

HABITAT FOR HUMANITY OF SPARTANBURG, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

HABITAT FOR HUMANITY OF SPARTANBURG, INC.
FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Habitat for Humanity of Spartanburg, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 from 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 above present fairly, in all material respects, the financial position of Habitat for Humanity of Spartanburg, Inc. as of June 30, 2020 and 2019, 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.

Spartanburg, South Carolina
October 2, 2020

HABITAT FOR HUMANITY OF SPARTANBURG, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	ASSETS	
	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and cash equivalents	\$ 529,599	\$ 255,657
Accounts receivable	3,899	5,710
Pledges receivable	30,273	10,000
Construction in progress	137,928	142,523
Mortgages receivable - current	117,218	106,171
Prepaid insurance	14,378	10,354
	<u>833,295</u>	<u>530,415</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	582,863
	<u>804,828</u>	<u>793,743</u>
Less: accumulated depreciation	<u>(297,737)</u>	<u>(273,533)</u>
	<u>507,091</u>	<u>520,210</u>
Other Assets		
Spartanburg County Foundation account	80,503	79,779
Mortgages receivable - net of current portion	2,289,777	2,269,324
Land for development	294,963	299,691
	<u>2,665,243</u>	<u>2,648,793</u>
Total Assets	<u><u>\$ 4,005,629</u></u>	<u><u>\$ 3,699,419</u></u>

HABITAT FOR HUMANITY OF SPARTANBURG, INC.
STATEMENTS OF FINANCIAL POSITION - CONTINUED
JUNE 30, 2020 AND 2019

	2020	2019
	<u>2020</u>	<u>2019</u>
Current Liabilities		
Accounts payable	\$ 1,588	\$ 32,640
Accrued payroll liabilities	73,228	33,491
Notes payable - current	184,844	9,718
	<u>259,660</u>	<u>75,849</u>
Long-term liabilities		
Notes payable - net of current portion	171,467	170,487
	<u>431,127</u>	<u>246,336</u>
Total Liabilities		
	<u>431,127</u>	<u>246,336</u>
Net Assets		
Without donor restrictions	3,373,396	3,347,454
With donor restrictions	201,106	105,629
	<u>3,574,502</u>	<u>3,453,083</u>
Total Net Assets		
	<u>3,574,502</u>	<u>3,453,083</u>
Total Liabilities and Net Assets	<u>\$ 4,005,629</u>	<u>\$ 3,699,419</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, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support						
Contributions	\$ 404,715	\$ 292,149	\$ 696,864	\$ 483,567	\$ 94,224	\$ 577,791
ReStore sales	574,842	-	574,842	685,266	-	685,266
Transfers to homeowners	546,693	-	546,693	736,000	-	736,000
Noncash donations of land and appliances	105,443	-	105,443	95,937	-	95,937
Other income	4,110	-	4,110	1,785	-	1,785
Gain (loss) on disposal of donated land	13,733	-	13,733	13,518	-	13,518
Investment return, net	724	-	724	2,835	-	2,835
Mortgage loan discount amortization	232,576	-	232,576	210,356	-	210,356
	1,882,836	292,149	2,174,985	2,229,264	94,224	2,323,488
Net assets released from restrictions	196,672	(196,672)	-	325,831	(325,831)	-
Total Revenues, Gains and Other Support	2,079,508	95,477	2,174,985	2,555,095	(231,607)	2,323,488
Functional Expenses						
Program services						
Construction	850,035	-	850,035	955,406	-	955,406
Family support	87,971	-	87,971	80,961	-	80,961
Discounts on mortgages	217,454	-	217,454	456,652	-	456,652
ReStore expenses	507,321	-	507,321	447,909	-	447,909
Supporting services						
Management and general	286,760	-	286,760	257,139	-	257,139
Fundraising	61,488	-	61,488	59,629	-	59,629
Golf tournament direct costs	27,537	-	27,537	26,776	-	26,776
Total Functional Expenses	2,038,566	-	2,038,566	2,284,472	-	2,284,472
Unallocated payment to affiliated organization	15,000	-	15,000	15,000	-	15,000
	2,053,566	-	2,053,566	2,299,472	-	2,299,472
Increase (Decrease) in Net Assets	25,942	95,477	121,419	255,623	(231,607)	24,016
Net Assets - Beginning of Year	3,347,454	105,629	3,453,083	3,091,831	337,236	3,429,067
Net Assets - End of Year	\$ 3,373,396	\$ 201,106	\$ 3,574,502	\$ 3,347,454	\$ 105,629	\$ 3,453,083

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	Supporting Services			Total	Total
	Construction	Family Support	Discounts on Mortgages	ReStore	Program Services	Management and General	Fund Raising	Golf Tourn. Costs	Supporting Services	Expenses
Salaries and benefits	\$ 327,622	\$ 82,103	\$ -	\$ 402,349	\$ 812,074	\$ 152,169	\$ 56,694	\$ -	\$ 208,863	\$ 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	-	25,972	35,511	800	722	-	1,522	37,033
Building expense and other	35,723	3,967	-	37,751	77,441	45,669	654	27,537	73,860	151,301
Office supplies and expenses	1,464	755	-	14,489	16,708	52,223	3,106	-	55,329	72,037
Interest	146	-	-	6,187	6,333	946	-	-	946	7,279
Training and education	-	144	-	-	144	29	312	-	341	485
Tithe to HFHI	-	-	-	-	-	10,000	-	-	10,000	10,000
Professional fees	640	-	-	-	640	21,777	-	-	21,777	22,417
Total before depreciation	849,551	87,971	217,454	486,748	1,641,724	283,613	61,488	27,537	372,638	2,014,362
Depreciation	484	-	-	20,573	21,057	3,147	-	-	3,147	24,204
Total Expenses	<u>\$ 850,035</u>	<u>\$ 87,971</u>	<u>\$ 217,454</u>	<u>\$ 507,321</u>	<u>\$ 1,662,781</u>	<u>\$ 286,760</u>	<u>\$ 61,488</u>	<u>\$ 27,537</u>	<u>\$ 375,785</u>	<u>\$ 2,038,566</u>

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, 2019

	Program Services				Total	Supporting Services			Total	Total
	Construction	Family Support	Discounts on Mortgages	ReStore	Program Services	Management and General	Fund Raising	Golf Tourn. Costs	Supporting Services	Expenses
Salaries and benefits	\$ 303,485	\$ 74,242	\$ -	\$ 313,594	\$ 691,321	\$ 156,100	\$ 54,320	\$ -	\$ 210,420	\$ 901,741
Mortgage discounts	-	-	456,652	-	456,652	-	-	-	-	456,652
Building material and supplies	615,968	-	-	-	615,968	-	-	-	-	615,968
Travel and auto expenses	10,323	1,074	-	33,610	45,007	1,886	1,016	-	2,902	47,909
Building expense and other	14,960	4,858	-	54,353	74,171	28,737	-	26,776	55,513	129,684
Office supplies and expenses	1,457	532	-	19,007	20,996	37,524	3,850	-	41,374	62,370
Interest	209	-	-	8,867	9,076	1,356	-	-	1,356	10,432
Training and education	180	255	-	294	729	4,335	443	-	4,778	5,507
Tithe to HFHI	-	-	-	-	-	10,000	-	-	10,000	10,000
Professional fees	8,396	-	-	-	8,396	14,420	-	-	14,420	22,816
Total before depreciation	954,978	80,961	456,652	429,725	1,922,316	254,358	59,629	26,776	340,763	2,263,079
Depreciation	428	-	-	18,184	18,612	2,781	-	-	2,781	21,393
Total Expenses	<u>\$ 955,406</u>	<u>\$ 80,961</u>	<u>\$ 456,652</u>	<u>\$ 447,909</u>	<u>\$ 1,940,928</u>	<u>\$ 257,139</u>	<u>\$ 59,629</u>	<u>\$ 26,776</u>	<u>\$ 343,544</u>	<u>\$ 2,284,472</u>

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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows Provided (Used) by Operating Activities		
Cash received from contributors	\$ 676,591	\$ 645,359
Cash received from ReStore sales	574,842	685,266
Interest received	529	1,244
Other income received	3,581	541
Proceeds from sale of donated land	13,733	13,518
Cash paid to employees and suppliers	(1,689,536)	(1,807,877)
Interest paid	(7,279)	(10,432)
	<u>(427,538)</u>	<u>(472,381)</u>
Cash Flows Provided (Used) by Investing Activities		
Purchase of fixed assets	(11,085)	(61,118)
Mortgage receivables increase	536,460	371,944
	<u>525,375</u>	<u>310,826</u>
Cash Flows Provided (Used) by Financing Activities		
Borrowings on Paycheck Protection Program loan	163,000	-
Borrowings on long term debt	25,000	-
Payments on long term debt	(11,894)	(9,394)
	176,106	(9,394)
Net increase (decrease) in cash and cash equivalents	273,942	(170,950)
Cash and Cash Equivalents - Beginning of Year	<u>255,657</u>	<u>426,607</u>
Cash and Cash Equivalents - End of Year	<u>\$ 529,599</u>	<u>\$ 255,657</u>
Supplemental Disclosure: Interest Paid	<u>\$ 7,279</u>	<u>\$ 10,432</u>

HABITAT FOR HUMANITY OF SPARTANBURG, INC.
STATEMENTS OF CASH FLOWS - CONTINUED
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of Change in Net Assets to Net Cash Provided By (Used In) Operating Activities		
Total Change in Net Assets	<u>\$ 121,419</u>	<u>\$ 24,016</u>
Adjustments to Reconcile Total Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	24,204	21,392
Mortgage loan discount amortization	(232,576)	(210,356)
Transfers to homeowners, net of amortization	(335,384)	(293,031)
Net realized and unrealized (gains) losses on investments	(724)	(2,835)
Change in assets and liabilities		
(Increase) decrease in construction in progress	4,595	(47,114)
(Increase) decrease in prepaid insurance	(4,025)	606
(Increase) decrease in contributions receivables	(20,273)	67,568
(Increase) decrease in accounts receivables	1,811	(5,710)
(Increase) decrease in land for development	4,728	(46,290)
Increase (decrease) in accounts payable - trade	(31,050)	6,670
Increase (decrease) in accrued payroll liabilities	<u>39,737</u>	<u>12,703</u>
	<u>(548,957)</u>	<u>(496,397)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (427,538)</u></u>	<u><u>\$ (472,381)</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, 2020 AND 2019

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, 2020 AND 2019

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, 2020 and 2019 were \$24,204 and \$21,392, 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, 2020 and 2019, was \$124,627 and \$74,783, 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, 2020 AND 2019

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 \$507,321 and \$447,909 for the years ended June 30, 2020 and 2019, 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, 2020 AND 2019

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, 2020, Habitat's bank balances at this institution totaled \$488,286 and its book balances were \$529,599. 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, 2020 and 2019:

2020	Fair Value	Level 1	Level 2	Level 3
Funds held at Spartanburg County Foundation	<u>\$ 80,503</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,503</u>
2019	Fair Value	Level 1	Level 2	Level 3
Funds held at Spartanburg County Foundation	<u>\$ 79,779</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,779</u>

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, 2020 AND 2019

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, 2020 and 2019 were as follows:

	2020	2019
Beginning Balance	\$ 79,779	\$ 76,944
Dividends and interest	1,284	1,511
Realized and unrealized gains (losses)	239	2,091
Investment fees	(799)	(767)
Ending Balance	<u>\$ 80,503</u>	<u>\$ 79,779</u>

Gains and (losses) for the year ended June 30, 2020 of \$ (283) realized and \$522 unrealized and for the year ended June 30, 2019 of \$(249) realized and \$2,340 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, 2020 and 2019 are as follows:

	2020	2019
Receivables at face value	\$ 4,641,171	\$ 4,624,792
Less unamortized discount at 7.39% to 8.5%	<u>(2,234,176)</u>	<u>(2,249,297)</u>
	<u>\$ 2,406,995</u>	<u>\$ 2,375,495</u>

At June 30, 2020 these mortgages and contracts are receivable as follows:

<u>Year Ended June 30,</u>	
2021	\$ 293,761
2022	286,275
2023	279,430
2024	273,401
2025	263,012
Thereafter	<u>3,245,293</u>
	<u>\$ 4,641,171</u>

During the year ended June 30, 2020, three new non-interest bearing mortgage notes and zero refinances were accepted with a face value of \$357,369 and a discounted value of \$145,493. In addition, \$232,576 of mortgage loan discount amortization was recognized as revenue in the statement

HABITAT FOR HUMANITY OF SPARTANBURG, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 4 - MORTGAGES RECEIVABLE - CONTINUED

of activities during the year ended June 30, 2020. Also during 2020, two homes were closed through Carolina Foothills Credit Union (CCFCU) through zero equivalent mortgage loans held by CFFCU with a face value of \$248,000 and a discounted value of \$192,674. There are no receivables on Habitat's books for these mortgages, as payment in full was received at the time of the sale. During the year ended June 30, 2019 seven new non-interest bearing mortgage notes were accepted with a face value of \$749,683 and a discounted value of \$293,031. In addition, \$210,356 of mortgage loan discount amortization was recognized as revenue in the statement of activities during the year ended June 30, 2019.

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:

	2020		2019	
	Units	Costs	Units	Costs
Homes under construction, beginning of period	3	\$ 142,523	2	\$ 95,409
New homes started during the period and additional construction costs	5	345,794	8	584,043
Homes transferred during the period	(5)	(350,389)	(7)	(536,929)
Homes under construction, end of period	<u>3</u>	<u>\$ 137,928</u>	<u>3</u>	<u>\$ 142,523</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, 2020 and 2019 totaled \$14,078 and \$7,743, respectively.

HABITAT FOR HUMANITY OF SPARTANBURG, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 7 – NOTES PAYABLE

Notes payable at June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
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.	\$ 172,374	\$ 180,205
 A note with interest rate of 2% annually. Quarterly payments of \$2,152, including interest, are due through October 22, 2022.	 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.	 <u>163,000</u>	 <u>-</u>
Subtotal	356,311	180,205
Less current portion	<u>184,844</u>	<u>9,718</u>
	<u>\$ 171,467</u>	<u>\$ 170,487</u>

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

Fiscal Year Ended June 30,	
2021	\$ 184,844
2022	22,528
2023	18,922
2024	15,210
2025	15,790
Thereafter	<u>99,016</u>
	<u>\$ 356,311</u>

Interest expense on long term debt totaled \$7,279 and \$10,432 for the years ended June 30, 2020 and 2019, respectively.

During April, May and June of 2020, the mortgage company approved for Habitat to defer their payments during those months. Normal payments resumed in July 2020.

HABITAT FOR HUMANITY OF SPARTANBURG, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 7 – NOTES PAYABLE - CONTINUED

Paycheck Protection Program

On April 18, 2020, Habitat Spartanburg applied for and received a \$163,000 loan from the Paycheck Protection Program ("PPP"), administered by the Small Business Association and provided by the CARES Act. The CARES Act was passed by Congress on March 27, 2020, to provide one percent interest loans to qualifying small businesses within the United States. 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:	2020	2019
Subject to expenditure for a specific purpose:		
Home construction and repairs	\$ 200,717	\$ 103,091
Una Light Project and education	389	2,538
	<u>\$ 201,106</u>	<u>\$ 105,629</u>

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

Releases from Restrictions:	2020	2019
Subject to expenditure for a specific purpose:		
Home constructions and repairs	\$ 193,923	\$ 323,742
Una Light Project and education	2,749	2,089
	<u>\$ 196,672</u>	<u>\$ 325,831</u>

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 \$9,828 and \$8,499 for the years ended June 30, 2020 and 2019, respectively.

HABITAT FOR HUMANITY OF SPARTANBURG, INC.
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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:

Year Ended June 30	
2021	\$ 12,120
2022	12,120
2023	3,030
2024	-
	<u>\$ 27,270</u>

Total lease related payments during the year ended June 30, 2020 and 2019, were \$14,346 and \$14,079, 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:

Year Ended June 30	
2021	\$ 4,704
2022	4,704
2023	3,920
2024	-
	<u>\$ 13,328</u>

Total lease related payments during the year ended June 30, 2020 and 2019 were \$4,704, and \$4,312, 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 the years ended June 30, 2020 and 2019, Habitat contributed \$10,000 and \$10,000, respectively, to Habitat for Humanity International. 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 amount of the fee is fixed through June 30, 2019. 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.
NOTES TO FINANCIAL STATEMENTS
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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. Three parcels of land were received during fiscal year 2020. The fair value of the three parcels of land received during the year ended June 30, 2020 was determined to be \$95,900. There was no land received in the year ended June 30, 2019.

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, 2020, 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 2020 or 2019, therefore no revenue was recorded for June 30, 2020 or 2019. 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 has granted Habitat \$143,100 to construct two homes in an unincorporated area of Spartanburg County. Habitat has purchased two lots in the Drayton area for this project. The grant is contingent on the completion of the homes. During the year ended June 30, 2020, and June 30, 2019, \$137,494 and \$2,864, respectively, has been recorded as revenue on the statements of activities.

NOTE 15 – UNITED WAY OF THE PIEDMONT HOME FUNDING

United Way of the Piedmont has entered into an agreement with Habitat to provide \$24,545 towards home construction. Habitat will receive 1/12 of the amount each month from January through December of 2020. The funding is restricted to costs associated with home construction.

NOTE 16 – LIQUIDITY

Habitat has \$640,375 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 \$529,599, contributions receivable of \$30,273, and investments of \$80,503. 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.

HABITAT FOR HUMANITY OF SPARTANBURG, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 17 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 2, 2020, which is the date the financial statements were available to be issued.

Habitat secured a line of credit in the amount of \$150,000 on their building in July 2020 to allow for future cash liquidity if needed. Habitat has not used the credit line as of the date of these statements.

Impact of the Novel Coronavirus (COVID-19)

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus first identified in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, Habitat is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial conditions, or liquidity for fiscal year 2020.