

UPPER VALLEY HABITAT FOR HUMANITY, INC.
FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Upper Valley Habitat for Humanity, Inc.
White River Junction, Vermont

We have audited the accompanying financial statements Upper Valley Habitat for Humanity, Inc. (a nonprofit organization), which comprises the statement of financial position as of June 30, 2020 and the related statement of activities and changes in net assets, cash flows and functional expenses 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 of 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 opinion.

Opinion

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

Report on Summarized Comparative Information

We have previously audited the financial statements of Upper Valley Habitat for Humanity, Inc. as of June 30, 2019 and for the year then ended and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Rowley & Associates, P.C.
Concord, New Hampshire
March 5, 2021

UPPER VALLEY HABITAT FOR HUMANITY, INC
STATEMENT OF FINANCIAL POSITION
June 30, 2020 With Comparative Totals for June 30, 2019
See Independent Auditors' Report

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>2020 Total</u>	<u>2019 Total</u>
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 117,730	\$ 147,118	\$ 264,848	\$ 91,228
Prepaid expenses	-	-	-	600
Accounts receivable	14,620	-	14,620	43,695
Total Current Assets	<u>132,350</u>	<u>147,118</u>	<u>279,468</u>	<u>135,523</u>
OTHER ASSETS				
Homes under construction	117,389	-	117,389	295,371
Non-interest bearing mortgage loans	1,343,738	-	1,343,738	1,256,501
Discount on non-interest bearing mortgage loans	(652,382)	-	(652,382)	(594,290)
Land for future construction	131,655	-	131,655	159,513
Total Other Assets	<u>940,400</u>	<u>-</u>	<u>940,400</u>	<u>1,117,095</u>
Total Assets	<u>1,072,750</u>	<u>147,118</u>	<u>1,219,868</u>	<u>1,252,618</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	6,091	-	6,091	5,821
Accrued expenses	3,220	-	3,220	3,905
Total Current Liabilities	<u>9,311</u>	<u>-</u>	<u>9,311</u>	<u>9,726</u>
OTHER LIABILITY				
SBA Paycheck Protection Program Loan	<u>17,400</u>	<u>-</u>	<u>17,400</u>	<u>-</u>
NET ASSETS				
Net assets without donor restrictions	1,046,039	-	1,046,039	1,166,907
Net assets with donor restrictions	-	147,118	147,118	75,985
Total Net Assets	<u>1,046,039</u>	<u>147,118</u>	<u>1,193,157</u>	<u>1,242,892</u>
Total Liabilities and Net Assets	<u>\$ 1,072,750</u>	<u>\$ 147,118</u>	<u>\$ 1,219,868</u>	<u>\$ 1,252,618</u>

Notes to Financial Statements

UPPER VALLEY HABITAT FOR HUMANITY, INC
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2020
With Comparative Totals for the Year Ended June 30, 2019
See Independent Auditors' Report

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2020 Total	2019 Total
REVENUES AND OTHER SUPPORT:				
Grants and contributions	\$ 109,696	\$ 64,506	\$ 174,202	\$ 149,115
Net gain (loss) on sale of home	(5,256)	-	(5,256)	20,415
Mortgage loan discount amortization	43,906	-	43,906	39,950
Rental income	8,700	-	8,700	9,000
Other income	2,010	-	2,010	3,473
Total revenues and other support	<u>159,056</u>	<u>64,506</u>	<u>223,562</u>	<u>221,953</u>
Net assets released from restrictions	<u>(6,627)</u>	<u>6,627</u>	<u>-</u>	<u>-</u>
EXPENSES				
Program expenses	200,865	-	200,865	268,602
Management and general expenses	40,863	-	40,863	65,739
Fundraising expenses	31,569	-	31,569	23,887
Total expenses	<u>273,297</u>	<u>-</u>	<u>273,297</u>	<u>358,228</u>
Change in net assets from operations	(120,868)	71,133	(49,735)	(136,275)
Acquisition of mortgages, non-cash	<u>-</u>	<u>-</u>	<u>-</u>	<u>203,722</u>
Total net change in net assets	(120,868)	71,133	(49,735)	67,447
Net assets at beginning of year	<u>1,166,907</u>	<u>75,985</u>	<u>1,242,892</u>	<u>1,175,445</u>
Net assets at end of year	<u>\$ 1,046,039</u>	<u>\$ 147,118</u>	<u>\$ 1,193,157</u>	<u>\$ 1,242,892</u>

Notes to Financial Statements

UPPER VALLEY HABITAT FOR HUMANITY, INC
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2020 and 2019
See Independent Auditors' Report

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in Net Assets	\$ (49,735)	\$ 67,447
Adjustments to reconcile excess of revenues and support over expenses to net cash provided by operating activities:		
Discount on non-interest bearing mortgage loans issued	101,998	112,087
Amortization of mortgage loan discounts	(43,906)	(39,950)
(Gain) loss on sale of homes	5,256	(20,415)
(Increase) decrease in the following assets:		
Prepaid expenses	600	(600)
Accounts receivable	29,075	(34,238)
(Decrease) increase in the following liabilities:		
Accounts payable	270	(200)
Accrued expenses	(685)	(753)
Escrow accounts	-	(1,000)
Net Cash Provided by Operating Activities	<u>42,873</u>	<u>82,378</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash disbursements for construction of homes	(13,727)	(194,077)
Investment in land for construction	(3,189)	(14,087)
Cash recieved (paid) for homes sold	43,500	(3,259)
Completed projects	-	40,466
Payments received on mortgages receivable	86,763	83,803
Acquisition of mortgages, non cash	-	(203,722)
Net Cash Provided (Used) by Investing Activities	<u>113,347</u>	<u>(290,876)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Proceeds from SBA Paycheck Protection Program Loan	<u>17,400</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	173,620	(208,498)
Cash and Cash Equivalents at Beginning of Year	<u>91,228</u>	<u>299,726</u>
Cash and Cash Equivalents at End of Year	\$ <u><u>264,848</u></u>	\$ <u><u>91,228</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Acquisition of mortgages, non-cash	\$ <u><u>-</u></u>	\$ <u><u>203,722</u></u>
Sales price of homes sold	217,500	182,305
Mortgage loans issued by organization	(174,000)	(184,089)
Buyer grants contributed to closings	-	(1,475)
Cash received (paid) for homes sold	\$ <u><u>43,500</u></u>	\$ <u><u>(3,259)</u></u>

Notes to Financial Statements

UPPER VALLEY HABITAT FOR HUMANITY, INC
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020
With Comparative Totals for the Year Ended June 30, 2019
See Independent Auditors' Report

	2020				Total
	Program	Management and General	Fundraising	Total	2019
Salaries and wages	\$ 36,997	\$ 32,338	\$ 23,680	\$ 93,015	\$ 107,774
Mortgage discount expense	101,998	-	-	101,998	112,087
Payroll taxes	2,992	2,615	1,915	7,522	7,933
Employee benefits	3,507	78	-	3,585	-
Professional fees	12,000	550	-	12,550	10,957
Tithe to HFH International	-	-	-	-	1,019
Construction supplies	98	-	-	98	3,592
Travel	112	273	-	385	925
Insurance	10,983	-	-	10,983	9,875
Advertising	349	-	381	730	787
Rent	4,345	659	-	5,004	4,620
Office expense	970	74	32	1,076	3,662
Printing and postage	42	42	2,171	2,255	1,843
Telephone	1,063	29	11	1,103	1,413
Northeast Kingdom expenses	14,152	1,173	1,459	16,784	15,821
Claremont lead abatement project	2,085	-	-	2,085	66,029
Other	5,268	3,032	1,920	10,220	6,836
Carrying cost of homes rented	3,904	-	-	3,904	3,055
Total Expenses	\$ 200,865	\$ 40,863	\$ 31,569	\$ 273,297	\$ 358,228

Notes to Financial Statements

UPPER VALLEY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019

NOTE 1 NATURE OF ORGANIZATION

Established in 1986, Upper Valley Habitat for Humanity, Inc. (UVHFH) is a nonprofit organization incorporated under the laws of the State of Vermont. Their mission is to build affordable, durable, safe, healthy, economical, and energy-efficient homes; strengthen and enrich communities; and increase long-term hope, prosperity, health, and the lives of families and individuals in the Upper Valley of Vermont and New Hampshire through the stability of affordable homeownership. They build homes for qualifying families in the Upper Valley towns of Vermont and New Hampshire with the help of community volunteers, the approved homeowners, and with local vendors and licensed subcontractors suppliers providing free or discounted materials and services. The completed homes are sold to the partner families at cost with zero- or very low-interest mortgages that are repaid to the Organization, which funds the building of future homes. UVHFH completes about one home per year. UVHFH has a sub-affiliate, Upper Valley Habitat for Humanity in the Northeast Kingdom (AKA Northeast Kingdom Habitat). NEK Habitat primarily focuses on critical home repairs and aging in place projects.

UVHFH is an affiliate of Habitat for Humanity International. Inc., a nonprofit housing organization working in 1,300 communities across all 50 states and in approximately 70 countries around the world. Founded in 1976 by Millard and Linda Fuller, Habitat for Humanity's mission is to bring people together to build homes, communities, and hope. Habitat's vision is of a world where everyone has a decent place to live. Habitat works toward this vision by building strength, stability and self-reliance in partnership with people and families in need of a safe and affordable home. Habitat International assists their affiliates with information resources, publications, trainings, and branding. UVHFH is directly responsible for its own operations and is supported primarily through grants and contributions.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of UVHFH is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Basis of Presentation

The Organization maintains its accounting records on the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when the obligation is incurred. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

UPPER VALLEY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets without Donor Restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions – These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments without donor restriction with an initial maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Contributions and Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as net assets with or without donor restriction, depending on the existence and nature of any donor restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contribution was received are classified as contributions without donor restitution. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

UPPER VALLEY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Materials and Services

A substantial number of volunteers have made significant contributions to the Organization's program and supporting services. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation. Donated materials, supplies, and services are reflected as contributions in the accompanying financial statements at their estimated fair value.

Mortgage Loans Receivable

Mortgage loans receivable consists of non-interest bearing mortgages, which are secured by real estate, and are payable in monthly installments over the life of the mortgage. Every effort is made to assist those homeowners who have become delinquent in their mortgage payments. However, foreclosure proceedings may be initiated and/or the Organization may accept the deed back in lieu of foreclosure where the homeowner mortgage payments are deemed seriously delinquent. Properties acquired through foreclosure or by the acceptance of a deed in lieu of foreclosure, may be sold directly on the open market or refurbished in partnership with and sold to other families in need of decent, affordable housing.

Home Construction Costs

Costs incurred in conjunction with home construction are capitalized until the completion of each home. Construction-in-Process activity consisted of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Homes under construction, beginning balance	\$ 295,371	\$ 302,176
New construction during the year	13,727	194,077
Homes transferred during the year	(191,709)	(160,416)
Construction costs forgiven or reclassified	<u>-</u>	<u>(40,466)</u>
Homes under construction, ending balance	<u>\$ 117,389</u>	<u>\$ 295,371</u>

Land for Future Construction

Donated land is valued at the estimated fair value at the date of donation. However, the value of the donated land to the Organization can sometimes differ from the fair value because of the Organization's mission to keep the homes it provides affordable, binding them to keep the housing cost at less than 30% of a homeowner's monthly income. When this occurs, the Organization records a valuation allowance for the difference between the estimated fair value of the land and the value of the land the Organization anticipates it will be able to pass on to the homeowner.

Transfers to Homeowners

Transfers to homeowners are recorded at the gross amount of payments to be received over the lives of the mortgages. Non-interest bearing mortgages have been discounted at various rates ranging from 7% to 9%. The rate is provided by Habitat for Humanity International each fiscal year and is applied at the inception of each mortgage. Discounts are amortized over the life of the loan.

UPPER VALLEY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional and Cost Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates that are based on their relationship to those activities. Those expenses include payroll and payroll related expenses and occupancy costs. Occupancy costs are allocated based on square footage. Payroll and payroll related expenses are based on estimates of time and effort. Other cost allocations are based on the relationship between the expenditure and the activities benefited.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expense for the years ended June 30, 2020 and 2019 was \$730 and \$787, respectively.

Income taxes

The Organization has been notified by the Internal Revenue Service that it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is further classified as an organization that is not a private foundation under Section 509(a)(3) of the Code. The most significant tax positions of the Organization are its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business tax (UBIT). The Organization follows the guidance of Accounting Standards Codification (ASC) 740, Accounting for Income Taxes, related to uncertain income taxes, which prescribes a threshold of more likely than not for recognition and recognition of tax positions taken or expected to be taken in a tax return. All significant tax positions have been considered by management. It has been determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities. Accordingly, no provision for income taxes has been recorded.

Concentration of Risk

The Organization's concentration of credit risk with respect to mortgage loans receivable depends upon its partner families' ability to repay, which varies with economic conditions in this geographic area. Management believes all mortgage loans are performing and therefore no allowance for uncollectable amounts is required.

The Organization maintains cash balances in several accounts at local banks. These accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At various times throughout the year, the Organization may have cash balances at the financial institution that exceeds the insured amount. Management does not believe this concentration of cash results in a high level of risk for the Organization. At June 30, 2020 and 2019, the Organization had no uninsured cash balances.

UPPER VALLEY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable and accrued expense are stated at carrying cost at June 30, 2020 and 2019, which approximates fair value due to the relatively short maturity of these instruments. Other financial instruments held at year end are homes under construction, non-interest-bearing mortgage loans, discount on non-interest-bearing mortgage loans, land for future construction, which are unobservable inputs that are supported by little or no market activity, and that are significant to the fair value of the assets. These assets include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

New Accounting Pronouncement

During the year ended June 30, 2019, the Organization adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016- 14— Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016- 14). This Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions.

NOTE 3 TRANSACTIONS WITH AFFILIATE

The Organization remits a portion of its contributions (excluding in-kind and restricted contributions) to Habitat for Humanity International, Inc. These funds are used to construct homes in economically depressed areas around the world. The Organization remitted \$0 and \$1,019 for the years ended June 30, 2020 and 2019, respectively.

NOTE 4 RESTATEMENT

The Organization has restated the financial statements for the year ended June 30, 2019 to report previously unrecorded mortgage discount expense of \$112,087.

UPPER VALLEY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019

NOTE 5 FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, the Association is required to disclose certain information about its financial assets and liabilities. As of June 30, 2020 and 2019 the Organization had no financial instruments subject to the disclosure requirements. Cash and cash equivalents, accounts receivable, accounts payable and accrued expenses reported in the statement of financial position approximate fair values because of the short maturities of those instruments or because of the fixed rate of interest required to be paid.

Fair values of the Organization's other assets measured on a recurring basis at June 30, 2020 and 2019 are as follows:

	Fair Value	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2020</u>			
Homes under construction	\$ 117,389	\$ -	\$ 117,389
Non-interest bearing loans, less discount	691,356	-	691,356
Land for future construction	131,655	-	131,655
Accounts receivable	<u>14,620</u>	<u>14,620</u>	<u>-</u>
Total	<u>\$ 955,020</u>	<u>\$ 14,620</u>	<u>\$ 940,400</u>

	Fair Value	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2019</u>			
Homes under construction	\$ 295,371	\$ -	\$ 295,371
Non-interest bearing loans, less discount	662,211	-	662,211
Land for future construction	159,513	-	159,513
Accounts receivable	<u>43,695</u>	<u>43,695</u>	<u>-</u>
Total	<u>\$ 1,160,790</u>	<u>\$ 23,469</u>	<u>\$ 1,117,095</u>

The fair market value of accounts receivable are estimated at the present value of expected future cash flows. Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

<u>Homes under construction</u>	
Balance at June 30, 2019	\$ 295,371
Additional costs incurred	13,727
Completed homes transferred	(191,709)
Costs forgiven or reclassified	<u>-</u>
Balance at June 30, 2020	<u>\$ 117,389</u>

UPPER VALLEY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019

NOTE 5 FAIR VALUE MEASUREMENTS (Continued)

<u>Non-interest bearing loans</u>	
Balance at June 30, 2019	\$ 662,211
New mortgages issued	174,000
Discounts on new mortgages	(101,998)
Mortgage principal paid off	(86,763)
Amortization of discount	<u>43,906</u>
Balance at June 30, 2020	<u>\$ 691,356</u>
<u>Land for future construction</u>	
Balance at June 30, 2019	\$ 159,513
Additional land purchased	-
Land lot transferred	<u>(27,858)</u>
Balance at June 30, 2020	<u>\$ 131,655</u>

NOTE 6 LEASE OBLIGATION

The Organization pays rent on a month to month basis for office space. Rent expense related to this lease was \$8,340 and \$6,690 for the years ended June 30, 2020 and 2019, respectively, and is recorded under Northeast Kingdom expenses. There is no future minimum rent related to this lease.

On January 1, 2021 the Organization entered into a two-year lease for office space, expiring December 22, 2022. Rent expense related to this office was \$5,004 and \$4,620 for the years ended June 30, 2020 and 2019, respectively.

Future minimum rent related to this lease is:

2021:	\$4,770
2022:	4,920
2023:	<u>2,460</u>
	<u>9,840</u>

NOTE 7 BOARD DESIGNATED NET ASSETS

The Organization had board designated net assets comprised of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Sharon Project	3,479	-
Claremont Neighborhood Revitalization	<u>-</u>	<u>25,418</u>
Total Board Designated Net Assets	<u>\$ 3,479</u>	<u>\$ 25,418</u>

UPPER VALLEY HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2020 and 2019

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
360 Meriden Road	\$ 84,398	\$ 14,857
362 Meriden Road	23,525	-
Claremont Lead Abatement Project	32,648	56,128
Claremont PNH Project	1,547	-
Prue Stewardship Fund	<u>5,000</u>	<u>5,000</u>
Total	<u>\$ 147,118</u>	<u>\$ 75,985</u>

NOTE 9 LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization's primary sources of support are contributions, and grants. Most of that support is held for the purpose of supporting the Organization's budget.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 264,848	\$ 91,228
Accounts receivable	14,620	43,695
Less cash and cash equivalents and accounts receivable subject to donor restriction	<u>(147,118)</u>	<u>(75,985)</u>
	<u>\$ 132,350</u>	<u>\$ 58,938</u>

NOTE 10 PAYCHECK PROTECTION PROGRAM LOAN

On April 22, 2020 the Organization received approval of a loan from The U.S. Small Business Administration as part of the Paycheck Protection Program in the amount of \$17,400. This loan calls for interest fixed at 1%. No payments are required for six months from the date of the loan. This note will mature two years from the date of first disbursement of the loan. It is likely that this loan will be forgiven under the provisions of Section 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (P.L. 116-136).

On January 16, 2021, the loan was forgiven under the provisions of Section 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (P.L. 116-136

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NOTE 11 CONTINGENT RECEIVABLE: SECOND MORTGAGES

The Organization receives a second mortgage on some properties sold to Partner Families. Generally, the value of the second mortgage represents the difference between the sales price and the property's market value at time of sale. There are no required monthly payments on these second mortgages, however an amount becomes due if the property is sold or if the first mortgage falls into default.

Often, the second mortgage is forgiven over time, as long as the homeowner is current on first mortgage payments and continues to live in the home. The forgiveness schedule is based on a formula set at closing.

These mortgages are not recorded in these financial statements because there is significant uncertainty regarding collectability. In the event that the Organization intends to collect the second mortgage, it is recorded as income at that time.

The outstanding balances of second mortgages held by the Organization as of June 30, 2020 and 2019 were \$210,738 and \$206,678, respectively.

NOTE 12 SIGNIFICANT EVENT – ACQUISITION OF MORTGAGES, NON-CASH

During the year ended June 30, 2019, the Organization acquired three mortgage loans receivable from an affiliated Habitat for Humanity that closed during the year. This was a non-cash transaction that increased the total amount of mortgage loans receivable by \$203,722 and is included in the statement of activities and changes in net assets for the year ended June 30, 2019. Each of the mortgages are expected to be fully collectible and are treated the same as the other mortgage loans.

NOTE 13 SUBSEQUENT EVENTS

The Organization has evaluated events through March 5, 2021, the date on which the financial statements were available to be issued to determine if any are of such significance to require disclosure.

It has been determined that no other subsequent events matching this criterion occurred during this period.