

Habitat for Humanity of Greenville County, SC Inc.

Report on Financial Statements

As of and for the Years Ended June 30, 2022 and 2021



Habitat for Humanity of Greenville County, SC Inc.

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LYNNE D. JONES, CPA
Accounting . Auditing . Advisory Services

Independent Auditor's Report

The Board of Directors
Habitat for Humanity of Greenville County, SC Inc.
Greenville, South Carolina

Opinion

I have audited the accompanying financial statements of Habitat for Humanity of Greenville County, SC Inc. (the "Organization", a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, 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 my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Greenville County, SC Inc. as of June 30, 2022 and 2021, 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

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Habitat for Humanity of Greenville County, SC Inc. and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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 generally accepted auditing standards 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.

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In performing an audit in accordance with generally accepted auditing standards, I:

- 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 the Organization'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

A handwritten signature in black ink that reads "Lynne D. Jones". The signature is written in a cursive, flowing style.

September 30, 2022
Greenville, South Carolina

Habitat for Humanity of Greenville County, SC Inc.
Statements of Financial Position
As of June 30,

	<u>2022</u>	<u>2021</u>
Assets		
Unrestricted cash	\$ 161,417	\$ 456,730
Restricted cash	337,441	168,564
Total cash, cash equivalents and restricted cash	<u>498,858</u>	<u>625,294</u>
Accounts receivable	72,219	73,752
Prepaid expenses	8,858	13,353
Deposits	-	97,907
ReStore Inventory	209,429	232,847
Homes under construction	1,913,799	1,073,698
Completed homes awaiting mortgage or available for sale	12,206	103,983
Residential property held for development	491,771	406,353
Non-interest bearing mortgage loans receivable	4,357,775	4,795,537
less unamortized discount	<u>(1,924,200)</u>	<u>(2,160,816)</u>
Mortgage loans receivable, net	<u>2,433,575</u>	<u>2,634,721</u>
Property and equipment, net of accumulated depreciation	3,456,319	3,587,281
Total assets	<u>\$ 9,097,034</u>	<u>\$ 8,849,189</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 369,561	\$ 436,091
Deferred rent	6,297	12,594
Deferred revenues	12,434	6,133
Lines of credit payable	1,502,213	1,134,691
Notes payable	3,144,625	3,272,077
Unamortized debt issuance costs, net	<u>(3,996)</u>	<u>(4,665)</u>
Notes payable net of unamortized debt issuance costs	<u>3,140,629</u>	<u>3,267,412</u>
Total liabilities	<u>\$ 5,031,134</u>	<u>\$ 4,856,921</u>
Net assets		
Without donor restrictions	3,759,740	3,829,553
With donor restrictions		
Purpose restricted	<u>306,160</u>	<u>162,715</u>
Total net assets	<u>4,065,900</u>	<u>3,992,268</u>
Total liabilities and net assets	<u>\$ 9,097,034</u>	<u>\$ 8,849,189</u>

The accompanying notes are an integral part of these financial statements

Habitat for Humanity of Greenville County, SC Inc.
Statement of Activities
For the Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and other support			
Support, revenue and gains			
Contributions of cash and other financial assets	\$ 496,829	\$ 1,805,714	\$ 2,302,543
Contributions of non-financial assets	269,201	-	269,201
Total contributions	<u>766,030</u>	<u>1,805,714</u>	<u>2,571,744</u>
Sales to homeowners	1,874,231	-	1,874,231
Other revenue from homeowners	124,217	-	124,217
ReStore retail sales	2,459,362	-	2,459,362
Government grants	236,335	-	236,335
Imputed interest income on noninterest-bearing mortgage loans receivable	236,616	-	236,616
Repairs to completed homes income	68,202	-	68,202
Weatherization income	40,704	-	40,704
Other revenue, net	25,738	-	25,738
Net assets released from restriction:			
Satisfaction of purpose restriction	1,662,269	(1,662,269)	-
Total revenues, gains and other support, net	<u>7,493,704</u>	<u>143,445</u>	<u>7,637,149</u>
Expenses			
Program:			
Construction, supervision and support	3,293,811	-	3,293,811
Family services	268,806	-	268,806
Volunteer support	182,671	-	182,671
ReStore retail operations	2,003,705	-	2,003,705
Discounts on current year non-interest bearing mortgage loans receivable	-	-	-
Total program expenses	<u>5,748,993</u>	<u>-</u>	<u>5,748,993</u>
Supporting services:			
Development	470,372	-	470,372
Management and general	1,344,152	-	1,344,152
Total supporting services expenses	<u>1,814,524</u>	<u>-</u>	<u>1,814,524</u>
Total expenses	<u>7,563,517</u>	<u>-</u>	<u>7,563,517</u>
Increase (decrease) in net assets	(69,813)	143,445	73,632
Net assets, beginning of year	3,829,553	162,715	3,992,268
Net assets, end of year	<u>\$ 3,759,740</u>	<u>\$ 306,160</u>	<u>\$ 4,065,900</u>

The accompanying notes are an integral part of these financial statements

Habitat for Humanity of Greenville County, SC Inc.
Statement of Activities
For the Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains and other support			
Support, revenue and gains			
Contributions of cash and other financial assets	\$ 307,231	\$ 1,098,280	\$ 1,405,511
Contributions of non-financial assets	63,857	-	63,857
Total contributions	<u>371,088</u>	<u>1,098,280</u>	<u>1,469,368</u>
Sales to homeowners	853,540	-	853,540
Other revenue from homeowners	52,076	-	52,076
ReStore retail sales	2,540,633	-	2,540,633
Government grants	257,451	-	257,451
PPP loan forgiveness income (See Note 17)	-	605,838	605,838
Imputed interest income on noninterest-bearing mortgage loans receivable	244,599	-	244,599
Repairs to completed homes income	151,140	-	151,140
Weatherization income	48,324	-	48,324
Other revenue, net	24,137	-	24,137
Gain on sale of office building	177,085	-	177,085
Net assets released from restriction:			
Satisfaction of purpose restriction	1,626,879	(1,626,879)	-
Total revenues, gains and other support, net	<u>6,346,952</u>	<u>77,239</u>	<u>6,424,191</u>
Expenses			
Program:			
Construction, supervision and support	2,220,746	-	2,220,746
Family services	397,100	-	397,100
Volunteer support	90,837	-	90,837
ReStore retail operations	2,113,652	-	2,113,652
Discounts on current year non-interest bearing mortgage loans receivable	-	-	-
Total program expenses	<u>4,822,335</u>	<u>-</u>	<u>4,822,335</u>
Supporting services:			
Development	456,180	-	456,180
Management and general	1,006,861	-	1,006,861
Total supporting services expenses	<u>1,463,041</u>	<u>-</u>	<u>1,463,041</u>
Total expenses	<u>6,285,376</u>	<u>-</u>	<u>6,285,376</u>
Increase in net assets	61,576	77,239	138,815
Net assets, beginning of year	3,767,977	85,476	3,853,453
Net assets, end of year	<u>\$ 3,829,553</u>	<u>\$ 162,715</u>	<u>\$ 3,992,268</u>

The accompanying notes are an integral part of these financial statements

Habitat for Humanity of Greenville County, SC Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program Services					Supporting Services			Total Expenses 2022	
	Construction Supervision & Support	Family Services	Volunteer Support	ReStore Operations	Discount on Mortgage Originations	Total Program Services	Development	Management & General		Total Supporting Services
401(k) employer contributions	\$ 22,126	\$ 7,582	\$ 6,162	\$ 10,735	\$ -	\$ 46,605	\$ 9,189	\$ 29,564	\$ 38,753	\$ 85,358
Accounting	-	-	-	-	-	-	-	19,000	19,000	19,000
Advertising & Promotion	336	5,295	-	11,666	-	17,297	15,884	643	16,527	33,824
Conferences, conventions, and meetings	13,400	2,902	14,518	6,352	-	37,172	5,352	26,537	31,889	69,061
Contract labor	100	-	-	76,911	-	76,911	79	70,479	70,558	147,469
Cost of goods sold - donated and purchased	-	-	-	577,404	-	577,404	-	-	-	577,404
Cost of homes transferred	2,298,748	-	-	-	-	2,298,748	-	-	-	2,298,748
Depreciation	-	-	-	-	-	-	-	142,982	142,982	142,982
Discount on current-year non-interest bearing mortgage loans receivable	-	-	-	-	-	-	-	-	-	-
Development / presentation materials	9,633	-	1,563	513	-	11,709	84,310	1,348	85,658	97,367
Fees paid to Habitat International	-	-	-	-	-	-	-	48,962	48,962	48,962
Information Technology	18,535	3,580	1,866	10,118	-	34,099	7,052	16,575	23,627	57,726
Insurance	76,783	1,037	4,168	36,066	-	118,054	3,081	41,579	44,660	162,714
Interest	18,462	-	-	-	-	18,462	-	191,396	191,396	209,858
Legal	-	797	-	-	-	797	-	1,274	1,274	2,071
Occupancy	62,837	-	-	275,695	-	338,532	-	46,391	46,391	384,923
Office expenses	27,415	11,239	9,803	95,971	-	144,428	17,604	74,133	91,737	236,165
Other employee benefits	102,597	31,295	14,459	105,686	-	254,037	44,256	58,134	102,390	356,427
Other expenses	28,573	4,881	2,992	-	-	36,446	3,546	20,606	24,152	60,598
Payroll taxes	55,872	12,776	9,049	58,257	-	135,954	19,045	48,757	67,802	203,756
Repairs to completed homes	214,541	-	-	-	-	214,541	9,600	-	9,600	224,141
Salaries and wages	320,939	186,467	116,415	692,985	-	1,316,806	248,724	497,818	746,542	2,063,348
Travel	22,914	955	1,676	45,446	-	70,991	2,650	7,974	10,624	81,615
Total Functional Expenses	\$ 3,293,811	\$ 268,806	\$ 182,671	\$ 2,003,705	\$ -	\$ 5,748,993	\$ 470,372	\$ 1,344,152	\$ 1,814,524	\$ 7,563,517

The accompanying notes are an integral part of these financial statements

Habitat for Humanity of Greenville County, SC Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program Services						Supporting Services			Total Expenses 2021
	Construction & Support	Family Services	Volunteer Support	ReStore Operations	Discount on Mortgage Originations	Total Program Services	Development	Management & General	Total Supporting Services	
401(k) employer contributions	\$ 21,942	\$ 6,207	\$ -	\$ 7,039	\$ -	\$ 35,188	\$ 9,465	\$ 14,040	\$ 23,505	\$ 58,693
Accounting	-	-	-	-	-	-	-	15,000	15,000	15,000
Advertising & Promotion	1,309	-	-	11,968	-	13,277	1,609	196	1,805	15,082
Conferences, conventions, and meetings	2,566	681	4,762	4,480	-	12,489	11,184	7,091	18,275	30,764
Contract labor	-	-	2,554	124,514	-	127,068	-	31,268	31,268	158,336
Cost of goods sold - donated and purchased	-	-	-	559,110	-	559,110	-	-	-	559,110
Cost of homes transferred	1,222,836	-	-	-	-	1,222,836	-	-	-	1,222,836
Depreciation	-	-	-	-	-	-	-	166,021	166,021	166,021
Discount on current-year non-interest bearing mortgage loans receivable	-	-	-	-	-	-	-	-	-	-
Development / presentation materials	905	8,000	502	2,847	-	12,254	139,938	250	140,188	152,442
Fees paid to Habitat International	-	18,235	-	-	-	18,235	-	-	-	18,235
Information Technology	10,466	2,592	2,718	10,546	-	26,322	7,548	12,548	20,096	46,418
Insurance	94,372	949	3,940	40,670	-	139,931	3,100	34,504	37,604	177,535
Interest	9,173	-	-	-	-	9,173	-	194,558	194,558	203,731
Legal	-	2,356	-	-	-	2,356	-	-	-	2,356
Occupancy	63,570	-	-	266,976	-	330,546	-	78,489	78,489	409,035
Office expenses	19,387	11,517	11,825	92,076	-	134,805	19,092	58,599	77,691	212,496
Other employee benefits	106,062	16,149	13,428	136,638	-	272,277	39,184	66,028	105,212	377,489
Other expenses	56,360	4,071	417	50	-	60,898	9,414	16,851	26,265	87,163
Payroll taxes	49,458	12,391	3,839	68,248	-	133,936	14,830	26,235	41,065	175,001
Repairs to completed homes	160,489	-	-	-	-	160,489	-	-	-	160,489
Salaries and wages	392,210	313,888	46,554	751,315	-	1,503,967	200,067	283,995	484,062	1,988,029
Travel	9,641	64	298	37,175	-	47,178	749	1,188	1,937	49,115
Total Functional Expenses	\$ 2,220,746	\$ 397,100	\$ 90,837	\$ 2,113,652	\$ -	\$ 4,822,335	\$ 456,180	\$ 1,006,861	\$ 1,463,041	\$ 6,285,376

The accompanying notes are an integral part of these financial statements

Habitat for Humanity of Greenville County, SC Inc.
Statements of Cash Flows
For the Years Ended June 30,

Cash flows from Operating Activities	2022	2021
Increase in net assets	\$ 73,632	\$ 138,815
Adjustments to reconcile the change in net assets to net cash used in operating activities:		
Imputed interest income on noninterest-bearing mortgage loans	(236,616)	(244,599)
Depreciation	142,982	166,021
Amortization of debt issuance costs	669	668
Forgiveness of PPP loan	-	(605,838)
Gain on sale of office building	-	(177,085)
Net changes in operating assets and liabilities:		
Accounts receivable	1,533	(11,748)
Prepaid expenses	4,495	10,179
ReStore inventory	23,418	(41,024)
Mortgage loans receivable	437,762	420,706
Homes under construction	(840,101)	(414,341)
Completed homes awaiting mortgage or available for sale	91,777	83,942
Residential property held for development	(85,418)	47,000
Accounts payable and accrued expenses	(66,530)	194,700
Deferred rent	(6,297)	(6,296)
Deferred revenue	6,301	(34,241)
Deposits	97,907	(97,907)
Net cash used in operating activities	<u>(354,486)</u>	<u>(571,048)</u>
Cash flows from Investing Activities		
Proceeds from sale of office building	-	550,726
Purchase of property and equipment	<u>(12,020)</u>	<u>(171,580)</u>
Net cash provided by (used in) investing activities	<u>(12,020)</u>	<u>379,146</u>
Cash flows from Financing Activities		
Net borrowings on line of credit	367,522	150,786
Principal payments of notes payable	(127,452)	(123,115)
Proceeds from PPP loans	-	541,187
Net cash provided by financing activities	<u>240,070</u>	<u>568,858</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>(126,436)</u>	<u>376,956</u>
Cash, cash equivalents and restricted cash, beginning of year	<u>625,294</u>	<u>248,338</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 498,858</u>	<u>\$ 625,294</u>
Unrestricted cash	161,417	456,730
Restricted cash	<u>337,441</u>	<u>168,564</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 498,858</u>	<u>\$ 625,294</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest during the year	\$ 209,188	\$ 203,063

The accompanying notes are an integral part of these financial statements

NOTE 1 – BACKGROUND AND ORGANIZATION

Habitat for Humanity of Greenville County, SC Inc., (“Habitat” or the “Organization”), a nonprofit corporation, is an independently and locally governed affiliate of Habitat for Humanity International. Habitat was incorporated on September 20, 1985 as an interdenominational, nonprofit organization whose mission is the construction and sale of quality housing to underprivileged families in the Greenville, South Carolina and surrounding communities. Habitat builds market-quality affordable homes, utilizing volunteer labor and sells affordable (defined as less than 30% of gross monthly income) homes to qualified low-income families. Habitat requires each of its home buyers to provide "sweat-equity" by participating in a significant amount of labor in its home construction program. In addition, each homeowner is provided pre-purchase and post-purchase homeowner education and counseling. Although Habitat for Humanity International assists with informational and fiscal resources, Habitat is primarily responsible for its own operations. Habitat's programs are funded through contributions, grants and in-kind donations from individuals, foundations, corporations, public agencies and religious organizations and sales of mortgages.

Habitat's program services include its home construction program, which includes a weatherization and repair program for older homes, family and educational support program and volunteer services program. Additionally, the Organization's Neighborhood Revitalization program assists current homeowners with advocacy, relationship building and other support within certain geographic areas.

In addition to its home building activities, Habitat operates two Habitat for Humanity ReStores (the "ReStores") as retail operations where building supplies, and home furnishings, appliances and other miscellaneous items donated by the general public, are available for sale. Habitat also purchases certain ReStore inventory to sell to the general public in its ReStores as part of its purchased inventory program. All net proceeds from the operation of the ReStores help support and enhance Habitat's non-profit mission related activities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). The Organization reports information regarding its financial position and activities according to two classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

Net assets without donor restrictions - These net assets generally result from contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net assets with donor restrictions - These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the stipulated time restriction ends, or the purpose of the restriction is accomplished.

Contributed Support and Revenue

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, through the accomplishment of a specific purpose or the passage of time, or both, net assets with donor

Habitat for Humanity of Greenville County SC Inc.
Notes to Financial Statements
Years ended June 30, 2022 and 2021

restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. Restricted contributions received for which the restrictions are met in the year of receipt are reported by the Organization as net assets without donor restriction support.

Revenue and Cost Recognition

ReStore sales –The Organization operates two retail stores to help fund its ability to provide affordable housing for low-income families. These retail stores sell a wide assortment of building materials and home improvement products. The Organization recognizes revenue from these sales when its performance obligation is satisfied, which is when the sales proceeds are received and the items are delivered to the consumer. The sales price of each individual item is established by the Organization based on retail prices set by management. No liability for probable customer returns was considered necessary as of June 30, 2021 or 2020. Due to the nature of these transactions, there is no variable consideration and only one performance obligation.

Sales to Homeowners- The Organization recognizes revenues from the sale of completed homebuilding contracts once its performance obligation is satisfied. The Organization considers its performance obligation satisfied once the sale has closed and the buyer takes possession of the home. Costs of each home are recognized using the deposit method. During construction, all direct material and labor costs and those indirect costs related to acquisition and construction are capitalized. Capitalized costs are then charged to earnings upon sale of the completed home. Each home has a defined purchase price based on a third-party appraisal. Contracts involve a signed promissory note and regular installment payments based on terms specified in each promissory note. Construction costs include all direct material and labor cost, subcontract cost and those indirect costs related to construction of the home, such as indirect labor, supplies, tools, and repairs. Selling, general and administrative costs are expensed as incurred.

Contributions of Non-Financial Assets

Support arising from donated goods, property, materials and services are recognized in the financial statements at fair value. Such donations are reported in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

Donated services are recognized when the services received create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. A substantial number of volunteers have made significant contributions of their time to the Organization principally in the area of house construction. The value of non-professional contributed time is not reflected in the accompanying financial statements.

The Organization receives in-kind contributions of materials and supplies used in the construction and furnishing of its homes which are recorded as donated materials and supplies in the accompanying Statement of Activities. Donations of property are recorded in land held for development until a home is constructed and transferred to a homeowner.

The Organization also receives considerable non-cash contributions of furniture, household items, and other material used for re-sale and operations at the ReStores. The estimated fair value of these donated goods for the years ended June 30, 2022 and 2021 was \$1,786,839 and \$1,637,441, respectively, and is reported in ReStore retail sales in the accompanying Statement of Activities.

See NOTE 16 for further information about contributed non-financial assets.

Habitat for Humanity of Greenville County SC Inc.
Notes to Financial Statements
Years ended June 30, 2022 and 2021

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents consist of all highly liquid investments with an original maturity of three months or less when purchased. Certain cash balances are restricted by donors, grantors or contracts that require funds to be held in separate bank accounts. These balances total \$337,441 at June 30, 2022 and \$168,564 at June 30, 2021 and are included in cash and cash equivalents (See NOTE 4).

Concentration of Credit Risk

The Organization maintains bank accounts at various financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC"). At times throughout the year, the Organization may maintain bank account balances in excess of the FDIC insured limit. The Organization believes it is not exposed to any significant credit risk with respect to these deposits.

Accounts Receivable

Accounts receivable consist primarily of principal payments collected from homeowners by Habitat's third-party service provider which have not yet been remitted to or received by Habitat. No allowance for doubtful accounts has been recorded at either December 31, 2022 or 2021 with respect to these receivables.

ReStore Inventory

Purchased goods inventory is recorded at the lower of cost or market value. It is management's belief that donated goods inventory does not have value until sold. As such, donated goods inventory is valued on an annual basis utilizing a monthly average of sales from all ReStore locations. This methodology approximates fair value based on the associated costs of sales.

The Organization implemented a purchased inventory program during the fiscal year ended June 30, 2020. Certain construction materials are purchased from outside vendors and sold in Habitat's ReStores. Sales of purchased inventory totaled \$659,523 and \$892,192 for the years ended June 30, 2022 and 2021, respectively, and the related cost of goods sold for those products totaled \$564,748 and \$558,296, respectively.

Homes Under Construction

Homes under construction consist of land and building materials recorded at cost or at estimated fair value if donated, plus an allocation of direct and indirect labor based upon specific identification. The Organization also capitalizes infrastructure costs on homes that are not yet in construction but for which significant costs have been incurred in site preparation to ready the land for its intended use. At June 30, 2022 and 2021, respectively, \$616,010 and \$620,818 in infrastructure costs were capitalized, and at June 30, 2022 and 2021 respectively, \$699,226 and \$233,575 in labor costs were capitalized.

At June 30, 2022, the Organization had five houses under construction, and site work in progress on two houses. At June 30, 2021, the Organization had three houses under construction, and site work in progress on one house.

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Completed Homes Awaiting Mortgage

From time to time, Habitat may acquire a home from a homeowner. Completed home inventory consists of homes constructed or purchased by the Organization for rehabilitation and resale. Habitat will renovate the home to return it into the affordable housing supply, after which the home will be rematched to a waiting family. The Organization did not acquire any homes for the year ended June 30, 2022 and acquired two homes for the year ended June 30, 2021.

Residential Property Held for Development

Residential property held for development includes the cost of land and improvements to land held for future home builds. Donated land is recorded in residential property held for development at fair market value at the date of the contribution. At June 30, 2022, the Organization had 25 lots available for future construction of homes. At June 30, 2021, the Organization had 27 lots available for future construction of homes.

Mortgage Loans Receivable

The Organization records noninterest-bearing mortgage loans receivable at the present value of the loan at the time of closing. For purposes of calculating present values, discount rates are determined based on the prevailing market rates for low-income housing loans at the inception of the mortgage and range from 6% to 9% for all loans outstanding as of June 30, 2022. Interest income is recognized using the effective interest method over the life of the loan and reflected as imputed interest income in the accompanying Statements of Activities. A mortgage discount expense is recorded upon the sale of the home for the difference between the face value of the mortgage loan receivable and the present value of the loan.

The Organization has not established an allowance for doubtful accounts as it can acquire houses through foreclosure in the event that a loan is deemed to be uncollectible, and management believes any acquired house can be resold at or above the amount of unpaid, discounted loan principal plus costs to sell the home. Mortgage loans receivable are generally considered delinquent when payment is thirty days past due; however, delinquency status may be mitigated by other qualitative factors. It is the Organization's policy to recognize imputed interest income until a delinquent loan goes into foreclosure and the asset is removed from mortgage loans receivable.

Property and Equipment

Property and equipment is stated at cost or, if donated, at the estimated fair value at the date of donation. Additions with a value of \$1,500 or greater are capitalized and expenditures for repairs and maintenance are expensed when incurred. Depreciation is computed on the straight-line basis over the estimated useful life of the assets, as follows:

Buildings and improvements	15-30 years
Equipment and furnishings	5-15 years
Vehicles	5 years

Debt Issuance Costs

Debt issuance costs are deferred and amortized to interest expense on the accompanying Statements of Activities using the effective interest method or the straight-line method when it does not materially differ from the effective interest method. The Organization records debt issuance costs as a direct reduction of the carrying value of the debt liability. Total debt issuance costs (net of accumulated amortization) totaled \$3,996 and \$4,665 at June 30, 2022 and 2021, respectively.

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Deferred Revenue

The Organization receives payments for sponsorships and ticket sales for certain special events in advance of the event. Income is recognized over the periods to which the event relates.

Sales to Homeowners

Sales to homeowners on the Statement of Activities represents revenues realized from the sale of constructed homes and are recorded at the gross mortgage amount.

Other Revenue from Homeowners

Other revenue from homeowners consists principally of sales proceeds for two homes that were sold by Habitat homeowners during the vesting period in which the Organization is contractually entitled to a portion of the proceeds. Proceeds to Habitat for these sales totaled \$94,720 for the year ended June 30, 2022.

Functional Expense Allocation

The cost of providing the Organization's programs and supporting services is recorded on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated to program initiatives and supporting services based on the actual direct expenditures, and cost allocations are based on management's best estimates of time and usage by Organization personnel and programs.

Income Taxes

Habitat is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for income taxes in the accompanying financial statements. US GAAP requires management to evaluate income tax positions taken by Habitat and recognize an income tax liability (or asset) if Habitat has taken an uncertain position that more likely than not would not be substantiated upon examination by the Internal Revenue Service ("IRS"). Habitat has identified its income tax status as a tax-exempt entity as its only significant income tax position; however, Habitat has determined that such income tax position does not result in an uncertainty requiring recognition in the financial statements. Habitat is not currently under examination by any taxing jurisdiction. It files Form 990 annually with the IRS. Habitat's federal returns are generally open for examination for the three years ended June 30, 2022.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates could also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Compensated Absences

The Organization accounts for paid time off by recording a liability for employees' vested rights to receive compensation for future absences attributable to services already performed.

Fair Value of Financial Instruments

The Organization's financial instruments consist of cash and cash equivalents, accounts receivable, mortgage loans, accounts payable and accrued expenses, lines of credit payable, and other notes payable. These items are stated at cost, which approximates fair value.

Adoption of New Accounting Standards

Accounting Standards Update 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958) provides new presentation and disclosure guidelines for contributed nonfinancial assets to nonprofits, including additional disclosures for contributed services. Contributed nonfinancial assets are required to be reported as a separate line item in the statement of activities. A financial statement footnote is required to provide disaggregated contributed nonfinancial asset information by category, including: the type of contributed nonfinancial asset; qualitative information about the monetization or utilization of the nonfinancial assets; the policy about the monetization or utilization of nonfinancial assets; a description of restrictions, valuation, and the market used to determine the fair value. The new requirements do not change the recognition and measurement of those assets. The Organization adopted this standard as of June 1, 2021 and applied its provisions retrospectively.

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also requires disclosure of information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Organization adopted this standard as of July 1, 2020. The adoption had no material effect on these financial statements.

Reclassification

Certain amounts in the prior year financial statements have been reclassified to conform with current year presentations. The reclassifications have no effect on the previously reported net assets or changes in net assets.

NOTE 3 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and a corresponding lease liability recorded on the statement of financial position at the date of the lease commencement. Under this standard, leases are classified as either finance or operating, and this distinction is relevant for the pattern of expense recognition in the Statement of Activities. The standard is effective for annual reporting periods beginning after December 15, 2021. The Organization is currently evaluating the effect that the adoption of this standard will have on the financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments -Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). ASU 2016-13 requires entities to establish an allowance for credit losses for most financial assets. Prior GAAP was based on an incurred loss methodology for recognizing credit losses on financial assets measured at amortized cost and available-for sale debt securities. The standard is effective for fiscal years

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beginning after December 15, 2022. Early adoption is permitted. Management does not expect that adoption will have a material impact on the Organization's financial statements or related disclosures.

NOTE 4 – LIQUIDITY AND AVAILABILITY

The Organization has diverse revenue streams that include contributions, income from ReStore operations, and sales of homes. The Organization continues to implement its strategic plan which includes focus on and expenditures in capital in key areas such as ReStore growth, land acquisition, and increasing affordable housing solutions.

The Organization's financial health is monitored through monthly reporting to the Board of Directors. The Organization maintains an operating reserve and cash management policy, gift acceptance policy, and mortgage leveraging policy to help ensure proper management of financial assets.

The table below represents financial assets estimated to be available for general expenditures within one year at June 30, 2022:

Financial assets at year-end:	
Cash and cash equivalents	\$ 498,858
Accounts receivable	72,219
Mortgage loans receivable, gross	4,357,775
Total financial assets	<u>4,928,852</u>
Less amounts not available to be used within one year:	
Cash restricted by donors with purpose restrictions	337,441
Estimated principal payments on mortgage loans receivable expected to be received after one year	<u>4,054,917</u>
Financial assets not available to be used within one year	<u>4,392,358</u>
Financial assets estimated to be available to meet general expenditures within one year	<u>\$ 536,494</u>

The table below represents financial assets estimated to be available for general expenditures within one year at June 30, 2021:

Financial assets at year-end:	
Cash and cash equivalents	\$ 625,294
Accounts receivable	73,752
Mortgage loans receivable, gross	4,795,537
Total financial assets	<u>5,494,583</u>
Less amounts not available to be used within one year:	
Cash restricted by donors with purpose restrictions	168,564
Estimated principal payments on mortgage loans receivable expected to be received after one year	<u>4,477,136</u>
Financial assets not available to be used within one year	<u>4,645,700</u>
Financial assets estimated to be available to meet general expenditures within one year	<u>\$ 848,883</u>

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Restricted Cash

Restricted cash consists of the following at June 30,

	<u>2022</u>	<u>2021</u>
Homebuilding – various	\$ 325,956	\$ 163,322
Capital Campaign	11,485	5,242
	<u>\$ 337,441</u>	<u>\$ 168,564</u>

NOTE 5 - HOUSING ACTIVITIES

Mortgage Loans Receivable

	<u>2022</u>	<u>2021</u>
Number of families placed into homes constructed or reclaimed through the issuance of regular noninterest-bearing mortgage loans	0	0
Number of families placed into homes as part of Accelerated Asset Recovery ("AAR") program as noted in Mortgage Service Commitments below	12	7
Sales to homeowners through regular noninterest-bearing mortgage loans	\$ 0	\$ 0
Sales to homeowners as part of AAR program	1,874,231	853,540
Total sales to homeowners	<u>\$ 1,874,231</u>	<u>\$ 853,540</u>

Future scheduled collections on mortgage loans receivable as of June 30, 2022 is as follows:

2023	\$ 302,858
2024	302,130
2025	299,817
2026	299,075
2027	285,070
Thereafter	2,868,825
	<u>4,357,775</u>
Less unamortized discount	(1,924,200)
	<u>\$ 2,433,575</u>

Mortgage Service Commitments

On July 21, 2014, the Organization entered into a master program agreement known as Accelerated Asset Recovery ("AAR", or "Agreement") with a financial institution. The Agreement allows the financial institution, at its option, to provide residential mortgage loans to individuals sponsored by the Organization. For each loan closed under the Agreement, the Organization agrees to pay the financial institution, out of the sales proceeds at closing, a non-refundable loan discount calculated as the present value of imputed interest estimated to be earned on the mortgage. United Home Loan Services, Inc., ("UHLS") services the mortgage loans under the Agreement, including the maintenance of homeowner tax and insurance escrow accounts. All amounts collected by UHLS are remitted to the

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Organization monthly. The Organization then remits the funds to the financial institution monthly. In the event any mortgage loan made pursuant to the Agreement is delinquent for a period over 180 days, the Organization is obligated to repay the financial institution the entire remaining mortgage balance. The Organization's management believes that the fair value of the property held as collateral under these mortgage agreements exceeds the amount of the mortgage obligations and does not anticipate losses should a mortgage become delinquent. No amounts were repaid by Habitat to these financial institutions for delinquency in either 2022 or 2021, and no liability for potential losses has been recorded.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30,

	<u>2022</u>	<u>2021</u>
Buildings	\$ 2,857,911	\$ 2,857,912
Land	582,307	582,307
Leasehold improvements	372,991	360,971
Equipment and furnishings	209,878	209,878
Vehicles	241,189	241,188
	<u>4,264,276</u>	<u>4,252,256</u>
Less accumulated depreciation	<u>(807,957)</u>	<u>(664,975)</u>
	<u>\$ 3,456,319</u>	<u>\$ 3,587,281</u>

Depreciation expense for the year ended June 30, 2022 was \$142,982, and for the year ended June 30, 2021 was \$166,021.

On April 13, 2021 Habitat sold its office building located at Greenland Road for cash proceeds of \$550,726. The transaction resulted in a gain of \$177,085 which is shown in the accompanying Statement of Activities for the year ended June 30, 2021.

NOTE 7 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at June 30,

	<u>2022</u>	<u>2021</u>
Accounts payable and other	\$ 167,096	\$ 258,771
Payroll liabilities	95,636	72,147
Accrued vacation	106,829	105,173
	<u>\$ 369,561</u>	<u>\$ 436,091</u>

NOTE 8 - LINES OF CREDIT

On February 27, 2022 the Organization entered into an agreement with a financial institution to refinance one of its existing revolving lines of credit. The line of credit is for \$2,000,000, bears an initial variable interest rate of 4.25% per annum and matures on May 27, 2023. Subsequent rate changes are based on the Prime rate less .50%, with a floor of 4.25%. At June 30, 2022, the Prime rate was 4.75%, resulting in an interest rate of 4.25% at that date. The line of credit is collateralized by certain mortgage loans receivable and is cross collateralized with a note payable as disclosed in Note 9. At June 30, 2022 and 2021 respectively, \$1,114,405 and \$789,405 was outstanding on this line of credit.

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On September 15, 2020, the Organization entered into a separate debt agreement with the same financial institution noted in the above paragraph. On August 27, 2021, the original promissory note was converted into a revolving line of credit with a principal balance of \$400,000 and a maturity date of August 15, 2022. The line bears an initial variable interest rate of 3.75% per annum. Subsequent rate changes are based on the Prime rate plus .50%, with a floor of 3.75%. At June 30, 2022, the Prime rate was 4.75%, resulting in an interest rate of 5.25% at that date. The line of credit is collateralized by certain mortgage loans receivable and is cross collateralized with a note payable as disclosed in Note 9. At June 30, 2022 and 2021 respectively, \$0 and \$225,286 was outstanding on this line of credit.

On December 10, 2020, the Organization entered into a draw-down line of credit agreement with another financial institution. The line of credit is for \$120,000 with a maturity date of June 10, 2022, at which time the entire principal and accrued interest is due and payable. Regular monthly payments of all accrued unpaid interest is due beginning February 1, 2021. The line bears an initial variable interest rate of 3.75% per annum. Subsequent rate changes are based on the Prime rate plus .50%, with a floor of 3.75%. At June 30, 2022, the Prime rate was 4.75%, resulting in an interest rate of 5.25% at that date. The line of credit is collateralized by certain mortgage loans receivable. On June 30, 2022 and 2021, \$120,000 was outstanding on this line of credit. At the time these financial statements were available to be issued, this line of credit was in the process of being renewed.

On February 8, 2022, the Organization entered into a line of credit agreement with another financial institution to provide capital needed for infrastructure costs in the Nicholtown subdivision. The line of credit is for \$700,000 with a maturity date of February 28, 2025, at which time the entire principal and accrued interest is due and payable. Regular quarterly payments of all accrued unpaid interest is due beginning March 31, 2022. The line bears an initial variable interest rate of 3.75% per annum. Subsequent rate changes are based on the Prime rate plus .50%, with a floor of 3.75%. At June 30, 2022, the Prime rate was 4.75%, resulting in an interest rate of 5.25% at that date. The line of credit is collateralized by certain pledges from the capital campaign which benefits the Nicholtown project. On June 30, 2022, \$267,808 was outstanding on this line of credit.

NOTE 9 - NOTES PAYABLE

Notes payable are as follows at June 30,

	<u>2022</u>	<u>2021</u>
Term note payable to a financial institution, due in monthly installments of \$3,529, including accrued interest at 4.25% through June 1, 2029; final balloon payment estimated at \$472,613, secured by the Organization's office building located at 46 & 50 Grand Avenue.	\$ 609,910	\$ 626,042
Term note payable to another non-profit that finances affordable housing within the City of Greenville, due in monthly installments of \$2,030, including accrued interest at 3.0% through August 23, 2023; secured by receipts from a mortgage loan receivable.	35,671	58,588
Term note payable to a financial institution, due in monthly installments of \$893, including accrued interest at 3.75% through September 15, 2026; final balloon payment estimated at \$90,130; secured by receipts from certain mortgage loans receivable.	118,203	123,342
Term note payable to a financial institution, due in monthly installments of \$1,972, including accrued interest at 2.99% through November 18, 2023; secured by certain vehicles.	32,786	55,092

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Term note payable to a financial institution, due in monthly installments of \$13,631, including accrued interest at 3.90% through August 27, 2034; final balloon payment estimated at \$1,335,544; secured by real property located at 3033 Wade Hampton Boulevard and receipts from certain mortgage loans receivable.

	<u>2,348,055</u>	2,409,013
	<u>3,144,625</u>	<u>3,272,077</u>
Less unamortized debt issuance costs	<u>(3,996)</u>	<u>(4,665)</u>
Total notes payable, net	<u>\$ 3,140,629</u>	<u>\$ 3,267,412</u>

The aggregate annual maturities of notes payable subsequent to June 30, 2022 are as follows:

2023	\$ 134,342
2024	113,100
2025	95,491
2026	99,637
2027	187,657
Thereafter	<u>2,514,398</u>
	<u>\$ 3,144,625</u>

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are as follows at June 30, 2022:

<u>Project</u>	<u>Amount</u>
Woodside #10	\$ 21,572
Nicholtown – Crawford family	1,050
427 Webster Road	70,915
425 Webster Road	69,554
423 Webster Road	13,729
Family Services loan modifications COVID-19	5,703
Repairs – Greenville Housing Fund	24,238
Repairs – KAAB Memorial	2,546
Repairs – Dabo’s All In Foundation	5,000
Repairs – TD Charitable Foundation	25,000
Project support for veterans	20,000
Repairs – Bank of America	5,166
Capacity building salary support	4,383
General repairs	1,080
General – Square Foot Club	659
Megan Sandel event	253
Neighborhood revitalization Hope Corner - Civitan	3,869
Tools and equipment	213
Neighborhood revitalization Hope Corner – Metro Power	3,825
Restore customer appreciation day	41
Neighborhood revitalization – H&R Block	5,668

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Neighborhood revitalization – Carolina Power	250
Technology – W.W. Burgess	6,433
Land	10,000
Joshuas Way	1,000
Home and Garden Show	158
Capital Campaign Woodside/Nicholtown	3,855
	<u>\$ 306,160</u>

Net assets with donor restrictions are as follows at June 30, 2021:

Project	Amount
294 Earle Street	\$ 9,652
Woodside #1	34,725
Woodside #3	10,100
Woodside #2	45,000
Woodside #4	13,330
Home preservation repairs	25
Repairs	22,500
Family services loan modifications COVID	5,703
Homebuilding	1,050
Repairs - 201 Rebecca Street	2,149
General repairs	580
Family services – COVID-19 relief	237
Neighborhood revitalization Hope Corner – Metro Power	3,825
Neighborhood revitalization Hope Corner	4,850
Tools & equipment	1,801
Tool replacement	1,000
ReStore customer appreciation day	412
Megan Sandel Event	253
Capital campaign Woodside/Nicholtown	5,523
	<u>\$ 162,715</u>

NOTE 11 – ASSETS RELEASED FROM RESTRICTION

The following assets were released from restrictions as they were used for their intended purpose during the year ended June 30, 2022:

Project	Amount
	\$
419 Earle Drive	50,149
294 Earle Drive	64,405
Woodside #1	76,065
Woodside #2	75,000
Woodside #3	73,252
Woodside #8	70,769
Woodside #5	37,937
Woodside #6	57,500
Woodside #7	61,500
Woodside #4	78,603

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Woodside #9	8,774
Woodside #10	58,428
427 Webster Road	9,085
423 Webster Road	1,271
425 Webster Road	3,202
Home repairs	25
Home repairs – Don & Zelma Waggoner	22,500
201 Rebecca Street	2,149
Repairs – Greenville Housing Fund HOPP	33,262
Repairs – KAAB Memorial	22,454
Repairs – Bank of America	19,834
Capacity building salary support – Bank of America	45,617
General – Square Foot Club	18,698
Mortgage relief COVID-19 families	237
Neighborhood Revitalization Hope Corner – Civitan	981
Tools and equipment	1,588
Tool replacement	1,000
Restore customer appreciation day	371
Neighborhood revitalization – H&R Block	1,982
Technology	1,500
Advocacy – Mauldin Fight	1,875
Home and Garden Show	842
Jenkins Townhomes	10,000
Capital Campaign Woodside/Nicholtown	751,414
	<u>\$ 1,662,269</u>

The following assets were released from restrictions as they were used for their intended purpose during the year ended June 30, 2021:

Project	Amount
313 Douthit	\$ 10,000
27 Woodfin Avenue	72,535
Joshuas Way house #5 – 12 Ferdlee	56,600
313 Pine Drive	91,887
102 Jim Logan	65,252
413 Earle Street	21,739
419 Earle Street	61,500
294 Earle Street	47,598
Home preservation repairs	4,101
Home preservation repairs	19,975
Repairs	4,600
Family services loan modifications COVID	10,297
Repairs to 108 Baker and 201 Rebecca St.	6,000
Repairs to 201 Rebecca Street	2,351
Repairs to 25 Quiet Cove	901
Repairs to 108 Baker Street	170
Repairs (salary reimbursement)	14,116
Family services – COVID-19 relief	963
Technology	10,825
Tools and equipment	499
COVID-19 operational assistance	10,000
COVID-19 operational assistance	25,000

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ReStore customer appreciation day	588
Richard Rothstein Event	7,000
Capital campaign Woodside/Nicholtown	468,544
Neighborhood Improvement Plan	8,000
PPP funds used	605,838
	<u>\$ 1,626,879</u>

NOTE 12 – OPERATING LEASES

The Organization leases space for one of its ReStores, various equipment and two vehicles under operating leases which expire at various times through September 2025.

Future minimum lease payments for each of the next 5 years under these operating leases are as follows:

2023	\$	14,580
2024		12,843
2025		7,258
2026		-
2027		-
Thereafter		-

Total lease expense for the year ended June 30, 2022 was \$215,307, and for the year ended June 30, 2021 was \$207,132.

On January 27, 2022, the Organization entered into a new operating lease agreement for its Woodruff Road Restore location. Although the agreement was fully executed on that date, the lease term commencement did not begin until September 6, 2022, as this was the date that the premises were turned over to the Organization by the landlord following upfitting. The lease term is 126 months from the commencement date and expires on March 31, 2033. Beginning on April 1, 2023, the Organization will pay monthly rent of \$24,525 including tenant’s share of real estate taxes, common area costs and insurance.

NOTE 13 – RETIREMENT PLAN

The Organization sponsors a 401(k) Retirement Plan for all employees who are at least eighteen years of age and have completed three months of service. Active participants may elect to defer a portion of their compensation up to the maximum allowed by law. The Organization matches contributions up to a maximum of 6% of eligible deferrals. The Organization made matching contributions of \$85,358 for the year ended June 30, 2022 and \$58,693 for the year ended June 30, 2021.

NOTE 14 – RELATED PARTY TRANSACTIONS

The Organization is an affiliate of Habitat for Humanity International, Inc., its parent organization. As such, the Organization pays certain tithe and affiliation fees to its parent. Those fees were \$48,962 for the year ended June 30, 2022 and \$18,235 for the year ended June 30, 2021 and are shown in the accompanying Statement of Functional Expenses.

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NOTE 15 – COMMITMENTS AND CONTINGENCIES

A financial institution issued an irrevocable letter of credit on behalf of Greenville County to allow the Organization to build infrastructure in the Woodside subdivision. The letter of credit was originally issued on July 9, 2021 and was renewed on September 15, 2022 for a one-year period. No amounts are drawn under the letter of credit at June 30, 2022.

NOTE 16 – CONTRIBUTIONS OF NON-FINANCIAL ASSETS

Contributed non-financial assets were as follows for the years ended June 30, 2022 and 2021:

Description	2022	2021	Usage in Programs/ Activities	Donor restrictions	Valuation techniques and inputs
Land	\$155,000	-	Program Services (Construction Supervision and Support)	No associated donor restrictions	Valued at fair market value on the date of contribution based on appraisal
Construction supplies and materials	111,701	49,443	Program Services (Construction Supervision and Restore Operations)	Generally no donor restrictions; In certain circumstances, may be restricted by donor for use on a specific home	Valued at fair market value on the date of donation based on actual sales prices or reference to comparable items
Food and beverage	-	6,934	General and Administrative (Development)	Restricted for use in a specific fundraising event	Valued at estimated prices of identical or similar products if purchased locally
Labor	-	5,000	Program Services (Construction Supervision and Support)	To be used in Joshua's Way neighborhood (landscape design)	Valued at the estimated fair value based on current rates for similar professional services in the region
Gifts and prizes	\$2,500	\$2,480	General and Administrative (Development)	Restricted for use in a specific fundraising event	Estimated based on actual price of identical or similar products if purchased locally
Total	<u>\$269,201</u>	<u>\$63,857</u>			

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NOTE 17 – COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. The Organization halted construction of homes for a period of time after the pandemic was declared. Individual and corporate contributions were negatively affected, and certain fundraising events normally held annually were cancelled. At present, construction efforts have resumed to near pre-pandemic levels, and contributions are slowly rebounding. While the disruption is currently expected to be temporary, there is uncertainty around the duration. Therefore the full financial impact cannot be reasonably estimated at this time.

In 2020, the Organization applied for and was approved for two loans under the Paycheck Protection Program (“PPP”) created as part of the Federal government relief efforts related to COVID-19 and administered by the U.S. Small Business Administration (“SBA”). Both loans were fully forgiven by the lending institution and are shown in loan forgiveness income in the June 30, 2021 Statement of Activities.

NOTE 18 – SUBSEQUENT EVENTS

On September 29, 2022, the Organization’s board of directors signed an agreement to merge the assets and liabilities of The Laurens County Habitat for Humanity, a South Carolina nonprofit corporation, with those of the Organization. The combined organization will expand homebuilding in Laurens County, furthering the Organization’s collective mission to provide quality affordable low-income housing. Two advisory board members of The Laurens County Habitat for Humanity will assume board seats on the Organization’s board of directors.

Principal assets of The Laurens County Habitat for Humanity include cash of approximately \$119,000 and 24 mortgage loans totaling approximately \$760,000. There are no liabilities being assumed by the Organization.

The Organization evaluated the effect subsequent events would have on the financial statements through September 30, 2022, which is the date the financial statements were available to be issued.