

Financial Statements

Central South Carolina Habitat for Humanity, Inc.

*as of and for the years ended June 30, 2020 and 2019
with Report of Independent Auditors*



Contents

Independent Auditor's Report.....	1-2
Financial Statements:	
Statements of Financial Position.....	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements.....	9-18

Independent Auditor's Report

The Board of Directors
Central South Carolina Habitat for Humanity, Inc.
Columbia, South Carolina

We have audited the accompanying financial statements of Central South Carolina Habitat for Humanity, Inc. ("Habitat"), a nonprofit organization, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central South Carolina Habitat for Humanity, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Scott and Company LLC

Columbia, South Carolina
September 18, 2020

Central South Carolina Habitat for Humanity, Inc.
Statements of Financial Position
As of June 30,

	2020	2019
Assets		
Current assets		
Cash and cash equivalents		
Unrestricted	\$ 650,043	\$ 370,591
Restricted	293,545	211,386
Prepaid expenses	28,426	25,864
Construction in progress	199,712	213,593
Other receivables	4,600	2,225
Current portion of unconditional promises to give	115,415	265,773
Current portion of non-interest bearing mortgage loans receivable	325,266	325,118
Other current assets	20,000	-
Total current assets	1,637,007	1,414,550
Noncurrent assets		
Unconditional promises to give, less discount of \$1,680 and \$8,228, respectively, net of current portion	94,474	101,156
Non-interest bearing mortgage loans receivable, less discount of \$2,336,624 and \$2,296,486, respectively, net of current portion	2,591,232	2,504,962
Real estate held for development and sale	827,981	1,000,325
Property, building and equipment, net	98,001	105,476
Other assets	5,000	5,000
Total assets	\$ 5,253,695	\$ 5,131,469
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 102,924	\$ 72,492
Line of credit	43,226	37,592
Current portion of long-term debt	196,895	4,232
Total liabilities	343,045	114,316
Net assets		
Without donor restrictions:		
Board designated for operating reserve	165,000	132,071
Undesignated	4,222,001	4,287,410
With donor restrictions	523,649	597,672
Total net assets	4,910,650	5,017,153
Total liabilities and net assets	\$ 5,253,695	\$ 5,131,469

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

Central South Carolina Habitat for Humanity, Inc.
Statement of Activities
For the Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Contributions and grants	\$ 526,108	\$ 599,672	\$ 1,125,780
Donated property, material and services	263,869	-	263,869
Imputed interest on non-interest bearing mortgage loans receivable	221,334	-	221,334
ReStore store sales	581,685	-	581,685
Sale of homes	473,060	-	473,060
Other income	14,920	-	14,920
Net assets released from restrictions due to fulfillment of donor/grantor restrictions	<u>673,695</u>	<u>(673,695)</u>	<u>-</u>
Total revenues	<u>2,754,671</u>	<u>(74,023)</u>	<u>2,680,648</u>
Expenses:			
Program expenses:			
Construction and Rehabs	1,931,934	-	1,931,934
ReStore	606,629	-	606,629
Management and general	33,981	-	33,981
Fundraising	<u>214,607</u>	<u>-</u>	<u>214,607</u>
Total expenses	<u>2,787,151</u>	<u>-</u>	<u>2,787,151</u>
Decrease in net assets	(32,480)	(74,023)	(106,503)
Net assets, beginning of year	<u>4,419,481</u>	<u>597,672</u>	<u>5,017,153</u>
Net assets, end of year	<u>\$ 4,387,001</u>	<u>\$ 523,649</u>	<u>\$ 4,910,650</u>

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

Central South Carolina Habitat for Humanity, Inc.
Statement of Activities
For the Year Ended June 30, 2019

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Revenues:			
Contributions and grants	\$ 192,450	\$ 1,172,822	\$ 1,365,272
Donated property, material and services	22,208	-	22,208
Imputed interest on non-interest bearing mortgage loans receivable	267,464	-	267,464
ReStore store sales	649,882	-	649,882
Sale of homes	536,883	-	536,883
Other income	31,999	-	31,999
Net assets released from restrictions due to fulfillment of donor/grantor restrictions	<u>691,853</u>	<u>(691,853)</u>	<u>-</u>
Total revenues	<u>2,392,739</u>	<u>480,969</u>	<u>2,873,708</u>
Expenses:			
Program expenses:			
Construction and Rehabs	1,790,660	-	1,790,660
ReStore	577,627	-	577,627
Management and general	32,699	-	32,699
Fundraising	<u>158,311</u>	<u>-</u>	<u>158,311</u>
Total expenses	<u>2,559,297</u>	<u>-</u>	<u>2,559,297</u>
(Decrease) increase in net assets	(166,558)	480,969	314,411
Net assets, beginning of year	<u>4,586,039</u>	<u>116,703</u>	<u>4,702,742</u>
Net assets, end of year	<u>\$ 4,419,481</u>	<u>\$ 597,672</u>	<u>\$ 5,017,153</u>

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

Central South Carolina Habitat for Humanity, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2020

Expenses:	<u>Program Services</u>		<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Construction and Rehabs</u>	<u>ReStore</u>			
Salaries and benefits	\$ 582,511	\$ 311,557	\$ 25,069	\$ 141,315	\$ 1,060,452
Cost of homes sold and repaired	618,874	-	-	-	618,874
Discount on non-interest bearing mortgage loans	261,473	-	-	-	261,473
Facilities	32,293	196,384	2,171	609	231,457
Disaster response	178,409	-	-	-	178,409
Professional fees	59,130	4,670	3,052	22,354	89,206
Insurance	58,157	23,982	1,221	354	83,714
Other expense	22,862	30,648	284	1,488	55,282
Events	648	-	-	44,520	45,168
Vehicle expense	17,129	15,206	466	973	33,774
Mortgage servicing fees	27,300	-	-	-	27,300
International title and support to Habitat International	23,000	-	-	-	23,000
Depreciation expense	7,469	11,865	549	136	20,019
Office expense	11,865	2,996	1,060	722	16,643
Loss on sale of assets	11,964	-	-	-	11,964
Printing	10,689	-	28	988	11,705
Credit card fees	-	8,954	-	1,013	9,967
Property taxes	4,157	-	72	18	4,247
Advertising	1,716	323	9	117	2,165
Interest expense	<u>2,288</u>	<u>44</u>	<u>-</u>	<u>-</u>	<u>2,332</u>
Total expenses	<u>\$ 1,931,934</u>	<u>\$ 606,629</u>	<u>\$ 33,981</u>	<u>\$ 214,607</u>	<u>\$ 2,787,151</u>

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

Central South Carolina Habitat for Humanity, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2019

Expenses:	<u>Program Services</u>		<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Construction and Rehabs</u>	<u>ReStore</u>			
Salaries and benefits	\$ 488,941	\$ 296,370	\$ 24,321	\$ 87,597	\$ 897,229
Cost of homes sold and repaired	702,930	-	-	-	702,930
Discount on non-interest bearing mortgage loans	298,087	-	-	-	298,087
Facilities	47,596	194,139	2,045	521	244,301
Professional fees	41,298	3,000	1,469	41,174	86,941
Insurance	52,842	21,142	1,140	337	75,461
Other expense	32,621	25,722	1,121	1,057	60,521
Vehicle expense	14,508	12,058	797	454	27,817
International tithe and support to Habitat International	27,000	-	-	-	27,000
Loss on sale of assets	26,788	-	-	-	26,788
Property taxes	23,053	-	46	12	23,111
Events	1,283	611	94	21,017	23,005
Depreciation expense	5,975	10,601	552	141	17,269
Office expense	10,550	3,656	1,046	495	15,747
Credit card fees	-	9,416	-	4,402	13,818
Mortgage servicing fees	8,360	-	-	-	8,360
Printing	4,356	284	66	1,104	5,810
Interest expense	3,138	276	-	-	3,414
Advertising	<u>1,334</u>	<u>352</u>	<u>2</u>	<u>-</u>	<u>1,688</u>
Total expenses	<u>\$ 1,790,660</u>	<u>\$ 577,627</u>	<u>\$ 32,699</u>	<u>\$ 158,311</u>	<u>\$ 2,559,297</u>

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

Central South Carolina Habitat for Humanity, Inc.
Statements of Cash Flows
For the Years Ended June 30,

	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	\$ (106,503)	\$ 314,411
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	20,019	17,269
Loss on disposal of assets	11,964	26,788
Change in discount on non-interest bearing mortgage loans receivable	40,138	30,623
Donated assets	(42,771)	(4,500)
Sale of homes	(473,060)	(536,883)
(Increase) decrease in prepaid expenses	(2,562)	11,047
(Increase) in other current assets	(20,000)	-
Decrease (increase) in unconditional promises to give	157,040	(366,929)
Increase in other receivables	(2,375)	(792)
Decrease in other assets	-	6,304
Decrease (increase) in accounts payable and accrued expenses	30,432	(5,499)
Net cash used in operating activities	(387,678)	(508,161)
Cash Flows from Investing Activities:		
Purchases of property and equipment	(13,184)	(18,445)
Payments received on mortgage loans receivable	346,503	476,497
Construction in progress purchases	(536,860)	(621,249)
Construction in progress sales	550,741	743,355
Proceeds from sale of investments	5,277	-
Decrease in real estate held for development and sale	198,515	66,805
Net cash provided by investing activities	550,992	646,963
Cash Flows from Financing Activities:		
Proceeds from line of credit	37,697	79,191
Repayment of line of credit	(32,063)	(96,162)
Proceeds from issuance of long-term debt	196,895	-
Repayment of long-term debt	(4,232)	(16,476)
Net cash provided by (used in) financing activities	198,297	(33,447)
Net increase in cash and cash equivalents	361,611	105,355
Cash and cash equivalents at beginning of year	581,977	476,622
Cash and cash equivalents end of year	\$ 943,588	\$ 581,977
Reconciliation of cash and restricted cash reported within the statements of financial position that equal the total of the same amounts shown in the statements of cash flows:		
Cash and cash equivalents:		
Unrestricted	\$ 650,043	\$ 370,591
Restricted	293,545	211,386
Total cash	\$ 943,588	\$ 581,977
Supplemental disclosure of cash flow information		
Cash paid for interest during the year	\$ 2,147	\$ 3,414

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

Central South Carolina Habitat for Humanity, Inc.
Notes to Financial Statements

NOTE A - Description of Organization and Summary of Significant Accounting Policies

Description of Organization

Central South Carolina Habitat for Humanity, Inc. (“Habitat”) is an affiliate of Habitat for Humanity International, Inc. (“Habitat International”). Habitat was incorporated in 1985, as a nondenominational Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, Habitat is primarily and directly responsible for its own operations.

Habitat also operates the Habitat for Humanity ReStore (the “ReStore”), a retail operation, where home furnishings, building supplies, appliances, and other miscellaneous items are donated and then sold to the community at a greatly reduced price. Revenue is recognized by Habitat at the time the goods are sold; therefore, no value for the ReStore inventory is included in these financial statements.

Summary of Significant Accounting Policies

Basis of Accounting

The accounts of Habitat are maintained, and the accompanying financial statements are prepared on, the accrual basis of accounting. Habitat reports information regarding its financial position and activities in accordance with two classes of net assets: without donor restrictions and with donor restrictions.

Contributions and Support

Contributions without donor restrictions are recognized as revenue when received. Contributions with donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions with donor restrictions are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed Services

A substantial number of volunteers have made significant contributions of their time to Habitat, principally in the areas of home construction and repairs, administration and fundraising. The value of non-professional contributed time is not reflected in the accompanying financial statements. However, Habitat values donated professional services based on the market value of the service being provided.

Central South Carolina Habitat for Humanity, Inc.
Notes to Financial Statements

NOTE A – Description of Organization and Summary of Significant Accounting Policies
(Continued)

Real Estate Held for Development and Sale

Real estate held for development and sale is recorded at cost, if purchased, or fair value at the date of gift if donated. If permanent impairment of value occurs, the value is adjusted to fair value. Foreclosed homes purchased by Habitat are recorded at cost when the homes are acquired. No interest is capitalized as a part of the cost of homes. Real estate held for development and sale consisted only of land at June 30, 2020.

Reclaimed homes are recorded as a component of real estate held for development and sale at the outstanding mortgage balance at the date of reclamation. No homes were reclaimed during the year ended June 30, 2020. During the year ended June 30, 2019, Habitat reclaimed 2 houses with a recorded value of \$86,915.

Property and Equipment

Property and equipment is recorded at cost, if purchased, or fair value at the date of gift, if donated. Where there are absent explicit donor stipulations about how long such long-lived assets must be maintained, Habitat reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Depreciation of property and equipment is computed over the estimated average useful lives of the assets (five to twenty years) using the straight-line method. Maintenance, repair costs and minor replacements are charged to expense as incurred.

Income Taxes

Habitat is exempt from federal income tax as an organization described in Section 501c(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. Habitat is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax period in progress. The years open for audit include 2017 – 2020.

Estimates

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America (“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 and the reported amounts of revenues and expenses during the reporting period. The most significant estimate in these financial statements is the interest rate used to discount the non-interest bearing mortgage loans. Actual results could differ from those estimates.

Central South Carolina Habitat for Humanity, Inc.
Notes to Financial Statements

NOTE A – Description of Organization and Summary of Significant Accounting Policies
(Continued)

Net Assets

Net assets without donor restrictions are available for use in general operations. Board designated net assets are a component of net assets without donor restrictions established by the Board. Additionally, the Board of Directors has established an operating reserve with the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need. The operating reserve balance totaled \$165,000 and \$132,071 for the years ended June 30, 2020 and 2019, respectively. Net assets with donor restrictions are those whose use by Habitat has been limited by donors to a specific time period or purpose. Habitat is permitted to use or expend the donated assets in accordance with the donor restriction. 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. Certain restrictions by donors may need to be maintained by Habitat in perpetuity. As of June 30, 2020 and 2019, the amount of net assets with donor restrictions that need to be maintained in perpetuity was \$0.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Functional Expenses. Program activities are those that are conducted in accordance with Habitat's nature of operations and certain necessary costs. Management and general activities are those that are not identifiable with a single program or fundraising activity, but they are indispensable to the conduct of those activities and to Habitat's existence. Fundraising activities involve inducing potential donors to contribute money, securities, services, materials, facilities, other assets, or time. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses by function have been allocated based upon management's estimates of time each employee spends working in each category or the percentage of office space devoted to each category.

Tithe to Habitat for Humanity International

The Board has agreed to pay \$2,000 per house to Habitat for Humanity International. For the years ending June 30, 2020 and 2019, Habitat paid to habitat for Humanity International \$8,000 and \$12,000, respectively. Habitat also paid \$15,000 to Habitat for Humanity International for the Stewardship and Organizational Sustainability Initiative in fiscal years 2020 and 2019.

Cash

Habitat considers deposits on accounts and investments with maturity dates less than three months at the time of purchase to be cash. At various times throughout the year, Habitat has deposits in excess of amounts covered by federal depository insurance. Cash accounts at a financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. Habitat had approximately \$237,500 uncollateralized deposits as of June 30, 2020. Management believes that any risks are outweighed by the stability of the financial institutions that Habitat holds deposit accounts with.

Central South Carolina Habitat for Humanity, Inc.
Notes to Financial Statements

NOTE A – Description of Organization and Summary of Significant Accounting Policies
(Continued)

Restricted Cash

Restricted cash consists of cash held that is restricted for the purpose of building and rehabbing homes. Habitat had restricted cash of \$293,545 and \$211,386 for the years ended June 30, 2020 and 2019, respectively.

Sales of Homes

Since properties are sold by Habitat on favorable terms, in the event of a subsequent sale by the purchaser within five years, Habitat has the right to share in the profit. The sharing ratio is as follows:

	<u>Percent of Profit to Habitat</u>
Year 1	90%
Year 2	80%
Year 3	70%
Year 4	30%
Year 5	10%

Unconditional Promises to Give

Unconditional promises to give (pledges) that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate of 0.66% and 3.41% for the years ended June 30, 2020 and 2019, respectively. Amortization of the discounts is included in contribution revenue. The allowance for uncollectible promises to give is based on management's judgement, including consideration of such factors as past collection experience, missed payments or modification of payment terms, and creditworthiness of the donor. For the years ended June 30, 2020 and 2019, an allowance for unconditional promises to give was not deemed necessary.

Mortgage Loans Receivable

Habitat records non-interest bearing loans receivable from the sale of houses at a discounted value to provide for interest on the non-interest bearing loans. For purposes of calculating the discounted loan values, interest rates are determined based on the market rates for a similar type of loan on the date of closing and range from 6% to 10% for all loans outstanding. The discount is amortized utilizing the interest method. This method of accounting properly reflects the value of the mortgage loans receivable in the financial statements and recognized interest income over the life of the loans. An expense is recorded upon the sale of houses for the difference between the face value of the mortgage loans receivable and the present value of the loans. Habitat has not established an allowance for doubtful accounts as it can reclaim houses through foreclosure in the event that a loan is deemed to be uncollectible, and management believes any reclaimed 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.

Central South Carolina Habitat for Humanity, Inc.
Notes to Financial Statements

NOTE A – Description of Organization and Summary of Significant Accounting Policies
(Continued)

Adoption of Accounting Pronouncement

In June 2018, the FASB issued Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU is meant to clarify whether transactions should be account for as contributions, which are covered by Topic 958, *Not for Profit Entities*, or as exchange transactions under other guidance. Habitat adopted the ASU effective July 1, 2019. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

Recently Issued Accounting Pronouncement

In February 2016, FASB issued ASU 2016-02, *Leases*. This ASU requires lessees to recognize on the balance sheet a right-to-use asset and a lease liability for most lease arrangements with a term greater than one year. The new standard also requires new disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from the leases. ASU 2016-02 is effective for private nonprofits for fiscal years beginning after December 15, 2022. Early adoption is permitted. Management is currently evaluating the potential impact of this ASU on Habitat’s financial statements.

NOTE B – Concentrations of Credit Risk

Financial instruments that potentially subject Habitat to credit risk consist primarily of the following:

Cash and cash equivalents: Since Habitat places cash in individual financial institutions in excess of FDIC insured limits, Habitat periodically reviews the financial condition of the financial institutions to reduce Habitat’s credit risk associated with cash and cash equivalents.

Unconditional promises to give: At June 30, 2020 and 2019, Habitat had three and four unconditional promises to give that accounted for 85% and 85%, respectively, of the outstanding total.

Central South Carolina Habitat for Humanity, Inc.
Notes to Financial Statements

NOTE C – Mortgage Loans Receivable

Mortgage loans receivable were as follows at June 30,:

	<u>2020</u>	<u>2019</u>
Mortgages receivable at face value	\$ 5,253,122	\$ 5,126,566
Less unamortized discount	<u>(2,336,624)</u>	<u>(2,296,486)</u>
Net mortgages receivable	2,916,498	2,830,080
Less: current portion of non-interest bearing mortgage loans receivable	<u>(325,266)</u>	<u>(325,118)</u>
Long term portion of non-interest bearing mortgage loans receivable	\$ <u>2,591,232</u>	\$ <u>2,504,962</u>

The following are the future payments due under mortgage loans receivable at June 30, 2020:

2021	\$ 325,266
2022	323,708
2023	321,850
2024	320,546
2025	319,133
Thereafter	<u>3,642,619</u>
	5,253,122
Less, unamortized discount	<u>(2,336,624)</u>
	<u>\$2,916,498</u>

NOTE D – Unconditional Promises to Give

As of June 30, 2020, unconditional promises to give are expected to be collected as follows:

2021	\$ 115,415
2022	51,878
2023	23,047
2024	<u>21,229</u>
	211,569
Less, unamortized discount	<u>(1,680)</u>
	<u>\$ 209,889</u>

As of June 30, 2019, the balance of unconditional promises to give was \$366,929.

Central South Carolina Habitat for Humanity, Inc.
Notes to Financial Statements

NOTE E – Property, Building and Equipment

The components of property, building and equipment and accumulated depreciation at June 30, were as follows:

	<u>2020</u>	<u>2019</u>
Computer and related equipment	\$ 11,489	\$ 11,083
Office furniture and equipment	35,807	35,807
Leasehold improvements	12,767	12,767
Vehicles	113,427	113,427
Land, building and improvements	<u>574,551</u>	<u>563,849</u>
	748,041	736,933
Less, accumulated depreciation	<u>(650,040)</u>	<u>(631,457)</u>
	<u>\$ 98,001</u>	<u>\$ 105,476</u>

Depreciation expense was approximately \$20,000 and \$17,300 for the years ended June 30, 2020 and 2019, respectively.

NOTE F – Liquidity and Availability of Resources

The following reflects Habitat’s financial assets as of the balance sheet date, reduced by amounts not available for general expenditures because of contractual or donor imposed restrictions. Habitat’s assets available within one year were as follows at June 30,:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 943,588	\$ 581,977
Unconditional promises to give, net	209,889	366,929
Mortgage loans receivable, net	2,916,498	2,830,080
Other receivables	<u>4,600</u>	<u>2,225</u>
Total financial assets	4,074,575	3,781,211
Less amounts restricted by donor with time or purpose restrictions	(293,545)	(312,542)
Less amounts not available to be used within one year	<u>(2,685,706)</u>	<u>(2,504,962)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,095,324</u>	<u>\$ 963,707</u>

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. As more fully described in Note H, for the years ended June 30, 2020 and 2019, Habitat has a line of credit in the amount of \$100,000, which it could draw upon in the event of an unanticipated liquidity need.

Central South Carolina Habitat for Humanity, Inc.
Notes to Financial Statements

NOTE G – Notes Payable and Long-Term Debt

Notes payable at June 30, consisted of the following:

	2020	2019
Payroll Protection Program note, maturing April 16, 2022, Including interest at 1.00%	\$ 196,895	\$ -
Installment note, payable at \$363 monthly, including interest at 4.25%, collateralized by a truck, maturing June 9, 2020	<u>-</u> 196,895	<u>4,232</u> 4,232
Less: current portion	<u>(196,895)</u>	<u>(4,232)</u>
	<u>\$ -</u>	<u>\$ -</u>

Interest expense for the years ending June 30, 2020 and 2019 was approximately \$2,300, and \$3,400, respectively.

Habitat currently believes its use of the Payroll Protection Program note proceeds will meet the conditions for forgiveness of the loan. However, they cannot be assured that the note will be eligible for forgiveness, in whole or in part. Although the maturity of the note is in 2022, Habitat believes the note is more properly reported as a current liability.

NOTE H – Line of Credit

Habitat has a \$100,000 line of credit with a financial institution to be used for operational purposes. The line of credit is unsecured and interest accrues at 5.50 percent. The line of credit matures on February 20, 2021. As of June 30, 2020 and 2019, Habitat owed approximately \$43,200 and \$37,600, respectively, and had approximately \$56,800 and \$62,400 available to be borrowed under the line of credit, respectively.

NOTE I – Operating Leases

Habitat leases the space for its ReStore through May 31, 2023, under an operating lease originating April 2014 with monthly payments of \$11,642 (\$13,992 per month, including common area maintenance, taxes, and insurance), adjusted annually. The lease contains three options to renew by an additional five years per renewal term. Other equipment is leased under various operating leases through April 1, 2020. Rent expense was approximately \$171,700 and \$173,800 for the years ended June 30, 2020 and 2019, respectively.

Central South Carolina Habitat for Humanity, Inc.
Notes to Financial Statements

NOTE I – Operating Leases (Continued)

Future minimum lease payments are as follows:

2021	\$ 168,327
2022	168,043
2023	<u>153,908</u>
	<u>\$ 490,278</u>

NOTE J – Fair Value Measurements

Fair value as defined under GAAP is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Habitat utilized market data or assumptions that market participants would use in pricing the asset or liability. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Habitat recognizes transfers between levels in the fair value hierarchy at the end of the reporting period. For the years ended June 30, 2020 and 2019, there were no transfers between fair value levels. There were no changes in the valuation methodologies used in the fair value hierarchy for the years ended June 30, 2020 and 2019.

Habitat held no investments as of June 30, 2020 and 2019.

NOTE K – Retirement Plan

Habitat maintains a retirement savings plan (the "Plan") under the terms of Section 403(b) of the Internal Revenue Code. All full time employees are eligible to participate upon hire date. The plan document permits only eligible employee payroll reductions to be made. Habitat also maintains a Simplified Employee Pension plan (the "SEP") under the terms of Section 408(k) of the Internal Revenue Code. All full time employees are eligible to participate upon hire date. In accordance with the Plan document, Habitat, at the discretion of management, may contribute up to 3% of eligible compensation. During the years ended June 30, 2020 and 2019, Habitat contributed approximately \$25,200 and \$20,900, respectively.

Central South Carolina Habitat for Humanity, Inc.
Notes to Financial Statements

NOTE L – Subsequent Events

Habitat has evaluated events and transactions that occurred between June 30, 2020 and September 18, 2020, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. Management has concluded that other than the event noted below, no significant subsequent events meet the criteria of professional accounting standards to be recognized or not recognized, but disclosed, in these financial statements.

Habitat's fiscal year ended after the initial impact of the outbreak of COVID-19. As a result of the pandemic, the ReStore was closed to the public from mid March through April 2020. In addition, the Restore has experienced a reduction in sales and there have been fewer unsolicited contributions. Sufficient information is not available to adequately evaluate the short-term or long-term impact to Habitat; however, these economic conditions may adversely impact Habitat's operations and future financial condition.