

# Dorchester Habitat for Humanity, Inc.

Report on Financial Statements

Year Ended June 30, 2022



**Dorchester Habitat for Humanity, Inc.**  
**Table of Contents**

---

|                                     | <u>Page</u> |
|-------------------------------------|-------------|
| <b>Independent Auditor's Report</b> | 1 – 2       |
| <b>Financial Statements</b>         |             |
| Statement of Financial Position     | 3           |
| Statement of Activities             | 4           |
| Statement of Functional Expenses    | 5           |
| Statement of Cash Flows             | 6           |
| Notes to Financial Statements       | 7 – 15      |

## ***Independent Auditor's Report***

Board of Directors of  
Dorchester Habitat for Humanity, Inc.  
Summerville, SC

We have audited the financial statements of Dorchester Habitat for Humanity, Inc., which comprise the statement of financial position as of June 30, 2022, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Dorchester Habitat for Humanity, Inc. as of June 30, 2022, and the change 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 for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Dorchester 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 Dorchester Habitat for Humanity, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 auditor's 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 GAAS 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. Misstatements 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 GAAS, 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 purpose of expressing an opinion on the effectiveness of Dorchester 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 Dorchester 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.

*Veris LLC*

Charleston, South Carolina  
October 27, 2022



**Dorchester Habitat for Humanity, Inc.**  
**Statement of Financial Position**  
**June 30, 2022**

---

**Assets**

|  |                     |
|--|---------------------|
| Current Assets   |                     |
| Cash and cash equivalents                                  | \$ 809,587          |
| Accounts receivable  | 28,710              |
| Grants receivable  | 28,815              |
| COVID relief grant receivable                              | 215,000             |
| Land and home construction in progress                     | 261,118             |
| Current portion of mortgages receivable, net of discount   | 89,117              |
| ReStore Inventory  | 168,145             |
| Investments  | 46,784              |
| Other current assets                                       | 53                  |
| Total Current Assets                                       | 1,647,329           |
| Non-current Assets   |                     |
| Mortgages receivable, net of discount, and current portion | 1,462,039           |
| Land held for development                                  | 611,520             |
| Non-depreciable property and equipment                     | 241,770             |
| Depreciable property and equipment, net                    | 1,151,346           |
| Total Non-Current Assets                                   | 3,466,675           |
| <b>Total Assets</b>  | <b>\$ 5,114,004</b> |

**Liabilities and Net Assets**

|   |                     |
|---|---------------------|
| Current Liabilities                     |                     |
| Accounts payable                        | \$ 74,432           |
| Accrued compensated absences            | 9,338               |
| Accrued payroll                         | 30,058              |
| Resident escrow                         | 8,744               |
| Current portion of note payable         | 54,222              |
| Total Current Liabilities               | 176,794             |
| Noncurrent liabilities                  |                     |
| Note payable, net of current portion    | 421,011             |
| Total Noncurrent Liabilities            | 421,011             |
| <b>Total Liabilities</b>                | <b>597,805</b>      |
| Net assets                              |                     |
| Without donor restrictions              | 4,489,399           |
| With donor restrictions                 | 26,800              |
| Total Net Assets                        | 4,516,199           |
| <b>Total Liabilities and Net Assets</b> | <b>\$ 5,114,004</b> |

**Dorchester Habitat for Humanity, Inc.**  
**Statement of Activities**  
**Year Ended June 30, 2022**

|   | Without<br>Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
|---|----------------------------------|----------------------------|---------------------|
| <b>Revenue</b>                              |                                  |                            |                     |
| Contributions                               |                                  |                            |                     |
| General donations and grants                | \$ 106,418                       | \$ -                       | \$ 106,418          |
| In-kind contributions                       | 1,405,817                        | -                          | 1,405,817           |
| Grants                                      | 118,335                          | -                          | 118,335             |
| COVID relief grants                         | 215,000                          | -                          | 215,000             |
| Special events, net of expenses of \$34,314 | 72,308                           | -                          | 72,308              |
| Home sales, net of discounts of \$339,391   | 233,895                          | -                          | 233,895             |
| ReStore sales                               | 1,827,419                        | -                          | 1,827,419           |
| Imputed interest on mortgages               | 216,704                          | -                          | 216,704             |
| Miscellaneous                               | 14,877                           | -                          | 14,877              |
| Investment loss, net                        | (2,218)                          |                            | (2,218)             |
| Net assets released from restriction        | -                                | -                          | -                   |
| <b>Total Revenue</b>                        | <b>4,208,555</b>                 | <b>-</b>                   | <b>4,208,555</b>    |
| <b>Expenses</b>                             |                                  |                            |                     |
| Program services                            | 3,513,376                        | -                          | 3,513,376           |
| Supporting services                         | 35,290                           | -                          | 35,290              |
| Fundraising                                 | 91,273                           | -                          | 91,273              |
| <b>Total Expenses</b>                       | <b>3,639,939</b>                 | <b>-</b>                   | <b>3,639,939</b>    |
| <b>Change in Net Assets</b>                 | <b>568,616</b>                   | <b>-</b>                   | <b>568,616</b>      |
| Beginning Net Assets                        | 3,920,783                        | 26,800                     | 3,947,583           |
| <b>Ending Net Assets</b>                    | <b>\$ 4,489,399</b>              | <b>\$ 26,800</b>           | <b>\$ 4,516,199</b> |

See accompanying notes to financial statements and independent auditor's report.

**Dorchester Habitat for Humanity, Inc.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2022**

|                                  | Program Services  |                     |                     | Support Service           |                  | Total               |
|----------------------------------|-------------------|---------------------|---------------------|---------------------------|------------------|---------------------|
|                                  | Construction      | ReStore             | Total Program       | Management<br>and General | Fundraising      |                     |
| Personnel                        |                   |                     |                     |                           |                  |                     |
| Salaries and wages               | \$ 126,666        | \$ 617,157          | \$ 743,823          | \$ 7,707                  | \$ 56,013        | \$ 807,543          |
| Payroll taxes and benefits       | 15,314            | 53,131              | 68,445              | 570                       | 6,532            | 75,547              |
| Total Personnel                  | 141,980           | 670,288             | 812,268             | 8,277                     | 62,545           | 883,090             |
| Other Functional Expenses        |                   |                     |                     |                           |                  |                     |
| Cost of sales - Restore          | -                 | 1,772,596           | 1,772,596           | -                         | -                | 1,772,596           |
| Cost of sales - houses           | 364,868           | -                   | 364,868             | -                         | -                | 364,868             |
| Professional services            | 57,436            | 28,907              | 86,343              | 14,685                    | 6,179            | 107,207             |
| Advertising                      | 14,121            | 85,659              | 99,780              | 470                       | 2,616            | 102,866             |
| Facilities                       | 12,332            | 77,031              | 89,363              | 4,652                     | 6,249            | 100,264             |
| Insurance                        | 20,855            | 44,039              | 64,894              | 1,679                     | 2,295            | 68,868              |
| Depreciation                     | 8,054             | 53,801              | 61,855              | 3,024                     | 3,445            | 68,324              |
| Bank fees                        | 3,972             | 33,967              | 37,939              | 851                       | 1,244            | 40,034              |
| Vehicles                         | 2,056             | 25,738              | 27,794              | -                         | -                | 27,794              |
| Supplies                         | 4,350             | 17,708              | 22,058              | 962                       | 2,620            | 25,640              |
| Interest expense                 | 2,005             | 17,148              | 19,153              | 430                       | 628              | 20,211              |
| Homeowners                       | 19,954            | -                   | 19,954              | -                         | -                | 19,954              |
| Travel and seminars              | 2,310             | 8,758               | 11,068              | -                         | 1,407            | 12,475              |
| Dues and memberships             | 4,734             | 4,460               | 9,194               | -                         | 1,218            | 10,412              |
| Volunteer appreciation           | 5,716             | 3,198               | 8,914               | -                         | 529              | 9,443               |
| Taxes and licenses               | 2,303             | 2,829               | 5,132               | 260                       | 298              | 5,690               |
| Miscellaneous                    | 203               | -                   | 203                 | -                         | -                | 203                 |
| Total Other Functional Expenses  | 525,269           | 2,175,839           | 2,701,108           | 27,013                    | 28,728           | 984,050             |
| <b>Total Functional Expenses</b> | <b>\$ 667,249</b> | <b>\$ 2,846,127</b> | <b>\$ 3,513,376</b> | <b>\$ 35,290</b>          | <b>\$ 91,273</b> | <b>\$ 3,639,939</b> |

See accompanying notes to financial statements and independent auditor's report.

**Dorchester Habitat for Humanity, Inc.**  
**Statement of Cash Flows**  
**Year Ended June 30, 2022**

---

|   |            |
|---|------------|
| <b>Cash Flows from Operating Activities:</b>  |            |
| Change in net assets  | \$ 568,616 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |            |
| Depreciation  | 68,324     |
| Discount on mortgages issued  | 339,391    |
| Investment income, net  | 2,218      |
| Change in:  |            |
| Accounts receivable   | (1,477)    |
| Grants receivable   | (28,815)   |
| COVID relief grant receivable   | (215,000)  |
| Land and home construction in progress  | 87,937     |
| Mortgages receivable, net of discount   | (391,076)  |
| ReStore Inventory   | (116,155)  |
| Other current assets  | 9,300      |
| Land held for development   | (63,850)   |
| Accounts payable  | 32,965     |
| Accrued compensated absences  | 2,877      |
| Accrued payroll   | (10,000)   |
| Resident escrow   | 9,686      |
|   | 294,941    |
| Net Cash Provided By Operating Activities   | 294,941    |
| <b>Cash Flows from Investing Activities:</b>  |            |
| Purchase of property and equipment  | (9,349)    |
| Purchase of investments   | (49,002)   |
|   | (58,351)   |
| Net Cash Used in Investing Activities   | (58,351)   |
| <b>Cash Flows from Financing Activities</b>   |            |
| Payments on notes payable   | (127,868)  |
|   | (127,868)  |
| Net Cash Used in Financing Activities   | (127,868)  |
| <b>Net Increase in Cash and Cash Equivalents</b>  | 108,722    |
| Cash and Cash Equivalents, Beginning of Year  | 700,865    |
|   | 809,587    |
| Cash and Cash Equivalents, End of Year  | \$ 809,587 |
| <b>Supplemental Cash Flow Information</b>   |            |
| Cash paid for interest  | \$ 20,211  |

See accompanying notes to financial statements and independent auditor's report.



## Dorchester Habitat for Humanity, Inc. Notes to Financial Statements

---

### **Note A – Nature of Operations and Summary of Significant Accounting Policies**

Dorchester Habitat for Humanity, Inc. (the Organization) is a nonprofit organization incorporated in South Carolina. Its purpose is to build and sell affordable houses with donated and borrowed funds and volunteer labor to qualified low income families. The Organization also runs a resale store (ReStore). The ReStore operates a thrift shop where substantially all merchandise sold has been received as contributions from the general public. The net proceeds from the thrift shop are used by the Organization to build and sell houses.

#### Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles of the United States of America, and accordingly reflect all significant receivables, payables, and other liabilities. Under this basis, revenue is recognized when earned and expenses are recognized when incurred.

#### Basis of Presentation

The Organization's financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) of the United States of America in its Accounting Standards Codification (ASC) 958 – 205, *Not-For-Profit Entities – Presentation of Financial Statements*. These standards require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to or are no longer subject to donor-imposed stipulations and may be expended for any purposes in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

Net assets with donor restrictions - Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and support are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

#### Use of Estimates and Assumptions

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

**Dorchester Habitat for Humanity, Inc.**  
**Notes to Financial Statements**

---

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Mortgages Receivable

The Organization records and accounts for mortgages receivable based upon the present value of the loan at the time of closing. For the purpose of calculating loan present value, mortgages are discounted at annual rates ranging from 6.00% to 10.00% based upon market rates at the period of time. All mortgages are non-interest bearing, and accordingly, the discount on mortgages provides interest income over the term of the mortgage. First mortgages are non-interest bearing and require monthly payments of varying amounts for a period of 20 – 30 years. The mortgages are collateralized by each of the respective homes and land. The Organization has a waiting list for these homes and management believes the mortgages to be fully collectible, therefore, no allowance for uncollectability has been made. Mortgages are considered delinquent when payments are 30 days past due, however, delinquency status may be mitigated by a number of other factors in dealing with the mortgage holder.

COVID Relief Grants Receivable

COVID relief grants receivable represent amounts awarded by various government agencies for COVID relief. COVID relief grants receivable are due within one year and are recorded at their net realizable value. Management estimates an allowance for uncollectable COVID relief grants receivable based on current economic conditions, historical trends, and current and past experience with the individual grantors.

Property and Equipment, Net

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation, less accumulated depreciation. Generally, items costing \$5,000 or more are capitalized; lesser amounts for property and equipment and costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Management periodically determines if any property and equipment is impaired. Useful lives of property and equipment are as follows:

|                            |               |
|----------------------------|---------------|
| Buildings and improvements | 10 – 40 years |
| Equipment                  | 5 – 10 years  |
| Vehicles                   | 5 – 10 years  |

ReStore Inventory

The Organization purchased inventories are stated at the lower of cost or market value. The Organization accepts contributions of household items for resale to customers in its ReStore. The value of donated inventory is not recorded in the financial statements at the time of donation. The Organization considers this method preferable due to the nature of donated items – used, restocks and overstock items. The value of such items is not readily determinable until the merchandise is sold.

**Dorchester Habitat for Humanity, Inc.**  
**Notes to Financial Statements**

---

Land and Home Construction in Progress

All direct material and related costs, and indirect costs related to home construction are recorded as land and home construction in progress on the statements of financial position as they are incurred. Land costs included in construction in progress are stated at lower of cost or market value. If land costs are part of a larger parcel, this parcels under development are moved from land inventory to land and home construction in progress at the start of the development. When the sale of a home is recognized, the corresponding costs are then expensed in the statements of activities as program services. At June 30, 2022 the Organization had 2 homes under construction.

Land Held for Development

Contributed land inventory for the construction of houses is valued at fair market value on the date of contribution, or if purchased, at cost. The Organization may acquire tracts of land for development with goals of constructing homes over a period of time. Land inventory includes such parcels that have not begun development at year end. Costs are periodically reviewed for impairment. Based on the Organization's evaluation, no impairment exists as of June 30, 2022.

Accrued Compensated Absences

The Organization provides paid time off to employees to be used during absences from work. Employees accrue paid time off each pay period in accordance with the Organization's personnel policies. Earned but unused vacation time at June 30, 2022 was \$9,338.

Resident Escrow

During the fiscal year 2014, the Organization outsourced its mortgage loan and escrow management to the Habitat for Humanity Michigan Fund, now Affiliate Mortgage Services (AMS). AMS is a full-service licensed lending entity, providing loan origination, loan servicing, collections, loan restructuring, foreclosure mitigation advice, and delinquency management services. As part of this service agreement, the Organization transferred all escrow balances to AMS. As of June 30, 2022, the escrow account has a deficit balance. The Organization collects monthly amounts from homeowners to be remitted on their behalf. Receivables from homeowners for deficit escrows totaled \$12,946 as of June 30, 2022.

Restricted and Unrestricted Revenue and Support

Contributions, which at times, may include unconditional promises to give, are recognized as revenues in the period received or promised. Contributions receivable due beyond one year are stated at net present value of the estimated cash flows using a risk-adjusted rate. Conditional contributions are recorded when the conditions have been met. Contributions are considered to be without donor restrictions unless specifically restricted by the donor for time or purpose.

The Organization reports contributions in the donor restricted net asset class if they are received with donor stipulations as to their use and/or time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released and reclassified to net assets without donor restriction in the Statements of Activities.

**Dorchester Habitat for Humanity, Inc.**  
**Notes to Financial Statements**

---

Functional Allocation of Expense

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to the appropriate expenditure classification. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, such expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include janitorial, facilities maintenance, depreciation, and utilities, which are allocated based on a square footage basis, as well as salaries and wages and payroll taxes, which are allocated based on estimates of time and responsibilities, and benefits, supplies, dues, licenses, insurance, professional services, and information technology support, which are allocated on the basis of estimates of usage.

Income Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and exempt from federal and state income taxes unless income is generated from unrelated business activities. There is no unrelated business income for 2022. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The FASB provides guidance on the Organization's evaluation of accounting for uncertainty in income taxes. Management evaluated the Organization's position and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

In-Kind Contributions

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Some grantors may retain a reversionary interest in specific assets if the mission of the Organization changes.

Donated services are recognized as contributions in accordance with ASC 958-605, *Not-For-Profit Entities – Revenue Recognition*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided many hours in fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under ASC 958 – 605 are not met.

In-kind contributions included in the Statement of Activities are comprised of the following:

|                        |                     |
|------------------------|---------------------|
| Household goods        | \$ 1,369,272        |
| Construction services  | 24,345              |
| Construction materials | <u>12,200</u>       |
|                        | <u>\$ 1,405,817</u> |

## Dorchester Habitat for Humanity, Inc. Notes to Financial Statements

---

Household goods are valued using estimated wholesale prices of identical or similar products if purchased in the area. Construction services and materials are valued based on current rates of materials and services provided by vendors and construction companies.

### Advertising

Cost of promotion and advertising are expensed as incurred. Advertising and promotion expenses total \$102,866 for fiscal year ended June 30, 2022.

### Adoption of Accounting Pronouncement

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 was issued in order to improve transparency in the reporting of contributed nonfinancial assets, also, known as gifts-in-kind, for nonprofit organizations. The main provisions of ASU 2020-07 require an organization to present contributed nonfinancial assets as a separate line item in the Statement of Activities, apart from contributions of cash and other financial assets. The Organization adopted this standard on July 1, 2021, using the modified retrospective approach.

### **Note B – Credit Risk**

The Organization maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents.

### **Note C – Fair Value of Financial Assets and Liabilities**

The Organization follows the provisions of ASC 820, Fair Value Measurements and Disclosures, for its financial assets and liabilities. The Organization is required to provide additional disclosures. ASC 820 clarifies that fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization utilizes market data or assumptions that market participants would use in pricing the asset or liability. ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Prices for mutual funds are readily available in the active markets in which those securities are traded, and the resulting fair values are categorized as Level 1.

The Organization does not have any financial assets or liabilities measured at fair value on a recurring basis categorized as Level 3, and there were no transfers in or out of Level 3 during the year ended June 30, 2022. There were no changes during the year ended June 30, 2022 to the Organization's valuation techniques used to measure asset and liability fair values on a recurring basis.

**Dorchester Habitat for Humanity, Inc.**  
**Notes to Financial Statements**

---

The following tables present the assets measured at fair value on a recurring basis as of June 30, 2022:

|              | <u>Level 1</u>   | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>     |
|--------------|------------------|----------------|----------------|------------------|
| Mutual funds | \$ 46,784        | \$ -           | \$ -           | \$ 46,784        |
| Total        | <u>\$ 46,784</u> | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ 46,784</u> |

**Note D – Property and Equipment**

Property and equipment consisted of the following as of June 30, 2022:

**Depreciable Assets:**

|                                |                  |
|--------------------------------|------------------|
| Buildings and improvements     | \$ 1,625,133     |
| Equipment                      | 31,040           |
| Vehicles                       | <u>118,702</u>   |
| Total Depreciable Assets       | 1,774,875        |
| Less: Accumulated depreciation | <u>(623,529)</u> |
| Total Depreciable Assets, Net  | 1,151,346        |

**Non-Depreciable Assets:**

|  |                            |
|--|----------------------------|
| Land                                     | <u>241,770</u>             |
| Total Non-Depreciable Assets             | <u>241,770</u>             |
| <b>Total Property and Equipment, Net</b> | <u><u>\$ 1,393,116</u></u> |

Depreciation expense for the year ended June 30, 2022 totaled \$68,324.

**Note E – Land and Home Construction in Progress**

Construction in progress includes the cost of material, land and labor incurred from the period during which the house is built to the time it is sold. Once the house is sold, these costs are transferred to the cost of sales - houses. Total construction in progress at June 30, 2022 was \$261,118.

**Note F – Mortgages Receivable**

Mortgages receivable are as follows as of June 30, 2022:

|                                  | <u>Current</u>   | <u>Non Current</u>  | <u>Total</u>        |
|----------------------------------|------------------|---------------------|---------------------|
| Mortgages receivable, face value | \$ 198,437       | \$ 3,405,925        | \$ 3,604,362        |
| Less: unamortized discount       | <u>(109,320)</u> | <u>(1,943,886)</u>  | <u>(2,053,206)</u>  |
| Mortgages Receivable, Net        | <u>\$ 89,117</u> | <u>\$ 1,462,039</u> | <u>\$ 1,551,156</u> |

**Dorchester Habitat for Humanity, Inc.**  
**Notes to Financial Statements**

---

Amortization of the discount is stated as “Imputed interest on mortgages” in the Statement of Activities, and was \$216,704 for the year ended June 30, 2022, respectively.

Additional Mortgages

In addition to the non-interest bearing mortgage received from the sale of each home, the Organization may issue a contingent second mortgage. The second mortgages, issued by the Organization, represent the excess of the market value of the homes over the original loans at the date the second mortgages are executed. A mortgage default resulting in foreclosure will trigger the collection of the second mortgage. Except in the case of resale or refinance, early satisfaction of the first mortgage of a home in good standing will not usually result in the collection of the second mortgage obligation.

The conditions for release from a second mortgage are stated separately in the terms of the second mortgage, signed by the homeowner. Any second mortgage repayment is considered remote by the Organization, and therefore no receivable has been recorded in the current year financial statements. The amount recognized as income on second mortgages was \$0 for 2022.

**Note G – Note Payable**

The note payable as of June 30, 2022 consist of:

|  |                          |
|--|--------------------------|
| The Organization has a loan with Truist Bank which bears interest at 3.31% with monthly principal and interest payments of \$5,754. The note matures and any unpaid principal and interest are due on August 19, 2030. | <u>\$ 475,233</u>        |
| Total Note Payable   | 475,233                  |
| Less: Current portion of note payable  | <u>(54,222)</u>          |
| Total Note Payable, Net of Current Portion   | <u><u>\$ 421,011</u></u> |

The principal payments for the next five years are as follows:

|                      |                          |
|----------------------|--------------------------|
| Year Ending June 30, |                          |
| 2023                 | \$ 54,222                |
| 2024                 | 55,954                   |
| 2025                 | 57,835                   |
| 2026                 | 59,778                   |
| 2027                 | 61,787                   |
| Thereafter           | <u>185,657</u>           |
|                      | <u><u>\$ 475,233</u></u> |

Total interest expense for the year ended June 30, 2022 was \$20,211.

**Dorchester Habitat for Humanity, Inc.**  
**Notes to Financial Statements**

---

**Note H – Net Assets with Donor Restrictions**

The Organization’s net assets with donor restrictions are restricted for the following purposes at June 30:

| <u>Donor and Purpose Restriction</u> | <u>2022</u>             |
|--------------------------------------|-------------------------|
| Land Capital Campaign Weber Drive    | <u>\$ 26,800</u>        |
| Total                                | <u><u>\$ 26,800</u></u> |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by the donors and there were no releases from restrictions for the year ended June 30, 2022.

**Note I – Related Party Transactions**

The Organization is an affiliate of Habitat for Humanity International, Inc. (HFHI). Although HFHI assists with information resources, training, publications, and flow through contributions, the Organization is primarily and directly responsible for its operations. The Organization tithed and paid membership fees for the year ended June 30, 2022 of \$7,800.

The Organization partnered with South Carolina Association of Habitat for Humanity Affiliates (SCAHA) to share costs related to fundraising and other operating activities. The Organization paid \$1,500 during the year ended June 30, 2022.

Contributions from board members and employees for June 30, 2022 totaled \$43,800.

**Note J – Liquidity and Availability of Financial Assets**

The Organization’s working capital and cash flows have seasonal variations during the year attributable to the timing of revenue and support. To manage liquidity, the Organization evaluates cash on a regular basis as part of the monthly review of the internal financial statements, and estimates cash needs based on budgeted and current expenses. As part of its liquidity plan, excess cash is invested in short-term investments, such as money market accounts. The Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. These funds are intended to be invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board.



**Dorchester Habitat for Humanity, Inc.**  
**Notes to Financial Statements**

---

The following reflects the Organization's financial assets as of the date of the statement of net position, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions or internal designations.

|   |                            |
|---|----------------------------|
| Financial Assets  |                            |
| Cash and cash equivalents   | \$ 809,587                 |
| Accounts receivable   | 28,710                     |
| Grants receivable   | 28,815                     |
| COVID relief grants receivable  | 215,000                    |
| Current portion of mortgages receivable, net of discount  | 89,117                     |
| Investments   | <u>46,784</u>              |
| Total Financial Assets  | <u>1,218,013</u>           |
| Less amounts not available to be used within one year:  |                            |
| Net assets with donor restrictions  | 26,800                     |
| Add back: Net assets with purpose or time restrictions<br>to be met in less than a year         | <u>(26,800)</u>            |
| Total amounts not available to be used within one year  | <u>-</u>                   |
| Total Financial Assets Available to Meet Cash Needs for General<br>Expenditures Within One Year | <u><u>\$ 1,218,013</u></u> |

**Note K – Risk and Uncertainties**

The Organization is subject to claims and legal proceedings over a range of matters that may arise in the normal course of business activities. Management believes any liability the ultimately results from the resolution of such matters will not have a material effect on the financial condition of the Organization.

**Note L – Subsequent Events**

Management has evaluated events through the date which the financial statements were available to be issued. Based upon this evaluation, there were no material adjustments to these financial statements.

Effective September 21, 2022 the Organization refinanced its loan. After refinancing, the interest rate is 2.75% and matures on September 21, 2032.