



Northern Ocean Habitat for Humanity, Inc.

Financial Statements

For the years ended June 30, 2020 and 2019

Northern Ocean Habitat for Humanity, Inc.  
For the years ended June 30, 2020 and 2019

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## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
Northern Ocean Habitat for Humanity, Inc.:

We have audited the accompanying financial statements of Northern Ocean Habitat for Humanity, Inc., a non-profit organization, which comprise the statements of financial position as of June 30, 2020 and 2019 and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northern Ocean Habitat for Humanity, Inc., as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Lang, Perry and Company LLP*

January 5, 2021  
Toms River, NJ

Northern Ocean Habitat for Humanity, Inc.

Statements of Financial Position

June 30, 2020 and 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Assets:		
Cash and Cash Equivalents	\$ 881,118	\$ 62,397
Cash reserved	98,029	1,587
Accounts receivable	1,910	12,989
Construction in progress	9,737	4,200
ReStore inventory	122,652	106,380
Mortgages receivable, net of discount	713,605	725,856
Prepaid expenses	9,300	16,154
Property and equipment, net	84,792	168,407
Other assets	<u>86,594</u>	<u>48,045</u>
	<u>\$ 2,007,737</u>	<u>\$ 1,146,015</u>

See accompanying notes to financial statements.

Northern Ocean Habitat for Humanity, Inc.  
 Statements of Financial Position (continued)  
 June 30, 2020 and 2019

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 113,028	\$ 68,988
Current portion of long-term debt	311,958	11,713
Homeowner escrow deposits	<u>-</u>	<u>176</u>
 Total liabilities	 424,986	 80,877
 Long-term debt, excluding current portion	 <u>32,511</u>	 <u>42,413</u>
 Total long-term debt	 <u>32,511</u>	 <u>42,413</u>
Net assets:		
Without donor restriction:		
Without donor restriction-Board designated	250,202	-
Without donor restriction-undesignated	<u>1,300,038</u>	<u>1,022,725</u>
 Total without donor restriction	 1,550,240	 1,022,725
 With donor restriction	 <u>-</u>	 <u>-</u>
 Total net assets	 <u>1,550,240</u>	 <u>1,022,725</u>
	 <u>\$ 2,007,737</u>	 <u>\$ 1,146,015</u>

See accompanying notes to financial statements.

Northern Ocean Habitat for Humanity, Inc.

Statements of Activities

For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CHANGES IN NET ASSETS:		
Support and revenue:		
Cash contributions	\$ 863,744	\$ 298,119
Grants	173,123	172,985
In-kind contributions	688,212	916,177
ReStore sales	641,853	873,744
Amortization of mortgage loan discount	56,577	51,920
Interest income	206	3
Other income	2,841	7,644
Transfers to homeowners	<u>-</u>	<u>175,000</u>
Total support and revenue	2,426,556	2,495,592
Functional expenses:		
Program services:		
Housing	14,674	542,170
ReStore	1,287,836	1,596,320
Home Preservation Program	332,926	158,481
Supporting services:		
Fundraising	559	103,520
Administrative and general	<u>263,046</u>	<u>130,460</u>
Total functional expenses	1,899,041	2,530,951
Change in net assets without donor restriction	527,515	(35,359)
Net assets, beginning of year	<u>1,022,725</u>	<u>1,058,084</u>
Net assets, end of year	<u>\$ 1,550,240</u>	<u>\$ 1,022,725</u>

See accompanying notes to financial statements.

Northern Ocean Habitat for Humanity, Inc.  
Statement of Functional Expenses  
For the year ended June 30, 2020

	<u>Home Preservation Programs</u>	<u>Administrative and General</u>	<u>Fundraising</u>	<u>Housing</u>	<u>ReStore</u>	<u>Total</u>
Home construction costs	\$ 37,775	\$ 889	\$ -	\$ 13,230	\$ 2,717	\$ 54,611
In-Kind Value of Donated Items Sold	-	-	-	-	625,581	625,581
Compensation of officers and key employees	22,218	72,437	-	-	-	94,655
Salaries and wages	159,312	41,125	-	-	240,452	440,889
Payroll taxes	18,822	15,462	-	-	27,074	61,358
Employee benefits	-	168	-	-	15,329	15,497
Other personal cost	-	300	-	-	125	425
Payroll processing fees	-	3,553	-	-	-	3,553
Advertising	626	1,034	-	-	195	1,855
Small & rental equipment	99	-	-	-	239	338
Supplies	1,598	1,661	-	-	6,545	9,804
Alarm system	-	-	-	-	901	901
Copier Lease	230	2,800	-	-	2,800	5,830
Vehicle expenses	5,362	235	-	-	12,154	17,751
Office expense	237	1,451	-	-	822	2,510
Utilities	4,152	4,954	-	10	24,304	33,420
Postage & delivery	198	1,063	-	-	193	1,454
Dues & subscriptions	1,085	18,430	-	-	1,347	20,862
Licenses and permits	90	1,060	-	-	-	1,150
Printing & Reproduction	26	113	-	-	-	139
Insurance	58,428	10,526	-	-	80,295	149,249
Other expenses	239	358	-	485	365	1,447
Depreciation	-	-	-	-	31,078	31,078
Professional fees	6,783	9,377	-	360	7,205	23,725
Rent	13,200	12,000	-	-	183,128	208,328
Property tax	-	-	-	589	-	589
Repairs & maintenance	939	2,397	-	-	10,043	13,379
Travel & entertainment	61	367	-	-	128	556
Seminars & conferences	1,231	1,100	-	-	-	2,331
Fundraising	-	-	559	-	-	559
Bank and finance charges	-	6,126	-	-	1,456	7,582
Credit card discount & fees	-	45	-	-	13,303	13,348
Volunteer appreciation	215	1,478	-	-	57	1,750
Loss on disposal of fixed assets	-	52,537	-	-	-	52,537
	<u>\$ 332,926</u>	<u>\$ 263,046</u>	<u>\$ 559</u>	<u>\$ 14,674</u>	<u>\$ 1,287,836</u>	<u>\$ 1,899,041</u>

See accompanying notes to financial statements.



Northern Ocean Habitat for Humanity, Inc.  
Statement of Functional Expenses  
For the year ended June 30, 2019

	<u>Home Preservation Programs</u>	<u>Administrative and General</u>	<u>Fundraising</u>	<u>Housing</u>	<u>ReStore</u>	<u>Total</u>
Home construction costs	70,800	29	-	184,514	140	\$ 255,483
In-Kind Value of Donated Items Sold	-	-	-	-	891,353	891,353
Tithe to Habitat for Humanity International, Inc.	-	-	-	5,093	-	5,093
Compensation of officers and key employees	10,590	21,090	29,880	21,442	-	83,002
Salaries and wages	63,276	23,729	37,867	129,429	286,861	541,162
Payroll taxes	7,393	11,906	8,121	11,698	27,307	66,425
Employee benefits	-	11,686	-	3,395	17,565	32,646
Other personal cost	-	175	-	15	126	316
Payroll processing fees	-	3,632	-	-	-	3,632
Advertising	-	-	4,163	269	1,804	6,236
Small & rental equipment	9	105	-	-	-	114
Supplies	779	1,008	365	1,757	6,288	10,197
Alarm system	-	5	9	11	789	814
Copier Lease	-	-	-	-	250	250
Vehicle expenses	3,110	740	5	3,335	16,647	23,837
Office expense	6	3,543	849	397	1,505	6,300
Utilities	1,134	3,821	1,321	2,536	30,487	39,299
Postage & delivery	-	544	141	225	-	910
Dues & subscriptions	-	4,307	2,558	18,378	533	25,776
Licenses and permits	-	968	-	90	-	1,058
Printing & Reproduction	-	154	477	-	64	695
Insurance	-	13,598	-	33,525	48,067	95,190
Other expenses	249	7,304	-	49	429	8,031
Depreciation	-	-	-	-	38,264	38,264
Professional fees	780	9,613	12,128	11,935	12,586	47,042
Rent	-	8,180	1,628	6,292	184,785	200,885
Property tax	-	-	232	210	-	442
Repairs & maintenance	-	1,480	81	174	9,916	11,651
Travel & entertainment	-	846	32	182	539	1,599
Seminars & conferences	-	332	70	275	175	852
Fundraising	-	78	3,593	-	-	3,671
Bank and finance charges	-	640	-	168	2,765	3,573
Credit card discount & fees	-	-	-	-	17,027	17,027
Mortgage discounts	-	-	-	106,596	-	106,596
Volunteer appreciation	355	197	-	180	48	780
Scholarships	-	750	-	-	-	750
	<u>158,481</u>	<u>130,460</u>	<u>103,520</u>	<u>542,170</u>	<u>1,596,320</u>	<u>\$ 2,530,951</u>

See accompanying notes to financial statements.

Northern Ocean Habitat for Humanity, Inc.

Statements of Cash Flows

For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Cash received from support and revenue	\$ 2,380,852	\$ 2,308,760
Interest income	206	3
Cash paid to suppliers and employees	<u>(1,825,066)</u>	<u>(2,294,632)</u>
Net cash provided by operating activities	555,992	14,131
Cash Flows from Investing Activities:		
Property and equipment purchases	-	(19,396)
Issuance of mortgage receivable	-	(175,000)
Collections on mortgages receivable	<u>68,828</u>	<u>61,700</u>
Net cash provided by (used in) investing activities	68,828	(132,696)
Cash Flows from Financing Activities:		
Principle payments on long-term debt	(5,524)	(11,266)
Proceeds from line of credit	-	9,958
Payments on line of credit	(9,958)	-
Proceeds from long-term debt	<u>305,825</u>	<u>-</u>
Net cash provided by financing activities	<u>290,343</u>	<u>(1,308)</u>
Net increase (decrease) in cash	915,163	(119,873)
Cash and cash equivalents, beginning of year	<u>63,984</u>	<u>183,857</u>
Cash and cash equivalents, end of year	<u>\$ 979,147</u>	<u>\$ 63,984</u>
Reconciliation to statement of financial position:		
Cash and cash equivalents	\$ 881,118	\$ 62,397
Cash-reserved	<u>98,029</u>	<u>1,587</u>
Total	<u>\$ 979,147</u>	<u>\$ 63,984</u>

See accompanying notes to financial statements.

Northern Ocean Habitat for Humanity, Inc.

Statements of Cash Flows (continued)

For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of increase (decrease) in net assets to cash provided by (used in) operating activities:		
Increase (decrease) in net assets	\$ 527,515	\$ (35,359)
Items which did not (provide) use cash:		
Depreciation	31,078	38,264
Amortization of mortgage loan discount	(56,577)	(51,920)
Discount on new mortgage	-	106,596
Accounts receivable	11,079	(3,620)
Deferred revenue	-	(131,289)
Prepaid expenses	6,854	1,626
Other current assets	(38,549)	(5,477)
Inventory	(16,272)	9,482
Construction in progress	(5,537)	55,916
Accounts payable and accrued expenses	44,040	29,736
Loss on disposal of fixed assets	52,537	-
Homeowner escrow deposits	<u>(176)</u>	<u>176</u>
Net cash provided by operating activities	\$ <u>555,992</u>	\$ <u>14,131</u>

See accompanying notes to financial statements.

Northern Ocean Habitat for Humanity, Inc.

Notes to Financial Statements

For the years ended June 30, 2020 and 2019

1. Summary of Significant Accounting Policies

a. Nature of Activities

Northern Ocean Habitat for Humanity, (the "Organization"), was incorporated on October 4, 1999 as a Not-for-Profit corporation without capital stock under the laws of the State of New Jersey. It is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"), a nondenominational Christian Not-for-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, prayer support and in other ways, the Organization is primarily and directly responsible for its own operations.

The Organization is supported primarily through contributions from the general public and from revenue generated through its ReStore sales. In 2020, approximately 98% and in 2019, approximately 91% of the Organization's total revenue and support came from these sources.

b. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities. Support and revenue are recorded when earned and expenses when incurred.

c. Basis of Presentation

The Organization uses Not-for-profit accounting for contributions received and made and for preparation of financial statements. The Organization is required to report 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. Net assets without donor restrictions are net assets available for use in general operations and not subject to donor restrictions. At June 30, 2020 and 2019, the Organization had net assets without donor restrictions of \$1,550,240 and \$1,022,725. Net assets with donor restrictions are net assets subject to donor or certain grant or imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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. At June 30, 2020 and 2019, the Organization did not have net assets with donor restrictions.

Northern Ocean Habitat for Humanity, Inc.

Notes to Financial Statements (continued)

For the years ended June 30, 2020 and 2019

1. Summary of Significant Accounting Policies (continued)

d. Use 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

e. Revenue and Support Recognition

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 asset. When a donor 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. The Organization accounts for contract and grant revenues, which are exchange transactions, in the statement of activities and changes in net assets to the extent that expenses have been incurred for the purpose specified by the grantor during the period. In applying this concept the legal and contractual requirements of each individual program are used as guidance. All monies not expended in accordance with the grant or contract are recorded as a liability to the grantor as the Organization does not maintain any equity in the grant or contract. Additionally, funds received in advance of their proper usage are accounted for as deferred revenue in the statement of financial position.

Grants are accounted for as exchange transactions. Income from these and other exchange transactions is deferred and recognized over the periods to which it is related.

f. Donated Goods and Services

The Organization receives a significant amount of donated goods and services from volunteers who assist in planning, design and construction of new homes. Accounting principles generally accepted in the United States of America require that donated goods be recorded as revenue at their estimated fair value at the date of gift and donated services be recognized in the financial statements if the following criteria are met:

\*The services require special skills and are provided by individuals possessing those skills and would typically need to be purchased if not donated; (or)

\*The services create or enhance long-lived assets.

Northern Ocean Habitat for Humanity, Inc.  
Notes to Financial Statements (continued)  
For the years ended June 30, 2020 and 2019

1. Summary of Significant Accounting Policies (continued)

f. Donated Goods and Services (continued)

Management has estimated the cost of donated inventory at June 30, 2020 using the results of subsequent sales for July and August of 2020. For June 30, 2019, management estimated the cost of donated inventory using subsequent sales of July and August of 2019. Changes in the estimate will be reported in the statement of activities of the years in which they occur.

g. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

h. Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

i. Cash, Cash Equivalents and Investments

For the purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Certificates of deposit with original maturities over three months are classified as investments. Investments in certificates of deposits are stated at cost plus earned interest because that approximates market value. Cash and cash equivalents received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash and cash equivalents for purposes of the Statements of Cash Flows. At June 30, 2020 and 2019, cash equivalents amounted to \$979,147 and \$63,984, respectively.

Northern Ocean Habitat for Humanity, Inc.

Notes to Financial Statements (continued)

For the years ended June 30, 2020 and 2019

1. Summary of Significant Accounting Policies (continued)

j. Cash - Restricted

Valley National Bank currently services the mortgages on the homes the Organization sells. Included in cash-restricted are amounts that were held in escrow by the Organization before the mortgage servicing is transferred to Valley National Bank. The Organization intends to refund these amounts or transfer them to Valley National Bank when the homes are sold to their owners. These amounts were received from homeowners for insurance and property taxes (escrow funds) on such homes. At June 30, 2020 and 2019, restricted escrow amounted to \$- and \$176, respectively. The restricted cash account keeps a minimum balance at June 30, 2020 and 2019 of \$1,000 and \$1,000, respectively. This escrow amount was subsequently transferred to Valley National Bank to be serviced.

The Organization received a grant from the Berkeley Affordable Housing Trust Fund to build affordable housing in Berkeley Twp. They also have a restricted account for monies received from various fundraiser's for a home to be built in Toms River. At June 30, 2020 and 2019, restricted monies for these projects amounted to \$97,029 and \$587, respectively.

k. Mortgages Receivable

Mortgages receivable consist of non-interest bearing mortgages, which are secured by real estate, and are payable in monthly installments over the life of the mortgage. The mortgages are presented on the Statement of Financial Position net of unamortized mortgage discount.

l. Equipment and Improvements

Equipment and improvements are stated at cost. Maintenance and repairs are charged to expense as incurred. Depreciation is computed on the straight-line method over the estimated useful lives of the respective assets, which is 5 years. The cost of leasehold improvements is amortized over the lesser of the estimated useful lives of the assets or the length of the related assets (5-40 years).

m. 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, ranging from 7.48% to 8.34%, based upon mortgage discount rates set by Habitat International. Discounts are amortized using the effective interest method over the lives of the mortgages.

Northern Ocean Habitat for Humanity, Inc.  
Notes to Financial Statements (continued)  
For the years ended June 30, 2020 and 2019

1. Summary of Significant Accounting Policies (continued)

m. Transfers to Homeowners (continued)

The following is a summary of home building activity during the year ended June 30, 2020:

	<u>Number</u>	<u>Cost</u>
Homes and land under construction, beginning of year	1	4,200
Additional costs incurred on beginning inventory	-	5,537
New homes/land started	-	-
Homes transferred	-	-
	-	-
Homes and land under construction, end of year	1	9,737

n. Home Construction Costs

Construction in progress represents costs incurred to build single-family homes. Upon completion, these homes will be sold.

o. Program Services

Program services include mortgage origination, the cost of homes constructed and transferred, repair of homes, including support and services to the recipients of the repair programs known as " Home Preservation Program", and expenses associated with the operation of the ReStore. Also, since homeowners are involved in building their homes, family support and education activities are inherent in the construction activities.

p. Income Taxes

The Organization has received exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code under a group exemption letter granted to Habitat International by the Internal Revenue Service.

q. Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2020 and 2019 were \$1,855 and \$6,236 respectively.



Northern Ocean Habitat for Humanity, Inc.  
Notes to Financial Statements (continued)  
For the years ended June 30, 2020 and 2019

1. Summary of Significant Accounting Policies (continued)

r. Bad Debts

The direct write-off method is used to account for bad debts. Accounts are written-off when they are deemed uncollectible, no reserve is established.

s. Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The 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. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

t. Subsequent Events

Management has evaluated subsequent events through January 5, 2021, the date the financial statements were available to be issued.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Therefore, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity and operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial conditions, or liquidity for period ended June 30, 2020.

u. Uncertain Tax Positions

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization does not have business activities currently subject to tax on unrelated business income. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization currently does not have any open tax years under examination before June 30, 2017.

Northern Ocean Habitat for Humanity, Inc.

Notes to Financial Statements (continued)

For the years ended June 30, 2020 and 2019

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 979,147	\$ 63,984
Accounts receivable	<u>1,910</u>	<u>12,989</u>
Total financial assets	<u>\$ 981,057</u>	<u>\$ 76,973</u>
Less : Amounts unavailable for general expenditures within one year, due to:		
Restricted use	<u>\$ 98,029</u>	<u>\$ 1,587</u>
Total financial assets	<u>\$ 883,028</u>	<u>\$ 75,386</u>

2. Investments in Certificates of Deposit

At June 30, 2020 and 2019 investments in 3-months certificates of deposit amounted to \$250,202 and \$- with an interest rate of 0.32% APY and a maturity date of July 3, 2020. The CD was renewed for an additional three months on the maturity date. The balance is included in cash. The funds are restricted for use by the Board for a house build.

The Organization's financial assets are distributed between four financial institutions.

4. ReStore

In March 2001, the Organization opened a ReStore. The purpose of the store is to accept donations of household goods, furniture and building materials to sell them for a reasonable and inexpensive price. All proceeds from the sale of these goods are channeled back into the construction of new Habitat homes and the repairs of homes belonging to low income homeowners (30-60% of median income). The proceeds from the ReStore have been reported as sales in the accompanying statement of activities.

5. Other Current Assets and Prepaid Expenses

Other current assets consist of land inventory, costs to acquire the land or costs to develop the land that the Organization has for future home sites. It also contains donated gift cards and a security deposit for leased office space. Prepaid expenses consist of rent and insurance.

Northern Ocean Habitat for Humanity, Inc.

Notes to Financial Statements (continued)

For the years ended June 30, 2020 and 2019

6. Property and Equipment

Equipment and improvements consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Vehicles	\$ 162,161	182,053
Office equipment	31,999	60,634
Leasehold improvements	<u>30,895</u>	<u>106,937</u>
	\$ 225,055	349,624
Less accumulated depreciation	<u>(140,263)</u>	<u>(181,217)</u>
Net equipment and improvements	<u>\$ 84,792</u>	<u>168,407</u>

There were disposals of equipment and vehicles for year ended June 30, 2020.

7. Mortgages Receivable

Mortgages receivable are comprised of non-interest bearing notes, secured by the properties built and sold through the home construction program. Notes have maturities of up to 30 years with the latest one maturing in September of 2049. Mortgages received for the years ended June 30, 2020 and 2019 were discounted as discussed in Note 1 - Transfers to Homeowners. There is no provision for uncollectible mortgages receivable as management believes for all mortgages the collateral is sufficient to cover the receivable.

	<u>2020</u>	<u>2019</u>
Mortgage receivable	\$ 1,506,035	1,574,863
Mortgage discount	<u>(792,430)</u>	<u>(849,007)</u>
Total	<u>\$ 713,605</u>	<u>725,856</u>

Properties under mortgage by town as of 2019:

Bayville, NJ	1
Berkeley Township, NJ	4
Brick, NJ	2
Lakehurst, NJ	1
Manchester Township, NJ	2
Jackson, NJ	1
Toms River, NJ	3
Beachwood, NJ	1
South Toms River, NJ	<u>2</u>
Total	<u>17</u>

Northern Ocean Habitat for Humanity, Inc.

Notes to Financial Statements (continued)

For the years ended June 30, 2020 and 2019

8. Lease Commitments

The Organization currently houses its operations and administrative offices in the same space. The Organization signed an initial lease on May 4, 2017 for the 10 year period February 1, 2018 through January 31, 2027. The lease includes a common area maintenance fee based on actual costs plus overhead.

The Organization entered into a three year lease in December 2018 for its construction offices.

Rent expense including the common area maintenance expenses amounted to \$208,328 and \$200,885 in 2020 and 2019.

The Organization also leases office equipment under operating leases which expire at various dates. Lease expense was \$5,830 and \$250 for the years ended June 30, 2020 and 2019, respectively.

Future minimum rental payments (excluding CAM) under the above non-cancelable operating leases in each of the years subsequent to June 30, 2020 are as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2021	\$ 124,360
2022	117,760
2023	123,893
2024	132,480
2025	132,480
Thereafter	<u>342,240</u>
Total	<u><u>\$ 973,213</u></u>

Northern Ocean Habitat for Humanity, Inc.  
Notes to Financial Statements (continued)  
For the years ended June 30, 2020 and 2019

9. Loans Payable

The loan payable consists of the following at June 30, 2020 and 2019:

	<u>2020</u>		<u>2019</u>
Loan payable to a financing company in the amount of \$60,000. The loan is for a term of 5 years with interest at 3.90% per annum. Monthly payments of principal and interest are \$1,102, with the final payment due February 2023. The loan is secured by the truck purchased.	\$ 38,644	\$	44,168
Loan payable from the Small Business Administration, Economic Injury Disaster Loan (EIDL) in the amount of \$10,000 on June 4, 2020. Payments are deferred for a year, bears 2.75% interest per annum, with up to 30 year repayment terms.	10,000		-
Loan payable from the Payroll Protection Program in the amount of \$145,925. (See note below for loan details).	145,925		-
Loan payable from the Small Business Administration in the amount of \$149,900. The loan is deferred for 1 year and matures in 30 years, which is June 2050. It bears interest at 1% per annum. The Organization paid this loan back July 15, 2020.	<u>149,900</u>		<u>-</u>
Total loans payable	344,469		44,168
Less: current portion	<u>(311,958)</u>		<u>(11,713)</u>
Loans payable, net of current portion	<u>\$ 32,511</u>	\$	<u>32,455</u>

Northern Ocean Habitat for Humanity, Inc.

Notes to Financial Statements (continued)

For the years ended June 30, 2020 and 2019

9. Loans Payable (continued)

On May 27, 2020, the Organization received loan proceeds in the amount of \$145,925 under the Paycheck Protection Program (“PPP”). Established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business’s average monthly payroll expenses. PPP loans and accrued interest are forgivable after a “covered period” (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1% APY, with a deferral of payments for 10 months after then end of the covered period. The Organization intends to use PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period.

To the extent that the Organization is not granted forgiveness, it will be required to pay interest on the PPP loan at a rate of 1% per annum. If the application for forgiveness is not made within 10 months of the end of the covered period, payments of principal and interest will be required through the maturity date of two years from the date it was issued. The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of a default event.

The Organization has recorded a note payable and will record forgiveness upon being legally released from the loan obligation. No forgiveness income has been recorded for the year ended June 30, 2020.

Maturities of the loan payable are as follows for the years ended June 30:

2021	\$ 311,958
2022	14,896
2023	7,615
2024	-
thereafter	<u>10,000</u>
Total	<u>\$ 344,469</u>

Northern Ocean Habitat for Humanity, Inc.

Notes to Financial Statements (continued)

For the years ended June 30, 2020 and 2019

10. Transactions with Habitat for Humanity International, Inc.

The Organization remits, on a quarterly basis, a portion of its contributions (excluding in-kind contributions) to Habitat International (Tithing). Such funds are used to construct homes in economically depressed areas around the world. The Organization contributed \$- and \$5,093 to Habitat International during the years ended June 30, 2020 and 2019, respectively. These contributions are included in program service expense in the Statement of Activities.

11. Support and Revenue

Numerous volunteers have donated significant amounts of time to the Organization's fundraising and program services efforts. Although no amounts have been reflected in the financial statements, management estimates the fair value of those services to be approximately \$361,000 and \$567,000 for the years ended June 30, 2020 and 2019, respectively.

12. Line of Credit

The Organization has an available line of credit with a bank under which it may borrow up to \$100,000. Amounts borrowed under this agreement bear interest at the daily rate 6.125% and are due upon demand. The line is secured by mortgage receivables of the Organization. The amount outstanding at June 30, 2020 and 2019 was \$- and \$9,958, respectively.

13. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and mortgages receivable. 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. The Organization maintains its cash and cash equivalents with high credit quality financial institutions. At times, such amounts may exceed Federally insured limits. The Organization has cash and cash equivalents balances in excess of the Federally insured limits at June 30, 2020 and 2019.

The Organization builds and rehabilitates houses in Central New Jersey. As a result, all of the mortgages receivable from homeowners are concentrated as to geographic risk. Also, all houses built are transferred to low-income families, which, at times, can represent a credit risk.