

FINANCIAL REPORT  
Audited  
**HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.**  
June 30, 2020

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*Audited for:*

Board of Directors  
Habitat for Humanity of Greater Newburgh, Inc.



*Audited by:*  
RBT CPAs, LLP  
11 Racquet Road  
Newburgh, NY 12550  
(845) 567-9000

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# HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.

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LIMITED LIABILITY PARTNERSHIP  
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Habitat for Humanity of Greater Newburgh, Inc.  
125 Washington Street  
Newburgh, NY 12550

### Report on the Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity of Greater Newburgh, Inc. which comprise the statement of financial position as of June 30, 2020, and the related statements of financial position, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Emphasis of Matter**

As discussed in Note 26 to the financial statements, the spread of the global pandemic, coronavirus disease (COVID-19), has created economic uncertainty.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2020 and the changes in net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

*RBT CPAs, LLP*

Newburgh, NY  
December 17, 2020

## HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.

### STATEMENT OF FINANCIAL POSITION

As of June 30	2020
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents (Note 3)	\$ 385,941
Investments (Note 4)	4,421
Accounts Receivable (Note 6)	236,098
Pledges Receivable - Current	152,141
Inventory	58,645
Prepaid Expenses	35,699
Current Portion of Mortgage Loans Receivable (Note 10)	140,037
Construction in Progress (Note 7)	1,018,441
Security Deposit	8,000
<b>Total Current Assets</b>	<b>2,039,423</b>
<b>Property and Equipment (Note 8)</b>	<b>960,255</b>
Other Assets:	
Mortgage Loans Receivable - Net of Current Portion (Note 10)	853,959
Pledges Receivable - Net of Current Portion	159,666
<b>Total Other Assets</b>	<b>1,013,625</b>
<b>Total Assets</b>	<b>\$ 4,013,303</b>

*See Notes to Financial Statements.*

## HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.

	2020
<b>LIABILITIES AND EQUITY</b>	
Current Liabilities:	
Line of Credit (Note 11)	\$ 300,000
Current Portion of Long-Term Debt (Note 12)	135,719
Accounts Payable	27,998
Deferred Revenue (Note 13)	348,513
House Deposits	7,500
Credit Card Payable	3,859
Sales Tax Payable	914
Refundable Advances (Note 14)	224,873
Total Current Liabilities	1,049,376
Long-Term Liabilities:	
Long-Term Debt - Net of Current Portion (Note 12)	445,445
PPP Loan (Note 15)	189,450
Total Long-Term Liabilities	634,895
Net Assets:	
Without Donor Restrictions:	
Reserve for House Completion (Note 18)	997,421
Undesignated	1,330,611
With Donor Restriction (Note 20)	1,000
Total Net Assets	2,329,032
Total Liabilities and Net Assets	\$ 4,013,303

*See Notes to Financial Statements.*

# HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.

## STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support:			
Contributions	\$ 622,996	\$ -	\$ 622,996
Grants	137,200	-	137,200
In-Kind Contributions	472,120	-	472,120
Restore Sales	462,627	-	462,627
Neighborhood Revitalization	9,300	-	9,300
Transfers to Homeowners (Net of Discounts)	303,280	-	303,280
Mortgage Loan Discount Amortization	63,508	-	63,508
Miscellaneous Income	18,716	-	18,716
Total Revenues, Gains and Other Support	2,089,747	-	2,089,747
Expenses and Losses:			
Restore	885,018	-	885,018
Program	1,078,756	-	1,078,756
Management and General	182,317	-	182,317
Fundraising	166,039	-	166,039
Total Expenses	2,312,130	-	2,312,130
Other Revenue/(Expense):			
Interest Income	311	-	311
Rental Income	4,615	-	4,615
Interest Expense	(34,385)	-	(34,385)
Unrealized Loss	(1,032)	-	(1,032)
Total Other Revenue/(Expense):	(30,491)	-	(30,491)
Change in Net Assets	(252,874)	-	(252,874)
Net Assets - Beginning - as Previously Reported	2,500,173	-	2,500,173
Prior Period Adjustments (Note 24)	80,733	-	80,733
Net Assets - Beginning as Restated	2,580,906	1,000	2,581,906
Net Assets - Ending	\$ 2,328,032	\$ 1,000	\$ 2,329,032

*See Notes to Financial Statements.*

# HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2020		Restore	Program	Management and General	Fundraising	Total Expenses
Payroll	B	\$ 176,323	\$ 397,547	\$ 86,366	\$ 87,210	\$ 747,446
Employee Benefits	B	67,528	108,399	15,379	20,606	211,912
Payroll Tax Expense	B	13,873	32,630	7,144	7,270	60,917
Compensation and Related Expenses		257,724	538,576	108,889	115,086	1,020,275
Building Materials and Supplies	A	462,950	340,951	-	-	803,901
Communications	E	586	3,955	58	378	4,977
Professional Fees	A	-	2,152	14,000	-	16,152
Advertising	A	-	500	-	-	500
Bank Charges	A	6,226	-	8,633	-	14,859
Family Services	A	-	5,791	-	-	5,791
Dues and Subscriptions	A	-	16,776	304	7,005	24,085
Travel	D	1,153	4,232	530	530	6,445
Home Warranty Repairs	A	-	4,078	-	-	4,078
Utilities	C	12,733	19,564	2,302	1,151	35,750
Insurance	D	1,574	20,009	2,501	2,501	26,585
Office Expense	D	12,156	30,397	1,788	3,576	47,917
Development	A	-	1,153	-	11,897	13,050
Volunteer Services	A	-	5,815	-	-	5,815
Rent	A	87,480	-	-	-	87,480
Americorps	A	-	31,352	-	-	31,352
Tithe to HFHI	A	-	24,948	-	-	24,948
Vehicle Expense	A	8,003	8,780	-	-	16,783
Repairs and Maintenance	D	2,102	5,542	693	693	9,030
Event Expense	A	-	687	-	23,222	23,909
NRI	A	-	13,498	-	-	13,498
Total Expenses Before Depreciation		852,687	1,078,756	139,698	166,039	2,237,180
Depreciation	B	32,331	-	42,619	-	74,950
Total Expenses		\$ 885,018	\$ 1,078,756	\$ 182,317	\$ 166,039	\$ 2,312,130

**Method of Allocation:**

- A Direct Costs
- B Estimated Time and Effort
- C Historical Average Based Percentages
- D Combination of A and C
- E Combination of A, B, and C

*See Notes to Financial Statements.*

# HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.

## STATEMENT OF CASH FLOWS

For the Year Ended June 30	2020
Cash Flows From Operating Activities:	
Change in Net Assets	\$ (252,874)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by/(Used in) Operating Activities:	
Depreciation	74,950
Unrealized Loss	1,032
Change in Working Capital Components:	
(Increase)/Decrease in:	
Accounts Receivable	(175,739)
Pledges Receivable	63,323
Inventory	22,088
Prepaid Expenses	5,223
Non-Interest Bearing Mortgage Loan Payments	126,739
Mortgage Note Discount Amortization	(63,508)
Construction in Progress	(214,832)
Increase/(Decrease) in:	
Accounts Payable	(87,830)
House Deposits	2,250
Deferred Revenue	97,068
Total Adjustments	(149,236)
<b>Net Cash Used in Operating Activities</b>	<b>(402,110)</b>
Cash Flows from Financing Activities:	
Proceeds from Line of Credit	300,000
Principal Payments on Long Term Debt	(128,935)
PPP Loan	189,450
<b>Net Cash Provided by Financing Activities</b>	<b>360,515</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(41,595)</b>
Cash and Cash Equivalents - Beginning	427,536
<b>Cash and Cash Equivalents - Ending</b>	<b>\$ 385,941</b>

### Supplemental Disclosures:

Cash Paid for Interest	\$ 34,385
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### Non-Cash Transactions:

During the year ended June 30, 2020, the Organization received stock as payment for a receivable in the amount of \$5,095.

# HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.

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## NOTES TO FINANCIAL STATEMENTS

### 1. Nature of Business:

Habitat for Humanity of Greater Newburgh, Inc. the ("Organization") is a New York not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). The Organization was incorporated on July 27, 1999. Habitat is an affiliate of Habitat for Humanity International, Inc. ("HFHII"), a nondenominational Christian non-profit organization whose purpose is to create decent, affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, payer support and in other ways, the Organization is primarily and directly responsible for its own operations. The geographic area of the Organization encompasses Eastern Orange County. Presently, the Organization is rebuilding homes in the City of Newburgh.

### 2. Summary of Significant Accounting Policies:

#### Basis of Accounting

The Organization uses the accrual method of accounting which recognizes income when it is earned and expenses as they are incurred.

#### Pervasiveness of Estimates

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

#### Restricted Assets

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

#### Functional Allocation of Expenses

The cost of providing the various programs and supporting services has been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management. The methods of these allocations are disclosed on the statement of functional expenses.

#### Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash equivalents, receivables, payables and short-term borrowings arising in the ordinary course of business, approximate fair value due to the short maturity of these instruments. The carrying amount of long-term debt approximates fair value because the interest rates fluctuate with market interest rates or the fixed rates are based on current rates offered to the Organization for debt with similar terms and maturities.

The fair value of the Organization's investment in available for sale securities represents the estimated amount the Organization would receive if it were to sell the investments. See Note 5 for additional disclosures on the fair value of the investments.

#### Subsequent Events

Management has evaluated subsequent events from June 30, 2020 through December 17, 2020, the date on which the financial statements were available to be issued.

#### Cash and Cash Equivalents

The Organization considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

#### Equity Securities

Equity securities are stated at fair value and unrealized holding gains and losses are included in the change of net assets.

## HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.

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### 2. Summary of Significant Accounting Policies (continued):

#### Accounts Receivable

The Organization provides for bad debts using the reserve method; however, accounts receivable are already shown at their net realizable value after any necessary write-offs. The allowance for doubtful accounts is based on specifically identified amounts that the Organization believes to be uncollectible. Management has determined that no allowance for doubtful accounts is necessary as of June 30, 2020.

#### Inventory

Inventory consists of home goods that are donated to the Organization and resold at the Restore (the Organization's thrift store). Inventory is stated at the lower of cost (specific identification) or net realizable value.

#### Fixed Assets

Depreciation of property and equipment is computed under the straight-line method over the useful life of the asset, ranging from 3 to 39 years. The Organization's capitalization policy is to capitalize assets with a useful life greater than one year and \$5,000.

#### Compensated Absences

Employees of the Organization are generally entitled to paid vacation depending on length of service and other factors. It is impractical to estimate the amount of compensation to accrue for future absences. Therefore, no accrual for unused vacation days is provided at the balance sheet date. The Organization's policy is to recognize the costs of compensated absences when the employees are paid for such absences.

#### Deferred Revenue

Deferred revenue represents payments received in advance of services being provided or obligations being met. All amounts received in advance are deferred until services are rendered.

#### Advertising Expenses

Advertising expenses are charged against income as incurred and totaled \$500 for the year ended June 30, 2020.

#### Income Taxes

The Organization files an annual Form 990 as a tax exempt organization under Section 501(c)(3) of the IRC. As such, no federal or New York State taxes are paid by the Organization. The Organization has been classified as an entity that is not a private foundation within the meaning of Section 509 (a) and qualifies for deductible contributions as provided in Section 170 (b)(1)(A)(vi).

The Organization adopted the provisions of accounting principles generally accepted in the United States of America regarding accounting for uncertain tax positions. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that would require adjustment to the financial statements in order to comply with the provisions of this guidance. With few exceptions, the Organization is not subject to income tax examinations by the U.S. federal, state or local tax authorities for fiscal years prior to 2017.

#### PPP Loan Payable

The Organization accounts for its PPP (Paycheck Protection Program) Loan Payable as a financial liability in accordance with FASB ASC 470 Debt. As of June 30, 2020, the Organization has not yet received loan forgiveness from the Small Business Administration ("SBA") to release the Organization from liability. The Organization estimates that it will receive formal loan forgiveness within the next twelve months, at which time income will be recognized to the extent of the amount forgiven. See Note 15.

### 3. Cash and Cash Equivalents:

Cash and cash equivalents consisted of the following:

As of June 30	2020
Cash	\$ 377,941
Escrow	7,500
Petty Cash	500
	<u>\$ 385,941</u>

## HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.

### 4. Investments:

The following is a summary of the Organization's investments:

	Cost	Net Unrealized Gain	Net Unrealized (Loss)	Fair Market Value
As of June 30	<b>2020</b>			
Equity Securities	\$ 5,099	\$ 138	\$ (816)	\$ 4,421

As of June 30, 2020, one investment was in an unrealized loss position. The investment has not been in a continuous loss position for more than 12 months. Management has determined that the position does not represent an other-than-temporary impairment of the underlying investment. This conclusion is based on the quality of the investment involved and the variable nature of the stock market.

### 5. Fair Value Measurements:

The estimated carrying and fair values of the Organization's financial instruments are as follows:

As of June 30	<b>2020</b>	
	Carrying Value	Estimated Fair Value
Equity Securities	\$ 5,099	\$ 4,421

The fair value of the available for sale securities is based on quoted market rates.

Accounting principles generally accepted in the United States of America establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the hierarchy are described below:

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

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

To determine the appropriate levels, the Organization performed a detailed analysis of the assets and liabilities that are subject to fair value measurement in accordance with accounting principles generally accepted in the United States of America.

For the year ended June 30, 2020, the application of valuation techniques applied to similar assets and liabilities has been consistent.

	<b>June 30, 2020</b>			
	Total	Level 1	Level 2	Level 3
Equity Securities	\$ 4,421	\$ 4,421	\$ -	\$ -

### 6. Accounts Receivable:

Accounts receivable consisted of the following:

As of June 30	<b>2020</b>
Accounts Receivable	\$ 201,098
Grants Receivable	35,000
	<u>\$ 236,098</u>

### 7. Construction In Progress

Construction in progress for all projects includes all direct costs for land, materials and professional services, and the estimated or actual fair market value of donated items such as land, materials and professional services. All direct recorded costs of individual projects are transferred to construction costs when the title transfers to the homeowner.

The account balance consisted of the following:

As of June 30	<b>2020</b>
Houses Under Construction	<u>\$ 1,018,441</u>

## HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.

### 8. Property and Equipment:

Fixed assets consisted of the following:

As of June 30	2020
Buildings	\$ 1,474,717
Machinery and Equipment	26,739
Vehicles	81,262
	<u>1,582,718</u>
Less: Accumulated Depreciation	622,463
	<u><u>\$ 960,255</u></u>

Total depreciation expense was \$74,950 for the year ended June 30, 2020.

### 9. Mortgage Loans Administration:

Mortgage loans are currently managed by Walden Savings Bank, an experienced loan servicer providing the tasks of payment collection, processing and remittance, delinquency notices, escrow administration, 1098 reporting, and other back-office functions necessary in effectively administering a loan. The Organization records principal payments and escrow deficits when they are receivable or payable to Walden Savings Bank.

### 10. Mortgage Loans Receivable:

Mortgage loans receivable consist of non-interest bearing loans to homeowners which are secured by real estate and payable in monthly installments over the lives of the respective mortgages. These non-interest bearing mortgages are recorded at their net realizable value and have been discounted based upon a 7% rate at the inception of each mortgage. Utilizing the effective interest method, this discount is recognized as interest income over the term of the mortgage. The homeowners' monthly mortgage payments go into a revolving fund for the Organization that is used to build more houses.

In addition, a second lien is placed against the home that is equal to the difference between the cost of construction and the appraised value and/or the difference between the sales price and the mortgage. Repayment of the second lien is only required in the event of a resale or refinance, and is forgiven at 10% a year. All proceeds from the second mortgage realization are recorded as income in the period collected.

Certain funds provided by local government or institutional investors would be required to be repaid to the donating government or institution in the event the project for which the funds were provided is sold by the homeowner within a specified time period, between 5 and 30 years. These contingent obligations of the homeowners range from approximately \$5,000 to \$65,000 and are documented in the form of silent second liens, third trust deeds, mortgages and deed restrictions.

As of June 30	2020
0.00% mortgage receivable, due in monthly payments of \$170, through April 2024, collateralized by real estate	\$ 9,982
0.00% mortgage receivable, due in monthly payments of \$212, through May 2024, collateralized by real estate	12,564
0.00% mortgage receivable, due in monthly payments of \$250, through September 2025, collateralized by real estate	15,976
0.00% mortgage receivable, due in monthly payments of \$295, through June 2026, collateralized by real estate	21,441
0.00% mortgage receivable, due in monthly payments of \$262, through July 2024, collateralized by real estate	12,882
0.00% mortgage receivable, due in monthly payments of \$411, through March 2026, collateralized by real estate	33,303
0.00% mortgage receivable, due in monthly payments of \$289, through June 2026, collateralized by real estate	20,886
0.00% mortgage receivable, due in monthly payments of \$178, through January 2021, collateralized by real estate	3,350

## HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.

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### 10. Mortgage Loans Receivable (continued):

0.00% mortgage receivable, due in monthly payments of \$147, through March 2022, collateralized by real estate	4,849
0.00% mortgage receivable, due in monthly payments of \$246, through November 2031, collateralized by real estate	33,679
0.00% mortgage receivable, due in monthly payments of \$186, through January 2024, collateralized by real estate	10,146
0.00% mortgage receivable, due in monthly payments of \$301, through April 2025, collateralized by real estate	21,052
0.00% mortgage receivable, due in monthly payments of \$355, through August 2026, collateralized by real estate	26,234
0.00% mortgage receivable, due in monthly payments of \$262, through May 2024, collateralized by real estate	15,392
0.00% mortgage receivable, due in monthly payments of \$248, through November 2031, collateralized by real estate	33,866
0.00% mortgage receivable, due in monthly payments of \$176, through April 2020, collateralized by real estate	1,705
0.00% mortgage receivable, due in monthly payments of \$355, through May 2026, collateralized by real estate	29,333
0.00% mortgage receivable, due in monthly payments of \$195, through March 2022, collateralized by real estate	6,482
0.00% mortgage receivable, due in monthly payments of \$262, through June 2023, collateralized by real estate	12,506
0.00% mortgage receivable, due in monthly payments of \$378, through March 2031, collateralized by real estate	53,319
0.00% mortgage receivable, due in monthly payments of \$265, through September 2024, collateralized by real estate	13,358
0.00% mortgage receivable, due in monthly payments of \$339, through August 2027, collateralized by real estate	29,153
0.00% mortgage receivable, due in monthly payments of \$147, through June 2023, collateralized by real estate	5,335
0.00% mortgage receivable, due in monthly payments of \$201, through October 2025, collateralized by real estate	12,847
0.00% mortgage receivable, due in monthly payments of \$234, through October 2031, collateralized by real estate	31,873
0.00% mortgage receivable, due in monthly payments of \$355, through December 2027, collateralized by real estate	31,802
0.00% mortgage receivable, due in monthly payments of \$276, through March 2031, collateralized by real estate	38,861
0.00% mortgage receivable, due in monthly payments of \$408, through February 2026, collateralized by real estate	32,653
0.00% mortgage receivable, due in monthly payments of \$362, through April 2025, collateralized by real estate	25,311
0.00% mortgage receivable, due in monthly payments of \$181, through February 2024, collateralized by real estate	10,263

# HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.

## 10. Mortgage Loans Receivable (continued):

0.00% mortgage receivable, due in monthly payments of \$234, through April 2024, collateralized by real estate	13,590
0.00% mortgage receivable, due in monthly payments of \$335, through January 2026, collateralized by real estate	26,570
0.00% mortgage receivable, due in monthly payments of \$454, through February 2031, collateralized by real estate	63,688
0.00% mortgage receivable, due in monthly payments of \$200, through June 2031, collateralized by real estate	28,766
0.00% mortgage receivable, due in monthly payments of \$268, through April 2025, collateralized by real estate	18,703
0.00% mortgage receivable, due in monthly payments of \$262, through May 2023, collateralized by real estate	12,317
0.00% mortgage receivable, due in monthly payments of \$315, through May 2027, collateralized by real estate	29,948
0.00% mortgage receivable, due in monthly payments of \$290, through October 2031, collateralized by real estate	39,438
0.00% mortgage receivable, due in monthly payments of \$151, through December 2031, collateralized by real estate	20,764
0.00% mortgage receivable, due in monthly payments of \$192, through August 2022, collateralized by real estate	4,938
0.00% mortgage receivable, due in monthly payments of \$311, through April 2031, collateralized by real estate	44,072
0.00% mortgage receivable, due in monthly payments of \$193, through March 2024, collateralized by real estate	11,048
0.00% mortgage receivable, due in monthly payments of \$369, through July 2032, collateralized by real estate	53,483
0.00% mortgage receivable, due in monthly payments of \$179, through January 2027, collateralized by real estate	16,268
	<u>993,996</u>
Less: Current Receivable	140,037
Long-Term Portion	<u>\$ 853,959</u>

Aggregate maturities required on notes receivable at June 30, 2020 are due in future years as follows:

2021	\$ 140,037
2022	137,573
2023	134,555
2024	128,927
2025	124,525
Thereafter	<u>972,026</u>
	1,637,643
Less: Unamortized Discount	<u>643,647</u>
Net Mortgage Loan Receivable	<u>\$ 993,996</u>

## HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.

### 11. Short-Term Borrowing:

The Organization's short-term borrowing consisted of the following:

As of June 30	Authorized	Outstanding
	2020	
Line of credit with M&T Bank payable with interest at prime plus 1.00% (3.25% at June 30, 2020).	\$ 300,000	\$ 300,000

### 12. Pledged Assets and Long-Term Debt:

The Organization's long-term debt, and collateral pledged thereon, consisted of the following:

As of June 30	2020
5.99% note payable, due in monthly payments of \$928 including interest, through November 2021, collateralized by Isuzu Box Truck.	\$ 15,934
4.38% note payable, due in monthly payments of \$7,447 including interest, through August 2021, collateralized by the Organization assets.	101,414
4.50% note payable, due in monthly payments of \$4,887 including interest, through April 2030, collateralized by a building.	463,816
	581,164
Less: Current Maturities	135,719
Long-Term Portion	\$ 445,445

Aggregate maturities required on long-term debt at June 30, 2020 are due in future years as follows:

2021	\$ 135,719
2022	60,455
2023	42,149
2024	44,085
2025	46,111
Thereafter	252,645
	\$ 581,164

### 13. Deferred Revenue:

The Organization receives in-kind contributions of building materials and contributed services meeting the IRS requirements for recognition. These goods and services are identified by specific housing project, and are recorded as deferred revenue of \$63,960.

The Organization also receives development assistance from the Newburgh Community Land Bank to assist with lead and asbestos abatement. These funds are identified to specific housing projects, recorded as Deferred Development Assistance and recognized at the time of the house sale. As of June 30, 2020 there is deferred development assistance of \$284,553.

### 14. Refundable Advances:

The County of Orange, Office of Community Development, the U.S. Department of Housing and Urban Development Neighborhood Stabilization Program and the Affordable Housing Corporation have provided funds to the Organization for the construction of various projects. These funds were recorded as a refundable advance. These grants will only be repayable by the Organization in the event of non-compliance with any of the provisions of the agreement prior to transfer of the liability to the homeowner at closing. The nature of these grants is not fully realizable until the final recording after the closing and transfer of title to the homeowner. Orange County reported that this grant is still open and, therefore, these funds remain recorded as a refundable advance.

## HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.

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### 15. PPP Loan Payable:

During April 2020, the Organization received a PPP loan of \$189,450 provided under the CARES Act in response to the economic impact of the COVID-19 global pandemic. The Organization may receive partial or full loan forgiveness if it maintains its employee head count and salary levels, and spends the loan proceeds on eligible expenditures, such as payroll and certain operating costs, over a specified covered period of time. As of June 30, 2020, the Organization has maintained its head count and salary levels and estimates that it has utilized 100% of the loan proceeds on expenditures that are eligible for loan forgiveness. Therefore, the Organization believes it is highly likely that the full loan will be forgiven within the next twelve months, at which time the liability will be released and income will be recognized to the extent of the amount forgiven. Any portion of the loan that is not forgiven will be payable with interest at 1%. The loan is uncollateralized and guaranteed by the Small Business Administration.

### 16. Operating Lease:

The Organization leases retail space under a one year lease with Brian Jo Lynn Holding Corp. The lease term is from October 1, 2019 to September 30, 2020 at a base rate of \$60,000 per year (\$5,000 per month) plus an allocation of taxes and utilities. The Organization has the option to renew the lease until September 30, 2022.

The total minimum commitment at June 30, 2020, under the lease, is due as follows :

2021	<u>\$</u>	<u>15,000</u>
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### 17. Related Party Transactions:

The Organization annually remits a portion of its contributions without donor restrictions (excluding in-kind contributions) to HHFI in the form of a tithe. For the year ended June 30, 2020, Habitat contributed \$24,948, to HFHI.

The Organization paid a U.S. Stewardship and Organizational Sustainability fee of \$7,500 to HFHI during the year ended June 30, 2020.

The Organization paid a Supporting Affiliate fee of \$5,000 to Habitat for Humanity of NYS during the year ended June 30, 2020.

Management has determined that the related party is not a variable interest entity subject to consolidation under accounting principles generally accepted in the United States of America.

### 18. Reserve for House Completion - Board Designation:

The Organization reserves a portion of its fund balance for the completion of projects that are currently in progress. As of June 30, 2020, the value of this Board designation was \$997,421.

### 19. In-Kind Contributions:

Included in in-kind contributions are building materials and contributed services (meeting the IRS requirements for recognition) which have been donated to the Organization for use in the houses which are rehabilitated. During the fiscal year ended June 30, 2020, the value of these in-kind contributions recognized was \$31,076. These gifts are recorded as deferred revenue until the sale of the home.

Included in ReStore in-kind contributions are building materials, home goods and furniture for the purpose of resale. During the fiscal year ended June 30, 2020, the value of these in-kind contributions was \$441,044.

### 20. Net Assets With Donor Restrictions:

During fiscal year 2013, the Organization received a donation of \$1,000 that was restricted to assist homeowners with their deductible amount for their homeownership insurance policies, if there was a policy claim on their insurance plans. These funds are reported as net assets with donor restrictions on the statement of financial position.

### 21. Retirement Plan:

The Organization established a 401(k) retirement savings plan (tax deferred annuity) in December 2014 for its Employees. The Organization makes its employees aware of the plan, withholds voluntary contributions from paychecks and remits the contributions to an independent trustee. Each participant may contribute his or her eligible compensation on a pretax basis to the plan up to a maximum allowed by the IRC. The Organization contributed \$0 to the plan for the year ended June 30, 2020.

### 22. Concentration of Credit Risk:

The Organization maintains its cash in accounts which periodically exceed federally insured limits. It has not experienced any losses to date resulting from this policy.

## HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.

### 23. Liquidity and Availability of Financial Resources:

The following reflects the Organization's financial assets as of June 30, 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of June 30, 2020.

As of June 30	2020
Financial Assets at Year-End	
Cash	\$ 385,941
Investments	4,421
Accounts Receivable	236,098
Current Pledge Receivables	152,141
Current Mortgage Receivables	140,037
Total Financial Assets at Year-End	918,638
Less: those unavailable for General Expenditures within one year, due to:	
Donor Restrictions	1,000
House Deposits	7,500
	8,500
Financial Assets Available to Meet Cash Needs for General Expenditure Within One Year	\$ 910,138

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization maintains a line of credit in the amount of \$300,000 (Note 11), which can be drawn upon with Board approval.

### 24. Prior Period Adjustments:

A prior period adjustment was recorded in the amount of \$80,733 for inventory and in-kind contributions that were omitted as of June 30, 2019.

### 25. New Accounting Standard:

#### *Revenue Recognition*

FASB Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers is effective, and will be adopted by the Organization, for fiscal year 2021. The new standard requires significant changes in the method and timing of recognition of certain contract revenues and related incremental expenses (such as sales commissions). Implementation of the standard will require certain retrospective adjustments at the time of application.

The standard also requires significantly more qualitative and quantitative disclosures. Included in these are revenue recognized from contracts with customers; impairment losses recognized on receivables arising from contracts with customers; disaggregated revenues based on significant economic factors; opening and closing balances of contract assets, liabilities, and receivables from contracts with customers; methods of satisfying performance obligations; significant payment terms; nature of goods and services; obligations for returns and warranties; and significant judgments related to the timing of recognizing revenue.

#### *Leases*

FASB Accounting Standards Update No. 2016-02, Leases is effective, and will be adopted by the Organization, for fiscal year 2022. The new standard establishes two categories of leases – operating and financing – and requires lessees to recognize a right-of-use asset and a liability for all leases in both categories. Implementation of the standard will require certain retrospective adjustments at the time of application. Management is currently evaluating the impact of this standard on its financial reporting.

#### *Contributed Nonfinancial Assets*

FASB Accounting Standards Update No. 2020-07, Not-For-Profit Entities, is effective for fiscal years beginning after June 15<sup>th</sup>, 2021. The new standard establishes a separate line on the Statement of Activities for contributed nonfinancial assets (CNFA), also known as gifts in kind, separate from contributions of cash and other financial assets. The standard also requires the categorization of CNFA and disclosures as to the monetization, utilization and valuation. The standard will be adopted by the organization and applied retrospectively.

**26. Uncertainty:**

Beginning in the second half of fiscal year 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impacts to the Organization as of December 17, 2020, management believes that a material impact on the Organization's financial position and results of future operations is possible.