HABITAT FOR HUMANITY BUFFALO, INC.

Financial Statements
as of June 30, 2020
Together with
Independent Auditor's Report

RDG + Partners
ACCOUNTING & CPA SERVICES

INDEPENDENT AUDITOR'S REPORT

February 5, 2021

To the Board of Directors of
Habitat for Humanity Buffalo, Inc.:

We have audited the accompanying financial statements of Habitat for Humanity Buffalo, Inc. (a New York non-profit corporation), which comprise the balance sheet as of June 30, 2020, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT (Continued)

Opinion

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

Report on Summarized Comparative Information

We have previously audited Habitat for Humanity Buffalo, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 31, 2020. 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.

RDG + Partners CPAs PLLC

Pittsford, New York

HABITAT FOR HUMANITY BUFFALO, INC.

BALANCE SHEET
JUNE 30, 2020
(With Comparative Totals for 2019)

	2020	2019
ASSETS		
CURRENT ASSETS:		
Cash, cash equivalents and restricted cash:		
Operating	$ 552,703	$ 443,624
Restricted cash	40,241	29,099
Total cash, cash equivalents and restricted cash	592,944	472,723
Grants receivable	108,700	107,300
Current portion of mortgages receivable	154,948	183,217
Other receivables	51,382	59,127
Prepaid expenses and other current assets	18,752	52,483
Total current assets	926,726	874,850
PROPERTY AND EQUIPMENT, net	420,342	442,956
INVESTMENTS	264,617	260,499
OTHER ASSETS:		
Mortgages receivable, net of current portion	2,868,005	3,169,621
Homes available for sale, net	2,161,495	1,353,513
Construction in progress	719,754	617,802
Total other assets	5,749,254	5,140,936
	$ 7,360,939	$ 6,719,241
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ 21,543	$ 20,668
Current portion of capital lease obligations	6,757	-
Line-of-credit	-	70,000
Accounts payable and accrued expenses	135,429	252,784
Other current liabilities	40,241	29,099
Total current liabilities	203,970	372,551
LONG-TERM LIABILITIES:		
Long-term debt, net of current portion	181,562	200,222
Capital lease obligations, net of current portion	8,099	-
Paycheck protection program loan	228,500	-
Total long-term liabilities	418,161	200,222
Total liabilities	622,131	572,773
NET ASSETS:		
Without donor restriction	6,554,808	5,967,207
With donor restriction	184,000	179,261
Total net assets	6,738,808	6,146,468
	$ 7,360,939	$ 6,719,241

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY BUFFALO, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020
(With Comparative Totals for 2019)

	2020			
	Without Donor Restriction	With Donor Restriction	Total	2019
SUPPORT:				
Fundraising, donations and sponsorships	$ 630,282	$ 357,750	$ 988,032	$ 993,332
Grant income	469,558	-	469,558	451,580
Contributed homes and properties	20,000	-	20,000	123,293
Contributed materials and services	34,286	-	34,286	79,787
Net assets released from restriction	353,011	(353,011)	-	-
Total support	1,507,137	4,739	1,511,876	1,647,992
REVENUES:				
Sale of homes	417,000	-	417,000	811,245
Sale of mortgages	231,996	-	231,996	-
Mortgage discount amortization	314,775	-	314,775	300,669
ReStore income	665,842	-	665,842	774,028
Investment income	5,383	-	5,383	15,282
Insurance proceeds, net	39,497	-	39,497	-
Gain (loss) on disposal of property and equipment	(2,038)	-	(2,038)	500
Rental income	29,496	-	29,496	14,693
Miscellaneous income	49,244	-	49,244	1,562
Total revenues	1,751,195	-	1,751,195	1,917,979
Total increases	3,258,332	4,739	3,263,071	3,565,971
EXPENSES:				
Cost of homes sold	469,001	-	469,001	830,944
Discount on mortgages receivable	270,526	-	270,526	527,365
Change in discount on homes available for sale	158,974	-	158,974	77,104
Program services:				
ReStore	535,794	-	535,794	602,726
Construction overhead and other	806,249	-	806,249	634,941
General and administrative	226,902	-	226,902	267,150
Fundraising	203,285	-	203,285	164,824
Total decreases	2,670,731	-	2,670,731	3,105,054
CHANGE IN NET ASSETS	587,601	4,739	592,340	460,917
NET ASSETS - beginning of year	5,967,207	179,261	6,146,468	5,685,551
NET ASSETS - end of year	$ 6,554,808	$ 184,000	$ 6,738,808	$ 6,146,468

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY BUFFALO, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(With Comparative Totals for 2019)

	2020						
	Program						
	ReStore	Construction Overhead and Other	Total	General and Administrative	Fundraising	Total	**2019**
Salaries	$ 282,412	$ 355,775	$ 638,187	$ 109,476	$ 128,847	$ 876,510	$ 838,927
Employee benefits	32,781	39,500	72,281	12,251	14,267	98,799	179,181
Home repairs	-	89,842	89,842	-	-	89,842	54,331
Occupancy	51,629	25,687	77,316	3,585	955	81,856	83,363
Insurance	17,706	61,291	78,997	1,391	1,391	81,779	64,554
Professional fees	8,932	32,044	40,976	31,022	5,199	77,197	54,336
Payroll taxes	27,442	29,025	56,467	9,449	10,164	76,080	69,154
Habitat International - tithe and fees	-	66,023	66,023	-	-	66,023	62,572
Depreciation and amortization	21,446	14,454	35,900	13,245	-	49,145	46,669
Telephone and internet	11,527	15,925	27,452	10,706	5,583	43,741	27,785
Small tools and supplies	2,713	29,695	32,408	7,988	2,585	42,981	35,797
Purchased materials for resale	41,905	-	41,905	-	-	41,905	4,429
Auto	15,049	14,916	29,965	4,131	377	34,473	37,778
Fundraising events	-	-	-	-	22,205	22,205	17,580
Interest	6,439	3,546	9,985	8,434	-	18,419	11,586
Promotion and public relations	3,827	678	4,505	1,289	8,756	14,550	12,871
Bank charges	10,907	524	11,431	1,551	31	13,013	12,340
Training and education	535	2,232	2,767	4,008	145	6,920	18,548
Volunteer coordination	544	1,982	2,526	2,169	1,440	6,135	4,522
Mortgage outsourcing fees	-	5,538	5,538	-	-	5,538	13,395
Dues and subscriptions	-	845	845	2,317	1,340	4,502	10,030
Bad debt expense	-	-	-	-	-	-	2,657
Miscellaneous	-	16,727	16,727	3,890	-	20,617	7,236
	$ 535,794	$ 806,249	$ 1,342,043	$ 226,902	$ 203,285	$ 1,772,230	$ 1,669,641

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY BUFFALO, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
(With Comparative Totals for 2019)

	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	$ 592,340	$ 460,917
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation and amortization	49,145	46,669
Amortization of closing costs	999	999
Discount on mortgages receivable	270,526	527,365
Amortization of discount on mortgages receivable	(314,775)	(300,669)
Contributed homes and properties	(20,000)	(123,293)
Contributed materials and services	(34,286)	(79,787)
Change in discount on homes available for sale	158,974	77,104
Change in discount on note payable	617	702
Unrealized loss (gain) on investments	3,889	(5,600)
(Gain) loss on disposal of property and equipment	2,038	(500)
Bad debt expense	-	2,657
Change in operating assets and liabilities:		
Grants receivable	(1,400)	35,897
Mortgages receivable	374,134	(319,433)
Other receivables	7,745	(18,498)
Prepaid expenses and other current assets	33,731	11,223
Homes available for sale	(912,670)	(503,414)
Construction in progress	(101,952)	(156,813)
Accounts payable and accrued expenses	(117,355)	125,695
Other current liabilities	11,142	(15,344)
Net cash flow from operating activities	2,842	(234,123)
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	27,931	(41,138)
Purchases of investments	(41,564)	(97,317)
Sales of investments	33,557	90,666
Net cash flow from investing activities	19,924	(47,789)
CASH FLOW FROM FINANCING ACTIVITIES:		
Borrowings (repayments) on line-of-credit, net	(70,000)	70,000
Repayments of long-term debt	(19,401)	(20,504)
Repayments of capital lease obligations	(41,644)	-
Borrowings of paycheck protection program loan	228,500	-
Net cash flow from financing activities	97,455	49,496
CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	120,221	(232,416)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - beginning of year	472,723	705,139
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - end of year	$ 592,944	$ 472,723
NON-CASH INVESTING AND FINANCING ACTIVITES:		
Capital assets financed with capital lease	$ 56,500	$ -
Forgiveness of capital lease obligation	$ 27,962	$ -

The accompanying notes are an integral part of these financial statements.

1. ORGANIZATION

Habitat for Humanity Buffalo, Inc. (the Organization) is a non-profit corporation formed as an affiliate of Habitat for Humanity International (Habitat International). The Organization is an ecumenical Christian housing organization that works in partnership with people in need to build and renovate decent, affordable housing in Erie County, New York. This is accomplished by working with these people to build or rehabilitate homes and subsequently providing non-interest-bearing mortgages on these residences.

Homeowner families are selected based on their level of need, willingness to work, acceptance of responsibilities and ability to repay their mortgage. The houses are sold to pre-qualified families under mortgage agreements that bear no interest. Homeowners and volunteers build the houses under trained supervision. Families must complete 500 hours of "sweat equity," which includes attending workshops, working at the Organization's ReStore, and educational achievement. Veteran's Build families must complete 300 hours of "sweat equity."

The Organization operates two Restore locations where they sell new and gently used household items. Proceeds from the sale of goods go directly towards building more houses for low income families in Buffalo, New York.

The Organization is financed by private cash donations from individuals, community groups, corporations, charities, foundations, schools, and religious organizations, as well as grants from public entities. They also receive contributions of construction materials, household items, land, homes, and volunteer labor and professional services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting -

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (GAAP).

Comparative Information -

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Pronouncement Adopted -

On November 17, 2016, FASB issued Accounting Standards Update (ASU) 2016-18, Statement of Cash Flows (Topic 230) – "*Restricted Cash*." The update addresses the lack of consistency in statements of cash flows in reporting changes in restricted cash amounts. As required by the update, a statement of cash flows should explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The Organization has implemented ASU 2016-18 as of July 1, 2019 and has adjusted the presentation in the accompanying financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 (ASC 606) "*Revenue from Contracts with Customers.*" ASC Topic 606 supersedes the revenue recognition requirements in Accounting Standards Codification (ASC) Topic 605 "Revenue Recognition" (ASC 605), and requires entities to recognize revenue when control of promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services.

ASC 606 was effective for the Organization beginning on July 1, 2019. In consideration of the adoption of this accounting pronouncement, the Organization determined that there was no impact on previously reported net assets of the Organization, and no reclassifications of assets or liabilities in the accompanying balance sheets were required.

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08 (ASC 958) *"Contributions Received and Contributions Made."* ASU 2018-08 clarifies types of revenue to be recognized under the guidance outlined in ASC Topics 606 or 958. ASU 2018-08 requires an evaluation to determine (1) transactions that should be characterized as an exchange transaction or as a contribution, and (2) whether contributions are conditional.

The Organization adopted the provisions of ASU 2018-08 on July 1, 2019. The implementation of the new standard did not have a material impact on the Organization's measurement or recognition of revenue.

Cash, Cash Equivalents and Restricted Cash -

The Organization's cash, cash equivalents and restricted cash consist of bank deposit and money market accounts. These accounts may, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk with respect to cash and cash equivalents.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classification -

At June 30, 2020 and 2019, the Organization reported net assets as follows:

- Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

- With Donor Restrictions - Net assets subject to donor- (or certain grantor-) 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. Contributions restricted by donors are reported as net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Construction in Progress -

Construction in progress consists of homes and other real estate owned by the Organization that are either currently under construction or renovation, or soon will be. These homes are valued at the lower of cost or anticipated sales price, with the discount reserve being the difference between the total costs and the anticipated sales price. No reserve was determined to be necessary on construction in progress at either June 30, 2020 or 2019.

Grants Receivable -

Grants receivable consists of amounts awarded by Federal and New York State agencies to the Organization to assist in subsidizing the cost of homebuilding. Grant revenue is earned by the Organization upon the completion of applicable grant related projects. As of June 30, 2020 and 2019 there was $108,700 and $107,300, respectively, of grant revenue earned that had not been received by the Organization as of year-end. Balances that are still outstanding after management has used reasonable collection efforts are written off. The Organization considers the grants fully collectible, therefore no allowance was considered necessary at either June 30, 2020 or 2019.

Homes Available for Sale -

Homes available for sale consist of homes owned by the Organization that are valued at the lower of cost or anticipated sales price, with the discount reserve being the difference between the total costs and the anticipated sales price. As of the balance sheet date, these homes are either awaiting closing or the current tenants are in a probationary period prior to being eligible for ownership. The discount on homes available for sale was $306,194 and $147,220 at June 30, 2020 and 2019, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgages Receivable -

In accordance with instructions from Habitat for Humanity International, Inc., the Organization does not charge interest on the mortgages on houses sold to homeowners. The Organization records the mortgages at the present value of the note payments to be received in the future. Imputed rates of interest that are used in computing the discount vary between 7.38% and 9.00% depending on the origination date of the mortgage and are provided to the Organization by Habitat for Humanity International on an annual basis. The difference between the face amount of the mortgage and its present value is accounted for as a discount and charged to expense in the initial year of the mortgage. The discount is then amortized over the life of the mortgage using the straight-line method and is reported as mortgage discount amortization revenue in the statement of activities and change in net assets.

Revenue Recognition - Exchange Transactions -

Program revenues are recognized when control of the promised services is transferred to the Organization's customers, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. To do this, the Organization performs the following five steps as outlined in ASC 606: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the Organization satisfies a performance obligation.

Revenue Types -

<u>*Sale of Homes*</u> – The Organization builds and sells houses to low-income individuals. Such revenues are recognized at the date of closing for the house as this is the point in time the Organization has determined to satisfy their performance obligation.

<u>*ReStore*</u> – The Organization sells various donated and purchased goods to individuals through their ReStore location. Such revenues are recognized at the date of sale as this is the point in time the Organization has determined to satisfy their performance obligation.

<u>*Sale of Mortgages*</u> – The Organization sells existing mortgages to a third-party bank. Such revenues are recognized at the date of sale as this is the point in time the Organization has determined to satisfy their performance obligation.

Significant Judgments –

Determining whether variable consideration (if applicable) should be reflected in the contract's transaction price may require judgment as to the probability that a significant reversal of such consideration will not occur when the variable consideration is resolved.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition - Exchange Transactions (Continued) -

Practical Expedients –

The Organization has applied certain practical expedients in its adoption and application of ASC 606, as follows:

- The Organization does not evaluate a contract for a significant financing component if payment is expected to be received within one year or less from the transfer of the promised services to the client.

- The Organization generally expenses costs incurred to obtain a contract when the amortization period would have been one year or less.

Sales and Use Tax –

At times, the Company collects and remits sales and use taxes. These taxes are reported on a net basis in the accompanying statements of activities, and therefore do not impact reported amounts of revenue and expenses.

Other Support and Revenue -

Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Contributions that are expected to be received in future years are recorded at their present value. Contributions are recorded as unrestricted unless they are subject to donor restrictions or are required to be used or expected to be received in future years.

Grant income that does not meet the criteria of an exchange transaction is recognized under the criteria described above for contributions. Grantors may, at their discretion, amend the grant and contract amounts. In addition, reimbursement for expenses or return of funds, or both, may be requested as a result of noncompliance by the Organization with the terms of the grants and contracts. The Organization records such amendments, reimbursement, and return of funds as an adjustment to revenue in the year of the amendment. No such changes occurred during the years ended June 30, 2020 and 2019.

Investments -

The Organization's investments consist of money market, equities and mutual funds. The Organization’s investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

All of the Organization’s investments are measured at fair value on a recurring basis utilizing level one inputs, as defined in the fair value measurement section of Note 2.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment -

It is the Organization's policy to capitalize property and equipment over $1,000. Purchased property and equipment is stated at cost and depreciated using the straight-line method of respective assets. The assets are depreciated over their estimated useful lives, ranging from five to thirty-nine years. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose.

Functional Allocation of Expenses -

The costs of program, fundraising and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited on the basis of estimates of time and effort, square footage used, or other reasonable basis for allocation.

Income Taxes -

The Organization is organized as a New York nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(3), qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under IRC Section 509(a)(2). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Management has determined that the Organization is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

As of June 30, 2020 and 2019, the Organization has not recorded any provisions for accrued interest or penalties related to uncertain tax positions. By statute, tax years ended June 30, 2016 through 2020 remain open to examination by the major taxing jurisdictions to which the Organization is subject.

Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Significant estimates included in these financial statements include useful lives of property and equipment, collectability of various receivables, and discounts applied to mortgage receivables, construction in progress and homes available for sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement -

The Organization's investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

All of the Organization's investments are measured at fair value on a recurring basis utilizing level one inputs, as defined below.

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GAAP are described as follows

- Level 1 - Valuations based on quoted market prices in active markets for identical assets or liabilities that the Organization has the ability to access.

  All of the Organization's investments are valued utilizing level 1 inputs.

- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

  The Organization has no assets or liabilities that are valued utilizing level 2 inputs.

- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

  The Organization has no assets or liabilities that are valued utilizing level 3 inputs.

Events Occurring After Reporting Date -

The Organization has evaluated events and transactions that occurred between June 30, 2020 and February 5, 2021, which is the date the financial statements were available to be issued, for possible disclosure and recognition in the financial statements.

Reclassifications -

Certain reclassifications were made to the prior-year summarized comparative information to conform with the current year presentation.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

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 at June 30:

	2020	2019
Financial assets:		
Cash, cash equivalents and restricted cash	$ 592,944	$ 472,723
Grants receivable	108,700	107,300
Current portion of mortgage receivables (gross)	394,160	455,620
Other receivables	51,382	59,127
Investments	264,617	260,499
	1,411,803	1,355,269
Less amounts not available to be used within one year:		
Restricted cash	(40,241)	(29,099)
Net assets with donor restrictions	(184,000)	(179,261)
Less: net assets with purpose restrictions to be met in less than one year	184,000	179,261
	(40,241)	(29,099)
Financial assets available to meet general Expenditures over the next 12 months	$ 1,371,562	$ 1,326,170

In addition to the financial assets above, the Organization has a $750,000 line-of-credit available to meet cash flow needs. The outstanding balance at June 30, 2019 was $70,000 under the terms of the line-of-credit agreement (Note 8). There was no outstanding balance on the line-of-credit as of June 30, 2020.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2020	2019
Land	$ 24,366	$ 24,366
Buildings	588,662	588,662
Vehicles	198,518	193,518
Construction equipment	11,266	11,266
Computers and office equipment	50,677	53,050
	873,489	870,862
Less: Accumulated depreciation and amortization	(453,147)	(427,906)
	$ 420,342	$ 442,956

4. PROPERTY AND EQUIPMENT (Continued)

The Organization entered into capital leases for two vehicles totaling $56,500 during the year ended June 30, 2020. In June 2020, the Organization discontinued one of the capital leases and received forgiveness of $27,962 related to the capital lease obligation when the vehicle was returned. Depreciation and amortization expense was $49,145 and $46,669 for the years ending June 30, 2020 and 2019, respectively. Amortization expense related to a vehicle under capital lease totaled $9,758 for fiscal 2020. There was no amortization expense related to vehicles under capital lease for fiscal 2019. The vehicle under capital lease totaled $20,500 at June 30, 2020. There were no vehicles under capital lease at June 30, 2019. Accumulated amortization of the leased vehicle totaled $3,758 at June 30, 2020. There was no accumulated amortization of leased vehicles at June 30, 2019.

5. MORTGAGES RECEIVABLE

Mortgages receivable secured by real estate, due on various dates with no interest, consisted of the following at June 30:

	2020	2019
Mortgages receivable	$ 7,689,882	$ 8,453,912
Discounts on non-interest-bearing notes	(4,666,929)	(5,101,074)
	3,022,953	3,352,838
Less: Current portion	(154,948)	(183,217)
	$ 2,868,005	$ 3,169,621

The following are future maturities of mortgages receivable, net of discount, for the years ending June 30:

	Mortgage	Discount	Net
2021	$ 394,160	$ (239,212)	$ 154,948
2022	385,006	(233,657)	151,349
2023	372,097	(225,823)	146,274
2024	365,905	(222,065)	143,840
2025	357,334	(216,863)	140,471
Thereafter	5,815,380	(3,529,309)	2,286,071
	$ 7,689,882	$ (4,666,929)	$ 3,022,953

6. INVESTMENTS

The following tables set forth by valuation input level within the fair value hierarchy, investments at fair value as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Cash and fixed income	$ 1,293	$ -	$ -	$ 1,293
Exchange trade funds	85,792	-	-	85,792
Mutual funds	177,532	-	-	177,532
Total	$ 264,617	$ -	$ -	$ 264,617

The following tables set forth by valuation input level within the fair value hierarchy, investments at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Exchange trade funds	$ 78,320	$ -	$ -	$ 78,320
Mutual funds	182,179	-	-	182,179
Total	$ 260,499	$ -	$ -	$ 260,499

In accordance with GAAP, the Organization includes the change in net unrealized appreciation or depreciation in the statement of activities and change in net assets. A summary of investment income is as follows for the years ended June 30:

	2020	2019
Dividends and interest	$ 6,805	$ 8,286
Realized gain on sale of investments	2,467	1,396
Unrealized appreciation (depreciation) in fair value of investments	(3,889)	5,600
Investment income, net	$ 5,383	$ 15,282

7. DONATED GOODS AND SERVICES

The Organization values all donations of materials, property and professional services at fair market value when received. Revenue and expenses related to donated goods and services are recognized at the time such goods are received or services are rendered. Total contributed goods, property and services were approximately $54,000 and $203,000 for the years ended June 30, 2020 and 2019, respectively.

The Organization also receives a significant amount of donated services from unpaid volunteers who assist in home rehabilitation/construction, fund-raising and special projects. No amounts have been recognized in the statement of activities because the criteria for recognition under generally accepted accounting principles have not been met.

8. FINANCING ARRANGEMENTS

Long-Term Debt -

Long-term debt consisted of the following as of June 30:

	2020	2019
Mortgage payable to a bank requiring monthly payments of $2,257 including interest at 4.25% through June 2023 with a balloon payment for the remaining principal and interest due on July 1, 2023. The mortgage is secured by the real property at 1675 South Park Avenue, Buffalo, New York.	$ 184,998	$ 203,782
Noninterest-bearing note payable requiring annual payments of $2,500 through November 2029. The note is discounted using an imputed interest rate of 3.0%.	21,185	21,185
	206,183	224,967
Less: Unamortized debt issuance costs	(3,078)	(4,077)
Less: Current portion	(21,543)	(20,668)
	$ 181,562	$ 200,222

The carrying value of the noninterest-bearing obligation is shown net of total unamortized discount of $3,198 and $3,815 at June 30, 2020 and 2019, respectively.

Future required payments due under the terms of these notes are as follows for the years ending June 30:

	Amount
2021	$ 21,543
2022	22,454
2023	23,405
2024	125,754
2025	2,206
Thereafter	10,821
	$ 206,183

The Organization paid interest of $14,873 and $10,865 related to the above borrowing agreements during the years ended June 30, 2020 and 2019, respectively.

8. FINANCING ARRANGEMENTS (Continued)

Capital Lease Obligations -

The Organization maintains a vehicle held under a capital lease obligation as follows:

		2020
Note payable to a financing company in monthly installments of $659, including interest at 9.74%, through July 2022. The vehicle is collateral to the lease.	$	14,856
Less: current portion		(6,757)
	$	8,099

Future minimum lease payments due under the terms of this agreement are as follows at June 30:

		Amount
2021	$	7,908
2022		7,908
2023		1,306
		17,122
Less: amounts representing interest		(2,266)
	$	14,856

The Organization paid interest of $3,546 related to the above borrowing agreement during the year ended June 30, 2020. There were no amounts paid for interest for the year ended June 30, 2019.

Paycheck Protection Program Loan -

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES) was passed into law. Under this program, the Small Business Administration (SBA) issued loans to eligible businesses and organizations as an incentive to keep employees on payroll. If certain requirements are met and the funds are spent on payroll and other eligible costs, a portion or all of the loan will be forgiven.

The Organization applied for and obtained one of these forgivable loans in the amount of $228,500 during their 2020 fiscal year and it is currently recorded as paycheck protection program loan on the accompanying balance sheet. The Organization intends to apply for forgiveness and expects the total amount of the loan to be forgiven in the subsequent fiscal year. For any portion of the loan that is not forgiven, the Organization will be required to repay the loan over two years at 1% interest.

8. FINANCING ARRANGEMENTS (Continued)

Line-of-Credit -

The Organization has a line-of-credit agreement with KeyBank. Under the terms of the agreement, the Organization may borrow up to $750,000. Amounts borrowed bear interest at the prime rate plus 0.50% (3.75% as of June 30, 2020) and are due on demand. The line-of-credit is secured by substantially all present and future assets of the Organization. There was $70,000 outstanding at June 30, 2019. No amounts were outstanding at June 30, 2020.

9. TITHE TO HABITAT INTERNATIONAL

The Organization tithes a portion of the non-designated contributions and non-operation income it receives to Habitat International. These funds are used to construct houses in economically depressed areas around the world. The Organization contributed $41,023 and $37,572 for the years ended June 30, 2020 and 2019, respectively. These amounts are included in program services expense in the statements of activities and changes in net assets.

10. RESTRICTIONS ON NET ASSETS

Net assets with donor restriction were available for the following purposes as of June 30:

	2020	2019
Specific home construction	$ 165,000	$ 105,261
Critical home repair	19,000	69,000
Other	-	5,000
	$ 184,000	$ 179,261

Net assets with donor restriction released from restrictions were as follows during the years ended June 30:

	2020	2019
Specific home construction	$ 179,011	$ 109,739
Critical home repair	154,000	73,075
Family education	15,000	-
Other	5,000	-
	$ 353,011	$ 182,814

The Organization receives home sponsorships from individuals, business and organizations that are specified by the donor to be used towards an individual home in the construction process. Amounts are restricted upon receipt and such amounts are released upon the funds being spent in use for the restriction.

10. RESTRICTIONS ON NET ASSETS (Continued)

The Critical Home Repair program rehabilitates homes in the surrounding area of Buffalo, NY. Homes that are vacant or foreclosed on are either gifted to or purchased by the Organization and are rehabilitated for use by qualified families. Amounts are restricted upon receipt and such amounts are released upon the funds being spent in use for the restriction.

11. EMPLOYEE BENEFIT PLAN

The Organization sponsors a defined contribution plan. All employees are eligible for participation in the plan upon hire, and may voluntarily elect to contribute a percentage of their compensation to the plan, subject to the terms of the plan and certain established federal limitations. The Organization makes no matching or discretionary contributions to the plan at this time.

12. COMMITMENTS

The Organization entered into a lease agreement with a third party for operating space for one of its ReStore locations. Monthly payments required under the terms of the lease agreement are approximately $2,600 through September 2020.

The Organization leases solar panels at one of its ReStore locations in an effort to reduce energy costs. The lease agreement requires monthly payments of $100 through April 2028.

Total rent expense related to the above lease agreements was approximately $33,000 and $34,000 for the years ended June 30, 2020 and 2019, respectively.

Future required payments due under the terms of the above lease obligations are as follows for the years ending June 30:

	Amount
2021	$ 9,117
2022	1,200
2023	1,200
2024	1,200
2025	1,200
Thereafter	3,400
	$ 17,317

13. CONTINGENCIES, RISKS AND UNCERTAINTIES

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively impact future operations. The entire financial impact that could result from such potential impact is unknown at this time. During the year ended June 30, 2020, the Organization was able to secure amounts under the Payroll Protection Program forgivable loan program in the amount of $228,500. The Organization also received an Economic Injury Disaster Grant ("EIDL") in the amount of $10,000 to help mitigate the financial impact of the COVID-19 pandemic. The amount of the EIDL is expected to reduce the forgiveness of the Payroll Protection Program forgivable loan. The loan is administered by the SBA under the terms of the CARES act.

Certain grantors, particularly government funders, have increased their scrutiny of payments made to their designated grantees. Such revenues may be subject to audit by the grantor resulting in potential recoupment of previously received funding. Also, in light of the ongoing COVID-19 pandemic, government payments may be delayed for significant periods of time, or possibly subject to reductions in future funding under existing programs.