

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

***FINANCIAL STATEMENTS
JUNE 30, 2022***

Greater Matthews Habitat for Humanity, Inc.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Greater Matthews Habitat For Humanity, Inc. ("Habitat" - a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, 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, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Matthews Habitat For Humanity, Inc. as of June 30, 2022, 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 of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Greater Matthews Habitat For Humanity, Inc. 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 Greater Matthews Habitat For Humanity, Inc.'s ability to continue as a going concern within 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 auditors' 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 generally accepted auditing standards 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.

Greater Matthews Habitat For Humanity, Inc.
Matthews, North Carolina

Misstatements, including omissions, 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 generally accepted auditing standards, 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 purposes of expressing an opinion on the effectiveness of Greater Matthews Habitat For Humanity, Inc.'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 Greater Matthews Habitat For Humanity, Inc.'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.

Report on Summarized Comparative Information

We have previously audited Habitat's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 8, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

C. Dewitt Ford & Company, P.A.
October 31, 2022

Greater Matthews Habitat For Humanity, Inc.**Statement of Financial Position****June 30, 2022, with prior year comparative totals**

	June 30,	
	2022	2021
ASSETS		
Current Assets:		
Cash	\$ 949,293	\$ 983,808
Receivables:		
Amounts paid on behalf of homeowners	4,245	2,386
Sales tax and other	8,100	2,491
Mortgages, current portion	211,522	201,189
Inventories:		
Land held for development	44,103	20,922
Construction in process	26,156	33,338
Store	57,112	57,112
Total Current Assets	1,300,531	1,301,246
Long-Term Assets:		
Property and equipment (net of depreciation)	52,157	67,059
Mortgages receivable (net of present value discount)	1,610,884	1,607,355
Deposits	14,835	23,360
Total Long-Term Assets	1,677,876	1,697,774
TOTAL ASSETS	\$ 2,978,407	\$ 2,999,020
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 14,893	\$ 15,351
Payroll liabilities	13,582	9,772
Notes payable, current portion	36,126	69,268
Total Current Liabilities	64,601	94,391
Long-Term Liabilities:		
Notes payable (net of present value discount and current portion)	421,413	440,702
Net Assets:		
Net Assets Without Donor Restrictions	2,421,433	2,463,927
Net Assets With Donor Restrictions	70,960	-
Total Net Assets	2,492,393	2,463,927
TOTAL LIABILITIES AND NET ASSETS	\$ 2,978,407	\$ 2,999,020

Greater Matthews Habitat For Humanity, Inc.**Statement of Activities****Year Ended June 30, 2022, with prior year comparative totals**

	For the Year Ended June 30, 2022			Prior Year Comparative Totals
	Without Donor Restrictions	With Donor Restrictions	Total	
<u>SUPPORT AND REVENUE</u>				
Contributions	\$ 159,709	\$ -	\$ 159,709	\$ 123,337
Grants	47,412	76,000	123,412	282,065
Sale of homes	310,000	-	310,000	237,000
Resale store	681,751	-	681,751	699,692
Mortgage amortization	99,929	-	99,929	169,908
Gain on foreclosed mortgages	-	-	-	86,381
Other income	3,606	-	3,606	3,015
Net assets released by payment from restrictions	5,040	(5,040)	-	-
<i>TOTAL</i>	<i>1,307,447</i>	<i>70,960</i>	<i>1,378,407</i>	<i>1,601,398</i>
<u>EXPENSES</u>				
Program Services:				
Construction	753,424	-	753,424	726,771
Resale store	418,184	-	418,184	433,587
Management and general	94,726	-	94,726	90,682
Fundraising	83,607	-	83,607	86,041
<i>TOTAL</i>	<i>1,349,941</i>	<i>-</i>	<i>1,349,941</i>	<i>1,337,081</i>
<i>CHANGE IN NET ASSETS</i>	<i>(42,494)</i>	<i>70,960</i>	<i>28,466</i>	<i>264,317</i>
<i>NET ASSETS, BEGINNING</i>	<i>2,463,927</i>	<i>-</i>	<i>2,463,927</i>	<i>2,199,610</i>
<i>NET ASSETS, ENDING</i>	<i>\$ 2,421,433</i>	<i>\$ 70,960</i>	<i>\$ 2,492,393</i>	<i>\$ 2,463,927</i>

Greater Matthews Habitat For Humanity, Inc.**Statement of Functional Expenses****Year Ended June 30, 2022, with prior year comparative totals**

	Program Services			Management and General	Fund Raising	TOTAL	Prior Year Comparative Totals
	Construction	Resale Store	Total				
Cost of homes	\$ 250,346	\$ -	\$ 250,346	\$ -	\$ -	\$ 250,346	\$ 325,085
Discount on mortgages	186,724	-	186,724	-	-	186,724	140,302
Salaries	207,147	193,735	400,882	51,803	61,811	514,496	464,932
Payroll taxes, benefits	29,016	25,173	54,189	7,256	8,658	70,103	71,700
Contracted services	27,882	14,270	42,152	26,270	5,259	73,681	73,497
Cost of goods sold	-	9,677	9,677	-	-	9,677	9,386
Occupancy	20,200	107,735	127,935	4,040	2,693	134,668	133,415
Technology, equipment	3,834	7,946	11,780	959	1,144	13,883	15,730
Insurance	2,332	12,437	14,769	466	311	15,546	21,288
Dues and subscriptions	2,631	1,058	3,689	283	337	4,309	4,162
Vehicle and travel	3,559	5,166	8,725	890	1,062	10,677	7,961
Supplies	9,889	7,011	16,900	1,484	1,483	19,867	23,558
Interest expense	4,135	22,055	26,190	827	551	27,568	27,674
Property taxes	3,494	-	3,494	-	-	3,494	1,890
Depreciation	2,235	11,921	14,156	448	298	14,902	16,501
TOTAL	\$ 753,424	\$ 418,184	\$ 1,171,608	\$ 94,726	\$ 83,607	\$ 1,349,941	\$ 1,337,081

Greater Matthews Habitat For Humanity, Inc.**Statement of Cash Flows****Year Ended June 30, 2022, with prior year comparative totals**

	For the Year Ended June 30,	
	2022	2021
<u>OPERATING ACTIVITIES</u>		
Change in net assets	\$ 28,466	\$ 264,317
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	14,902	16,201
Amortization of loan fees	300	300
Loan discount on non-interest bearing loans	26,593	9,686
Gain on foreclosed homes	-	(86,381)
(Increase) decrease in operating assets:		
Receivables	(7,468)	108,163
Inventories	(15,999)	(788)
Deposits	8,525	10,000
Increase (decrease) in operating liabilities:		
Accounts payable	(458)	(16,645)
Refundable advance	-	(10,000)
Payroll liabilities	3,810	9,539
<i>Cash Flows from Operating Activities</i>	<i>58,671</i>	<i>304,392</i>
<u>INVESTING ACTIVITIES</u>		
Proceeds from sale of foreclosed homes	-	144,998
Mortgages made to homeowners, net of discounts	(123,276)	(96,698)
Principal payments received from homeowners	209,343	210,460
Discounts on mortgages to homeowners	(99,929)	(153,018)
<i>Cash Flows from Investing Activities</i>	<i>(13,862)</i>	<i>105,742</i>
<u>FINANCING ACTIVITIES</u>		
Proceeds from note payable, net of discount	-	35,000
Principal paid on note payable	(79,324)	(66,700)
<i>Cash Flows from Financing Activities</i>	<i>(79,324)</i>	<i>(31,700)</i>
CHANGE IN CASH	(34,515)	378,434
CASH, BEGINNING	983,808	605,374
CASH, ENDING	\$ 949,293	\$ 983,808

Greater Matthews Habitat for Humanity, Inc.

Notes to Financial Statements

June 30, 2022

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 temporary in nature, which are subject to donor-imposed stipulations that may or will be met, either by actions of Habitat or the passage of time, and net assets held in perpetuity, which are subject to donor-imposed stipulations that they be maintained permanently by Habitat. 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. At June 30, 2022, Habitat had purpose restricted net assets of \$15,000 for an FY23 Home Build and \$55,960 for truck and restore repairs. During the year ended June 30, 2022, Habitat had no net assets with donor restrictions that they be maintained in perpetuity.

Greater Matthews Habitat for Humanity, Inc.

Notes to Financial Statements

June 30, 2022

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 a 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.

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.

Future accounting pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either financing or operating, with classifications affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2022. It is expected that the implementation of this standard will result in an increase in assets and liabilities, but it will not result in a material change in net assets.

Greater Matthews Habitat for Humanity, Inc.

Notes to Financial Statements

June 30, 2022

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.

Interest expense

Interest expense paid during the year ended June 30, 2022, amounted to \$977.

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, 2022

Property and equipment which are used by Habitat in its operations consist of the following at June 30, 2022:

Leasehold improvements	\$	145,976
Furniture and equipment		16,688
Vehicles		45,498
Total		208,162
Less – accumulated depreciation		156,005
<u>PROPERTY AND EQUIPMENT, net</u>		\$ 52,157

NOTE 4 – MORTGAGES RECEIVABLE

Balances at June 30, 2022

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 7.49 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, 2022, was as follows:

Greater Matthews Habitat for Humanity, Inc.**Notes to Financial Statements****June 30, 2022**

	<u>Mortgages</u>	<u>Discount</u>
Mortgages receivable, beginning	\$ 3,454,429	\$ 1,645,885
Add – new mortgages	310,000	186,724
Subtotal	3,764,429	1,832,609
Deduct:		
Payments received and amortization of discount	209,343	99,929
Mortgages defaulted and foreclosed	-	-
<u>MORTGAGES RECEIVABLE, ending</u>	<u>\$ 3,555,086</u>	<u>\$ 1,732,680</u>

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, 2022.

Net mortgages receivable of \$1,822,406 are classified as current of \$211,522 and long-term of \$1,610,884 in the accompanying statement of financial position.

NOTE 5 – DEBT

Notes payable as of June 30, 2022, consist of forty notes with original balances of \$25,000 - \$45,000 due to North Carolina Housing Finance Agency. These notes had a total balance of \$738,965, 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 \$281,426, utilizing a rate of five percent.

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

2023	\$ 36,126
2024	36,126
2025	36,126
2026	36,126
Thereafter	594,461
Total	738,965
Less:	
Present value discount	281,426
<u>LONG-TERM DEBT, net of discounts</u>	<u>\$ 457,539</u>

Greater Matthews Habitat for Humanity, Inc.

Notes to Financial Statements

June 30, 2022

A note payable due to HFH International matured during the year. Loan origination fees are being amortized over the life of the loan and \$300 of amortization expense was incurred during the year.

NOTE 6 – LEASES

Habitat leases warehouse space and office equipment under operating lease agreements. Lease expense for the current fiscal year was \$79,129. Future minimum payments under these leases are due during the year ended June 30:

2023	\$ 80,715
2024	83,147
2025	85,590
2026	88,158
<i>TOTAL</i>	<i>\$ 337,610</i>

NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Habitat has \$1,173,160 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$949,293, receivables of \$12,345, which are expected to be collected during the year, and \$211,522 of mortgage payments due from homeowners within the next year. \$70,960 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, 2022, Habitat chose not to make any matching or discretionary non-elective contributions on behalf of its employees.

NOTE 9 – CONCENTRATIONS OF RISK

Cash

Cash in bank accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). Habitat regularly maintains cash in excess of insured limits covered by the FDIC but management believes the risk is minimal due to the creditworthiness of the financial institution.

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 – 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.