

**ESSEX COUNTY  
HABITAT FOR HUMANITY, INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**YEAR ENDED JUNE 30, 2021**

**ESSEX COUNTY HABITAT FOR HUMANITY, INC.**  
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# CAIN, BOURRET, JARRY & CRESSMAN LLC

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Essex County Habitat for Humanity, Inc.  
Danvers, Massachusetts

### Opinion

We have audited the accompanying financial statements of Essex County Habitat for Humanity, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Essex County Habitat for Humanity, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Essex County Habitat for Humanity, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Essex County Habitat for Humanity, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Essex County Habitat for Humanity, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Essex County Habitat for Humanity, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Combined Statement of Financial Position as of the merger date (November 1, 2020) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Cain, Bourret, Jarry & Cressman LLC*

Dracut, Massachusetts

June 1, 2022

**ESSEX COUNTY HABITAT FOR HUMANITY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2021**

**ASSETS**

|  |           | 2021             |
|--|-----------|------------------|
| <b>CURRENT ASSETS</b>                              |           |                  |
| Cash and cash equivalents, unrestricted            | \$        | 388,416          |
| Cash and cash equivalents, restricted              |           | 77,488           |
| Current maturities of mortgage notes receivable    |           | 59,355           |
| Construction in process                            |           | 3,026,799        |
| Inventory - ReStore                                |           | 183,826          |
| Other current assets                               |           | 16,268           |
| <b>Total Current Assets</b>                        |           | 3,752,152        |
| <b>PROPERTY AND EQUIPMENT</b>                      |           |                  |
| Leasehold improvements                             |           | 128,408          |
| Office equipment                                   |           | 35,536           |
| Furniture and fixtures                             |           | 9,834            |
| Vehicles   |           | 130,068          |
| Less: accumulated depreciation                     |           | (200,059)        |
| <b>Property and Equipment, net</b>                 |           | 103,787          |
| <b>LONG-TERM INVESTMENT</b>                        |           |                  |
| Investment held for endowment purposes             |           | 232,280          |
| <b>OTHER ASSETS</b>                                |           |                  |
| Mortgage notes receivable, less current maturities |           | 823,667          |
| Long term unit held                                |           | 78,668           |
| <b>Total Other Assets</b>                          |           | 902,335          |
| <b>TOTAL ASSETS</b>                                | <b>\$</b> | <b>4,990,554</b> |
| <b>LIABILITIES AND NET ASSETS</b>                  |           |                  |
| <b>CURRENT LIABILITIES</b>                         |           |                  |
| Current maturities of long-term debt               | \$        | 72,819           |
| Accrued expenses and other current liabilities     |           | 185,518          |
| Payroll Protection Program Loan (PPP)              |           | 161,300          |
| <b>Total Current Liabilities</b>                   |           | 419,637          |
| <b>LONG-TERM LIABILITIES</b>                       |           |                  |
| Long-term debt, less current maturities            |           | 318,850          |
| Deferred rent                                      |           | 17,182           |
| Accrued homeowners' escrow                         |           | 77,488           |
| <b>Total Long-Term Liabilities</b>                 |           | 413,520          |
| <b>TOTAL LIABILITIES</b>                           |           | 833,157          |
| <b>NET ASSETS</b>                                  |           |                  |
| Without donor restrictions                         |           | 3,861,617        |
| With donor restrictions                            |           | 295,780          |
| <b>Total Net Assets</b>                            |           | 4,157,397        |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>            | <b>\$</b> | <b>4,990,554</b> |

**ESSEX COUNTY HABITAT FOR HUMANITY, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | 2021                |
|---|-------------------------------|----------------------------|---------------------|
| <b>SUPPORT AND REVENUES</b>                                       |                               |                            |                     |
| <b>Support</b>  |                               |                            |                     |
| Contributions and grants  | \$ 638,627                    | \$ 255,007                 | \$ 893,634          |
| Donated services and materials                                    | 860,751                       | -                          | 860,751             |
| Special events, net   | 29,212                        | -                          | 29,212              |
| ReStore program   | 1,477,905                     | -                          | 1,477,905           |
| Net assets released from restrictions                             |                               |                            |                     |
| Satisfaction of program/donor restrictions                        | 182,000                       | (182,000)                  | -                   |
| <b>Total Support</b>  | <b>3,188,495</b>              | <b>73,007</b>              | <b>3,261,502</b>    |
| <b>Revenues</b>   |                               |                            |                     |
| Mortgage discount amortization                                    | 91,221                        | -                          | 91,221              |
| <b>TOTAL SUPPORT AND REVENUES</b>                                 | <b>3,279,716</b>              | <b>73,007</b>              | <b>3,352,723</b>    |
| <b>FUNCTIONAL EXPENSES</b>  |                               |                            |                     |
| Program service expenses - ReStore                                | 1,245,174                     | -                          | 1,245,174           |
| Program service expenses - projects and programs                  | 588,988                       | -                          | 588,988             |
| General and administrative expenses                               | 403,290                       | -                          | 403,290             |
| Fundraising expenses  | 262,812                       | -                          | 262,812             |
| <b>TOTAL FUNCTIONAL EXPENSES</b>                                  | <b>2,500,264</b>              | <b>-</b>                   | <b>2,500,264</b>    |
| <b>EXCESS (DEFICIT) OF REVENUES<br/>AND SUPPORT OVER EXPENSES</b> | <b>779,452</b>                | <b>73,007</b>              | <b>852,459</b>      |
| <b>OTHER INCOME (EXPENSES)</b>                                    |                               |                            |                     |
| Interest and dividend income, net                                 | 806                           | 2,454                      | 3,260               |
| Interest expense  | (16,491)                      | -                          | (16,491)            |
| Paycheck Protection Program (PPP) Loan Forgiveness                | 195,800                       | -                          | 195,800             |
| Realized gains  | -                             | 14,296                     | 14,296              |
| Unrealized gains  | -                             | 29,831                     | 29,831              |
| <b>TOTAL OTHER INCOME (EXPENSES)</b>                              | <b>180,115</b>                | <b>46,581</b>              | <b>226,696</b>      |
| <b>CHANGES IN NET ASSETS</b>                                      | <b>959,567</b>                | <b>119,588</b>             | <b>1,079,155</b>    |
| <b>NET ASSETS, BEGINNING OF YEAR</b>                              | <b>1,876,344</b>              | <b>176,192</b>             | <b>2,052,536</b>    |
| Prior period adjustment   | (141,374)                     | -                          | (141,374)           |
| Net assets acquired during merger                                 | 1,167,080                     | -                          | 1,167,080           |
| <b>NET ASSETS, END OF YEAR</b>                                    | <b>\$ 3,861,617</b>           | <b>\$ 295,780</b>          | <b>\$ 4,157,397</b> |

**ESSEX COUNTY HABITAT FOR HUMANITY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2021**

|                                 | 2021                |                       |                            |                      | Totals              |
|---------------------------------|---------------------|-----------------------|----------------------------|----------------------|---------------------|
|                                 | Program Services    |                       | Supporting Services        |                      |                     |
|                                 | ReStore             | Projects and Programs | General and Administrative |                      |                     |
|                                 |                     |                       | Expenses                   | Fundraising Expenses |                     |
| Payroll and payroll taxes       | \$ 282,980          | \$ 390,799            | \$ 177,128                 | \$ 188,418           | \$ 1,039,325        |
| Employee Benefits               | 11,363              | 17,280                | 39,175                     | 4,810                | 72,628              |
| Office and occupancy            | 244,970             | -                     | 80,887                     | 3,061                | 328,918             |
| Construction and building costs | -                   | 35,744                | -                          | -                    | 35,744              |
| Cost of goods sold              | 7,050               | -                     | -                          | -                    | 7,050               |
| Insurance                       | 8,715               | -                     | 38,840                     | -                    | 47,555              |
| Supplies and travel             | 18,263              | 1,184                 | 2,000                      | 7,593                | 29,040              |
| Services and professional fees  | 14,397              | 35,724                | 29,364                     | 32,626               | 112,111             |
| Fundraising events and supplies | -                   | -                     | -                          | 17,784               | 17,784              |
| SOSI fee                        | -                   | 20,000                | -                          | -                    | 20,000              |
| Depreciation expense            | 31,306              | 580                   | -                          | -                    | 31,886              |
| Miscellaneous                   | 10,686              | 3,691                 | 16,026                     | 1,013                | 31,416              |
| Total                           | <u>629,730</u>      | <u>505,002</u>        | <u>383,420</u>             | <u>255,305</u>       | <u>1,773,457</u>    |
| Donated services and goods:     |                     |                       |                            |                      |                     |
| Equipment                       | 29,500              | -                     | -                          | -                    | 29,500              |
| Rent                            | -                   | 16,779                | 19,870                     | 7,507                | 44,156              |
| ReStore gifts in-kind           | 585,944             | -                     | -                          | -                    | 585,944             |
| Professional fees               | -                   | 67,207                | -                          | -                    | 67,207              |
|                                 | <u>615,444</u>      | <u>83,986</u>         | <u>19,870</u>              | <u>7,507</u>         | <u>726,807</u>      |
| Total                           | <u>\$ 1,245,174</u> | <u>\$ 588,988</u>     | <u>\$ 403,290</u>          | <u>\$ 262,812</u>    | <u>\$ 2,500,264</u> |

**ESSEX COUNTY HABITAT FOR HUMANITY, INC.**

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

|   | <u>2021</u>         |
|---|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                     |
| Cash contributions and grants received  | \$ 893,634          |
| Cash paid to suppliers and employees  | (1,677,434)         |
| Mortgage receipts   | 162,307             |
| Restore program   | 114,677             |
| Other operating receipts  | 29,212              |
| Interest paid   | (16,491)            |
| Interest and dividend income, net   | <u>3,260</u>        |
| <b>Net cash provided (used) by operating activities</b>   | <u>(490,835)</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                     |
| Purchase of property and equipment  | (4,757)             |
| Change in investments   | <u>(11,960)</u>     |
| <b>Net cash provided (used) by investing activities</b>   | <u>(16,717)</u>     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                     |
| Principal payments of long-term debt  | (38,461)            |
| Proceeds from Payroll Protection Plan Loan  | <u>161,300</u>      |
| <b>Net cash provided (used) by financing activities</b>   | <u>122,839</u>      |
| <b>INCREASE (DECREASE) IN CASH</b>  | (384,713)           |
| <b>CASH, BEGINNING OF YEAR</b>  | <u>850,617</u>      |
| <b>CASH, END OF YEAR</b>  | <u>\$ 465,904</u>   |
| <b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>         |                     |
| <b>INCREASE (DECREASE) IN NET ASSETS</b>  | <u>\$ 1,079,155</u> |
| <b>ADJUSTMENTS TO RECONCILE INCREASE (DECREASE) IN NET ASSETS PROVIDED (USED) BY OPERATING ACTIVITIES</b> |                     |
| Depreciation  | 31,886              |
| Realized losses (gains)   | (14,296)            |
| Unrealized (gains) and losses   | (29,831)            |
| (Increase) decrease in mortgage notes receivable  | 71,086              |
| (Increase) decrease in building supplies on hand  | 24,026              |
| (Increase) decrease in construction in process  | (1,333,106)         |
| (Increase) decrease in inventory, ReStore   | (149,360)           |
| (Increase) decrease in other current assets   | 20,091              |
| (Increase) decrease in accounts receivable, homeowners' escrow  | 2,638               |
| Increase (decrease) in accrued expenses and other current liabilities                                     | 46,468              |
| Increase (decrease) in deferred rent  | (9,163)             |
| Increase (decrease) in deferred interest  | (37,184)            |
| Increase (decrease) in accrued homeowners' escrow   | 2,555               |
| Increase (decrease) in SBA Payroll Protection Program Loan  | <u>(195,800)</u>    |
| <b>Total adjustments</b>  | <u>(1,569,990)</u>  |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>   | <u>\$ (490,835)</u> |

See independent auditors' report and notes to financial statements

**ESSEX COUNTY HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 1. ORGANIZATION AND PURPOSE**

Essex County Habitat for Humanity, Inc. (the Organization) is a not-for-profit organization that assists families in attaining home ownership through self-help and outside donations of cash, materials, and labor. Home construction is accomplished primarily via volunteer laborers who build houses that are then sold to selected low-income families. The Organization's offices are located in Danvers, Massachusetts.

The Organization operates two retail stores (ReStore) that accept donations of new and gently-used building materials, furniture, appliances and housewares and resells them to the general public through a retail storefront.

The Organization is affiliated with Habitat for Humanity International, Inc. (HFHI), the originator of the self-help home building concept. However, the Organization is independent in all its financial and legal matters, including tax filings.

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (GAAP). Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. If donor-imposed restrictions are met in the same period as the gift is received, the amount is reported as unrestricted revenues. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets whose use is not subject to donor-imposed stipulations. Contributions are available for unrestricted use unless specifically restricted by the donor.
- *Net assets with donor restrictions* – Net assets that are either available for use, but expendable only for those purposes specified by the donor, or net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. Contributions restricted for capital improvements are released to unrestricted revenue at the time funds are expended for the specified improvement.

Use of Estimates

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

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents for the years ended June 30, 2021.

**ESSEX COUNTY HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Mortgage Notes Receivable

Mortgage notes receivable consist of single-family loans which are fully secured based on the Organization's best estimates of the related collateral values. Upon the issuance of a new mortgage, a mortgage note receivable is then recorded. The value of the mortgage note receivable is netted with an unamortized discount factor based on current interest rates. The annual discount amortization is recorded as interest income in the statement of activities. The management of the Organization reviews each mortgage note individually and assesses the likelihood of default from each related home owner. An allowance or provision for uncollectible accounts is recorded based on management's evaluation. No provision was deemed necessary at June 30, 2021.

Construction in Process

The Organization's projects consist of new single-family homes, duplexes, condominium developments and major rehabilitations of existing homes acquired by the Organization. Construction in process represents costs incurred to build or rehabilitate single-family homes, duplexes and condominiums for eventual sale to Habitat partner families. Since the purpose and mission of the Organization is to build affordable housing for low-income families, the Organization does not generally write down the value of construction-in-process to estimated sales value. Any losses are recorded upon the final sale of the home. Projects are classified as construction-in-process until the build/rehabilitation project is substantially completed, at which time they are reclassified as "finished homes for sale."

Finished homes held for sale may include homes purchased from Habitat partner families, acquired as part of a deed-in-lieu of foreclosure or as part of a foreclosure. These homes usually require repairs or rehabilitation and then are resold to a qualifying family.

Property and Equipment

Property and equipment purchased by the Organization with unrestricted funds is recorded at cost. Donated property and equipment is recorded at fair value at the date of the gift. Depreciation is provided for in amounts sufficient to amortize the cost of depreciable assets to operations over their estimated service lives. Improvements, including planned major maintenance activities are capitalized, while expenditures for routine maintenance and repairs are charged to expense as incurred. When assets are sold or are otherwise disposed of, the appropriate cost and related accumulated depreciation amounts are removed from the accounts, and any gain or loss is included in the change in net assets.

The Organization computes depreciation using the straight-line method over the following estimated lives:

|                        |               |
|------------------------|---------------|
| Leasehold improvements | Life of lease |
| Office equipment       | 5 years       |
| Furniture and fixtures | 5-10 years    |
| Motor vehicle          | 5 years       |

Endowment Investment

The Organization follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and its own governing documents. UPMIFA requires the historical dollar amount of a donor-restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under UPMIFA. The Organization's donors have not placed restrictions on the use of the investment income or net appreciation resulting from the donor-restricted endowment funds. The donors do not have the right to provide advice on the distribution or investment of amounts in the funds. Investment income is accounted for when received and is included in other income in the statement of activities.

**ESSEX COUNTY HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Statement of Activities

For purposes of display, transactions deemed by management to be ongoing, major, or central to the Organization's operations are reported as revenue, support, and expense. Peripheral or incidental transactions are reported as other income or expenses.

Contributions

Annual campaign contributions are generally for unrestricted use in the related campaign year unless specifically restricted by the donor. Donated building materials are recognized at their fair market value when received. Land purchased for the housing projects is recorded at cost. Contributions of donated non-cash assets other than those contributed to the ReStore are recorded at their fair values in the period received. Non-cash assets donated to the ReStore are valued at their realized value when sold to consumers. Donations of non-cash assets and services are recorded by the Organization as revenue with an off-setting expense or addition to property and equipment, units under construction, or building supplies on hand.

Income Taxes

The Organization is exempt from federal and state income taxation under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code and Section 830 CMR 63.38T.1 of Massachusetts General Laws. Since the Organization is exempt from federal and state income tax liability, no provision is made for current or deferred income taxes. The Organization is not a private foundation. Only unrelated business income, as defined by Section 512(a)(1) of the Code is subject to federal or state income tax. The Organization accounts for income taxes in accordance with income tax accounting guidance in FASB ASC Topic 740, *Income Taxes*. Management is not aware of any transactions that would negatively impact the Organization's tax-exempt status.

The preparation of financial statements in conformity with GAAP requires the Organization to report information regarding its exposure to various tax positions taken by the Organization. The Organization has determined whether any tax positions have met the recognition threshold and have measured the Organization's exposure to those tax positions. Management believes that the Organization has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Any interest or penalties assessed to the Organization would be recorded in operating expenses for the year. No interest or penalties from any tax authorities were recorded in the accompanying financial statements.

The Organization's federal exempt tax returns and state reports for the years ended June 30, 2019 through June 30, 2021 (open years) are subject to examination by the Internal Revenue Service and Massachusetts Attorney General's Office.

Compensated Absences

Employees of the Organization are entitled to paid vacations, sick days and other time off depending on job classification, length of service and other factors. Employees are allowed to carryover five vacation days and sixteen sick days. The accrual for compensated absences was \$31,653 for the year ended June 30, 2021.

Revenue Recognition

Effective July 1, 2020, the Organization has adopted Accounting Standards Update (ASU) No. 2014-09: *Revenue from Contracts with Customers* (Topic 606), as amended, as management believes the standard improves the usefulness and understandability of the Organization's financial reporting. ASC 606 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Organization delayed initial adoption of ASC 606 in accordance with FASB's notice on April 8, 2020.

**ESSEX COUNTY HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition (Continued)**

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

**Functional Allocation of Expenses**

The costs of providing various programs and other activities of the Organization have been summarized on a functional basis in the Statements of Activities and Statements of Functional Expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services directly or on the basis of time records and utilization estimates made by the Organization's management. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

**Change in Accounting Policy - Inventories**

Inventories consist primarily of donated home furnishings and building and home improvement materials which are sold in the ReStore. The Organization believes that the inventory of donated goods and materials does not possess an attribute that is easily measurable or verifiable with sufficient reliability to determine an inventory value at the time of donation.

Accordingly, donated inventory is valued at zero prior to being offered for sale. At the end of its fiscal year, the Organization estimates the value of donated goods on hand and records the amount as merchandise inventory with corresponding adjustments to cost of sales using a three-month average of sales. At June 30, 2021 inventory was valued at \$183,826.

This is a change in the previous years practice for both entities involved in the merger. Prior to the merger, Habitat for Humanity North Shore had recorded inventory at its net realizable value based upon its expected selling price using the first-in, first-out ("FIFO") method. Merrimack Valley Habitat for Humanity had not previously recorded inventory on its books.

**Note 3. MERGER OF OPERATIONS**

On November 1, 2020, Merrimack Valley Habitat for Humanity merged with Habitat for Humanity of the North Shore to create Essex County Habitat for Humanity, Inc. Through their merger, the organizations seek to further their common mission of creating more affordable housing for families.

The major classes of assets, liabilities, and net assets of Merrimack Valley Habitat for Humanity, Habitat for Humanity of the North Shore, and Essex County Habitat for Humanity, Inc. as of November 1, 2020 are included as supplementary information in the accompanying financial statements.

**ESSEX COUNTY HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 4. CONCENTRATION OF CREDIT RISK**

The Organization maintains its cash balances in bank accounts at high quality credit financial institutions. The balances, at times, may exceed federally insured limits (FDIC). Pursuant to Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), the standard maximum insurance amount was permanently raised to \$250,000. As of June 30, 2021, the Organization exceeded the FDIC limit by approximately \$23,900. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk. The Organization monitors the credit-worthiness of the financial institutions in which it deposits money.

The Organization's concentration of credit risk with respect to mortgage notes receivable depends on its partner family's ability to repay, which may vary with economic conditions within this geographic area.

**Note 5. MORTGAGE NOTES RECEIVABLE**

Each family signs a 20 to 30-year mortgage for the cost of construction, limited to the fair market value of the home and financed in such a way that the initial monthly payments do not exceed 30% of the household's gross income. The notes receivable are payable in monthly installments over the life of the mortgage. Mortgage notes receivable consist of 46 mortgages held on individual families' personal residences as of June 30, 2021.

Payments of principal and unamortized discounts on mortgage notes receivable are scheduled as follows for each of the next five years ending June 30:

|            | <u>Principal</u>    | <u>Unamortized<br/>Mortgage<br/>Discount</u> | <u>Present<br/>Value</u> |
|------------|---------------------|--|--------------------------|
| 2022       | \$ 147,799          | \$ 88,444                                    | \$ 59,355                |
| 2023       | 145,095             | 86,006                                       | 59,089                   |
| 2024       | 143,583             | 84,820                                       | 58,763                   |
| 2025       | 138,629             | 82,746                                       | 55,883                   |
| 2026       | 136,379             | 80,575                                       | 55,804                   |
| Thereafter | <u>1,633,384</u>    | <u>1,039,256</u>                             | <u>594,128</u>           |
|            | <u>\$ 2,344,869</u> | <u>\$ 1,461,847</u>                          | <u>\$ 883,022</u>        |

Upon the closing of a residential unit, the homeowner is issued a non-interest bearing 20 to 30-year mortgage. Unamortized discount on mortgage notes receivable represents the discount, or interest, based on Habitat International rates of 6% to 9%. The mortgage discount amortization revenue is recognized straight-line over the life of the mortgage based on the imputed discount rate of each mortgage. Unamortized mortgage discount on mortgage notes receivable represents the total unamortized discount on all 46 mortgages outstanding at June 30, 2021.

Some homeowners also have their real estate taxes, insurance, and in some cases utilities and condominium fees, collected and where applicable, these payments are disbursed to the appropriate agencies by the Organization.

**Note 6. FAIR VALUE MEASUREMENTS**

The Organization values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

**ESSEX COUNTY HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 6. FAIR VALUE MEASUREMENTS (Continued)**

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Level 1      Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

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Level 2      Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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Level 3      Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level, within the fair value hierarchy, is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021.

*Common Stock:* Valued at the closing prices reported on the active market on which the individual securities are traded.

The following tables set forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2021:

**Investments at Fair Value as of June 30, 2021**

|                                 | Level 1    | Level 2 | Level 3 | Total      |
|---------------------------------|------------|---------|---------|------------|
| Investments:                    |            |         |         |            |
| Investments at fair value:      |            |         |         |            |
| Stock Funds                     | \$ 150,982 | \$ -    | \$ -    | \$ 150,982 |
| Bond Funds                      | 81,298     | -       | -       | 81,298     |
|                                 | \$ 232,280 | \$ -    | \$ -    | \$ 232,280 |
| Total investments at fair value | \$ 232,280 | \$ -    | \$ -    | \$ 232,280 |

**Note 7. ENDOWMENT**

The Organization applies the provisions of GAAP regarding the net asset classification of donor-restricted endowment funds for not-for-profit organizations that are subject to enacted versions of the Uniform Prudent Management of Institutional Funds Act of 2006 and disclosures about an organization's donor-restricted and board-designated endowment funds.

**ESSEX COUNTY HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 7. ENDOWMENT (Continued)**

The Organization's endowment consists of funds that have been restricted by donors to be maintained in perpetuity. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The endowment funds are composed of investments in equities and bonds.

Interpretation of Relevant Law – Based on a Massachusetts Attorney General Position Statement, issued in January 2004, and Massachusetts Uniform Prudent Management of Institutional Funds Act (“MA UPMIFA”), management has interpreted relevant Massachusetts law as requiring the preservation of the fair value of the original gift as of the gift date (“historic dollar value”) of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Organization classifies as net assets with donor restrictions the historic dollar value of gifts donated to the permanent endowment, and any unspent endowment gains until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by Massachusetts law, at which time the gains are reclassified to net assets without donor restrictions. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the endowment fund;
2. The purposes of the Organization and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation or deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Organization; and
7. The investment policy of the Organization.

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MA UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, the deficiencies of this nature are to be reported in net assets with donor restrictions. There were no such deficiencies for the fiscal year ended June 30, 2021.

Return Objectives and Risk Parameters – The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and activities supported by its endowment. Under this approach, the endowment assets are invested in a manner that is intended to produce results that equal or exceed relevant benchmarks.

Strategies Employed for Achieving Objectives – The portfolio includes a mix of global equity and global bond funds designed to achieve a balanced return of current income and modest growth of capital, while achieving returns in excess of the rate of inflation over the investment horizon in order to preserve purchasing power of the Endowment assets.

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Organization's investment and spending policies have been designed to limit the exposure of the endowment assets while providing for growth through new gifts and investment return. The Finance Committee will recommend and the Board of Directors will set the distribution amount on an annual basis with a maximum distribution amount of 5.5% of the average balance. The distributions from the endowment funds may be made on any cycle deemed appropriate to achieve the purpose of the funds and reduce administrative costs and oversight.

Changes in endowment assets for the year ended June 30, 2021 were as follows:

**ESSEX COUNTY HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 7. ENDOWMENT (Continued)**

|                              | 2021       |
|------------------------------|------------|
| Endowment assets -           |            |
| Beginning of year            | \$ 176,192 |
| Contributions                | 9,506      |
| Interest and dividend income | 4,005      |
| Realized gains               | 5,717      |
| Unrealized gains             | 38,410     |
| Administrative fees          | (1,550)    |
| Endowment assets -           |            |
| End of year                  | \$ 232,280 |

**Note 8. PAYCHECK PROTECTION PROGRAM ("PPP")**

On April 21, 2020, Merrimack Valley Habitat for Humanity received loan proceeds in the amount of \$164,700 under the Paycheck Protection Program ("PPP"). On April 15, 2020, Habitat for Humanity North Shore received loan proceeds in the amount of \$31,100 under the PPP. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses or non-profits for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business or non-profit organization. The loans and accrued interest are forgivable after a prescribed period as long as the borrower uses the loan proceeds for eligible purposes, such as payroll, benefits, rent, and utilities, while also maintaining its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the prescribed period.

On February 10, 2021, Merrimack Valley Habitat for Humanity was notified by its lender that its entire loan proceeds in the amount of \$164,700 received under the PPP was considered forgiven. On June 28, 2021, Habitat for Humanity of the North Shore was notified by its lender that its entire loan proceeds in the amount of \$31,100 received under the PPP was considered forgiven. PPP loan forgiveness totaling \$195,800 is recorded as other income in the accompanying statement of activities.

On January 27, 2021, Essex County Habitat for Humanity, Inc. (merged entity) received additional loan proceeds in the amount of \$161,300 under the PPP. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization intends to use the entire loan amount for qualifying expenses and expects it to be forgiven in its entirety (see Note 20).

**ESSEX COUNTY HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 9. LONG-TERM DEBT**

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

|   | 2021       |
|---|------------|
| Note payable, bank, payable in monthly installments of \$952, including interest, through May 2027. The interest rate is 4.66%. The note is collateralized by the assets of the Organization.   | \$ 56,653  |
| Note payable, bank, payable in monthly installments of \$813, including interest, through April 2029. The interest rate is adjustable every five years to the Federal Home Loan Bank of Boston five year "Regular Class Advance Rate" plus 2.25%, which was 4.43% for 2020. The note is collateralized by the assets of the Organization. | 63,423     |
| Note payable, bank, payable in monthly installments of \$1,575, including interest, through November 2021. The interest rate is 3.99%. The note is collateralized with the 2017 Hino Truck.   | 6,124      |
| Payable to Lynn Housing Authority & Neighborhood Development with monthly installments of \$322 including interest at a fixed rate of 2%. Secured by a mortgage on the real estate at 6 Grover Street, Lynn, MA.  | 29,876     |
| Payable to North Shore Bank with monthly installments of \$694 including imputed interest at 5%. Secured by mortgages on the real estate at 5 Park Street, Unit 2, Peabody, MA and 55 Coolidge Road, Danvers, MA.   | 95,139     |
| Payable to Salem Five Bank with monthly installments of \$3,674 including interest at 4%.   | 140,454    |
|   | 391,669    |
| Less current maturities   | 72,819     |
|   | \$ 318,850 |

**ESSEX COUNTY HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 9. LONG-TERM DEBT (Continued)**

Aggregate maturities of long-term debt are as follows for the years ending June 30:

|            |                   |
|------------|-------------------|
| 2022       | \$ 72,819         |
| 2023       | 69,098            |
| 2024       | 71,602            |
| 2025       | 48,275            |
| 2026       | 31,011            |
| Thereafter | <u>98,864</u>     |
|            | <u>\$ 391,669</u> |

**Note 10. LONG-TERM UNIT HELD**

The Organization has one unit that it is holding as a long-term asset. The Organization owns 99% of this unit and expects to hold the unit beyond one year. The unit is valued at cost.

**Note 11. DONATED SERVICES, GOODS, AND FACILITIES**

The Organization receives donated goods and services from a variety of unpaid volunteers assisting the Organization with the building of homes for low-income families. During 2021, there were approximately 26,000 total volunteer hours, which the Organization valued at \$835,900. At June 30, 2021, this value was not recognized in the accompanying statements of activities because the volunteer activities did not meet the criteria for recognition of revenue.

Donated services, goods and facilities included in the financial statements are as follows:

|  | 2021              |
|--|-------------------|
| Construction in process (materials and services) | \$ 97,788         |
| Construction in process (land)                   | 622,100           |
| In-kind rent                                     | 44,156            |
| In-kind equipment                                | 29,500            |
| Professional fees                                | 67,207            |
| Total  | <u>\$ 860,751</u> |
| <br>   |                   |
| ReStore gifts in-kind                            | <u>\$ 735,303</u> |

**Note 12. TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL, INC. (HFHI)**

The Organization may annually remit a portion of its contributions (excluding in-kind contributions) to HFHI. These funds are used exclusively to construct homes in economically depressed areas outside of the United States. For the year ended June 30, 2021 the Organization paid \$5,000 to HFHI.

The Organization also pays an annual fee to HFHI determined by the population (according to the most recent U.S. Census), referred to as SOSI fee, within the affiliate's approved Geographic Service Area (GSA). The purpose of the fee is to create a sustainable revenue stream to help finance a portion of operational costs incurred by HFHI. For the year ended June 30, 2021 the Organization's SOSI fee was \$15,000.

**ESSEX COUNTY HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 13. RESTORE PROGRAM**

The ReStore is set-up to receive donated goods such as building materials and household items that would otherwise be destined for landfills. The Organization stores and sells these goods to the public at discount prices. This raises money for the Organization's programs and makes discounted materials available for the public. For the year end June 30, 2021, the Restore received \$735,303 in donated materials and goods. For the year ended June 30, 2021, the ReStore program generated \$1,477,905 of revenues with associated costs of \$1,245,174. This resulted in net income of \$232,731 on ReStore activities.

**Note 14. COMMITMENTS**

On July 1, 2017, Habitat for Humanity of the North Shore entered into a lease agreement with North Shore Bank for office space located at 14 Park Street, Danvers, Massachusetts. The lease agreement is for an initial term of 5 years with the option to renew the term of the lease for an additional 5 years. Annual base rent is set at \$41,600, with an offsetting credit of \$41,599, as the organization is a not-for-profit entity. In November 2020, in connection with the merger, Essex County Habitat for Humanity assumed the lease and moved into the office space at 14 Park Street in Danvers, Massachusetts.

The Organization leases retail space at 67 Andover Street, Lawrence Massachusetts through an amended operating lease due to expire on September 30, 2023. The terms of the lease call for monthly payments of \$6,667. The Organization is also responsible for related utilities and real estate taxes. Rent expense, including related utilities and real estate taxes, was \$98,797 or the year ended June 30, 2021.

At June 30, 2021, the future minimum lease payments required under the operating lease agreements are as follows:

| <u>Year</u> | <u>Amount</u>     |
|-------------|-------------------|
| 2022        | \$ 80,000         |
| 2023        | 80,000            |
| 2024        | 20,000            |
| Totals      | <u>\$ 180,000</u> |

The Organization leases retail space at Rear 58 Pulaski Street, Peabody Massachusetts through an amended operating lease due to expire on September 30, 2022. The terms of the lease call for rent holidays for the first three months, discounted rent for the months of January and May 2018 and an escalation clause for a rental increase for the last three years of the term. The Organization has the option of extending the terms of the agreement for two extension periods of five years each. The Organization accounts for rent expense on a straight-line basis over the term of the lease. Total rent and common area operating expenses for the facility were \$88,436 for the year ended June 30, 2021.

At June 30, 2021, the future minimum lease payments required under the operating lease agreements are as follows:

| <u>Year</u> | <u>Amount</u>     |
|-------------|-------------------|
| 2022        | \$ 146,400        |
| 2023        | 20,000            |
| Total       | <u>\$ 166,400</u> |

**Note 15. CONTINGENCIES**

The Organization has sold mortgages to various financial institutions totaling approximately \$2,000,000. With these sales, the Organization is susceptible to a contingency regarding nonperforming loans. If a mortgage is delinquent by more than ninety days the Organization is responsible for replacing the mortgage with a substitute loan. In the event there is no comparable substitute loan the Organization is responsible to repurchase the nonperforming loans.

**ESSEX COUNTY HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 15. CONTINGENCIES (Continued)**

The Organization has made payments of real estate taxes, insurance, utilities, and homeowners' association fees on behalf of homeowners that exceed the homeowners' escrow balances in several instances. Management has estimated that the value of these overages approximates \$15,000 as of June 30, 2021. The Organization intends to attempt recovery of these escrow deposits, however, as the funds have already been expended any recoveries will be credited directly to revenues in the year recovered.

**Note 16. SPECIAL EVENTS**

Special event income is presented on the statement of activities at the net amount realized from the particular event. The revenue and expenses from the special events during the year ended June 30, 2021 is as follows:

|             | 2021      |           |            |
|-------------|-----------|-----------|------------|
|             | Revenue   | Expenses  | Net Income |
| Annual Gala | \$ 40,397 | \$ 11,185 | \$ 29,212  |

**Note 17. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The Organization has the following financial assets that could readily be made available within one year of the statement of financial position to fund expenses without limitations.

|  |            |
|--|------------|
|  | 2021       |
| Cash and cash equivalents  | \$ 388,416 |
| Investment held for endowment purposes                                   | 232,280    |
| Mortgage notes receivable, current portion                               | 59,355     |
| Total financial assets and liquidity resources available within one year | \$ 680,051 |

**Note 18. OTHER SIGNIFICANT MATTERS**

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. The World Health Organization has declared the outbreak a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The extent of the operational and financial impact that COVID-19 may have on the Organization depends on certain developments, as well as the impact on employees, donors and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Organization's future financial condition or results of operations is uncertain.

**Note 19. PRIOR PERIOD ADJUSTMENT**

A prior period adjustment was recorded to adjust the mortgage discount balance to reflect straight-line amortization, which is the preferred method per Habitat for Humanity International, Inc. (HFHI). This adjustment resulted in a net decrease in retained earnings of \$141,374.

See independent auditors' report.

**ESSEX COUNTY HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**Note 20. SUBSEQUENT EVENTS**

Management has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2021 through June 1, 2021, the date the financial statements were first available to be issued.

On November 12, 2021, the Organization was notified by its lender that its entire loan proceeds in the amount of \$161,300 received under the Paycheck Protection Program (“PPP”) established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), was considered forgiven. This amount will be classified as other income in fiscal year 2022 as a result of this forgiveness.

In March 2022, nineteen mortgages receivable with a carrying value at June 30, 2021 of \$572,057 (net of discounts) were sold to a financial institution. The Organization received \$1,290,003 from the sale of the mortgages.

In April and May 2022, the Organization utilized the proceeds from the sale of mortgages to pay off debts totaling approximately \$515,000. The Organization also made a \$250,000 contribution to their endowment investment in April 2022.

The Board voted not to renew their lease for retail space at Rear 58 Pulaski Street, Peabody Massachusetts set to expire on September 30, 2022 and the close the Peabody ReStore.

There were no other subsequent events that require recognition or disclosure in the financial statements.

**SUPPLEMENTARY INFORMATION**

**ESSEX COUNTY HABITAT FOR HUMANITY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**NOVEMBER 1, 2020 (Merger Date)**

|  | ASSETS  |   |  |
|--|---|---|--|
|  | Unaudited<br>Habitat for Humanity<br>of the North Shore | Unaudited<br>Merrimack Valley<br>Habitat for Humanity | Unaudited<br>Essex County<br>Habitat for Humanity<br>Total |
| <b>CURRENT ASSETS</b>                              |   |   |  |
| Cash and cash equivalents                          | \$ 214,918  | \$ 400,284  | \$ 615,202   |
| Current maturities of mortgage notes receivable    | 100,972   | 28,416  | 129,388  |
| Building supplies on hand, net                     | -   | 24,026  | 24,026   |
| Construction in process                            | 540,265   | 1,362,289   | 1,902,554  |
| Inventory - ReStore                                | 34,466  | -   | 34,466   |
| Other current assets                               | 12,153  | 16,976  | 29,129   |
| <b>Total Current Assets</b>                        | <u>902,774</u>  | <u>1,831,991</u>                                      | <u>2,734,765</u>   |
| <b>PROPERTY AND EQUIPMENT</b>                      |   |   |  |
| Leasehold improvements                             | 103,791   | 24,617  | 128,408  |
| Office equipment                                   | 5,140   | 27,232  | 32,372   |
| Furniture and fixtures                             | -   | 8,300   | 8,300  |
| Vehicles   | -   | 130,068   | 130,068  |
| Less: accumulated depreciation                     | (23,539)  | (144,692)   | (168,231)  |
| <b>Property and Equipment, net</b>                 | <u>85,392</u>   | <u>45,525</u>   | <u>130,917</u>   |
| <b>LONG-TERM INVESTMENT</b>                        |   |   |  |
| Investment held for endowment purposes             | -   | 186,538   | 186,538  |
| <b>OTHER ASSETS</b>                                |   |   |  |
| Mortgage notes receivable, less current maturities | 648,909   | 300,080   | 948,989  |
| Long term unit held                                | -   | 78,668  | 78,668   |
| <b>Total Other Assets</b>                          | <u>648,909</u>  | <u>378,748</u>  | <u>1,027,657</u>   |
| <b>TOTAL ASSETS</b>                                | <u>\$ 1,637,075</u>                                     | <u>\$ 2,442,802</u>                                   | <u>\$ 4,079,877</u>  |
| <b>LIABILITIES AND NET ASSETS</b>                  |   |   |  |
| <b>CURRENT LIABILITIES</b>                         |   |   |  |
| Current maturities of long-term debt               | \$ 11,619   | \$ 33,434   | \$ 45,053  |
| Accrued expenses and other current liabilities     | 29,595  | 111,646   | 141,241  |
| Payroll Protection Program Loan (PPP)              | 31,100  | 164,700   | 195,800  |
| <b>Total Current Liabilities</b>                   | <u>72,314</u>   | <u>309,780</u>  | <u>382,094</u>   |
| <b>LONG-TERM LIABILITIES</b>                       |   |   |  |
| Long-term debt, less current maturities            | 259,219   | 120,995   | 380,214  |
| Deferred rent                                      | 26,345  | -   | 26,345   |
| Deferred interest                                  | 37,184  | -   | 37,184   |
| Accrued homeowners' escrow                         | 74,933  | -   | 74,933   |
| <b>Total Long-Term Liabilities</b>                 | <u>397,681</u>  | <u>120,995</u>  | <u>518,676</u>   |
| <b>TOTAL LIABILITIES</b>                           | <u>469,995</u>  | <u>430,775</u>  | <u>900,770</u>   |
| <b>NET ASSETS</b>                                  |   |   |  |
| Without donor restrictions                         | 1,167,080   | 1,835,835   | 3,002,915  |
| With donor restrictions                            | -   | 176,192   | 176,192  |
| <b>Total Net Assets</b>                            | <u>1,167,080</u>  | <u>2,012,027</u>                                      | <u>3,179,107</u>   |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>            | <u>\$ 1,637,075</u>                                     | <u>\$ 2,442,802</u>                                   | <u>\$ 4,079,877</u>  |

See independent auditors' report and notes to financial statements