Habitat for Humanity of Greenville County, S.C., Inc.
And Subsidiary

Report on Consolidated Financial Statements

As of and for the Years Ended June 30, 2018 and 2017

Habitat for Humanity of Greenville County, S. C., Inc. and Subsidiary
Table of Contents

LYNNE D. JONES, CPA
Accounting . Auditing . Advisory Services

Independent Auditor's Report

The Board of Directors
Habitat for Humanity of Greenville County, S.C., Inc.
Greenville, South Carolina

I have audited the accompanying consolidated financial statements of Habitat for Humanity of Greenville County, S.C., Inc. and Subsidiary, (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements. The prior year summarized comparative information included in the statement of functional expenses has been derived from the 2017 financial statements and, in my report dated August 18, 2017, I expressed an unqualified opinion on those 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

My responsibility is to express an opinion on these consolidated financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the consolidated 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, I 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 consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audits.

Opinion

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Greenville County, S.C., Inc. and Subsidiary as of June 30, 2018 and 2017, and the 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.

Lynne D. Jones

September 21, 2018
Greenville, South Carolina

www.ljonescpa.com

11 North Irvine Street, Suite #4 . Greenville, S.C. 29601
p 864.380.3275 f 864.551.4566 e ljones@ljonescpa.com

Member AICPA & S

Habitat for Humanity of Greenville County, S.C. Inc. and Subsidiary
Consolidated Statements of Financial Position
As of June 30,

		2018		2017
Assets				
Cash and cash equivalents	$	456,831	$	178,432
Accounts receivable		70,519		75,381
Restricted cash for mortgage escrows		-		2,182
Prepaid expenses		46,399		63,913
ReStore Inventory		164,913		144,730
Houses under construction		440,808		439,131
Completed homes awaiting mortgage or available for sale		187,905		376,454
Residential property held for development		739,818		634,251
Non-interest bearing mortgage loans receivable		7,927,592		7,869,841
less discount		(3,617,587)		(3,734,489)
Mortgage loans receivable, net		4,310,005		4,135,352
Property and equipment, net of accumulated depreciation		4,129,184		3,880,666
Deposits		6,150		6,150
Total assets	$	10,552,532	$	9,936,642
Liabilities and Net Assets				
Accounts payable and accrued expenses	$	297,256	$	246,662
Deferred rent		31,482		-
Funds held for others		-		2,273
Deferred revenues		1,200		17,942
Line of credit payable		735,813		346,362
Notes payable		4,119,411		4,255,273
Unamortized debt issuance costs, net		(10,853)		(15,384)
Notes payable net of unamortized debt issuance costs		4,108,558		4,239,889
Total liabilities	$	5,174,309	$	4,853,128
Net assets				
Unrestricted		5,037,504		4,829,963
Temporarily restricted		340,719		253,551
Total net assets		5,378,223		5,083,514
Total liabilities and net assets	$	10,552,532	$	9,936,642

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

Habitat for Humanity of Greenville County, S.C. Inc. and Subsidiary
Consolidated Statements of Activities
For the Years Ended June 30,

	2018	2017
Unrestricted revenues, gains and other support		
Support, revenue and gains		
Contributions	$ 697,645	$ 1,243,087
In-kind donations of materials and supplies for construction	223,765	136,248
Total contributions	921,410	1,379,335
Sales to homeowners	1,547,237	1,556,639
Lease purchase income	2,000	4,453
ReStore retail sales	1,738,509	1,578,124
Housing grants	188,616	43,420
Imputed interest income on non-interest bearing mortgage loans receivable	587,368	270,651
Repairs to completed homes income	-	15,000
Rental income	348,266	365,819
Common area maintenance income	15,840	54,760
Weatherization income	63,309	7,238
Gain on sale of assets	192,602	2,623
Other revenue, net	14,180	12,640
Net assets released from restriction	692,036	430,357
Total unrestricted revenues, gains and other support	6,311,373	5,721,059
Expenses		
Program:		
Construction, supervision and support	2,143,918	2,126,732
Family services	186,934	163,347
Volunteer support	227,510	199,743
ReStore retail operations	1,482,529	1,253,880
Discounts on current year non-interest bearing mortgage loans receivable	470,467	773,334
Total program expenses	4,511,358	4,517,036
Development	460,203	480,310
Management and general	874,343	706,125
Hampton Point LLC	257,928	276,719
Total expenses	6,103,832	5,980,190
Increase (decrease) in unrestricted net assets	207,541	(259,131)
Temporarily restricted revenues		
Contributions	779,204	558,994
Net assets released from restrictions	(692,036)	(430,357)
Increase in temporarily restricted net assets	87,168	128,637
Increase (decrease) in net assets	294,709	(130,494)
Net assets, beginning of year	5,083,514	5,214,008
Net assets, end of year	$ 5,378,223	$ 5,083,514

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

Habitat for Humanity of Greenville County, S.C. Inc. and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

	Program Services						Supporting Services					
	Construction Supervision and Support	**Family Services**	**Volunteer Support**	**ReStore Operations**	**Discount on Mortgage Originations**	**Total Program Services**	**Development**	**Management & General**	**★ Hampton Point, LLC**	**Total Supporting Services**	**Total Expenses 2018**	Total Expenses 2017
Bank charges and credit card fees	$ 137	$ -	$ -	$ 29,479	$ -	$ 29,616	$ 13,812	$ 648	$ 55	$ 14,515	$ 44,131	31,855
Board expenses	-	-	-	-	-	-	-	9,746	-	9,746	9,746	7,679
Computer/IT	10,945	4,392	4,899	5,589	-	25,825	10,550	15,153	3,743	29,446	55,271	49,915
Cost of homes transferred to homeowers	1,328,365	-	-	-	-	1,328,365	-	-	-	-	1,328,365	1,431,934
Third party servicing fees	-	-	-	-	-	-	-	20,849	-	20,849	20,849	23,723
Fees paid to Habitat International	-	-	-	-	-	-	-	16,000	-	16,000	16,000	17,985
Cost of goods sold - donated and purchased	-	-	-	165,032		165,032	-	-	-	-	165,032	62,352
Depreciation	31,871	2,779	3,382	22,039	-	60,071	6,841	12,680	55,586	75,107	135,178	121,037
Write off of debt issuance costs	-	-	-	-	-	-	-	-	9,361	9,361	9,361	-
Development/presentation materials	2,777	266	17,765	33,627	-	54,435	137,101	4,866	-	141,967	196,402	184,867
Discount on current year non-interest bearing mortgage loans receivable	-	-	-	-	470,467	470,467	-	-	-	-	470,467	773,334
Dues and subscriptions	1,652	557	57	1,115	-	3,381	1,175	16,459	-	17,634	21,015	16,220
Dumpster	405	-	-	31,750	-	32,155	-	-	-	-	32,155	29,441
Global Village expenses	-	-	3,535	-	-	3,535	-	21,618	-	21,618	25,153	-
Insurance	28,751	145	1,773	45,199	-	75,868	587	19,859	6,888	27,334	103,202	116,617
Interest	-	-	-	-	-	-	-	96,787	71,865	168,652	168,652	165,079
Management fees	-	-	-	-	-	-	-	-	12,900	12,900	12,900	6,884
Other	18	4,426	-	4,224	-	8,668	102	9,775	738	10,615	19,283	31,800
Neighborhood revitalization	5,696	-	-	-	-	5,696	-	-	-	-	5,696	10,450
Office supplies and expenses	1,380	1,083	781	10,243	-	13,487	1,753	17,447	-	19,200	32,687	31,889
Other construction related costs	19,998	-	75	128	-	20,201	-	250	-	250	20,451	35,613
Payroll taxes and employment benefits	84,218	34,225	33,444	185,539	-	337,426	46,898	90,388	-	137,286	474,712	447,496
Employee recognition	-	110	-	2,435	-	2,545	-	14,108	-	14,108	16,653	11,290
Neighborhood Improvement Plan expenses	40,559	-	-	-	-	40,559	-	-	-	-	40,559	42,642
Professional development and training	1,796	3,949	1,691	1,229	-	8,665	2,924	7,764	-	10,688	19,353	25,031
Postage	-	14	27	26	-	67	2,256	5,119	-	7,375	7,442	4,346
Professional fees	-	-	-	930	-	930	1,500	52,883	4,839	59,222	60,152	79,481
Property taxes	835	-	-	14,486	-	15,321	-	19,800	29,760	49,560	64,881	51,168
Repairs and maintenance	6,207	-	-	12,138	-	18,345	-	11,794	42,640	54,434	72,779	40,167
Repairs to completed homes	15,992	-	-	-	-	15,992	-	-	-	-	15,992	24,772
ReStore rent and other expenses	-	-	-	128,782	-	128,782	-	-	-	-	128,782	136,179
Salaries and contract labor	247,228	119,904	116,302	670,366	-	1,153,800	223,520	368,423	-	591,943	1,745,743	1,613,113
Subdivision infrastructure	158,766	-	-	-	-	158,766	-	-	-	-	158,766	40,793
Telephone	12,443	3,876	4,242	15,027	-	35,588	5,080	7,445	-	12,525	48,113	40,032
Travel, meals and entertainment	5,839	1,535	32,791	13,705	-	53,870	6,029	18,695	-	24,724	78,594	69,594
Utilities	19,545	-	-	43,453	-	62,998	75	15,756	19,553	35,384	98,382	62,409
Vehicle expense	18,374	-	3,012	45,827	-	67,213	-	31	-	31	67,244	43,042
Vista/Americorps contract labor	26,359	9,673	-	-	-	36,032	-	-	-	-	36,032	43,948
Volunteer support	-	-	3,734	161	-	3,895	-	-	-	-	3,895	3,274
Weatherizations	73,762	-	-	-	-	73,762	-	-	-	-	73,762	52,739
	$ 2,143,918	$ 186,934	$ 227,510	$ 1,482,529	$ 470,467	$ 4,511,358	$ 460,203	$ 874,343	$ 257,928	$ 1,592,474	$ 6,103,832	$ 5,980,190

★ The Organization's Supporting Services less Hampton Point, LLC are $1,334,546, or 22% of total expenses for the year ended June 30, 2018

The accompanying notes are an integral part of these financial statements

Habitat for Humanity of Greenville County, S.C. Inc. and Subsidiary
Consolidated Statements of Cash Flows
For the Years Ended June 30,

	2018	2017
Cash flows from Operating Activities		
Change in net assets	$ 294,709	$ (130,494)
Adjustments to reconcile the change in net assets		
to net cash provided by operating activities:		
Imputed interest income on non-interest bearing mortgage loans	(587,368)	(270,651)
Discount on current year non-interest bearing mortgage loans	470,467	773,334
Depreciation	135,178	121,037
Amortization of debt issuance costs	3,070	1,600
Gain on sale of property and equipment	(182,555)	-
Write-off of debt issuance costs	9,361	-
Net changes in operating assets and liabilities:		
Accounts receivable	4,862	(27,387)
Prepaid expenses	17,514	9,300
ReStore inventory	(20,183)	(32,081)
Restricted cash for mortgage escrows	2,182	4,612
Mortgage loans receivable	(57,752)	(680,630)
Houses under construction	(1,677)	(14,650)
Completed homes awaiting mortgage or available for sale	188,549	573,299
Residential property held for development	(105,567)	(285,391)
Accounts payable and accrued expenses	50,594	72,080
Deferred rent	31,482	-
Funds held for others	(2,273)	(4,521)
Deferred revenue	(16,742)	1,848
Deposits	-	(6,150)
Net cash provided by operating activities	233,851	105,155
Cash flows from Investing Activities		
Proceeds on sale of property and equipment	367,659	-
Purchase of property and equipment	(568,800)	(3,255,298)
Net cash used in investing activities	(201,141)	(3,255,298)
Cash flows from Financing Activities		
Payments of debt issuance costs	(7,900)	(10,212)
Net borrowings on line of credit	389,451	178,678
Principal payments of notes payable	(3,012,992)	(98,506)
Proceeds from issuance of notes payable	2,877,130	3,120,000
Net cash provided by financing activities	245,689	3,189,960
Net increase in cash and cash equivalents	278,399	39,817
Cash and cash equivalents, beginning of year	178,432	138,615
Cash and cash equivalents, end of year	$ 456,831	$ 178,432
Supplemental disclosure of cash flow information:		
Cash paid for interest during the year	$ 184,113	$ 163,478

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

NOTE 1 – BACKGROUND AND ORGANIZATION

The consolidated financial statements include the accounts of Habitat for Humanity of Greenville County, S.C., Inc. ("Habitat"), and its subsidiary, Habitat for Humanity of Greenville County at Hampton Point, LLC ("Hampton Point"), collectively forming the "Organization."

Habitat (a nonprofit corporation) is an independently and locally governed affiliate of Habitat for Humanity International. Habitat was incorporated on September 20, 1985 as an interdenominational, nonprofit organization whose mission is the construction and sale of quality housing to underprivileged families in the Greenville, South Carolina and surrounding communities. Habitat builds market-quality affordable homes, utilizing volunteer labor and sells homes to qualified low-income families. Habitat requires each of its home buyers to provide "sweat-equity" by participating in a significant amount of labor in its home construction program. In addition, each homeowner is provided pre-purchase and post-purchase homeowner education and counseling. Although Habitat for Humanity International assists with informational and fiscal resources, Habitat is primarily responsible for its own operations. Habitat's programs are funded through contributions, grants and in-kind donations from individuals, foundations, corporations, public agencies and religious organizations.

Habitat's program services include its home construction program, which includes a weatherization program for older homes, family and educational support program and volunteer services program.

In addition to its home building activities, Habitat operates two Habitat for Humanity ReStores (the "ReStores") as retail operations where building supplies, not utilized by Habitat in home construction, and home furnishings, appliances and other miscellaneous items donated by the general public, are available for sale. All net proceeds from the operation of the ReStores help support and enhance Habitat's non-profit mission related activities.

In June 2016, Habitat entered into an agreement to acquire Hampton Point, a shopping center located in Taylors, S.C. The purpose of this acquisition was to provide a new headquarters location and to consolidate the operations of two of its ReStores. The shopping center contains additional buildings, including outparcels, each of which has commercial tenants that pay rent to Habitat. Habitat owns one hundred percent of the financial and voting rights of Hampton Point.

Intercompany accounts and transactions have been eliminated in the consolidation process.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The Organization reports information regarding its financial position and activities according to three classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

- **Unrestricted -** Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors. Restricted net assets received and expended in the same year are classified as unrestricted.

- **Temporarily Restricted -** Net assets whose use is subject to donor-imposed stipulations that can be fulfilled by actions pursuant to those stipulations or that expire through the passage of time.

- **Permanently Restricted -** Net assets that are subject to donor-imposed stipulations that assets be maintained permanently. The donors of these assets permit use of all or part of the investment return of these assets for continuing operations which may be subject to certain restrictions. The Organization does not have any permanently restricted net assets at June 30, 2018 or 2017.

Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as transfers between the applicable classes of net assets.

In-Kind Contributions

Support arising from donated goods, property, materials and services are recognized in the financial statements at fair value. Such donations are reported as unrestricted unless the donor has restricted the donated asset to a specific purpose.

Donated services are recognized when the services received create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. A substantial number of volunteers have made significant contributions of their time to the Organization principally in the area of house construction. The value of non-professional contributed time is not reflected in the accompanying consolidated financial statements.

The Organization receives in-kind contributions of materials and supplies used in the construction and furnishing of its homes which are recorded as donated materials and supplies in the accompanying consolidated Statement of Activities. Donations of property are recorded in land held for development until a home is constructed and transferred to a homeowner.

The Organization also receives considerable non-cash contributions of furniture, household items, and other material used for re-sale and operations at the ReStores. The estimated fair value of these donated goods for the years ended June 30, 2018 and 2017 was $1,738,509 and $1,578,124, respectively, and is reported as ReStore retail sales in the accompanying consolidated Statement of Activities. Cost of goods sold for these items is $1,727,436 for the year end June 30, 2018, and $1,556,183 for the year end June 30, 2017. The estimated fair value and cost of goods sold are netted and shown in cost of goods sold in the consolidated Statement of Functional Expenses.

Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments with an original maturity of three months or less when purchased. Certain cash balances are restricted by donors, grantors or contracts that require them to be held in separate bank accounts. These balances total $402,240 at June 30, 2018 and $224,513 at June 30, 2017 and are included in cash and cash equivalents.

Concentration of Credit Risk

The Organization maintains bank accounts at various financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC"). At times throughout the year, the Organization may maintain bank account balances in excess of the FDIC insured limit. The Organization believes it is not exposed to any significant credit risk with respect to these deposits.

Restricted Cash for Mortgage Escrows

Restricted cash consists of amounts held on the behalf of future homeowners for the payment of closing costs.

ReStore Inventory

Purchased goods inventory is recorded at the lower of cost or market value. It is management's belief that donated goods inventory does not have value until sold. As such, donated goods inventory is valued on an annual basis utilizing a monthly average of sales from all ReStore locations. This methodology approximates fair value based on the associated costs of sales.

Houses Under Construction

Development costs, building materials and labor are recorded at cost, based upon specific identification, when incurred or at estimated fair market value when donated. At June 30, 2018, the Organization had three houses under construction, with site work in progress on two houses on land owned by the Organization. At June 30, 2017, the Organization had four houses under construction.

Completed Homes Awaiting Mortgage or Available for Sale

At times, the Organization leases homes, under a lease-purchase agreement, to potential homebuyers so that the homebuyer can demonstrate independent living prior to closing. The completed costs of these homes is held in completed homes awaiting mortgage or available for sale until such time that independent living is demonstrated. Lease payments made by potential homeowners during this lease-purchase term are recorded in lease purchase income on the accompanying consolidated Statement of Activities. Such payments are then applied towards principal and escrow when the home is transferred through a mortgage to the homebuyer. Reclaimed homes are recorded as a component of completed homes awaiting mortgage or available for sale at the outstanding mortgage balance at the date of reclamation. Donated homes are recorded in completed homes awaiting mortgage or available for sale at fair market value at the date of the contribution. For the year ended June 30, 2018, the Organization did not lease any homes to potential homebuyers nor did it reclaim any homes. For the year ended June 30, 2017, the Organization leased one home to a potential homebuyer, and reclaimed one home.

Residential Property Held for Development

Residential property held for development includes the cost of land and improvements to land held for future home builds. Donated land is recorded in residential property held for development at fair market value at the date of the contribution. At June 30, 2018, the Organization had 45 lots available for future construction of homes. At June 30, 2017, the Organization had 31 lots available for future construction of homes.

Mortgage Loans Receivable

The Organization records non-interest bearing mortgage loans receivable at the present value of the loan at the time of closing. For purposes of calculating present values, discount rates are determined based on the prevailing market rates for low income housing at the inception of the mortgage and range from 6% to 9% for all loans outstanding as of June 30, 2018. Interest income is recognized using the effective interest method over the life of the loan. A mortgage discount expense is recorded upon the sale of the home for the difference between the face value of the mortgage loan receivable and the present value of the loan. The cumulative discounts on all homes previously constructed by the Organization is recognized as imputed interest income in the accompanying consolidated Statement of Activities. The Organization has not established an allowance for doubtful accounts as it can reclaim houses through foreclosure in the event that a loan is deemed to be uncollectible and management believes any reclaimed house can be resold at or above the amount of unpaid, discounted loan principal plus costs to sell the home. Mortgage loans receivable are generally considered delinquent when payment is thirty days past due; however, delinquency status may be mitigated by other qualitative factors. It is the Organization's policy to recognize imputed interest income until a delinquent loan goes into foreclosure and the asset is removed from mortgage loans receivable.

Property and Equipment

Property and equipment is stated at cost or, if donated, at the estimated fair value at the date of donation. Additions with a value of $1,500 or greater are capitalized and expenditures for repairs and maintenance are expensed when incurred. Depreciation is computed on the straight-line basis over the estimated useful life of the assets, as follows:

Buildings and improvements	15-30 years
Equipment and furnishings	5-15 years
Vehicles	5 years

Debt Issuance Costs

Debt issuance costs are deferred and amortized to interest expense on the accompanying consolidated Statements of Activities using the effective interest method or the straight-line method when it does not materially differ from the effective-interest method. The Organization records debt issuance costs as a direct reduction of the carrying value of the debt liability. Total debt issuance costs (net of accumulated amortization) totaled $10,853 and $15,384 at June 30, 2018 and 2017, respectively.

Deferred Revenue

The Organization receives payments for sponsorships and ticket sales for certain special events in advance of the event. Income is recognized over the periods to which the event relates.

Sales to Homeowners

Sales to homeowners on the consolidated Statement of Activities represents revenues realized from the sale of constructed homes and are recorded at the gross mortgage amount.

Functional Expenses

The cost of providing the Organization's programs and supporting services is recorded on a functional basis in the consolidated Statement of Activities. Accordingly, certain costs have been allocated to program initiatives and supporting services based on management estimates.

Income Taxes

Habitat is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for income taxes in the accompanying consolidated financial statements. US GAAP requires management to evaluate income tax positions taken by Habitat and recognize an income tax liability (or asset) if Habitat has taken an uncertain position that more likely than not would not be substantiated upon examination by the Internal Revenue Service ("IRS"). Habitat has identified its income tax status as a tax-exempt entity as its only significant income tax position; however, Habitat has determined that such income tax position does not result in an uncertainty requiring recognition in the financial statements. Habitat is not currently under examination by any taxing jurisdiction. It files Form 990 annually with the IRS. Habitat's federal returns are generally open for examination for the three years ended June 30, 2018.

As noted in Note 1, the Organization receives rental income from various commercial tenants that pay rent to Habitat through its wholly-owned subsidiary Hampton Point. The Organization is subject to unrelated business income taxes on a portion of this rental income. Accordingly, they will file a Form 990-T with the IRS for the year ended June 30, 2018.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates could also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Compensated Absences

The Organization accounts for paid time off by recording a liability for employees' vested rights to receive compensation for future absences attributable to services already performed.

Fair Value of Financial Instruments

The Organization's financial instruments consist of cash and cash equivalents, accounts receivable, mortgage loans, accounts payable and accrued expenses, line of credit payable, and notes payable. These items are stated at cost, which approximates fair value.

Reclassification

Certain amounts in the prior year financial statements have been reclassified to conform with current year presentations. The reclassifications have no effect on the previously reported net assets or changes in net assets.

NOTE 3 - HOUSING ACTIVITIES

Mortgage Loans Receivable

	2018	2017
Number of families placed into homes constructed or reclaimed through the issuance of regular non-interest bearing mortgage loans	**6**	12
Number of families placed into homes as part of Accelerated Asset Recovery ("AAR") program as noted in Mortgage Service Commitments below	**8**	4
Sales to homeowners through regular non-interest bearing mortgage loans	**$ 716,189**	$ 1,283,890
Sales to homeowners in conjunction with AAR program (see below)	**831,048**	272,749
Total sales to homeowners	**$ 1,547,237**	$ 1,556,639

Future collections on mortgage loans receivable as of June 30, 2018 is as follows:

2019	$ 513,598
2020	494,602
2021	475,193
2022	462,693
2023	456,888
Thereafter	5,524,618
	7,927,592
Less discount	(3,617,587)
	$ 4,310,005

Mortgage Service Commitments

On July 21, 2014, the Organization entered into a master program agreement known as Accelerated Asset Recovery (“AAR”, or “Agreement”) with a financial institution. The Agreement allows the financial institution, at its option, to provide residential mortgage loans to individuals sponsored by the Organization. For each loan closed under the Agreement, the Organization agrees to pay the financial institution, out of the sales price at closing, a non-refundable loan discount calculated as the present value of imputed interest estimated to be earned on the mortgage. United Home Loan Services, Inc., (“UHL”) services the mortgage loans under the Agreement, including the maintenance of homeowner tax and insurance escrow accounts. All amounts collected by UHL are remitted to the Organization monthly, and then the Organization remits them to the financial institution monthly. In the event any mortgage loan made pursuant to the Agreement is delinquent for a period over 180 days, the Organization is obligated to repay the financial institution the entire remaining mortgage balance. The Organization's management believes that the fair value of the property held as collateral under these mortgage agreements exceeds the amount of the mortgage obligations and does not anticipate losses should a mortgage become delinquent. No amounts were repaid in 2017 or 2018. Therefore, no liability for potential losses has been recorded.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30,

	2018	2017
Buildings	**$ 3,259,376**	$ 3,532,573
Land	**472,788**	518,563
Leasehold improvements	**605,980**	-
Construction in progress	**-**	107,597
Equipment and furnishings	**147,109**	120,005
Vehicles	**152,707**	161,582
	4,637,960	4,440,320
Less accumulated depreciation	**(508,776)**	(559,654)
	$ 4,129,184	$ 3,880,666

Depreciation expense for the year ended June 30, 2018 was $135,178, and for the year ended June 30, 2017 was $121,037.

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at June 30,

	2018	2017
Accounts payable and other	**$ 209,795**	$ 162,580
Payroll liabilities	**34,137**	26,171
Accrued vacation	**53,324**	57,911
	$ 297,256	$ 246,662

NOTE 6 - LINE OF CREDIT

On February 1, 2018, the Organization refinanced its existing line of credit. The new line is for $1,000,000, matures February 1, 2020 and bears interest at a variable rate equal to the Prime rate less .25%. At June 30, 2018, the Prime rate was 5.00%, resulting in an interest rate of 4.75% at that date. The line of credit is collateralized by certain mortgage loans receivable and is cross-collateralized with a note payable as disclosed in Note 7. At June 30, 2018 and 2017 respectively, $735,813 and $346,362 was outstanding on this line of credit.

NOTE 7 - NOTES PAYABLE:

Notes payable are as follows at June 30,

	2018	2017
Term note payable to a bank, due in monthly installments of $5,154 including accrued interest at 3.4% through July 1, 2022; final balloon payment of approximately $654,000 due July 1, 2022; secured by receipts from certain mortgage loans receivable.	**$ 797,588**	$ 834,484
Term note payable to a bank, due in monthly installments of $2,693, including accrued interest at 3% through July 1, 2030; secured by the Organization's office building located at 49 Greenland Drive.	**324,725**	348,762
Term note payable to South Carolina Association of Habitat Affiliates, due in quarterly installments of $2,151, including accrued interest at 2% through October 1, 2019; secured by a vehicle.	**12,089**	20,697
Term note payable to a bank, due in monthly installments of $12,975, including accrued interest at 3.9% through September 1, 2026; final balloon payment estimated at $1,778,862; secured by Hampton Point office buildings located on Wade Hampton Boulevard.	**-**	2,440,949
Term note payable to a bank, due in 11 monthly installments of interest only, accruing at 3.9%; one balloon payment of $465,000 due August 18, 2017; secured by receipts from certain mortgage loans receivable.	**-**	464,950
Term note payable to a bank, due in monthly installments of $9,362, including accrued interest at 3.9% through December 1, 2027; final balloon payment estimated at $1,778,872; secured by real property located at 3039 Wade Hampton Boulevard.	**1,767,014**	-
Term note payable to a bank, due in monthly installments of $5,693, including accrued interest at 3.9% through December 1, 2027; final balloon payment estimated at $780,483; secured by real property located at 3033 Wade Hampton Boulevard.	**1,077,022**	-
Term note payable to a bank, due in monthly installments of $890, including accrued interest at 3.75% through August 15, 2021; final balloon payment estimated at $123,235; secured by Hampton Point office buildings located on Wade Hampton Boulevard.	**140,973**	145,431
	4,119,411	4,255,273
Less unamortized debt issuance costs	**(10,853)**	(15,384)
Total notes payable, net	**$ 4,108,558**	$ 4,239,889

The aggregate annual maturities of notes payable subsequent to June 30, 2018 are as follows:

2019	$	**135,135**
2020		**143.336**
2021		**144,481**
2022		**267,469**
2023		**759,358**
Thereafter		**2,226,632**
	$	**4,119,411**

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are as follows at June 30,

	2018	2017
Capital Campaign	**$ 120,340**	$ 207,672
Wells Fargo – 417 E. Fairview Road	**14,812**	-
Wells Fargo – 19 Hope Bridge Way	**-**	14,449
Simpson Foundation	**10,000**	5,626
Bridge Builder Spring Build	**28,000**	-
Joshua's Way Infrastructure	**120,668**	-
2018 Publix Build	**1,696**	-
2018 CEO Build	**1,063**	-
Michelin	**35,071**	-
Engineered Systems	**1,069**	-
Neighborhood Improvement Plan	**8,000**	-
Community Foundation Greenville	**-**	604
Women's Build	**-**	25,200
	$ 340,719	$ 253,551

NOTE 9 – ASSETS RELEASED FROM RESTRICTION

The following assets were released from restrictions as they were used for their intended purpose during the years ended June 30,

	2018	2017
Capital Campaign	**$ 288,632**	$ 308,442
Wells Fargo – 417 E. Fairview Road	**10,188**	-
Simpson Foundation	**5,626**	2,874
Bridge Builder Spring Build	**7,000**	-
Joshua's Way Infrastructure	**65,244**	-
Publix Build	**68.304**	3,130
2018 CEO Build	**102,929**	-
Michelin	**34,929**	-
Engineered Systems	**68,931**	-
Women's Build	**25,200**	27,500
Wells Fargo – 19 Hope Bridge Way	**14,449**	60,551
Community Foundation of Greenville	**604**	310
Faith Build	**-**	4,271
Next Generation House	**-**	500
Neighborhood Revitalization	**-**	22,779
	$ 692,036	$ 430,357

NOTE 10 – OPERATING LEASES

The Organization leases space for two of its ReStores, various equipment and a vehicle under operating leases which expire at various times through September 2023.

Future minimum lease payments for each of the next 5 years under these operating leases are as follows:

2019	$	125,827
2020		127,321
2021		127,917
2022		131,160
2023		135,120
Thereafter		-

Total lease expense for the year ended June 30, 2018 was $137,652 and for the year ended June 30, 2017 was $147,000.

NOTE 11 – RETIREMENT PLAN

The Organization sponsors a 401(k) Retirement Plan for all employees who are at least eighteen years of age and have completed three months of service. Active participants may elect to defer a portion of their compensation up to the maximum allowed by law. The Organization matches contributions up to a maximum of 6% of eligible deferrals. The Organization made matching contributions of $48,071 for the year ended June 30, 2018 and $41,072 for the year ended June 30, 2017.

NOTE 12 – RELATED PARTY TRANSACTIONS

The Organization is an affiliate of Habitat for Humanity International, Inc. its parent organization. As such, the Organization pays certain tithe and affiliation fees to its parent. Those fees were $16,000 for the year ended June 30, 2018 and $17,985 for the year ended June 30, 2017 and are shown in the accompanying consolidated Statement of Functional Expenses.

Hampton Point paid management fees to Habitat totaling $12,900 and $21,000 during the years ending June 30, 2018 and 2017, respectively. This fee income and related expense has been eliminated in consolidation.

NOTE 13 – SUBSEQUENT EVENTS

The Organization evaluated the effect subsequent events would have on the consolidated financial statements through September 21, 2018, which is the date the consolidated financial statements were available to be issued.

REPORTS TO MANAGEMENT AND THE BOARD OF DIRECTORS

LYNNE D. JONES, CPA
Accounting . Auditing . Advisory Services

September 21, 2018

To the Board of Directors, Audit Committee and others
charged with governance of
Habitat for Humanity of Greenville County S.C. Inc. and Subsidiary
Greenville, South Carolina

My profession mandates that significant internal control deficiencies be communicated to management in writing. Therefore, for your consideration, I have enumerated below any such conditions and other management suggestions I noted during my recent audit of the consolidated financial statements of Habitat for Humanity of Greenville County, S.C. Inc. and Subsidiary (the “Organization”), Inc. for the year ended June 30, 2018. My audit was conducted in accordance with auditing standards generally accepted in the United States of America. My report thereon was dated September 21, 2018.

The purpose of this communication is to inform you of matters involving your internal control structure and other management suggestions to assist you in fulfilling your governance duties and responsibilities. I will be pleased to meet with you or your designees as an additional service to you to discuss and clarify any matters covered in this letter.

The current trend of thinking in the United States today is to emphasize the fact that management is responsible for establishing and maintaining an internal control structure. Consequently, management is held accountable to assure that assets are safeguarded; transactions are executed with proper authorizations and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles as they relate to not-for-profit organizations. Therefore, you, the Board of Directors and Audit Committee, and your senior management, are responsible for the governance of the controls, accuracy and completeness of the financial information of the Organization.

Communication of Internal Control Related Matters

In planning and performing my audit of the Organization’s financial statements in accordance with auditing standards generally accepted in the United States of America, I considered the Organization's internal control over financial reporting (internal control) as a basis for designing my auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the Organization's consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. My consideration of internal control included procedures to evaluate the design of controls relevant to an audit of the consolidated financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

www.ljonescpa.com
11 North Irvine Street, Suite #4 Greenville, S.C. 29601
p 864.380.3275 f 864.551.4566 e ljones@ljonescpa.com
Member AICPA & SCACPA

Definitions Related to Internal Control Deficiencies

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control was for the limited purpose described in the preceding paragraphs and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Communications with Those Charged with Governance

My Responsibilities

As stated in my engagement letter, my responsibility, as described by professional standards, is to express an opinion about whether the consolidated financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the consolidated financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing

I performed the audit according to the planned scope and timing previously communicated to you in my engagement letter dated February 1, 2016.

In planning my audit, I performed risk assessment procedures that allowed me to make judgments about "what could go wrong" so that attention could be focused on the most important and material areas. I applied the concept of materiality both in planning and performing the audit, in evaluating the effect of identified misstatements, and the effect of uncorrected misstatements on the financial statements, and in forming the opinion in my auditor's report. In establishing the overall audit strategy, I determined materiality for the financial statements as a whole, taking into consideration the need to reduce that amount to account for the probability that the aggregate of uncorrected and undetected misstatements may exist.

Significant Findings or Issues from the Audit

I am required to communicate the following regarding qualitative aspects of the Organization's significant accounting practices:

- Management is responsible for the selection and use of appropriate accounting policies. A summary of the Organization's significant accounting policies can be found in Note 2 to the consolidated financial statements.

- The disclosures in the consolidated financial statements are neutral, consistent, and clear. Certain disclosures within the financial statements are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures include those related to mortgage loans receivable as enumerated in Note 3.

- No new accounting policies were adopted or changed which had a significant impact on the Organization's financial results for the year.

- I noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the consolidated financial statements in a different period than when the transaction occurred.

- Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from management's current judgment or expectations. The most sensitive estimates affecting the financial statements were:

    - Depreciation, which is based on an estimated useful life of each asset;
    - Mortgage discounts, which are based on estimated interest rates and lives of mortgage loans;
    - The estimate that no allowance is needed on mortgage loans receivable; and
    - Contributed goods and services, which are based on management's best estimate of the fair value of those goods and services.

  I evaluated the key factors and assumptions used to develop those estimates and determined that they were reasonable in relation to the consolidated financial statements taken as a whole.

- All audit adjustments proposed were reviewed and accepted by management and have been reflected in the consolidated financial statements. There were no material uncorrected misstatements, individually or in the aggregate, to the consolidated financial statements taken as a whole.

- I encountered no significant difficulties in dealing with management in performing and completing my audit.

- I had no disagreements with management.

- I requested and received certain representations from management that are included in the management representation letter dated September 21, 2018.

- I have no knowledge of management consulting with other independent auditing firms during the year.

- I generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year in the normal course of my professional relationship. Such discussions are not a condition of my retention, and do not impair my independence.

I must emphasize that while an audit of your consolidated financial statements in accordance with auditing standards generally accepted in the United States of America can be reasonably viewed as a component of best governance practices, it cannot be construed as a substitute for, or justification for a reduction in, the total overall due diligence responsibilities of those charged with governance.

I have previously discussed my observations and suggestions with the Organization's personnel and would be pleased to discuss them in further detail.

This communication is intended solely for the information and use of the Board of Directors, Audit Committee and management of the Organization and is not to be used by anyone else.

Lynne D. Jones

Greenville, South Carolina
September 21, 2018