

**HABITAT FOR HUMANITY OF  
GREENVILLE COUNTY, S.C., INC.**

**AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2009**

HABITAT FOR HUMANITY OF  
GREENVILLE COUNTY, S.C., INC.

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF ACTIVITIES	3
STATEMENT OF FUNCTIONAL EXPENSES	4
STATEMENT OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6-10



McKINLEY, COOPER & CO., LLP

CERTIFIED PUBLIC ACCOUNTANTS  
Suite 225  
555 North Pleasantburg Drive  
GREENVILLE, SOUTH CAROLINA 29607-2191  
-----  
(864) 233-1800 FAX (864) 232-6971



The CPA Never Underestimates The Value™

Members  
American Institute of  
Certified Public Accountants  
S.C. Association of  
Certified Public Accountants

Toni R. McKinley  
Robert C. Cooper

### Independent Auditor's Report

The Director and Members of the Board  
Habitat for Humanity of Greenville County, S.C., Inc.  
Greenville, South Carolina

We have audited the accompanying statements of financial position of Habitat for Humanity of Greenville County, S.C., Inc. as of June 30, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Habitat for Humanity of Greenville County, S.C., Inc.'s management. Our responsibility is to express an opinion on the financial statements based on our audits.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Greenville County, S.C., Inc. as of June 30, 2009, and the changes in net assets and its cash flows for the period then ended in conformity with accounting principles generally accepted in the United States of America.

*McKinley, Cooper & Co., LLP*

February 10, 2010

HABITAT FOR HUMANITY OF  
GREENVILLE COUNTY, S.C., INC.

STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2009

ASSETS

**ASSETS**

Cash and cash equivalents	\$ 587,252
Mortgage notes receivable, net of unamortized discounts	5,611,588
Grants receivable	34,632
Accounts receivable	11,453
Cost of homes under construction	344,962
Completed homes available for sale	487,141
Residential property held for development	222,824
Property and equipment, net of accumulated depreciation	325,663
Other asset	5,000
	<hr/>
<b>Total assets</b>	<b>\$ 7,630,515</b>

LIABILITIES AND NET ASSETS

**LIABILITIES**

Accounts payable	\$ 13,181
Homeowner escrow and prepaid expenses	81,517
	<hr/>
<b>Total liabilities</b>	<b>94,698</b>

**NET ASSETS**

Unrestricted	7,535,817
	<hr/>
<b>Total net assets</b>	<b>7,535,817</b>
	<hr/>
<b>Total liabilities and net assets</b>	<b>\$ 7,630,515</b>

*The accompanying notes are an integral part of these financial statements.*

**HABITAT FOR HUMANITY OF  
GREENVILLE COUNTY, S.C., INC.**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT, REVENUE AND GAINS</b>			
Contributions	\$ 784,593	\$ -	\$ 784,593
Transfers to homeowners	606,000	-	606,000
In-kind contributions	75,541	-	75,541
Grant revenue	336,295	-	336,295
Special events	35,875	-	35,875
Thrift store sales	290,336	-	290,336
Other rental property	24,865	-	24,865
Interest	2,985	-	2,985
Other income	40,892	-	40,892
Released from restrictions	42,402	(42,402)	-
	<u>2,239,784</u>	<u>(42,402)</u>	<u>2,197,382</u>
<b>EXPENSES AND LOSSES</b>			
Program services	1,622,021	-	1,622,021
Supporting services			
Fundraising	271,685	-	271,685
Management and general	423,206	-	423,206
	<u>2,316,912</u>	<u>-</u>	<u>2,316,912</u>
<b>CHANGE IN NET ASSETS</b>	(77,128)	(42,402)	(119,530)
<b>NET ASSETS, beginning of period</b>	<u>7,612,945</u>	<u>42,402</u>	<u>7,655,347</u>
<b>NET ASSETS, end of period</b>	<u>\$ 7,535,817</u>	<u>\$ -</u>	<u>\$ 7,535,817</u>

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

**HABITAT FOR HUMANITY OF  
GREENVILLE COUNTY, S.C., INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2009**

	Program Services				Supporting Services	
	Construction	Family Support and Educational Ministries	Discount on Mortgage Originations	Total	Fundraising	Management and General
Salaries	\$ 245,957	\$ 124,987	\$ -	\$ 370,944	\$ 142,703	\$ 153,612
Payroll taxes and employee benefits	4,201	28,363	-	32,564	15,841	14,643
Cost of homes transferred	831,837	-	-	831,837	-	-
Insurance	24,541	3,593	-	28,134	16,560	15,549
Office supplies	1,445	2,055	-	3,500	-	8,007
Telephone/cell phones	4,266	276	-	4,542	854	15,808
Travel/entertainment	-	1,738	-	1,738	-	10,853
Utilities	-	-	-	-	14,428	6,975
Volunteer recognition	-	4	-	4	-	-
Thrift store supplies	-	-	-	-	21,707	-
Truck expense	7,517	396	-	7,913	11,719	-
Uncollectible house payments	3,491	-	-	3,491	-	-
Depreciation	-	-	-	-	-	34,256
Mortgage discount	-	-	177,978	177,978	-	-
Credit reports	-	2,012	-	2,012	-	-
Professional fees	-	-	-	-	-	18,215
Postage	-	2,245	-	2,245	-	2,049
Repairs to completed homes	43,419	-	-	43,419	-	-
Repairs and maintenance	23,970	-	-	23,970	6,445	6,849
Training	877	1,255	-	2,132	-	-
Volunteer support	1,565	16,473	-	18,038	-	-
Staff support	2,250	176	-	2,426	-	2,194
Contributions	-	-	-	-	-	76,060
Interest	-	-	-	-	4,401	-
Advertising	-	-	-	-	17,691	-
Rental	-	-	-	-	16,352	-
Bank charges	-	-	-	-	2,984	647
Contract labor	25,179	-	-	25,179	-	-
Development/presentation materials	-	9,924	-	9,924	-	-
Marketing	-	29,666	-	29,666	-	-
Computer	-	-	-	-	-	25,063
Other	140	225	-	365	-	32,426
	<u>\$ 1,220,655</u>	<u>\$ 223,388</u>	<u>\$ 177,978</u>	<u>\$ 1,622,021</u>	<u>\$ 271,685</u>	<u>\$ 423,206</u>

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

**HABITAT FOR HUMANITY OF  
GREENVILLE COUNTY, S.C., INC.**

**STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2009**

<b>OPERATING ACTIVITIES</b>	<b>\$ (119,530)</b>
Decrease in net assets	(119,530)
Adjustments to reconcile change in net assets to net cash Used for operating activities	
Depreciation	34,256
Decrease in mortgages receivable	52,467
(Increase) in grants receivable	(34,632)
Decrease in pledges receivable	47,601
(Increase) in accounts receivable	(7,726)
Decrease in cost of homes under construction	59,380
(Increase) in houses constructed by Habitat	(41,421)
Decrease in inventory	44,000
(Increase) in other assets	(5,000)
Increase in accounts payable	4,832
Increase in escrow of taxes and insurance	1,089
	<hr/>
<b>Net cash provided by operating activities</b>	<b>35,316</b>
	<hr/>
<b>INVESTING ACTIVITIES</b>	
Purchases of property and equipment	(93,622)
	<hr/>
<b>Net cash (used for) investing activities</b>	<b>(93,622)</b>
	<hr/>
<b>FINANCING ACTIVITIES</b>	
Payments on notes payable	(67,048)
	<hr/>
<b>Net cash (used for) financing activities</b>	<b>(67,048)</b>
	<hr/>
<b>NET DECREASE IN CASH</b>	<b>(125,354)</b>
<b>CASH, beginning of period</b>	<b>712,606</b>
	<hr/>
<b>CASH, end of period</b>	<b>\$ 587,252</b>
	<hr/> <hr/>
<b>SUPPLEMENTAL DISCLOSURES</b>	
Interest paid	4,401
	<hr/> <hr/>

*The accompanying notes are an integral part of these financial statements.*

**HABITAT FOR HUMANITY OF  
GREENVILLE COUNTY, S.C., INC.**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE 1 - ORGANIZATION AND PURPOSE**

Habitat for Humanity of Greenville County, S.C., Inc. ("Habitat") is an interdenominational, nonprofit organization whose mission is the construction and sale of quality housing to underprivileged families.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

Habitat reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, Habitat is required to present a statement of cash flows.

**Donor-Imposed Restrictions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, Habitat reports that support as unrestricted.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, Habitat considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Donated Assets**

Donated assets are recorded as contributions at their estimated fair values at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

**Houses Constructed by Habitat**

Historical cost records are not available for many of the houses owned by Habitat before December 31, 1992. Consequently, the cost of the houses constructed by Habitat before December 31, 1992 were estimated at \$30,500 each. Houses constructed after that date are carried at historical cost in the financial statements.

**Inventory**

Purchased inventory is valued at the lower of cost or market. Donated inventory is stated at fair market value at the date of contribution. Inventory consists of building materials and miscellaneous home construction supplies.

## **Fair Value of Financial Instruments**

The carrying values of cash and cash equivalents, other receivables, due to/from related organizations, and accounts payable and accruals approximate fair value because of the terms and relative short maturity of financial instruments. The carrying values, which are the fair value of investments, are based on values provided by an external investment manager or comparison to quoted market values.

## **Property and Equipment**

Property and equipment are stated at cost. Depreciation is computed on the straight-line basis over the estimated useful life of the assets, which is 3-30 years.

## **Contributed Services and In-Kind Contributions**

Local businesses and volunteers have contributed significant amounts of labor to Habitat for house construction. The value of these services is not reflected in Habitat's financial statements.

Habitat also receives substantial building materials and products as contributions to its programs. These items are reflected in the financial statements only when the donor provides documentation of the fair market value of the contribution.

## **Income Taxes**

Habitat is recognized as an organization exempt from federal income tax on related income under Section 501(a) of the Internal Revenue Code (the "Code") as described as an organization in Section 501(c)(3) of the Code. Accordingly, only unrelated business income, as defined by Section 513 of the Code, is subject to federal income tax. For the year ended June 30, 2009, Habitat's unrelated business income was \$0.

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. ("FIN") 48, *Accounting for Uncertainty in Income Taxes*, which clarifies the accounting for uncertainty in income tax recognized in an entity's financial statements in accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*. FIN 48 requires entities to determine whether it is more-likely-than-not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. This interpretation also provides guidance on derecognition, classification, accounting in interim periods, and expanded disclosure requirements. FASB Staff Position (FSP) 48-3 defers the effective date of FIN 48 for certain non-public enterprises for fiscal years beginning after December 15, 2008. Habitat has elected to defer the application of FIN 48 in accordance with FSP 48-3. During the deferral period of the application of FIN 48, Habitat will continue to evaluate uncertain tax positions utilizing the underlying principles of SFAS 109 and Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies*.

## **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## **Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

### **NOTE 3 – CONCENTRATION OF CREDIT RISK**

Habitat maintains bank accounts at various financial institutions covered by the FDIC. At times throughout the year, Habitat may maintain bank account balances in excess of the FDIC insured limit. Due to the strong credit rating of these financial institutions, Habitat believes it is not exposed to any significant credit risk to cash.

### **NOTE 4 – NEW ACCOUNTING PRONOUNCEMENTS**

Effective July 1, 2008, Habitat adopted FASB SFAS No. 157, Fair Value Measurements, as amended. FASB SFAS No. 157 defines fair value, establishes a consistent framework for measuring fair value in accordance with GAAP, and expands disclosure requirements about fair value measurements.

FASB SFAS No. 157 also requires that valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs in accordance with the following fair value: quoted prices in active markets for identical assets or liabilities (Level 1 measurements), significant other observable inputs (Level 2 measurements), and significant unobservable inputs (Level 3 measurements). The fair value measurement is assigned an overall input level based on the lowest level input that is significant to the fair value measurement in its entirety.

The optional provisions of FASB SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities became effective for fiscal year 2009. These optional provisions give Habitat the irrevocable option to report most financial assets and liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings.

### **NOTE 5 – FAIR VALUE MEASUREMENTS**

The accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – financial instruments with quoted prices in active markets for identical assets or liabilities.

Level 2 – financial instruments with valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – financial instruments that are not actively traded on a market exchange and require using significant unobservable inputs in determining fair value. The inputs into the determination of fair value require significant judgment or estimation by the investment manager.

The following tables summarize the valuation of Habitat's financial assets and liabilities measured at fair value as of June 30, 2009, based on the level of input utilized to measure fair value:

Assets measured at fair value	Fair value at June 30, 2009	Fair value measurements at June 30, 2009 using		
		Quoted prices in active markets for identical assets and liabilities (Level 1 inputs)	Quoted prices for similar assets and liabilities (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
Money Market Funds	\$ 490,262	\$ 490,262	\$ -	\$ -
Mortgage Notes Receivable	6,988,468	-	6,988,468	-
Completed Homes Available for Sale	487,141	-	-	487,141
Residential Property Held for Development	222,824	-	-	222,824
Total assets at fair value	\$ 8,188,695	\$ 490,262	\$ 6,988,468	\$ 709,965

The table below sets forth a summary of changes in the fair value of Habitat's Level 3 assets for the year ended June 30, 2009:

	Level 3 Assets Year Ended June 30, 2009
Balance, beginning of year	\$ 589,101
Purchases	936,596
Sales	(815,732)
Balance, end of year	\$ 709,965

Prices for money market funds are readily available in the active markets in which those securities are traded, and the resulting fair values are shown in the "Level 1 input" column.

Prices for the mortgage notes receivable are not readily available in active markets, but are determined based on observable data for similar assets and liabilities when available. The resulting fair values for these positions are shown in the "Level 2 input" column.

The fair value of the completed homes available for sale and residential property held for development are calculated using assumptions. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and the resulting fair values are shown in the "Level 3 input" column.

#### **NOTE 6 - MORTGAGE NOTES RECEIVABLE**

Upon the sale of a home, Habitat transfers the cost inventoried in construction in process to mortgage notes receivable.

Non-interest bearing mortgages have been discounted at various rates ranging from 3.25 percent to 9.50 percent based on prevailing market rates at the inception of the mortgages.

Mortgage notes receivable	\$ 6,988,468
Unamortized discount	(1,376,880)
	\$ 5,611,588

#### **NOTE 7 - COMPLETED HOMES AVAILABLE FOR SALE**

At June 30, 2009 completed homes available for sale consisted of the following:

Cost of homes

\$ 487,141

Lease payments received from potential homeowners are applied directly to the cost of the homes and recognized at such time as a program participant purchases the home. In accordance with accounting principles generally accepted in the United States of America, mortgage discounts are netted against the cost of homes, resulting from zero interest loans obtained by Habitat for operations and construction of the homes.

#### **NOTE 8 - PROPERTY AND EQUIPMENT**

At June 30, 2009, property and equipment consisted of the following:

Buildings	\$ 268,977
Land	50,227
Equipment	141,032
Vehicles	64,411
	<u>524,647</u>
Less accumulated depreciation	(198,984)
	<u>\$ 325,663</u>

Depreciation expense for the year ended June 30, 2009 totaled \$34,256.

#### **NOTE 9 - OPERATING LEASE**

Habitat entered into an agreement in March, 2004 to lease a photocopy machine for a period of sixty months at \$233 per month. Other office equipment is leased under month to month terms. Lease expense during the year ended June 30, 2009 totaled \$2,798.

#### **NOTE 10 - THRIFT STORE OPERATIONS**

A thrift store began operations in mid-1995 for the purpose of raising funds for Habitat operations. Building supplies not utilized by Habitat in home construction and miscellaneous household items donated by the general public are available for sale at the store.

#### **NOTE 11 - SUBSEQUENT EVENTS**

On July 28, 2009, Habitat purchased an office building for \$503,750. The building is financed by a note payable to the Bank of Travelers Rest in the amount of \$479,822 with 83 monthly payments of \$3,480, plus interest at 6.15%. A final payment of \$376,592 is due September 28, 2016.

Subsequent events have been evaluated through March 4, 2010, which is the date the financial statements were available to be issued.