

***GREATER MATTHEWS
HABITAT FOR HUMANITY, INC.***

***FINANCIAL STATEMENTS
JUNE 30, 2021***

Greater Matthews Habitat for Humanity, Inc.

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June 30, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Greater Matthews Habitat For Humanity, Inc.
Matthews, North Carolina

We have audited the accompanying financial statements of Greater Matthews Habitat For Humanity, Inc. ("Habitat" - a nonprofit corporation), which comprise the statement of financial position as of June 30, 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.

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 audit. We conducted our audit 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 of 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 audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Greater Matthews Habitat For Humanity, Inc., as of June 30, 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.

Report on Summarized Comparative Information

We have previously audited Habitat's 2020 financial statements, and our report dated October 21, 2020, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. Dewitt Foard & Company, P.A.
October 8, 2021

Greater Matthews Habitat For Humanity, Inc.**Statement of Financial Position****June 30, 2021, with prior year comparative totals**

	June 30,	
	2021	2020
ASSETS		
Current Assets:		
Cash	\$ 983,808	\$ 605,374
Receivables:		
Amounts paid on behalf of homeowners	2,386	2,418
Proceeds from foreclosed mortgages	-	70,525
Unconditional promise to give	-	37,500
Sales tax and other	2,491	2,597
Mortgages, current portion	201,189	203,553
Inventories:		
Land held for development	20,922	60,882
Construction in process	33,338	6,932
Store	57,112	42,770
Total Current Assets	1,301,246	1,032,551
Long-Term Assets:		
Property and equipment (net of depreciation)	67,059	83,260
Mortgages receivable (net of present value discount)	1,607,355	1,625,720
Deposits	23,360	33,360
Total Long-Term Assets	1,697,774	1,742,340
TOTAL ASSETS	\$ 2,999,020	\$ 2,774,891
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 15,351	\$ 31,996
Payroll liabilities	9,772	233
Refundable advance	-	10,000
Notes payable, current portion	69,268	66,603
Total Current Liabilities	94,391	108,832
Long-Term Liabilities:		
Notes payable (net of present value discount and current portion)	440,702	466,449
Net Assets Without Donor Restrictions	2,463,927	2,199,610
TOTAL LIABILITIES AND NET ASSETS	\$ 2,999,020	\$ 2,774,891

Greater Matthews Habitat For Humanity, Inc.
Statement of Activities
Year Ended June 30, 2021, with prior year comparative totals

	For the Year Ended June 30,	
	2021	2020
<u>SUPPORT AND REVENUE</u>		
Contributions	\$ 123,337	\$ 137,706
Grants	282,065	232,107
Sale of homes	237,000	394,000
Resale store	699,692	511,145
Mortgage amortization	169,908	157,555
Gain on foreclosed mortgages	86,381	181,758
Other income	3,015	2,612
<i>TOTAL</i>	<i>1,601,398</i>	<i>1,616,883</i>
<u>EXPENSES</u>		
Program Services:		
Construction	726,771	866,248
Resale store	433,587	402,502
Management and general	90,682	107,016
Fundraising	86,041	81,178
<i>TOTAL</i>	<i>1,337,081</i>	<i>1,456,944</i>
<i>CHANGE IN NET ASSETS</i>	<i>264,317</i>	<i>159,939</i>
<i>NET ASSETS, BEGINNING</i>	<i>2,199,610</i>	<i>2,039,671</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 2,463,927</i>	<i>\$ 2,199,610</i>

Greater Matthews Habitat For Humanity, Inc.
Statement of Functional Expenses
Year Ended June 30, 2021, with prior year comparative totals

	Program Services			Management and General	Fund Raising	TOTAL	Prior Year Comparative Totals
	Construction	Resale Store	Total				
Cost of homes	\$ 325,085	\$ -	\$ 325,085	\$ -	\$ -	\$ 325,085	\$ 368,602
Discount on mortgages	140,302	-	140,302	-	-	140,302	227,577
Salaries	158,339	196,515	354,854	46,463	63,615	464,932	459,996
Payroll taxes, benefits	26,681	26,471	53,152	7,829	10,719	71,700	68,872
Contracted services	28,997	13,659	42,656	27,345	3,496	73,497	77,927
Cost of goods sold	-	9,386	9,386	-	-	9,386	5,890
Occupancy	20,012	106,733	126,745	4,002	2,668	133,415	122,611
Technology, equipment	3,582	9,658	13,240	1,051	1,439	15,730	18,608
Insurance	3,193	17,030	20,223	639	426	21,288	16,194
Dues and subscriptions	2,407	1,125	3,532	266	364	4,162	4,050
Vehicle and travel	293	7,464	7,757	86	118	7,961	7,283
Supplies	9,364	10,205	19,569	1,676	2,313	23,558	21,799
Interest expense	4,151	22,140	26,291	830	553	27,674	38,048
Property taxes	1,890	-	1,890	-	-	1,890	1,298
Depreciation	2,475	13,201	15,676	495	330	16,501	18,189
TOTAL	\$ 726,771	\$ 433,587	\$ 1,160,358	\$ 90,682	\$ 86,041	\$ 1,337,081	\$ 1,456,944

Greater Matthews Habitat For Humanity, Inc.**Statement of Cash Flows****Year Ended June 30, 2021, with prior year comparative totals**

	For the Year Ended June 30,	
	2021	2020
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 264,317	\$ 159,939
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	16,201	17,889
Amortization of loan fees	300	300
Loan discount on non-interest bearing loans	9,686	(17,262)
Gain on foreclosed homes	(86,381)	(181,758)
(Increase) decrease in operating assets:		
Receivables	108,163	(92,820)
Inventories	(788)	82,059
Deposits	10,000	(269)
Increase (decrease) in operating liabilities:		
Accounts payable	(16,645)	(224)
Refundable advance	(10,000)	10,000
Payroll liabilities	9,539	(1,784)
<i>Cash Flows from Operating Activities</i>	304,392	(23,930)
<u>INVESTING ACTIVITIES</u>		
Proceeds from sale of foreclosed homes	144,998	273,163
Mortgages made to homeowners, net of discounts	(96,698)	(166,423)
Principal payments received from homeowners	210,460	224,517
Discounts on mortgages to homeowners	(153,018)	(140,665)
<i>Cash Flows from Investing Activities</i>	105,742	190,592
<u>FINANCING ACTIVITIES</u>		
Proceeds from note payable, net of discount	35,000	-
Principal paid on note payable	(66,700)	(58,844)
<i>Cash Flows from Financing Activities</i>	(31,700)	(58,844)
CHANGE IN CASH	378,434	107,818
CASH, BEGINNING	605,374	497,556
CASH, ENDING	\$ 983,808	\$ 605,374

Greater Matthews Habitat for Humanity, Inc.

Notes to Financial Statements

June 30, 2021

NOTE 1 – NATURE OF OPERATIONS

Organization

Greater Matthews Habitat for Humanity, Inc., (Habitat) is a North Carolina not-for-profit corporation that was established to encourage, promote and assist development, building, renovation, rehabilitation and maintenance of housing for low-income persons in the general area, inclusive of, but not limited to, the Town of Matthews, County of Mecklenburg, North Carolina. Habitat is an affiliate of Habitat for Humanity International (HFH International).

Activities

Habitat builds homes that are sold to individuals at no profit, utilizing non-interest bearing mortgages. The families are required to contribute 250 hours of “sweat equity” towards the construction of their home and other projects.

Funding sources

Habitat is supported primarily through contributions, grants, and homeowner mortgage payments. In addition, Habitat operates a resale store, which sells donated furniture and goods.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets without donor restrictions can be both undesignated and designated in nature. Undesignated net assets without donor restrictions are those currently available for use in day-to-day operations of Habitat and those resources invested in property and equipment. From time to time, the Board of Directors may designate certain amounts to be utilized or invested to meet specific objectives. Such amounts, if any, are reflected as designated net assets without donor restrictions in the accompanying statement of financial position.

Net Assets With Donor Restrictions - Net assets with donor restrictions consist of amounts that are spendable and non-spendable. Spendable net assets with donor restrictions are subject to donor-imposed stipulations that may or will be met, either by actions of Habitat or the passage of time. When a 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. Contributions whose restrictions are accomplished in the period received are reported as net assets without donor restrictions. Non-spendable net assets with donor restrictions are subject to donor-imposed stipulations that they be maintained permanently by Habitat. During the year ended June 30, 2021, Habitat had no non-spendable net assets with donor restrictions and no remaining spendable net assets with donor restrictions.

Greater Matthews Habitat for Humanity, Inc.

Notes to Financial Statements

June 30, 2021

Receivables

The balance in receivables at year-end consisted primarily of amounts due from homeowners and sales tax paid that will be refunded. These amounts are shown at net realizable value and are expected to be collected in the following fiscal year.

Resale store inventory

Purchased inventory is recorded at cost, utilizing a first-in, first-out flow assumption. Habitat receives a large amount of furniture and other goods which are sold in its resale store. Management has estimated the value of this inventory at any given time approximates one month's sales.

Other inventory

Inventories also include land and construction in process, which are expected to be sold to homeowner, and are carried on the books at cost or the fair value when donated. Donated land is recorded at appraised value; however, if an appraisal was not available at the date of the contribution, it is recorded at the value used for assessing local property taxes. Costs benefiting all lots, including lots to be used in construction, are allocated between lots. Construction in progress consists of construction costs, donated goods and services capitalized in construction and an overhead allocation based on construction expenses and salaries and wages.

Property and equipment

Property is recorded at cost if purchased or fair value if donated, subject to a \$2,500 capitalization policy. Costs that improve or extend the useful lives of assets are capitalized. Amounts paid for maintenance and repairs are expensed as incurred. Depreciation expense is recorded using the straight-line method of depreciation over the estimated useful lives of the assets, ranging from five to ten years for furniture and equipment, five years for vehicles, and ten years for leasehold improvements.

Payroll Protection Program

Habitat obtained a refundable advance for \$88,728 as part of the Payroll Protection Program (PPP) to mitigate the effects of the COVID-19 pandemic. The portion of the advance utilized by June 30, 2021, was \$71,300, and this amount was recognized as income in the accompanying financial statements. The remaining \$10,000 was utilized after year-end and management expect this advance will be formally forgiven in the subsequent year when requests for forgiveness will be accepted. This program is not expected to be a recurring source of income for Habitat.

Donated services

Habitat pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist Habitat with program services, management and general support, and fundraising efforts. Habitat depends on volunteers to construct homes and the resale store utilizes a large number of volunteers for related functions. In accordance with accounting standards, the value of such services is not recorded in the financial statements unless the services require specialized skills or enhance the value of Habitat's assets. During the year, Habitat recorded no donated services.

Greater Matthews Habitat for Humanity, Inc.

Notes to Financial Statements

June 30, 2021

Federal income tax status

Habitat is exempt from Federal income tax on its exempt function income under Internal Revenue Code Section 501(c)(3) under a group exemption letter granted to HFH International, which is classified as other than a private foundation as defined by Section 509(a) of the Internal Revenue Code.

Cash flows

Interest expense paid during the year ended June 30, 2021, amounted to \$2,468.

New accounting pronouncement

Habitat adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers" (ASU 2014-09), in 2021. The core principle of this standard is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The implementation of this standard did not have a material impact on Habitat's financial statements.

Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional allocation of expenses

Expenses that are inherently program, management and general, or fundraising, are charged directly to those functions. Facility costs are allocated based on the estimated square footage utilized by that function. All other expenses are allocated to program services, management and general, and fundraising based on management's estimates of time spent or an analysis of the individual expenses.

NOTE 3 – PROPERTY AND EQUIPMENT

Balance at June 30, 2021

Property and equipment which are used by Habitat in its operations consist of the following at June 30, 2021:

Leasehold improvements	\$	145,976
Furniture and equipment		16,688
Vehicles		45,498
Total		208,162
Less – accumulated depreciation		141,103
<i>PROPERTY AND EQUIPMENT, net</i>	\$	<i>67,059</i>

Greater Matthews Habitat for Humanity, Inc.**Notes to Financial Statements****June 30, 2021**

NOTE 4 – MORTGAGES RECEIVABLE*Balances at June 30, 2021*

Mortgages receivable from homeowners do not bear interest. Therefore, these mortgages are carried on the books net of a discount for the present value of future payments. The interest rate used to determine this discount is established annually by HFH International and was 7.23 percent for the current fiscal year. All mortgages are revalued each year based on this discount rate. Mortgage activity for the year ended June 30, 2021, was as follows:

	<u>Mortgages</u>	<u>Discount</u>
Mortgages receivable, beginning	\$ 3,530,380	\$ 1,701,107
Add – new mortgages	237,000	140,302
<u>Subtotal</u>	<u>3,767,380</u>	<u>1,841,409</u>
Deduct:		
Payments received and amortization of discount	210,460	153,018
Mortgages defaulted and foreclosed	102,491	42,506
<i><u>MORTGAGES RECEIVABLE, ending</u></i>	<i><u>\$ 3,454,429</u></i>	<i><u>\$ 1,645,885</u></i>

Management reviews the outstanding balances regularly for collectability to determine if an allowance for doubtful accounts is needed and has frequent communication with the homeowners and is able to identify collection problems. Because the mortgages are collateralized by the related homes, which are worth more than the discounted mortgage, management feels no allowance for uncollectible accounts is required at June 30, 2021.

Net mortgages receivable of \$1,808,544 are classified as current of \$201,189 and long-term of \$1,607,355 in the accompanying statement of financial position.

NOTE 5 – DEBT

Notes payable as of June 30, 2021, consist of the following obligations:

A note payable with a balance of \$32,475 due to HFH International and is secured by fifteen mortgages owned by Habitat. The note requires monthly payments of \$2,787, applied first to interest at 4.75 percent and then to principal, with all remaining balance due when the loan matures in June 2022. Loan origination fees are being amortized over the life of the loan and \$300 of amortization expense was incurred during the year.

Forty-two notes with original balances of \$25,000 - \$45,000 due to North Carolina Housing Finance Agency. These notes had a total balance of \$785,813, do not bear interest and will be repaid as the mortgage payments are collected from the related homeowners. These noninterest-bearing notes payable are presented on the financial statements net of a present value discount of \$308,018, utilizing a rate of five percent.

Greater Matthews Habitat for Humanity, Inc.

Notes to Financial Statements

June 30, 2021

Maturities of long term debt occur during the year ending June 30:

2022		\$	69,268
2023			36,793
2024			36,793
2025			36,793
2026			36,793
Thereafter			601,848
Total			818,288
Less:			
Present value discount	\$	308,108	
Unamortized loan origination fees		210	308,318
<i>LONG-TERM DEBT, net of discounts</i>		\$	<i>509,970</i>

NOTE 6 – LEASES

Habitat leases warehouse space and office equipment under operating lease agreements. Lease expense for the current fiscal year was \$85,711. Future minimum payments under these leases are due during the year ended June 30:

2022		\$	79,179
2023			80,715
2024			83,147
<i>TOTAL</i>		\$	<i>243,041</i>

NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Habitat has \$1,189,874 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$983,808, receivables of \$4,877, which are expected to be collected during the year, and \$201,189 of mortgage payments due from homeowners within the next year. None of these assets are subject to donor restrictions that they are utilized for a specific purpose. Habitat has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due and maintains a line of credit of up to \$200,000 in case of emergency needs. In addition, as part of its liquidity Habitat invests cash in excess of daily requirements in short-term investments, primarily money market funds.

NOTE 8 - RETIREMENT PLAN

Habitat maintains a retirement plan, as described in Internal Revenue Code Section 401(k), for the benefit of its employees. Employees can make pretax contributions to the plan up to limits established by the Internal Revenue Service. For the year ended June 30, 2021, Habitat chose not to make any matching or discretionary non-elective contributions on behalf of its employees.

Greater Matthews Habitat for Humanity, Inc.**Notes to Financial Statements****June 30, 2021**

NOTE 9 – CONCENTRATIONS OF RISK***Cash***

Cash in bank accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The total cash held by Habitat at year-end includes \$734,043 in excess of insured limits covered by the FDIC.

Geographic area

Habitat operates in a small geographic area and is therefore sensitive to changes in the local economy.

NOTE 10 – RELATED PARTY TRANSACTIONS

Habitat annually remits a portion of its contributions (excluding any in-kind contributions) to HFH International. These funds are used to construct houses in economically depressed areas around the world. During the year, Habitat contributed \$1,500 to HFH International.

NOTE 11 - UNCERTAINTIES

The COVID-19 pandemic has resulted in major changes in the local economy. At this point, the full impact of this pandemic on Habitat is unknown, but management believes that it will negatively impact its support and revenue for the foreseeable future.

NOTE 12 – SUBSEQUENT EVENTS

Habitat has evaluated subsequent events from the date of the statement of financial position through the date of the audit report, which is the date the financial statements were available to be issued. During this period, no material recognizable subsequent events were identified.