



Northern Ocean Habitat for Humanity, Inc.

Financial Statements

For the years ended June 30, 2021 and 2020

Northern Ocean Habitat for Humanity, Inc.
For the years ended June 30, 2021 and 2020

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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, 2021 and 2020 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, 2021 and 2020, 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.

Imp, Berry and Company LLP

December 20, 2021
Toms River, NJ

Northern Ocean Habitat for Humanity, Inc.

Statements of Financial Position

June 30, 2021 and 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Assets:		
Cash and Cash Equivalents	\$ 1,075,395	\$ 881,118
Cash reserved	86,295	98,029
Accounts receivable	9,388	1,910
Construction in progress	117,007	9,737
ReStore inventory	127,876	122,652
Mortgages receivable, net of discount	702,149	713,605
Prepaid expenses	13,192	9,300
Property and equipment, net	58,763	84,792
Other assets	<u>114,170</u>	<u>86,594</u>
	<u>\$ 2,304,235</u>	<u>\$ 2,007,737</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 131,410	\$ 113,028
Deferred revenue	9,492	-
Current portion of long-term debt	<u>157,340</u>	<u>311,958</u>
Total liabilities	298,242	424,986
Long-term debt, excluding current portion	<u>14,036</u>	<u>32,511</u>
Total long-term debt	<u>14,036</u>	<u>32,511</u>
Net assets:		
Without donor restriction:		
Board designated		
New Home Builds	255,000	-
Without donor restriction-undesignated	<u>1,864,081</u>	<u>1,550,240</u>
Total without donor restriction	<u>1,991,957</u>	<u>1,550,240</u>
Total net assets	<u>1,991,957</u>	<u>1,550,240</u>
	<u>\$ 2,304,235</u>	<u>\$ 2,007,737</u>

See accompanying notes to financial statements.

Northern Ocean Habitat for Humanity, Inc.

Statements of Activities

For the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CHANGES IN NET ASSETS:		
Support and revenue:		
Cash contributions	\$ 441,505	\$ 863,744
Grants	152,777	173,123
In-kind contributions	1,081,835	688,212
ReStore sales	964,171	641,853
Amortization of mortgage loan discount	53,467	56,577
Interest income	403	206
Other income	<u>155,925</u>	<u>2,841</u>
Total support and revenue	2,850,083	2,426,556
Functional expenses:		
Program services:		
Housing	11,829	14,674
ReStore	1,688,383	1,287,836
Home Preservation Program	437,503	332,926
Supporting services:		
Fundraising	499	559
Administrative and general	<u>270,152</u>	<u>263,046</u>
Total functional expenses	2,408,366	1,899,041
Change in net assets without donor restriction	441,717	527,515
Net assets, beginning of year	<u>1,550,240</u>	<u>1,022,725</u>
Net assets, end of year	<u>\$ 1,991,957</u>	<u>\$ 1,550,240</u>

See accompanying notes to financial statements.

Northern Ocean Habitat for Humanity, Inc.
Statement of Functional Expenses
For the year ended June 30, 2021

	<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	\$ 149,694	\$ 20,309	\$ -	\$ 1,155	\$ 664	\$ 171,822
In-Kind Value of Donated Items Sold	-	-	-	-	958,927	958,927
Tithe to Habitat for Humanity International, Inc.	-	5,000	-	-	-	5,000
Compensation of officers and key employees	32,468	69,103	-	-	-	101,571
Salaries and wages	123,258	72,524	-	4,752	329,517	530,051
Payroll taxes	22,969	11,514	-	-	34,401	68,884
Employee benefits	-	-	-	-	6,871	6,871
Other personal cost	-	300	-	-	-	300
Payroll processing fees	-	5,162	-	-	-	5,162
Advertising	4,553	12,015	-	3,966	5,465	25,999
Supplies	993	-	-	168	10,313	11,474
Alarm system	-	383	-	-	927	1,310
Copier Lease	3,174	3,174	-	-	3,175	9,523
Vehicle expenses	6,376	200	-	-	35,021	41,597
Office expense	197	2,056	-	22	1,383	3,658
Utilities	8,417	4,218	-	-	17,091	29,726
Postage & delivery	285	315	-	-	275	875
Dues & subscriptions	-	19,317	-	356	-	19,673
Licenses and permits	48	1,105	-	-	-	1,153
Insurance	45,830	6,121	-	-	44,562	96,513
Other expenses	22,591	4,445	-	1,047	12,943	41,026
Depreciation	-	-	-	-	26,029	26,029
Professional fees	3,333	14,148	-	-	3,333	20,814
Rent	13,200	12,000	-	-	164,967	190,167
Property tax	-	3,469	-	363	-	3,832
Repairs & maintenance	-	600	-	-	13,123	13,723
Travel & entertainment	-	258	-	-	42	300
Seminars & conferences	60	455	-	-	-	515
Scholarships	-	500	-	-	-	500
Fundraising	-	-	499	-	-	499
Bank and finance charges	-	1,022	-	-	2,121	3,143
Credit card discount & fees	-	-	-	-	17,233	17,233
Volunteer appreciation	57	439	-	-	-	496
	<u>\$ 437,503</u>	<u>\$ 270,152</u>	<u>\$ 499</u>	<u>\$ 11,829</u>	<u>\$ 1,688,383</u>	<u>\$ 2,408,366</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.

Statements of Cash Flows

For the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Cash received from support and revenue	\$ 2,798,227	\$ 2,380,852
Interest income	403	206
Cash paid to suppliers and employees	<u>(2,507,917)</u>	<u>(1,825,066)</u>
Net cash provided by operating activities	290,713	555,992
Cash Flows from Investing Activities:		
Collections on mortgages receivable	<u>64,923</u>	<u>68,828</u>
Net cash provided by (used in) investing activities	64,923	68,828
Cash Flows from Financing Activities:		
Principle payments on long-term debt	(162,090)	(5,524)
Loan forgiveness	(155,925)	-
Payments on line of credit	-	(9,958)
Proceeds from long-term debt	<u>144,922</u>	<u>305,825</u>
Net cash provided by (used in) financing activities	<u>(173,093)</u>	<u>290,343</u>
Net increase (decrease) in cash	182,543	915,163
Cash and cash equivalents, beginning of year	<u>979,147</u>	<u>63,984</u>
Cash and cash equivalents, end of year	<u>\$ 1,161,690</u>	<u>\$ 979,147</u>
Reconciliation to statement of financial position:		
Cash and cash equivalents	\$ 1,075,395	\$ 881,118
Cash-reserved	<u>86,295</u>	<u>98,029</u>
Total	<u>\$ 1,161,690</u>	<u>\$ 979,147</u>

See accompanying notes to financial statements.

Northern Ocean Habitat for Humanity, Inc.

Statements of Cash Flows (continued)

For the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of increase (decrease) in net assets to cash provided by (used in) operating activities:		
Increase (decrease) in net assets	\$ 441,717	\$ 527,515
Items which did not (provide) use cash:		
Depreciation	26,029	31,078
Amortization of mortgage loan discount	(53,467)	(56,577)
Accounts receivable	(7,478)	11,079
Deferred revenue	9,492	-
Prepaid expenses	(3,892)	6,854
Other current assets	(27,576)	(38,549)
Inventory	(5,224)	(16,272)
Construction in progress	(107,270)	(5,537)
Accounts payable and accrued expenses	18,382	44,040
Loss on disposal of fixed assets	-	52,537
Homeowner escrow deposits	-	(176)
	<u> </u>	<u> </u>
Net cash provided by operating activities	\$ <u>290,713</u>	\$ <u>555,992</u>

See accompanying notes to financial statements.

Northern Ocean Habitat for Humanity, Inc.

Notes to Financial Statements

For the years ended June 30, 2021 and 2020

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 2021, approximately 93% and in 2020, approximately 98% 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, 2021 and 2020, the Organization had net assets without donor restrictions of \$1,991,957 and \$1,550,240. 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, 2021 and 2020, 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, 2021 and 2020

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, 2021 and 2020

1. Summary of Significant Accounting Policies (continued)

f. Donated Goods and Services (continued)

Management has estimated the cost of donated inventory at June 30, 2021 using the results of subsequent sales for July and August of 2021. For June 30, 2020, management estimated the cost of donated inventory using subsequent sales of July and August of 2020. 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, 2021 and 2020, cash equivalents amounted to \$1,161,690 and \$979,147, respectively.

Northern Ocean Habitat for Humanity, Inc.

Notes to Financial Statements (continued)

For the years ended June 30, 2021 and 2020

1. Summary of Significant Accounting Policies (continued)

j. Cash - Restricted

Valley National Bank currently services the mortgages on the homes the Organization sells. Valley National Bank requires the Organization to maintain an account with a minimum cash balance of \$1,000. The restricted cash account had a balance of \$1,000 and \$1,000 at June 30, 2021 and 2020, respectively.

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, 2021 and 2020, restricted monies for these projects amounted to \$85,295 and \$97,029, 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, 2021 and 2020

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, 2021:

	<u>Number</u>	<u>Cost</u>
Homes and land under construction, beginning of year	1	9,737
Additional costs incurred on beginning inventory	-	106,070
New homes/land started	1	1,200
Homes transferred	-	-
Homes and land under construction, end of year	2	117,007

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, 2021 and 2020 were \$25,999 and \$1,855 respectively.

Northern Ocean Habitat for Humanity, Inc.
Notes to Financial Statements (continued)
For the years ended June 30, 2021 and 2020

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. Subsequent Events

Management has evaluated subsequent events through December 20, 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, 2021.

t. 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, 2018.

Northern Ocean Habitat for Humanity, Inc.

Notes to Financial Statements (continued)

For the years ended June 30, 2021 and 2020

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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,161,690	\$ 979,147
Accounts receivable	<u>9,388</u>	<u>1,910</u>
Total financial assets	<u>\$ 1,171,078</u>	<u>\$ 981,057</u>
Less : Amounts unavailable for general expenditures within one year, due to:		
Restricted use	<u>\$ 86,295</u>	<u>\$ 98,029</u>
Total financial assets	<u>\$ 1,084,783</u>	<u>\$ 883,028</u>

3. Investments in Certificates of Deposit

At June 30, 2021 and 2020 investments in 3-months certificates of deposit amounted to \$250,604 and \$250,202 with an interest rate of 0.32% APY and a maturity date of October 1, 2021. 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, 2021 and 2020

6. Property and Equipment

Equipment and improvements consist of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Vehicles	\$ 162,161	162,161
Office equipment	31,999	31,999
Leasehold improvements	<u>30,895</u>	<u>30,895</u>
	\$ 225,055	225,055
Less accumulated depreciation	<u>(166,292)</u>	<u>(140,263)</u>
Net equipment and improvements	<u>\$ 58,763</u>	<u>84,792</u>

There were no disposals of equipment and vehicles for year ended June 30, 2021.

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, 2021 and 2020 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>2021</u>	<u>2020</u>
Mortgage receivable	\$ 1,441,112	1,506,035
Mortgage discount	<u>(738,963)</u>	<u>(792,430)</u>
Total	<u>\$ 702,149</u>	<u>713,605</u>

Properties under mortgage by town as of 2021:

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><u>17</u></u>

Northern Ocean Habitat for Humanity, Inc.

Notes to Financial Statements (continued)

For the years ended June 30, 2021 and 2020

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 \$190,167 and \$208,328 in 2021 and 2020.

The Organization also leases office equipment under operating leases which expire at various dates. Lease expense was \$9,523 and \$5,830 for the years ended June 30, 2021 and 2020, respectively.

Future minimum rental payments (excluding CAM) under the above non-cancelable operating leases in each of the years subsequent to June 30, 2021 are as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2022	\$ 117,760
2023	123,893
2024	132,480
2025	132,480
2026	132,480
Thereafter	<u>209,760</u>
Total	<u><u>\$ 848,853</u></u>

Northern Ocean Habitat for Humanity, Inc.
Notes to Financial Statements (continued)
For the years ended June 30, 2021 and 2020

9. Loans Payable

The loan payable consists of the following at June 30, 2021 and 2020:

	<u>2021</u>	2020
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.	\$ 26,454	\$ 38,644
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. This loan was forgiven in 2021 and is recorded as other income at June 30, 2021.	-	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 Payroll Protection Program in the amount of \$144,922 (See note below for loan details).	144,922	-
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>-</u>	<u>149,900</u>
Total loans payable	171,376	344,469
Less: current portion	<u>(157,340)</u>	<u>(311,958)</u>
Loans payable, net of current portion	<u>\$ 14,036</u>	<u>\$ 32,511</u>

Northern Ocean Habitat for Humanity, Inc.

Notes to Financial Statements (continued)

For the years ended June 30, 2021 and 2020

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 Organization met the requirements for this PPP loan to be forgiven. Forgiveness income of \$145,925 has been recorded for the year ended June 30, 2021 and is shown as other income on the Statement of Activities.

On April 4, 2021, the Organization received loan proceeds in the amount of \$144,922 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.

Northern Ocean Habitat for Humanity, Inc.
Notes to Financial Statements (continued)
For the years ended June 30, 2021 and 2020

9. Loans Payable (continued)

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

2022	\$ 157,340
2023	12,620
2024	<u>1,416</u>
Total	<u>\$ 171,376</u>

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 \$5,000 and \$- to Habitat International during the years ended June 30, 2021 and 2020, 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 \$453,000 and \$361,000 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020 was \$- and \$- , respectively.

Northern Ocean Habitat for Humanity, Inc.

Notes to Financial Statements (continued)

For the years ended June 30, 2021 and 2020

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, 2021 and 2020.

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.