



**Pickens County Habitat for Humanity®**  
Pickens, South Carolina

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**  
**For the Year Ended December 31, 2019**

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, 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 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, 2019, and 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.

*Payne, White & Schmutz, CPA, PA*

Payne, White & Schmutz, CPA, PA

December 8, 2020

# FINANCIAL STATEMENTS

PICKENS COUNTY HABITAT FOR HUMANITY

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

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**ASSETS:**

**CURRENT ASSETS:**

Cash and Cash Equivalents	\$ 130,873
Pledges and Other Receivables	2,098
Current Portion of Non-Interest Bearing Mortgage Loans Receivable	138,222
Inventory	30,924
Prepays and Other Assets	17,528
Reserve on FlexCap Loan	4,810
Homes Under Construction, or Awaiting Closing	<u>224,970</u>

**TOTAL CURRENT ASSETS** 549,425

**NON CURRENT ASSETS:**

Non-Interest Bearing Mortgage Loans Receivable, Less Discount	1,065,752
Property Held for Future Homes	59,388
Land, Buildings and Equipment, net	<u>48,773</u>

**TOTAL NON CURRENT ASSETS** 1,173,913

**TOTAL ASSETS** \$ 1,723,338

**LIABILITIES AND NET ASSETS:**

**CURRENT LIABILITIES:**

Accounts Payable	\$ 7,277
Escrow Deposits Held for Homeowners	3,564
Accrued and Withheld Payroll Taxes	8,959
Current Portion of Note Payables	<u>16,706</u>

**TOTAL CURRENT LIABILITIES** 36,506

**NON CURRENT LIABILITIES:**

Long-term Portion of Note Payables	<u>45,227</u>
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**TOTAL NON LIABILITIES ASSETS** 45,227

**TOTAL LIABILITIES** 81,733

**NET ASSETS:**

Without Donor Restrictions	-
With Donor Restrictions	<u>1,641,605</u>

**TOTAL NET ASSETS** 1,641,605

**TOTAL LIABILITIES AND NET ASSETS** \$ 1,723,338

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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT AND REVENUE:</b>			
<b>PUBLIC SUPPORT:</b>			
Contributions	\$ 181,642	\$ -	\$ 181,642
Donated Property and Materials	45,575	-	45,575
Contributed Services	2,558	-	2,558
Housing and ReStore Grants	-	28,000	28,000
<b>TOTAL PUBLIC SUPPORT</b>	<b>229,775</b>	<b>28,000</b>	<b>257,775</b>
<b>REVENUE:</b>			
ReStore Sales	258,781	-	258,781
Sale of Properties	359,423	-	359,423
Mortgage Discount Amortization	82,657	-	82,657
Interest and Dividends	9	-	9
Rent Income	1,847	-	1,847
Fundraising	2,595	-	2,595
Gain/Loss on Sale of Assets	(14,665)	-	(14,665)
Miscellaneous	9,545	-	9,545
<b>TOTAL REVENUE</b>	<b>700,192</b>	<b>-</b>	<b>700,192</b>
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<b>929,967</b>	<b>28,000</b>	<b>957,967</b>
<b>RECLASSIFICATIONS:</b>			
Satisfaction of Program Restrictions	28,000	(28,000)	-
<b>EXPENSES:</b>			
Program Services	629,812	-	629,812
Management and General	78,726	-	78,726
Fundraising	10,952	-	10,952
ReStore	259,891	-	259,891
<b>TOTAL EXPENSES</b>	<b>979,381</b>	<b>-</b>	<b>979,381</b>
<b>CHANGE IN NET ASSETS</b>	<b>(21,414)</b>	<b>-</b>	<b>(21,414)</b>
<b>NET ASSETS, BEGINNING</b>	<b>1,663,019</b>	<b>-</b>	<b>1,663,019</b>
<b>NET ASSETS, ENDING</b>	<b>\$ 1,641,605</b>	<b>\$ -</b>	<b>\$ 1,641,605</b>

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, 2019

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>RESTORE</u>	<u>TOTAL</u>
Advertising	\$ -	\$ -	\$ -	\$ 16,405	\$ 16,405
Bank Charges	10,320	-	-	264	10,584
Construction	247,540	-	-	-	247,540
Depreciation	3,488	-	-	7,897	11,385
Dues and Subscriptions	8,088	-	-	116	8,204
Fundraising Events	-	-	10,527	-	10,527
Inkind Donations	2,558	-	-	-	2,558
Insurance	17,942	9,049	-	16,351	43,342
Interest	3,275	-	-	12,883	16,158
Meetings and Training	-	2,894	-	-	2,894
Miscellaneous	7,619	9,307	295	20,052	37,273
Mortgage Discount and Other	193,354	-	-	-	193,354
Printing and Publications	1,927	156	130	-	2,213
Professional Fees	18,228	10,550	-	-	28,778
Rent	-	-	-	43,260	43,260
Repairs and Maintenance	-	-	-	2,257	2,257
Salaries	91,424	41,932	-	102,897	236,253
Supplies	7,660	4,188	-	4,637	16,485
Taxes and Licenses	11,708	-	-	8,197	19,905
Telephone	3,238	650	-	2,436	6,324
Travel and Meals	888	-	-	9,415	10,303
Utilities	-	-	-	12,794	12,794
Volunteers	555	-	-	30	585
<b>TOTAL EXPENSES</b>	<u>\$ 629,812</u>	<u>\$ 78,726</u>	<u>\$ 10,952</u>	<u>\$ 259,891</u>	<u>\$ 979,381</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, 2019

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**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in Net Assets \$ (21,414)

**ADJUSTMENTS TO RECONCILE CHANGES IN NET ASSETS TO NET**

**CASH PROVIDED (USED) BY OPERATING ACTIVITIES:**

Depreciation 11,385

Donation of Capital Assets 10,000

**CHANGES IN ASSETS AND LIABILITIES:**

(Increase) Decrease in Mortgage Receivable (31,165)

(Increase) Decrease in Inventory (153)

(Increase) Decrease in Prepays and Other Assets 465

(Increase) Decrease in Land and Homes Under Construction 30,278

Increase (Decrease) in Accounts Payable (378)

Increase (Decrease) in Escrow Deposits Held for Homeowners (200)

Increase (Decrease) in Accrued Payroll (284)

**NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** (1,466)

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Proceeds from Sale of Assets 338,166

Purchase of Capital Assets (33,199)

**NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES** 304,967

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Principal Payments To Thrift Store Mortgage (311,818)

Principal Payments To FlexCap Loan (15,969)

**NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES** (327,787)

**NET INCREASE (DECREASE) IN CASH** (24,286)

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** 155,159

**CASH AND CASH EQUIVALENTS AT END OF YEAR** \$ 130,873

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, 2019**

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**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, 2016, 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, 2019

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**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, 2019

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**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.

**Subsequent Events Evaluation**

During the 2020 year, the entity ceased its Restore operations. This decision is not expected to have a significant impact on the change in net assets in future years. Management has evaluated subsequent events through December 8, 2020. 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	9,644	6,300	6,010
Equipment	62,037	5,085	18,180
<b>Total</b>	<b>\$ 72,963</b>	<b>\$ 11,385</b>	<b>\$ 24,190</b>

PICKENS COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

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**NOTE 3 - HOUSING ACTIVITIES:**

During the year ended December 31, 2019, PCHH began construction on multiple homes. At December 31, 2019, PCHH had three houses under construction on land owned by the organization, representing a \$224,970 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>
2020	\$ 138,222
2021	141,329
2022	133,674
2023	128,142
2024	126,044
Thereafter	<u>1,493,320</u>
Subtotal	2,160,731
Less Discount	<u>(956,757)</u>
Total Mortgage Receipts	<u>\$ 1,203,974</u>

**NOTE 4 – NOTE PAYABLE:**

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.

Combined future payments of principal are due as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 16,706
2021	17,479
2022	18,289
2023	9,459
2024	-
Thereafter	<u>-</u>
<b>Total</b>	<u>\$ 61,933</u>

PICKENS COUNTY HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

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**NOTE 5 – LEASE COMMITMENTS:**

The Organization leased retail space for its ReStore operations at \$3,605 per month, expiring in 2020 with renewal options through 2031. The organization is currently in the first renewal period. Rent expense reported in the financial statements totaled \$43,260 for 2019.

Future minimum lease payments for the retail space is:

<u>Year</u>	<u>Amount</u>
2020	\$ 3,605
2021	-
2022	-
2023	-
2024	-
<b>Total</b>	<u>\$ 3,605</u>

**NOTE 6 – 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 2019, 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	\$ 130,873
Pledges and Other Receivables	2,098
Current Portion of Non-Interest Bearing Mortgage Loans Receivable	138,222
Non-Current Portion of Non-Interest Bearing Mortgage Loans Receivable, Less Discount	<u>1,065,752</u>
<b>Total Financial Assets</b>	<b>1,336,945</b>
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>(1,065,752)</u>
<b>Financial Assets available to meet cash needs for general expenditures within one year</b>	<u><u>\$ 271,193</u></u>