



Pickens County Habitat for Humanity®
Pickens, South Carolina

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
For the Year Ended December 31, 2020

PICKENS COUNTY HABITAT FOR HUMANITY

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

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Independent Auditor's Report

Board of Directors
Pickens County Habitat for Humanity

We have audited the accompanying financial statements of Pickens County Habitat for Humanity, which comprise the statements of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

Pickens County Habitat for Humanity's financial statements do not disclose the credit quality or allowance for credit losses related to the Organization's financing receivables. In our opinion, disclosure of this information is required by accounting principles generally accepted in the United States of America.

Qualified Opinion

In our opinion, except for the omission of the information described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Pickens County Habitat for Humanity as of December 31, 2020, and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Payne, White & Schmitz, CPA, PA

February 21, 2022

FINANCIAL STATEMENTS

PICKENS COUNTY HABITAT FOR HUMANITY

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2020

ASSETS:

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 215,826
Pledges and Other Receivables	2,098
Current Portion of Non-Interest Bearing Mortgage Loans Receivable	145,249
Inventory	13,921
Reserve on FlexCap Loan	4,810
Homes Under Construction, or Awaiting Closing	282,557
TOTAL CURRENT ASSETS	664,461

NON CURRENT ASSETS:

Non-Interest Bearing Mortgage Loans Receivable, Less Discount	1,028,038
Property Held for Future Homes	66,075
Land, Buildings and Equipment, Net of Accumulated Depreciation of \$9,900	7,856
TOTAL NON CURRENT ASSETS	1,101,969

TOTAL ASSETS \$ 1,766,430

LIABILITIES AND NET ASSETS:

CURRENT LIABILITIES:

Accounts Payable	\$ 4,425
Escrow Deposits Held for Homeowners	2,989
Accrued and Withheld Payroll Taxes	4,646
Current Portion of PPP Forgivable Loan	21,490
Current Portion of Note Payables	17,484
TOTAL CURRENT LIABILITIES	51,034

NON CURRENT LIABILITIES:

Long-term Portion of PPP Forgivable Loan	6,140
Long-term Portion of Note Payables	27,748
TOTAL NON LIABILITIES ASSETS	33,888

TOTAL LIABILITIES 84,922

NET ASSETS:

Without Donor Restrictions	1,681,508
With Donor Restrictions	-
TOTAL NET ASSETS	1,681,508

TOTAL LIABILITIES AND NET ASSETS \$ 1,766,430

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

PICKENS COUNTY HABITAT FOR HUMANITY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE:			
PUBLIC SUPPORT:			
Contributions	\$ 133,290	\$ -	\$ 133,290
Donated Property and Materials	55,340	-	55,340
Contributed Services	1,120	-	1,120
Housing and ReStore Grants	-	56,550	56,550
TOTAL PUBLIC SUPPORT	189,750	56,550	246,300
REVENUE:			
ReStore Sales	22,180	-	22,180
Sale of Properties	153,907	-	153,907
Mortgage Discount Amortization	86,978	-	86,978
Interest and Dividends	2	-	2
Gain/Loss on Sale of Assets	(2,746)	-	(2,746)
Miscellaneous	8,378	-	8,378
TOTAL REVENUE	268,699	-	268,699
TOTAL PUBLIC SUPPORT AND REVENUE	458,449	56,550	514,999
RECLASSIFICATIONS:			
Satisfaction of Program Restrictions	56,550	(56,550)	-
EXPENSES:			
Program Services	355,991	-	355,991
Management and General	62,721	-	62,721
Fundraising	891	-	891
ReStore	55,493	-	55,493
TOTAL EXPENSES	475,096	-	475,096
CHANGE IN NET ASSETS	39,903	-	39,903
NET ASSETS, BEGINNING	1,641,605	-	1,641,605
NET ASSETS, ENDING	\$ 1,681,508	\$ -	\$ 1,681,508

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

PICKENS COUNTY HABITAT FOR HUMANITY

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>RESTORE</u>	<u>TOTAL</u>
Advertising	\$ 4,839	\$ -	\$ 74	\$ 4,108	\$ 9,021
Bank Charges	9,040	-	-	105	9,145
Construction	119,957	-	-	-	119,957
Depreciation	3,470	-	-	96	3,566
Dues and Subscriptions	6,314	-	-	-	6,314
Insurance	18,273	3,994	-	4,157	26,424
Interest	2,536	-	-	-	2,536
Meetings and Training	213	1,442	-	-	1,655
Miscellaneous	3,818	7,613	524	1,569	13,524
Mortgage Discount and Other	65,773	-	-	-	65,773
Printing and Publications	1,304	395	292	-	1,991
Professional Fees	7,365	-	-	-	7,365
Rent	-	-	-	24,675	24,675
Repairs and Maintenance	-	170	-	-	170
Salaries	93,746	44,599	-	15,085	153,430
Supplies	6,211	4,058	1	429	10,699
Taxes and Licenses	9,375	-	-	1,271	10,646
Telephone	3,216	450	-	555	4,221
Travel and Meals	-	-	-	258	258
Utilities	-	-	-	3,185	3,185
Volunteers	541	-	-	-	541
TOTAL EXPENSES	\$ 355,991	\$ 62,721	\$ 891	\$ 55,493	\$ 475,096

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

PICKENS COUNTY HABITAT FOR HUMANITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets \$ 39,903

ADJUSTMENTS TO RECONCILE CHANGES IN NET ASSETS TO NET

CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Depreciation 3,566

(Gain) Loss on Sale of Land, Building, and Equipment 2,746

CHANGES IN ASSETS AND LIABILITIES:

(Increase) Decrease in Mortgage Receivable 30,687

(Increase) Decrease in Inventory 17,003

(Increase) Decrease in Prepaids and Other Assets 17,528

(Increase) Decrease in Land and Homes Under Construction (64,274)

Increase (Decrease) in Accounts Payable (2,852)

Increase (Decrease) in Escrow Deposits Held for Homeowners (575)

Increase (Decrease) in Accrued Payroll (4,313)

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES 39,419

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from Sale of Land, Building, and Equipment 34,605

NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES 34,605

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds From PPP Forgivable Loan 27,635

Principal Payments To FlexCap Loan (16,706)

NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES 10,929

NET INCREASE (DECREASE) IN CASH 84,953

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 130,873

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 215,826

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

NOTES TO FINANCIAL STATEMENTS

PICKENS COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

Pickens County Habitat for Humanity (PCHH) was incorporated on May 17, 1981 as a nonprofit corporation in South Carolina. PCHH's purpose is to encourage, promote and assist in the building and redevelopment of low-income housing in Pickens County, South Carolina. PCHH is an affiliate of Habitat for Humanity International, Inc. ("HFH International") located in Americus, Georgia. PCHH is governed by a board of directors.

Basis of Accounting and Presentation

The accounts of PCHH are maintained and the financial statements have been prepared on the accrual basis of accounting which recognizes income when earned regardless of when received as well as expenses when incurred regardless of when paid. Financial statement presentation is in accordance with generally accepted accounting principles. Under GAAP, the organization is required to report information regarding its financial practice and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Income Tax

PCHH is organized within the tax-exempt status provided by 501 (c) (3) of the Internal Revenue Code.

PCHH has adopted accounting principles related to accounting for uncertainty in income taxes. PCHH's policy is to record a liability for any tax position taken that is beneficial to PCHH, including any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Penalties and interest related to underpayment of income taxes are not recorded as income taxes but as penalties and interest expense. Management believes there are no such positions as of year-end and, accordingly, no liability has been accrued. Fiscal years ending on or after December 31, 2017, remain subject to examination by federal and state authorities.

Pledges Receivable

Pledges receivable are recorded at face value less allowance for uncollectibles. At year-end, PCHH held no pledges receivable.

Inventory

Inventory consists of building materials used during the home building process, which are recorded at the lower of cost or market, and thrift store inventory. Thrift store inventory purchased for resale is recorded at the lower of cost or market. Thrift store inventory items that were donated are recorded based on sticker price. Management believes that sticker price is an appropriate estimate of the sales price, and thus of the value of these items.

Thrift store inventory items donated are recorded as a contribution at the time that donated goods received are sorted, and a decision is made that the item is of a nature and condition that allows for sale. A true-up (or down) is made to contributions, based on actual sales price, at the time the sale is consummated. Donated items that cannot be used internally or sold are not considered to have value, and thus are not recorded as an asset on the statement of financial position.

Non-interest bearing Mortgage Loans Receivable

The value of non-interest bearing mortgage loans receivable are estimated using discounted cash flow analysis, based on current market interest rates for loans of this type.

PICKENS COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Property and Equipment

The land, buildings and equipment of PCHH are recorded at cost for property purchased and recorded at fair market value (FMV) at the date of contribution for donated property. It is PCHH’s policy to capitalize equipment which costs at least \$2,500 per unit item. Depreciation is based on the following policies:

<u>Description</u>	<u>Useful Life</u>	<u>Method</u>
Land	N/A	N/A
Vehicles	5 Years	Straight Line
Equipment	5-7 Years	Straight Line
Buildings and Improvements	25-40 Years	Straight Line

Homes under Construction and Property Held for Future Homes

Real estate, building materials, and labor are recorded at cost when payment is made or at estimated fair market value when donated. All expenditures related to construction of a home are recorded as Homes under Construction. When the home is transferred to the homeowner, the sale price is recorded as a Mortgage Loan Receivable and the related construction costs are removed from the books accordingly. Land is recorded at cost.

Net Assets

The financial statements report amounts separately by class of net assets:

- a) Net assets without donor restrictions are those available at the discretion of the board for use in Pickens County Habitat for Humanity’s programs and other functions, and those resources invested in land, buildings and equipment.
- b) Net assets with donor restrictions are those restricted by donors for specific operating purposes or for use in a future reporting period. Also included in this category are net assets subject to donor-imposed restrictions to be held in perpetuity such as endowments or irrevocable trusts.

Support, Revenue, and Reclassifications

Revenue is recognized when earned. Support is recognized when contributions are made. This occurs when cash is received, unconditional promises are made or ownership of donated assets is transferred to PCHH. Donated property (including materials, real property and equipment) are recorded at fair value at the date of the gift.

PCHH reports gifts of cash and other assets as with donor restrictions if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, 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 restriction.

Gifts of property and equipment are reported as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. When donor stipulations are not present, PCHH reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Materials

Donated supplies and equipment are recorded at estimated fair market value.

PICKENS COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs may be allocated among the program and supporting services benefited. If amounts required allocation, such as salaries for individuals who perform both program and administrative functions, these amounts would be allocated accordingly. Natural expenses attributable to more than one functional expense category would be allocated using a variety of cost allocation techniques such as square footage or time and effort, as deemed appropriate. In the current year, no such costs required allocation.

Cash Equivalents

For purposes of the Statement of Cash Flows, short-term investments with maturities of three months or less are considered to be cash equivalents.

Advertising Expense

Amounts spent on advertising during the year were expensed as incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets, and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimate is in regards to management's estimate for mortgage discount, which is based upon a discounted cash flow analysis using current market interest rates for similar loans.

New Accounting Standard Adopted

PCHH implemented ASU No. 2014-9 – Revenue from Contract with customers (Topic 606) in the current year. This accounting standard is designed to improve financial reporting and disclosure of revenue that is generated from contracts with customers. Contracts can be written, oral, or implied depending on the nature of the transactions.

Subsequent Events Evaluation

In February 2021, CBNOVA learned that all of the PPP loan payable qualified for repayment forgiveness.

Management has evaluated subsequent events through February 21, 2022. This is the date the financial statements were available to be issued.

NOTE 2 - LAND, BUILDINGS, EQUIPMENT, AND DEPRECIATION:

A summary of land, buildings, equipment, and depreciation is as follows:

<u>Description</u>	<u>Basis</u>	<u>Current Provision</u>	<u>Accumulated Depreciation</u>
Land	\$ 1,282	\$ -	\$ -
Buildings and Improvements	4,130	-	4,130
Equipment	12,344	3,566	5,770
Total	\$ 17,756	\$ 3,566	\$ 9,900

PICKENS COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 3 - HOUSING ACTIVITIES:

During the year ended December 31, 2020, PCHH began construction on two home. At December 31, 2020, PCHH had two houses under construction on land owned by the organization and two additional houses awaiting closing, representing a \$282,557 asset to the Organization.

PCHH records and accounts for mortgage loan receivable based on the present value of the loan at the time of closing. For purposes of calculating loan present 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 8% for all loans outstanding. This method of accounting properly reflects the value of the mortgage loan receivable in the financial statements and recognizes interest income (included in mortgage discount amortization) over the life of the loans. An expense is recorded upon the sale of the houses for the difference between the face value of the mortgage loans receivable and the present value of the loans. PCHH has not established an allowance for doubtful accounts as it can reclaim homes through foreclosure in the event that a loan is deemed to be uncollectible, with minimal to no loss. Scheduled annual mortgage receipts are approximately:

<u>Year</u>	<u>Amount</u>
2021	\$ 145,249
2022	135,675
2023	129,703
2024	126,345
2025	122,887
Thereafter	<u>1,448,980</u>
Subtotal	2,108,839
Less Discount	<u>(935,552)</u>
Total Mortgage Receipts	<u>\$ 1,173,287</u>

NOTE 4 – NOTE PAYABLE AND PPP FORGIVABLE LOAN:

PCHH had the following notes payable at year-end:

Note payable (FlexCap Loan) to a related party non-profit organization, secured by mortgage receivables, monthly payments of principal and interest, bearing interest at a fixed rate equal to 4.55%, and maturing June 2023.

In April 2020, PCHH was approved for, and was funded \$27,635 under the Paycheck Protection Program. The loan proceeds were used for payroll related and other allowable expenses of PCHH in response to the effects of Covid-19. The interest rate is stated at 1.00% and repayment of the loan will begin in November 2020, for a total of eighteen payments of approximately \$1,535 each unless all or a portion of the loan qualifies for forgiveness under the program. In February 2021, CBNOVA learned that all of the PPP loan payable qualified for repayment forgiveness.

Combined future payments of principal are due as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 38,974
2022	24,429
2023	9,459
2024	-
2025	-
Thereafter	-
Total	<u>\$ 72,862</u>

PICKENS COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020

NOTE 5 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES:

PCHH’s operations are primarily funded by contributions from donors and a portion of these contributions contain restrictions. Those restrictions would require that resources be used for specific program activities. Therefore, PCHH must maintain resources to meet those responsibilities to its donors and certain assets may not be available for general expenditure within one year. As part of its liquidity management, PCHH has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due. PCHH holds a policy that a minimum balance of \$60,000 will be maintained in its operating bank account. If the balances of the operating bank accounts drop below that amount, the board will consider if program activities need to be limited until bank balances are brought back to an amount above the threshold. The governing board would also consider borrowing funds to meet obligations, which can be sought through the National Office of Habitat for Humanity. PCHH closely monitors cash in its operating account in relation to its general expenditure obligations.

The following schedule reflects PCHH’s financial assets as of its year ended in 2020, reduced by amounts that are not available for general use due to contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts that are not available also include board designated amounts, if any, that could be utilized if the board of directors approved their use.

Cash and Cash Equivalents	\$ 215,826
Pledges and Other Receivables	2,098
Current Portion of Non-Interest Bearing Mortgage Loans Receivable	145,249
Non-Current Portion of Non-Interest Bearing Mortgage Loans Receivable, Less Discount	<u>1,028,038</u>
Total Financial Assets	1,391,211
Less those unavailable for general expenditures within one year due to:	
Restricted by donor with time or purpose restrictions	-
Non-current nature of asset	<u>(1,028,038)</u>
Financial Assets available to meet cash needs for general expenditures within one year	<u>\$ 363,173</u>

NOTE 6 – REVENUE FROM CONTRACTS WITH CUSTOMERS:

Revenue from contracts with customers should be recognized when PCHH fulfills its performance obligations to its customers. The sources of revenue from contracts with customers are as follows:

Thrift Store Sales - Thrift store revenue contains implied contracts rather than formal written agreements. Payments related to thrift store revenue are collected at the time of the transfer of the goods sold, which is the point at which PCHH’s performance obligations are deemed to have been met. Credit is not extended to thrifths store customers. No contract assets or contract liabilities exist related to thrift store revenue including any obligations for returns or refunds.

Sale of Properties – Property sales have formal written agreements. Payments related to property sales are normally collected over time, with the homeowner holding a mortgage with PCHH. The closing date of the home or land constitutes the transfer of the property sold, which is the point at which PCHH’s performance obligations are deemed to have been met. Contract assets are held in the form of mortgage loans receivable, while contract liabilities represent escrow deposits held for homeowners. Both of these accounts are listed separately on the Statement of Financial Position, with mortgage loan receivable being broken into current and non-current assets.