



Pickens County Habitat for Humanity®
Pickens, South Carolina

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
For the Year Ended December 31, 2021

PICKENS COUNTY HABITAT FOR HUMANITY

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

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PAYNE, WHITE & SCHMUTZ
— CERTIFIED PUBLIC ACCOUNTANTS, PA —

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The Board of Directors
Pickens County Habitat for Humanity
Pickens, South Carolina

Qualified Opinion

We have audited the financial statements of Pickens County Habitat for Humanity, which comprise the statements of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the omission of the information described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Pickens County Habitat for Humanity as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pickens County Habitat for Humanity and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Pickens County Habitat for Humanity's ability to continue as a going concern for one year after the date that the financial statements are issued or when applicable, one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pickens County Habitat for Humanity's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pickens County Habitat for Humanity's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Payne, White & Schmutz, CPA, PA

Payne, White & Schmutz, CPA, PA

Seneca, South Carolina

April 24, 2023

FINANCIAL STATEMENTS

PICKENS COUNTY HABITAT FOR HUMANITY

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

ASSETS:

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 251,341
Pledges and Other Receivables	46,630
Current Portion of Non-Interest Bearing Mortgage Loans Receivable	131,241
Inventory	16,760
Prepays and Other Assets	2,625
Reserve on FlexCap Loan	4,810
Homes Under Construction, or Awaiting Closing	<u>465,091</u>

TOTAL CURRENT ASSETS 918,498

NON CURRENT ASSETS:

Non-Interest Bearing Mortgage Loans Receivable, Less Discount	957,903
Property Held for Future Homes	98,155
Land, Buildings and Equipment, Net of Accumulated Depreciation of \$12,207	<u>5,549</u>

TOTAL NON CURRENT ASSETS 1,061,607

TOTAL ASSETS \$ 1,980,105

LIABILITIES AND NET ASSETS:

CURRENT LIABILITIES:

Accounts Payable	\$ 10,268
Escrow Deposits Held for Homeowners	2,914
Accrued and Withheld Payroll Taxes	5,471
Current Portion of Note Payables	<u>18,288</u>

TOTAL CURRENT LIABILITIES 36,941

NON CURRENT LIABILITIES:

Long-term Portion of Note Payables	<u>9,459</u>
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TOTAL NON LIABILITIES ASSETS 9,459

TOTAL LIABILITIES 46,400

NET ASSETS:

Without Donor Restrictions	1,933,705
With Donor Restrictions	<u>-</u>

TOTAL NET ASSETS 1,933,705

TOTAL LIABILITIES AND NET ASSETS \$ 1,980,105

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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE:			
PUBLIC SUPPORT:			
Contributions	\$ 264,865	\$ -	\$ 264,865
Donated Property and Materials	59,701	-	59,701
Housing Grant	-	12,300	12,300
TOTAL PUBLIC SUPPORT	324,566	12,300	336,866
REVENUE:			
Mortgage Discount Amortization	84,736	-	84,736
Interest and Dividends	1	-	1
PPP Loan Forgiveness	27,635	-	27,635
Miscellaneous	7,944	-	7,944
TOTAL REVENUE	120,316	-	120,316
TOTAL PUBLIC SUPPORT AND REVENUE	444,882	12,300	457,182
RECLASSIFICATIONS:			
Satisfaction of Program Restrictions	12,300	(12,300)	-
EXPENSES:			
Program Services	118,209	-	118,209
Management and General	83,417	-	83,417
Fundraising	3,359	-	3,359
TOTAL EXPENSES	204,985	-	204,985
CHANGE IN NET ASSETS	252,197	-	252,197
NET ASSETS, BEGINNING	1,681,508	-	1,681,508
NET ASSETS, ENDING	\$ 1,933,705	\$ -	\$ 1,933,705

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, 2021

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Advertising	\$ 575	\$ -	\$ 2,674	\$ 3,249
Bad Debt	2,302	-	-	2,302
Bank Charges	8,545	-	-	8,545
Construction	15,957	-	-	15,957
Depreciation	2,307	-	-	2,307
Dues and Subscriptions	3,522	-	-	3,522
Insurance	5,481	5,509	-	10,990
Interest	1,762	-	-	1,762
Meetings and Training	30	1,213	-	1,243
Miscellaneous	13,062	4,389	398	17,849
Printing and Publications	296	1,050	284	1,630
Professional Fees	1,067	10,550	-	11,617
Repairs and Maintenance	-	45	-	45
Salaries	86,434	52,269	-	138,703
Supplies	4,924	5,175	3	10,102
Taxes and Licenses	(32,158)	2,617	-	(29,541)
Telephone	3,510	600	-	4,110
Travel and Meals	593	-	-	593
TOTAL EXPENSES	<u>\$ 118,209</u>	<u>\$ 83,417</u>	<u>\$ 3,359</u>	<u>\$ 204,985</u>

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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets \$ 252,197

ADJUSTMENTS TO RECONCILE CHANGES IN NET ASSETS TO NET

CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

Depreciation 2,307
Forgiveness of PPP Loan (27,635)

CHANGES IN ASSETS AND LIABILITIES:

(Increase) Decrease in Mortgage Receivable 84,143
(Increase) Decrease in Inventory (2,839)
(Increase) Decrease in Prepays and Other Assets (47,157)
(Increase) Decrease in Land and Homes Under Construction (214,614)
Increase (Decrease) in Accounts Payable 5,843
Increase (Decrease) in Escrow Deposits Held for Homeowners (75)
Increase (Decrease) in Accrued Payrol 825

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES 52,995

CASH FLOWS FROM FINANCING ACTIVITIES:

Principal Payments To FlexCap Loan (17,480)

NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES (17,480)

NET INCREASE (DECREASE) IN CASH 35,515

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 215,826

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 251,341

NOTES TO FINANCIAL STATEMENTS

PICKENS COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

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.

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.

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.

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

PICKENS COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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.

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 management and general 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.

PICKENS COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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.

Subsequent Events Evaluation

Management has evaluated subsequent events through April 24, 2023. 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	2,307	8,077
Total	<u>\$ 17,756</u>	<u>\$ 2,307</u>	<u>\$ 12,207</u>

NOTE 3 - HOUSING ACTIVITIES:

During the year ended December 31, 2021, PCHH began construction on two homes. At December 31, 2021, PCHH had two houses under construction and three additional houses awaiting closing, representing a \$465,091 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.

PICKENS COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

NOTE 3 – HOUSING ACTIVITIES (CONTINUED):

Scheduled annual mortgage receipts are approximately:

<u>Year</u>	<u>Amount</u>
2022	\$ 131,241
2023	122,671
2024	119,981
2025	119,276
2026	116,211
Thereafter	<u>1,330,580</u>
Subtotal	1,939,960
Less Discount	<u>(850,816)</u>
Total Mortgage Receipts	<u><u>\$ 1,089,144</u></u>

NOTE 4 – NOTE PAYABLE:

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.

Future payments of principal are due as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 18,288
2023	9,459
2024	-
2025	-
2026	-
Thereafter	<u>-</u>
Total	<u><u>\$ 27,747</u></u>

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.

PICKENS COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

NOTE 5 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES (CONTINUED):

The following schedule reflects PCHH’s financial assets as of its year ended in 2021, 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	\$ 251,341
Pledges and Other Receivables	46,630
Current Portion of Non-Interest Bearing Mortgage Loans Receivable	131,241
Non-Current Portion of Non-Interest Bearing Mortgage Loans Receivable, Less Discount	<u>957,903</u>
Total Financial Assets	1,387,115
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>(957,903)</u>
Financial Assets available to meet cash needs for general expenditures within one year	<u>\$ 429,212</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:

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.