages receivable - current	275,083	117,218
Prepaid insurance	14,378	14,378
	<u>1,252,374</u>	<u>833,295</u>
Property and Equipment		
Land and improvements	120,000	120,000
Furniture and equipment	70,561	70,561
Trailers and vehicles	20,319	20,319
Pine Street building	593,948	593,948
	<u>804,828</u>	<u>804,828</u>
Less: accumulated depreciation	<u>(319,128)</u>	<u>(297,737)</u>
	<u>485,700</u>	<u>507,091</u>
Other Assets		
Spartanburg County Foundation account	99,255	80,503
Mortgages receivable - net of current portion	2,234,369	2,289,777
Land for development	304,607	294,963
	<u>2,638,231</u>	<u>2,665,243</u>
Total Assets	<u><u>\$ 4,376,305</u></u>	<u><u>\$ 4,005,629</u></u>

HABITAT FOR HUMANITY OF SPARTANBURG, INC.  
STATEMENTS OF FINANCIAL POSITION - CONTINUED  
JUNE 30, 2021 AND 2020

	2021	2020
	<u>2021</u>	<u>2020</u>
Current Liabilities		
Accounts payable	\$ 8,893	\$ 1,588
Accrued payroll liabilities	92,207	73,228
Notes payable - current	<u>205,440</u>	<u>184,844</u>
	<u>306,540</u>	<u>259,660</u>
Long-term liabilities		
Notes payable - net of current portion	<u>149,028</u>	<u>171,467</u>
Total Liabilities	<u>455,568</u>	<u>431,127</u>
Net Assets		
Without donor restrictions	3,626,419	3,373,396
With donor restrictions	<u>294,318</u>	<u>201,106</u>
Total Net Assets	<u>3,920,737</u>	<u>3,574,502</u>
Total Liabilities and Net Assets	<u><u>\$ 4,376,305</u></u>	<u><u>\$ 4,005,629</u></u>

The accompanying notes are an integral part of the financial statements.

HABITAT FOR HUMANITY OF SPARTANBURG, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support						
Contributions	\$ 24,576	\$ 585,219	\$ 609,795	\$ 404,715	\$ 292,149	\$ 696,864
ReStore sales	653,905	-	653,905	574,842	-	574,842
Transfers to homeowners	618,240	-	618,240	546,693	-	546,693
Noncash donations of land and appliances	4,565	-	4,565	105,443	-	105,443
Other income	165,852	-	165,852	4,110	-	4,110
Gain (loss) on disposal of donated land	11,383	-	11,383	13,733	-	13,733
Investment return, net	18,752	-	18,752	724	-	724
Mortgage loan discount amortization	170,102	-	170,102	232,576	-	232,576
Net assets released from restrictions	1,667,375	585,219	2,252,594	1,882,836	292,149	2,174,985
	492,007	(492,007)	-	196,672	(196,672)	-
Total Revenues, Gains and Other Support	2,159,382	93,212	2,252,594	2,079,508	95,477	2,174,985
Functional Expenses						
Program services						
Construction	721,837	-	721,837	850,035	-	850,035
Family support	87,786	-	87,786	87,971	-	87,971
Discounts on mortgages	290,418	-	290,418	217,454	-	217,454
ReStore expenses	450,635	-	450,635	507,321	-	507,321
Supporting services						
Management and general	280,250	-	280,250	286,760	-	286,760
Fundraising	60,350	-	60,350	61,488	-	61,488
Golf tournament direct costs	83	-	83	27,537	-	27,537
Total Functional Expenses	1,891,359	-	1,891,359	2,038,566	-	2,038,566
Unallocated payment to affiliated organization	15,000	-	15,000	15,000	-	15,000
Increase (Decrease) in Net Assets	1,906,359	-	1,906,359	2,053,566	-	2,053,566
	253,024	93,212	346,235	25,942	95,477	121,419
Net Assets - Beginning of Year	3,373,396	201,106	3,574,502	3,347,454	105,629	3,453,083
Net Assets - End of Year	\$ 3,626,419	\$ 294,318	\$ 3,920,737	\$ 3,373,396	\$ 201,106	\$ 3,574,502

The accompanying notes are an integral part of the financial statements.

HABITAT FOR HUMANITY OF SPARTANBURG, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2021

	Program Services			Total		Supporting Services			Total	
	Construction	Family Support	Discounts on Mortgages	ReStore	Program Services	Management and General	Fund Raising	Golf Tourn. Costs	Supporting Services	Total Expenses
Salaries and benefits	\$ 315,618	\$ 80,199	\$ -	\$ 352,835	\$ 748,652	\$ 153,139	\$ 56,115	\$ -	\$ 209,254	\$ 957,906
Mortgage discounts	-	-	290,418	-	290,418	-	-	-	-	290,418
Building material and supplies	393,135	-	-	-	393,135	-	-	-	-	393,135
Travel and auto expenses	6,989	595	-	25,569	33,153	238	309	-	547	33,700
Building expense and other	637	6,393	-	34,425	41,455	57,270	750	83	58,103	99,558
Office supplies and expenses	3,335	499	-	13,894	17,728	40,418	3,000	-	43,418	61,146
Interest	135	-	-	5,730	5,865	876	-	-	876	6,741
Training and education	123	100	-	-	223	28	176	-	204	427
Tithe to HFHI	-	-	-	-	-	10,000	-	-	10,000	10,000
Professional fees	1,437	-	-	-	1,437	15,500	-	-	15,500	16,937
Total before depreciation	721,409	87,786	290,418	432,453	1,532,066	277,469	60,350	83	337,902	1,869,968
Depreciation	428	-	-	18,182	18,610	2,781	-	-	2,781	21,391
Total Expenses	\$ 721,837	\$ 87,786	\$ 290,418	\$ 450,635	\$ 1,550,676	\$ 280,250	\$ 60,350	\$ 83	\$ 340,683	\$ 1,891,359

The accompanying notes are an integral part of the financial statements.



HABITAT FOR HUMANITY OF SPARTANBURG, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2020

	Program Services			Total Program Services	Supporting Services			Total Supporting Services	Total Expenses
	Construction	Family Support	Discounts on Mortgages		ReStore	Management and General	Fund Raising	Golf Tourn. Costs	
Salaries and benefits	\$ 327,622	\$ 82,103	\$ -	\$ 812,074	\$ 402,349	\$ 152,169	\$ 56,694	\$ -	\$ 1,020,937
Mortgage discounts	-	-	217,454	217,454	-	-	-	-	217,454
Building material and supplies	475,419	-	-	475,419	-	-	-	-	475,419
Travel and auto expenses	8,537	1,002	-	35,511	25,972	800	722	-	37,033
Building expense and other	35,723	3,967	-	77,441	37,751	45,669	654	27,537	151,301
Office supplies and expenses	1,464	755	-	16,708	14,489	52,223	3,106	-	72,037
Interest	146	-	-	6,333	6,187	946	-	-	7,279
Training and education	-	144	-	144	-	29	312	-	485
Tithe to HFHI	-	-	-	-	-	10,000	-	-	10,000
Professional fees	640	-	-	640	-	21,777	-	-	22,417
Total before depreciation	849,551	87,971	217,454	1,641,724	486,748	283,613	61,488	27,537	2,014,362
Depreciation	484	-	-	21,057	20,573	3,147	-	-	24,204
Total Expenses	\$ 850,035	\$ 87,971	\$ 217,454	\$ 1,662,781	\$ 507,321	\$ 286,760	\$ 61,488	\$ 27,537	\$ 2,038,566

The accompanying notes are an integral part of the financial statements.

HABITAT FOR HUMANITY OF SPARTANBURG, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash Flows Provided (Used) by Operating Activities		
Cash received from contributors	\$ 611,195	\$ 676,591
Cash received from ReStore sales	653,905	574,842
Interest received	40	529
Other income received	2,812	3,581
Proceeds from sale of donated land	11,383	13,733
Cash paid to employees and suppliers	(1,580,974)	(1,689,536)
Interest paid	(6,741)	(7,279)
	<u>(308,380)</u>	<u>(427,539)</u>
Cash Flows Provided (Used) by Investing Activities		
Purchase of fixed assets	-	(11,085)
Mortgage receivables increase	406,650	536,460
	<u>406,650</u>	<u>525,375</u>
Cash Flows Provided (Used) by Financing Activities		
Borrowings on Paycheck Protection Program loan	185,000	163,000
Borrowings on long term debt	-	25,000
Payments on long term debt	(23,836)	(11,894)
	161,164	176,106
Net Increase (Decrease) in Cash and Cash Equivalents	259,433	273,942
Cash and Cash Equivalents - Beginning of Year	<u>529,599</u>	<u>255,657</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 789,032</u></u>	<u><u>\$ 529,599</u></u>
Supplemental Disclosure: Interest Paid	<u><u>\$ 6,741</u></u>	<u><u>\$ 7,279</u></u>

HABITAT FOR HUMANITY OF SPARTANBURG, INC.  
STATEMENTS OF CASH FLOWS - CONTINUED  
YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of Change in Net Assets to Net Cash Provided By (Used In) Operating Activities		
Total Change in Net Assets	<u>\$ 346,235</u>	<u>\$ 121,419</u>
Adjustments to Reconcile Total Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	21,391	24,204
Mortgage loan discount amortization	(170,102)	(232,576)
Transfers to homeowners, net of amortization	(333,041)	(335,384)
Net realized and unrealized (gains) losses on investments	(18,752)	(724)
Noncash donations	(4,565)	-
Forgiveness of PPP loan	(163,000)	-
Change in assets and liabilities		
(Increase) decrease in construction in progress	(5,600)	4,595
(Increase) decrease in prepaid insurance	-	(4,025)
(Increase) decrease in contributions/accts receivable	2,418	(18,462)
(Increase) decrease in land for development	(9,644)	4,728
Increase (decrease) in accounts payable - trade	7,301	(31,050)
Increase (decrease) in accrued payroll liabilities	18,979	39,736
	<u>(654,615)</u>	<u>(548,958)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (308,380)</u></u>	<u><u>\$ (427,539)</u></u>

The accompanying notes are an integral part of the financial statements.

HABITAT FOR HUMANITY OF SPARTANBURG, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Habitat for Humanity of Spartanburg, Inc. (Habitat), is presented to assist in understanding the financial statements. The financial statements and notes are representations of Habitat's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

**Organization**

Habitat, a nonprofit corporation, was incorporated on July 21, 1987, under the laws of the State of South Carolina. Habitat is a local affiliate of Habitat for Humanity International, a nondenominational, Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need, and make decent shelter a matter of conscience with people everywhere. Although Habitat for Humanity International assists with information resources, training, publications, prayer support and in other ways, Habitat is primarily and directly responsible for its own operations. Support for Habitat's program of services and operations is received from individuals, churches and other organizations located primarily in Spartanburg County, South Carolina.

**Financial Statement Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. Generally Accepted Accounting Principles (GAAP). Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Without Donor Restrictions:* Net assets available for use in general operations and not subject to donor restrictions. Grants and contributions gifted for recurring programs are generally not considered "restricted" under GAAP, though for internal reporting, Habitat tracks such grants and contributions to verify that the disbursement matches the intent. Assets restricted solely through the actions of the Board are reported as net assets without donor restrictions, board-designated.

*With Donor Restrictions:* Net assets subject to donor-imposed stipulations that are more restrictive than Habitat's mission and purpose. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions could potentially be perpetual in nature when the donor stipulates that resources be maintained in perpetuity.

**Basis of Accounting**

Habitat's financial statements have been prepared utilizing the accrual basis of accounting.

HABITAT FOR HUMANITY OF SPARTANBURG, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**Tax Exempt Status**

Habitat has received exemption from income taxes under section 501(c)(3) of the Internal Revenue Code under a group exemption letter granted to Habitat for Humanity International by the Internal Revenue Service.

**Cash and Cash Equivalents**

Habitat considers all short-term, highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Pledges Receivable**

Habitat records pledges receivable if a donor has given written notification of their intent to give. Pledges receivable are not discounted due to being collected in less than one year.

**Mortgages Receivable**

Mortgages receivable consist of non-interest bearing mortgages which are secured by real estate and contracts for deed and are payable in monthly installments over the life of the mortgage or contract. No allowance for doubtful mortgages receivable is recorded by Habitat since substantially all mortgages are relatively current with payments and any defaulted mortgage would be foreclosed and the home resold for greater than the mortgage balance.

**Property, Equipment, and Improvements**

Property, equipment, and improvements are recorded at acquisition cost, including costs necessary to get the asset ready for its intended use, or estimated fair value on the date contributed. Depreciation expense is provided on a straight-line and accelerated basis over the estimated useful lives of the respective assets, as follows:

Furniture and equipment	5 to 7 years
Buildings and improvements	5 to 39 years

Depreciation expense for the years ended June 30, 2021 and 2020 was \$21,391 and \$24,204, respectively.

**Land for Development**

Land for development has been recorded at estimated fair value at the date donated to Habitat and is charged to construction cost when a house is substantially completed. Land development charged to construction during the years ended June 30, 2021 and 2020, was \$45,391 and \$124,627, respectively.

**Contributions**

Unconditional promises to give are recognized as revenue when the underlying promises are received by Habitat. Gifts of cash or other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of

HABITAT FOR HUMANITY OF SPARTANBURG, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation.

Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction, (unless explicit donor stipulations specify how the donated assets are to be used) upon acquisition of the assets and the assets are placed in service.

**Donated Goods and Services**

Donated assets are recorded at their fair market value on the date of contribution. A substantial number of volunteers have made significant contributions of their time to Habitat's program and supporting services. The value of this contributed time generally is not reflected in these financial statements since it is not susceptible to objective measurement or valuation.

**Transfers to Homeowners**

Transfers to homeowners are recorded at the gross selling price. Net closing costs are absorbed in the mortgage. Non-interest bearing mortgages have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages. Utilizing the amortization rate, this discount is recognized as revenue over the term of the mortgage.

**ReStore Sales and Fund Raising Revenues**

ReStore sales represent the gross proceeds, net of returns, of sales of donated merchandise at the thrift store. Expenses of operating the thrift store including salaries, rent, and utilities have been shown as program services expenses and totaled \$450,635 and \$507,321 for the years ended June 30, 2021 and 2020, respectively.

**Functional Expenses**

Habitat allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program and supporting service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated using estimates of employee time or space utilization as a basis for allocation.

**Financial Instruments**

Financial instruments consist of cash, investments, accounts receivable, accounts payable, and other accrued liabilities. Management is of the opinion that Habitat is not exposed to significant interest rate or credit risk arising from these instruments. Unless otherwise noted, the fair values of these financial instruments are the market values of these financial instruments and approximate their carrying values.

**Fair Value Measurements**

The fair value of financial assets and liabilities is measured according to the Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification. Fair value is required to be evaluated and adjusted according to the following valuation techniques:

HABITAT FOR HUMANITY OF SPARTANBURG, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Level 1 – Fair value is determined using quoted market prices in active markets for identical assets and liabilities.

Level 2 – Fair value is determined using quoted market prices in active markets for similar assets and liabilities, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant inputs are observable in the market for substantially the full term of the assets or liabilities.

Level 3 – Fair value is determined using inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The market for assets and liabilities using level 3 measures is typically inactive.

NOTE 2 – CONCENTRATION OF CUSTODIAL CREDIT RISK

Habitat maintains its cash balances in one financial institution in which the balances are insured by the Federal Deposit Insurance Corporation. At June 30, 2021, Habitat's bank balances at this institution totaled \$715,840 and its book balances were \$789,032. At times the balances in these accounts exceed insured balances. Habitat does not have a formal deposit policy for custodial credit risk. Habitat has not experienced any losses on the uninsured cash balances and does not believe that it is exposed to any significant risk in connection, therewith.

Concentrations of credit risk with respect to mortgages receivable are limited due to the collateral held and the ability to reclaim, refurbish, and resale the home.

NOTE 3 - INVESTMENTS AT SPARTANBURG COUNTY FOUNDATION

The Bob Breitweiser Habitat for Humanity Fund is held and managed by the Foundation as component funds for the benefit of Habitat. The Fund agreement calls for the principal and income of the fund to be devoted to annual distributions for the purpose of providing the means necessary to change lives by building decent affordable homes for families in need. The trust agreement grants variance power to the Foundation. The Foundation maintains an investment pool of various mutual funds and managed accounts. The investment pool is allocated to various sub-funds, including Habitat, based on a percentage of ownership interest in the market value of the investment pool. Distributions are made from the fund at the discretion of the Foundation.

The following table represents the investments that are measured at fair value on a recurring basis at June 30, 2021 and 2020:

2021	Fair Value	Level 1	Level 2	Level 3
Funds held at Spartanburg County Foundation	\$ 99,255	\$ -	\$ -	\$ 99,255
2020	Fair Value	Level 1	Level 2	Level 3
Funds held at Spartanburg County Foundation	\$ 80,503	\$ -	\$ -	\$ 80,503

Level 3 consists of investments which are part of the joint investment account of the Spartanburg County Foundation and its fair value is based on the average value of the underlying investments determined at least monthly.

HABITAT FOR HUMANITY OF SPARTANBURG, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

NOTE 3 - INVESTMENTS AT SPARTANBURG COUNTY FOUNDATION - CONTINUED

Investment return is presented net of investment fees on the statement of activities. Changes in the Foundation account for the years ended June 30, 2021 and 2020 were as follows:

	2021	2020
Beginning Balance	\$ 80,503	\$ 79,779
Dividends and interest	1,296	1,284
Realized and unrealized gains (losses)	18,353	239
Investment fees	(897)	(799)
Ending Balance	<u>\$ 99,255</u>	<u>\$ 80,503</u>

Gains and (losses) for the year ended June 30, 2021 of \$ (142) realized and \$18,495 unrealized and for the year ended June 30, 2020 of \$(283) realized and \$522 unrealized are included in unrestricted revenues, gains and other support and are reported in realized and unrealized gains (losses) on investments on the statements of activities.

The Spartanburg County Foundation's annual audited financial statements are available by contacting the Spartanburg County Foundation at 424 East Kennedy Street, Spartanburg, SC 29302, (864) 582-0138.

NOTE 4 - MORTGAGES RECEIVABLE

Mortgages receivable consist of non-interest bearing mortgages which are secured by real estate and contracts for deed and are payable in monthly installments. Most of the mortgages and contracts have original maturities ranging from 20 to 30 years and arose in connection with Habitat's homebuilding initiatives in Spartanburg, South Carolina. The mortgages and contract receivables at June 30, 2021 and 2020 are as follows:

	2021	2020
Receivables at face value	\$ 4,863,943	\$ 4,641,171
Less unamortized discount at 7.39% to 8.5%	(2,354,492)	(2,234,176)
	<u>\$ 2,509,451</u>	<u>\$ 2,406,995</u>

At June 30, 2021 these mortgages and contracts are receivable as follows:

Year Ended June 30,	
2022	\$ 275,083
2023	270,600
2024	260,898
2025	255,798
2026	252,002
Thereafter	3,549,562
	<u>\$ 4,863,943</u>

During the year ended June 30, 2021, three new non-interest bearing mortgage notes were accepted with a face value of \$572,003 and a discounted value of \$292,923. In addition, \$170,102 of mortgage loan discount amortization was recognized as revenue in the statement of activities during the year ended June 30, 2021.



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NOTE 5 – HOME CONSTRUCTION COSTS

Costs incurred in conjunction with home construction are capitalized until completion of the home. Land costs are allocated to homes once construction is substantially complete. Following is a summary of home building activity:

	2021		2020	
	Units	Costs	Units	Costs
Homes under construction, beginning of period	3	\$ 137,928	3	\$ 142,523
New homes started during the period and additional construction costs	4	314,970	5	345,794
Homes transferred during the period	(4)	(309,370)	(5)	(350,389)
Homes under construction, end of period	<u>3</u>	<u>\$ 143,528</u>	<u>3</u>	<u>\$ 137,928</u>

NOTE 6 – LOAN SERVICING AGREEMENT

United Home Loan Service provides a range of services to include loan origination as well as servicing mortgages after closing. United Home Loan Service collect payments for principal, taxes, insurance and any other assessments. Amounts collected against the mortgage principal are remitted to Habitat net of the loan servicing fees. Funds received on the account of the loan debtor for the purpose of paying taxes, assessments, insurance premiums, or other similar purposes are retained and disbursed by the Bank. Loan servicing fees for the years ended June 30, 2021 and 2020 totaled \$13,865 and \$14,078, respectively.

NOTE 7 – NOTES PAYABLE

Notes payable at June 30, 2021 and 2020 consist of the following:

	2021	2020
A mortgage with interest rate of prime plus 0.25% (but not less than 3.75%). Monthly payments of \$1,652, including interest, are due through October 17, 2029. Collateralized by land, building and equipment located at 2270 South Pine Street, Spartanburg, South Carolina.	\$ 158,869	\$ 172,374
A note with interest rate of 2% annually. Quarterly payments of \$2,152, including interest, are due through October 22, 2022.	10,599	20,937
A promissory note with interest at a rate of 1% annually. 17 monthly payments beginning November 18, 2020. Loan is up to 100% forgivable if the proceeds are used to retain workers, maintain payroll, or make mortgage, lease and utility payments under the Paycheck Protection Program Rule.	185,000	163,000
Subtotal	354,468	356,311
Less current portion	205,440	184,844
	<u>\$ 149,028</u>	<u>\$ 171,467</u>

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NOTE 7 – NOTES PAYABLE – CONTINUED

Future minimum principal payments over the next five years and in the aggregate are as follows:

Fiscal Year Ended June 30,	
2022	\$ 205,440
2023	18,923
2024	15,210
2025	15,790
2026	16,393
Thereafter	82,712
	<u>\$ 354,468</u>

Interest expense on long term debt totaled \$6,741 and \$7,279 for the years ended June 30, 2021 and 2020, respectively.

Habitat secured a revolving line of credit in July 2020. The maximum amount that can be outstanding is \$150,000, secured by real estate on Pine Street. The variable interest rate applicable to outstanding balances is the US prime index plus 1.54 points. The note matures July 20, 2022. There was no outstanding balance on the line of credit as of June 30, 2021.

**Paycheck Protection Program**

Habitat Spartanburg applied for and received a \$185,000 loan from the Paycheck Protection Program ("PPP"), administered by the Small Business Association and provided by the CARES Act. The PPP loan program also allows for the possibility of 100% forgiveness of the loan, if the proceeds are used for specific purposes, such as payroll costs, utilities, rent and interest on mortgaged debt. In order to qualify for the forgiveness component, at least 75% of the proceeds must be used on payroll costs. Habitat has met the qualifications and fully expects the application for forgiveness to be approved.

NOTE 8 – COMPOSITION OF NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

Net Assets with Donor Restrictions:	2021	2020
<b>Subject to expenditure for a specific purpose:</b>		
Home construction and repairs	\$ 294,318	\$ 200,717
Una Light Project and education	-	389
	<u>\$ 294,318</u>	<u>\$ 201,106</u>

Net assets released from donor restrictions by incurring expenses or satisfying restricted purposes are as follows:

Releases from Restrictions:	2021	2020
<b>Subject to expenditure for a specific purpose:</b>		
Home constructions and repairs	\$ 490,880	\$ 193,923
Una Light Project and education	1,127	2,749
	<u>\$ 492,007</u>	<u>\$ 196,672</u>

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NOTE 9 - RETIREMENT PLAN

Effective March 2015, Habitat established a SIMPLE IRA Plan which covers all employees who are reasonably expected to receive at least \$5,000 in compensation in the calendar year or who have received at least \$5,000 during any one prior calendar year. Habitat matches employee contributions to the plan up to 3% of gross salaries. Plan expenses were \$10,632 and \$9,828 for the years ended June 30, 2021 and 2020, respectively.

NOTE 10 – LEASES

Habitat entered into an operating truck lease with Ryder Truck Rental, Inc. on March 16, 2016, to lease a 2017 Isuzu truck for use with its thrift store. The lease is for 78 months and requires a monthly payment of \$1,010 plus 9 cents per mile driven. Habitat is responsible for reimbursing Ryder for all amounts it paid for licenses, taxes and permits on the vehicle which exceed the annual allowance amount of \$196. Ryder is responsible for maintenance and repairs.

Future minimum lease payments under the terms of the lease assuming a November delivery are as follows:

<u>Year Ended June 30</u>	
2022	\$ 12,120
2023	3,030
	<u>\$ 15,150</u>

Total lease related payments during the year ended June 30, 2021 and 2020, were \$14,742 and \$14,346, respectively.

Habitat entered into an operating lease with Marlin Leasing Corporation on March 9, 2018 to lease a telecom system. The lease is for 60 months and requires a monthly payment of \$392 per month.

Future minimum lease payments under the terms of the lease are as follows:

<u>Year Ended June 30</u>	
2022	\$ 4,704
2023	3,920
	<u>\$ 8,624</u>

Total lease related payments during the year ended June 30, 2021 and 2020 were \$4,704, and \$4,704, respectively.

NOTE 11 - TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL

Habitat annually remits a portion of its contributions (excluding noncash contributions) to Habitat for Humanity International. These funds are used to construct homes in economically depressed areas around the world. For each of the years ended June 30, 2021 and 2020, Habitat contributed \$10,000. Such amounts are included in program services expense on the statements of activities.

In November 2013, Habitat for Humanity International (HFHI) adopted a policy, U.S. Stewardship and Organizational Sustainability Initiative (US-SOSI), affecting its U.S. affiliated organizations of which Habitat is one. The policy requires all affiliates to pay an annual US-SOSI fee which is determined by population within the affiliate's approved Geographic Service Area. The purpose is to generate a revenue stream for HFHI to help offset a portion of the operational costs to assist U.S. affiliates and to use in leveraging the strength of the many for the benefit of all. The fee is \$15,000 annually. The fee is invoiced at the beginning of the fiscal year, and is due by July 31.

HABITAT FOR HUMANITY OF SPARTANBURG, INC.  
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NOTE 12 - NONRECURRING FAIR VALUE MEASUREMENTS

The fair value of land donated to Habitat for development is measured on a nonrecurring basis in the year the land is donated. The valuation technique is considered a Level 3 valuation (significant unobservable inputs) and is based on the current market value of other properties in the area and the assessed tax values of the land donated as determined by the Spartanburg County Tax Assessor's office. There was no land donated in the year ended June 30, 2021. Three parcels of land were donated and received during fiscal year 2020 with a fair value of \$95,900.

NOTE 13 - NEIGHBORHOOD INITIATIVE PROGRAM

Effective May 8, 2015, Habitat entered into a Neighborhood Initiative Program (NIP) Award Agreement with SC Housing Corp. (SCHC), the City of Spartanburg and four other partners each a nonprofit entity. The SCHC will provide NIP funds to these organizations to be used to acquire and demolish blighted residential structures. Habitat is eligible to receive up to \$35,000 per home for four homes in the Northside Area and four homes in the Southside area. As of June 30, 2021, Habitat had acquired nine lots and demolished the structure on another lot it owned through this program. A total of \$112,613 has been received from the City. There is a three-year forgivable mortgage on each property from the date of the note modification agreement which is entered into once the demolition is complete that requires Habitat to hold the land for three years before disposing of it. There were no purchases of property with NIP funds in fiscal year 2021 or 2020, therefore no revenue was recorded for June 30, 2021 or 2020. None of the NIP revenue has been included in the restricted net assets or revenue with donor restrictions due to the time restriction being satisfied or Habitat's ability to get a waiver on the three year holding period.

NOTE 14 - SPARTANBURG COUNTY HOME FUNDING

Spartanburg County Community Development Department granted Habitat \$143,100 to construct two homes in an unincorporated area of Spartanburg County. During the year ended June 30, 2021, the homes were completed and sold.

NOTE 15 – LIQUIDITY

Habitat has \$917,159 of financial assets that are available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$789,032, contributions receivable of \$28,872, and investments of \$99,255. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The contribution receivable is expected to be collected within one year. Habitat does not have a set goal to maintain financial assets, which consist of cash and investments on hand to meet 60 days of normal operating expenses, however, per their history, Habitat comes very close to that standard. As part of Habitat's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 16 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 21, 2021, which is the date the financial statements were available to be issued.