

Habitat for Humanity of Spartanburg, Inc.

Financial Statements

Years Ended June 30, 2022 and 2021

Habitat for Humanity of Spartanburg, Inc.

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Habitat for Humanity of Spartanburg, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2022, and the related statement 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, 2022 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.

Basis for Opinion

We conducted our audit 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.

Other Matter

The financial statements of Habitat for Humanity of Spartanburg, Inc. as of June 30, 2021 were audited by other auditors whose report dated December 21, 2021 expressed an unmodified opinion on the financial statements.

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.

Elliott E. Painter, CPA

Spartanburg, South Carolina
October 19, 2022

Habitat for Humanity of Spartanburg, Inc.
 Statements of Financial Position
 June 30, 2022 and 2021

	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 731,569	\$ 789,032
Accounts receivable	4,480	1,481
Pledges receivable	22,772	28,872
Construction in progress	159,496	143,528
Mortgages receivable - current	291,707	275,083
Prepaid insurance	15,561	14,378
	<u>1,225,585</u>	<u>1,252,374</u>
Property and Equipment		
Land and improvements	120,000	120,000
Furniture and equipment	76,533	70,561
Trailers and vehicles	20,319	20,319
Pine Street building	593,948	593,948
	<u>810,800</u>	<u>804,828</u>
Less: accumulated depreciation	(340,870)	(319,128)
	<u>469,930</u>	<u>485,700</u>
Other Assets		
Spartanburg County Foundation account	88,613	99,255
Mortgages receivable - net of current portion	2,492,350	2,234,369
Land for development	237,951	304,607
	<u>2,818,914</u>	<u>2,638,231</u>
Total Assets	<u>\$ 4,514,429</u>	<u>\$ 4,376,305</u>

Habitat for Humanity of Spartanburg, Inc.
 Statements of Financial Position
 June 30, 2022 and 2021

LIABILITIES AND NET ASSETS

	<u>2022</u>	<u>2021</u>
Current Liabilities		
Accounts payable	\$ 28,111	\$ 8,893
Accrued payroll liabilities	92,050	92,207
Notes payable - current	<u>16,792</u>	<u>205,440</u>
	<u>136,953</u>	<u>306,540</u>
Long-term liabilities		
Notes payable - net of current portion	<u>130,264</u>	<u>149,028</u>
Total Liabilities	<u>267,217</u>	<u>455,568</u>
Net Assets		
Without donor restrictions	3,775,988	3,626,419
With donor restrictions	<u>471,224</u>	<u>294,318</u>
Total Net Assets	<u>4,247,212</u>	<u>3,920,737</u>
Total Liabilities and Net Assets	<u>\$ 4,514,429</u>	<u>\$ 4,376,305</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, 2022

	Program Services			Total Program Services	Supporting Services			Total Supporting Services	Total Expenses
	Construction	Family Support	Discounts on Mortgages		Management and General	Fund Raising	Golf Tourn. Costs		
Salaries and benefits	\$ 339,352	\$ 80,321	\$ 498,459	\$ 794,717	\$ 135,132	\$ 55,109	\$ 190,241	\$ 984,958	
Mortgage discounts			498,459	498,459				498,459	
Building material and supplies	640,325			640,325				640,325	
Travel and auto expenses	8,280	804	30,015	39,099	1,048	278	1,326	40,425	
Building expense and other	18,176	6,529	30,984	55,689	42,373	1,500	70,044	125,733	
Office supplies and expenses	3,095	854	15,476	19,425	26,326	3,000	29,326	48,751	
Interest	120		5,118	5,238	783		784	6,022	
Training and education	220	25		245	55	3,782	3,837	4,082	
Tithe to HFHI					10,000		10,000	10,000	
Professional fees	1,750			1,750	29,300		29,300	31,050	
Total before depreciation	1,011,318	88,533	498,459	2,054,947	245,017	63,669	334,857	2,389,804	
Depreciation	4,476		14,676	19,152	2,590		2,590	21,742	
Total Expenses	\$ 1,015,794	\$ 88,533	\$ 498,459	\$ 2,074,099	\$ 247,607	\$ 63,669	\$ 337,447	\$ 2,411,546	

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 Program Services	Supporting Services			Total Supporting Services	Total Expenses
	Construction	Family Support	Discounts on Mortgages		Management and General	Fund Raising	Golf Tour. Costs		
Salaries and benefits	\$ 315,618	\$ 80,199	\$ 290,418	\$ 748,652	\$ 153,139	\$ 56,115	\$ 209,254	\$ 957,906	
Mortgage discounts				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	58,103	99,558	
Office supplies and expenses	3,335	499	13,894	17,728	26,553	3,000	29,553	47,281	
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	29,365		29,365	30,802	
Total before depreciation	721,409	87,786	432,453	1,532,066	277,469	60,350	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	\$ 1,550,676	\$ 280,250	\$ 60,350	\$ 340,683	\$ 1,891,359	

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, 2022 and 2021

	<u>6/30/2022</u>	<u>6/30/2021</u>
Cash Flows Provided (Used) by Operating Activities		
Cash received from contributors	\$ 821,877	\$ 611,195
Cash received from ReStore sales	680,297	653,905
Interest received	55	40
Other income received	2,648	2,812
Proceeds from sale of donated land		11,383
Cash paid to employees and suppliers	(1,833,762)	(1,580,974)
Interest paid	<u>(6,022)</u>	<u>(6,741)</u>
	<u>(334,907)</u>	<u>(308,380)</u>
Cash Flows Provided (Used) by Investing Activities		
Purchase of fixed assets	(5,973)	
Mortgage receivables increase	<u>305,828</u>	<u>406,650</u>
	<u>299,855</u>	<u>406,650</u>
Cash Flows Provided (Used) by Financing Activities		
Borrowings on Paycheck Protection Program loan		185,000
Payments on long term debt	<u>(22,411)</u>	<u>(23,836)</u>
	(22,411)	161,164
Net Increase (Decrease) in Cash and Cash Equivalents	(57,463)	259,433
Cash and Cash Equivalents - Beginning of Year	<u>789,032</u>	<u>529,599</u>
Cash and Cash Equivalents - End of Year	<u>\$ 731,569</u>	<u>\$ 789,032</u>
Supplemental Disclosure: Interest Paid	<u>\$ 6,022</u>	<u>\$ 6,741</u>
Non-cash: PPP loan forgiveness	<u>\$ 185,000</u>	<u>\$ 163,000</u>

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

Habitat for Humanity of Spartanburg, Inc.
Notes to Financial Statements

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. This is accomplished through a variety of home ownership opportunities and home repairs. The homeownership opportunities include construction of new builds, rehabs of acquired dwellings involving reconstruction or renovations, and recycles (homes previously built by Habitat and reacquired). The home repair services involve owner occupied houses in need of preservation, weatherization, or critical home repairs. 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

Note 1 – (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, 2022 and 2021 was \$21,742 and \$21,391, 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 for development charged to construction during the years ended June 30, 2022 and 2021, was \$66,656 and \$45,391, 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 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.

Habitat for Humanity of Spartanburg, Inc.
Notes to Financial Statements

Note 1 – (continued)

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 \$471,313 and \$450,635 for the years ended June 30, 2022 and 2021, 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:

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.

Habitat for Humanity of Spartanburg, Inc.
Notes to Financial Statements

Note 1 – (continued)

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 – Concentrations 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, 2022, Habitat's bank balances at this institution totaled \$695,632 and its book balances were \$731,419. 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, 2022 and 2021:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Funds held at Spartanburg County Foundation	<u>\$ 88,613</u>	<u>\$</u>	<u>\$</u>	<u>\$ 88,613</u>
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Funds held at Spartanburg County Foundation	<u>\$ 99,255</u>	<u>\$</u>	<u>\$</u>	<u>\$ 99,255</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

Note 3 – (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, 2022 and 2021 were as follows:

	2022	2021
Beginning Balance	\$ 99,255	\$ 80,503
Dividends and interest	1,285	1,296
Realized and unrealized gains (losses)	(10,945)	18,353
Investment fees	(982)	(897)
Ending Balance	<u>\$ 88,613</u>	<u>\$ 99,255</u>

Gains and (losses) for the year ended June 30, 2022 of \$ (100) realized and \$(10,845) unrealized and for the year ended June 30, 2021 of \$(142) realized and \$18,495 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.

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, 2022 and 2021 are as follows:

	2022	2021
Receivables at face value	\$ 5,447,352	\$ 4,863,943
Less unamortized discount at 7.39% to 8.5%	(2,663,295)	(2,354,492)
	<u>\$ 2,784,057</u>	<u>\$ 2,509,451</u>

At June 30, 2022 these mortgages and contracts are receivable as follows:

<u>Year Ended June 30,</u>	
2023	\$ 291,707
2024	283,783
2025	279,971
2026	276,848
2027	271,940
Thereafter	4,043,103
	<u>\$ 5,447,352</u>

During the year ended June 30, 2022, five new non-interest bearing mortgage notes were accepted with a face value of \$827,491 and a discounted value of \$329,032. In addition, \$189,657 of mortgage loan discount amortization was recognized as revenue in the statement of activities during the year ended June 30, 2022.

Habitat for Humanity of Spartanburg, Inc.
Notes to Financial Statements

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:

	2022		2021	
	Units	Costs	Units	Costs
Homes under construction, beginning of period	3	\$ 143,528	3	\$ 137,928
New homes started during the period and additional construction costs	6	656,294	4	314,970
Homes transferred during the period	(5)	(640,326)	(4)	(309,370)
Homes under construction, end of period	<u>4</u>	<u>\$ 159,496</u>	<u>3</u>	<u>\$ 143,528</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, 2022 and 2021 totaled \$13,500 and \$13,865, respectively.

Note 7 – Notes Payable

Notes payable at June 30, 2022 and 2021 consist of the following:

	2022	2021
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.	\$ 144,915	\$ 158,869
A note with interest rate of 2% annually. Quarterly payments of \$2,152, including interest, are due through October 22, 2022.	2,141	10,599
A promissory note with interest at a rate of 1% annually. 17 monthly payments beginning November 18, 2020. Loan was up to 100% forgivable if the proceeds were used to retain workers, maintain payroll, or make mortgage, lease and utility payments under the Paycheck Protection Program Rule. Loan was forgiven during the year ended June 30, 2022.		185,000
Subtotal	147,056	354,468
Less current portion	16,792	205,440
	<u>\$ 130,264</u>	<u>\$ 149,028</u>

Habitat for Humanity of Spartanburg, Inc.
Notes to Financial Statements

Note 7 – (continued)

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

Fiscal Year Ended June 30,			
2023	\$	16,792	
2024		15,210	
2025		15,790	
2026		16,393	
2027		17,018	
Thereafter		65,853	
	<u>\$</u>	<u>147,056</u>	

Interest expense on long term debt totaled \$6,022 and \$6,741 for the years ended June 30, 2022 and 2021, 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 matured July 20, 2022 and was renewed on September 1, 2022. The new line of credit matures July 20, 2024. There was no outstanding balance on the line of credit as of June 30, 2022.

Paycheck Protection Program

During the year ended June 30, 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. In order to qualify for the forgiveness component, at least 75% of the proceeds were required to be used on payroll costs. Habitat met the qualifications for loan forgiveness and the loan was fully forgiven in the year ended June 30, 2021. Habitat Spartanburg received another loan from the PPP in the amount of \$185,000 in the year ended June 30, 2021. This loan was forgiven during the year ended June 30, 2022. The forgiveness is shown on the Statement of Activities as “PPP loan forgiveness” in both years.

Note 8 – Net Assets with Donor Restrictions

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

	2022	2021
Subject to expenditure for a specific purpose:		
Home construction and repairs	\$ 452,689	\$ 294,318
Americorp	17,478	
Homeowner Gifts	1,057	
	<u>\$ 471,224</u>	<u>\$ 294,318</u>

Habitat for Humanity of Spartanburg, Inc.
Notes to Financial Statements

Note 8 – (continued)

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for a specific purpose:		
Home constructions and repairs	\$ 180,948	\$ 490,880
Una Light Project and education		1,127
	<u>\$ 180,948</u>	<u>\$ 492,007</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 \$7,933 and \$10,632 for the years ended June 30, 2022 and 2021, 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:

Year Ended June 30	
<u>2023</u>	<u>\$ 3,030</u>
	<u>\$ 3,030</u>

Total lease related payments during the year ended June 30, 2022 and 2021, were \$14,742 and \$14,742, 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	
<u>2023</u>	<u>\$ 3,920</u>
	<u>\$ 3,920</u>

Total lease related payments during the year ended June 30, 2022 and 2021 were \$4,427, and \$4,704, respectively.

Habitat for Humanity of Spartanburg, Inc.
Notes to Financial Statements

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, 2022 and 2021, 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.

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 years ended June 30, 2022 or June 30, 2021.

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, 2022, 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 2022 or 2021, therefore no revenue was recorded for June 30, 2022 or 2021. 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 Investment Partnership Program (HOME) Funds

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.

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Notes to Financial Statements

Note 15 – Liquidity

Habitat has \$842,954 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 \$731,569, pledges receivable of \$22,772, and investments of \$88,613. 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 October 19, 2022, which is the date the financial statements were available to be issued.

Note 17 – Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.