

HABITAT FOR HUMANITY
GREATER BOSTON, INC.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2019 AND 2018

HABITAT FOR HUMANITY GREATER BOSTON, INC.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Habitat for Humanity Greater Boston, Inc.
Boston, Massachusetts

We have audited the accompanying financial statements of HABITAT FOR HUMANITY GREATER BOSTON, INC. (a Massachusetts not-for-profit corporation), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HABITAT FOR HUMANITY GREATER BOSTON, INC. as of June 30, 2019 and 2018, changes in its net assets, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, HABITAT FOR HUMANITY GREATER BOSTON, INC. adopted a change in accounting principle for financial reporting, primarily to the presentation of net assets and required disclosures related to liquidity. Our opinion is not modified with respect to that matter.

Cain, Bourret, Jarry & Associates, LLC

Dracut, Massachusetts
July 17, 2020

HABITAT FOR HUMANITY GREATER BOSTON, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

ASSETS

	2019	2018
CURRENT ASSETS		
Cash	\$ 863,759	\$ 953,571
Cash - New Markets Tax Credit (NMTC)	13,740	559
Promises to give	406,547	228,080
Housing - land and construction in progress	1,569,696	655,339
Inventory - Restore	248,796	238,424
Prepaid expenses	-	938
Current portion of mortgages receivable	343,826	343,227
Total Current Assets	3,446,364	2,420,138
PROPERTY AND EQUIPMENT		
Leasehold improvements	49,714	49,724
Office equipment	35,831	35,831
Furniture and fixtures	18,570	18,570
Vehicles	22,500	22,500
Less: accumulated depreciation	(90,618)	(83,288)
Net Property and Equipment	35,997	43,337
OTHER ASSETS		
Note receivable	-	257,461
Loan receivable	17,216	17,216
Mortgages receivable, net of current portion	5,148,579	5,005,265
Investment in NMTC	1,905,806	1,925,054
Closing costs and fees, net of accumulated amortization of \$75,838 and \$62,048 for 2018 and 2017 - NMTC (Note 2)	114,795	128,585
Security deposits	60,628	60,628
Audit and tax fee reserve fund - NMTC (Note 12)	12,215	20,361
Flexcap Note reserve	13,720	13,720
Total Other Assets	7,272,959	7,428,290
TOTAL ASSETS	\$ 10,755,320	\$ 9,891,765
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	\$ 495,584	\$ 65,055
Accounts payable and accrued expenses	258,885	124,403
Agency accounts	3,842	1,817
Notes payable, current portion	101,758	98,595
Total Current Liabilities	860,069	289,870
LONG-TERM LIABILITIES		
Massachusetts Housing Finance Authority loan, net of current portion	146,623	195,961
FlexCap Note Payable	27,043	79,510
Citibank NMTC Loan - NMTC (Note 12)	2,660,790	2,660,790
Total Long-Term Liabilities	2,834,456	2,936,261
TOTAL LIABILITIES	3,694,525	3,226,131
NET ASSETS		
Unrestricted	6,564,095	6,411,834
Temporarily restricted	496,700	253,800
Total Net Assets	7,060,795	6,665,634

See independent auditor's report and notes to financial statements

HABITAT FOR HUMANITY GREATER BOSTON, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2019

(With Summarized Financial Information for the Year Ended June 30, 2018)

	<u>Without Donor</u>	<u>With Donor</u>	<u>2019</u>	<u>2018</u>
	<u>Restrictions</u>	<u>Restrictions</u>		
SUPPORT AND REVENUES				
Support				
Contributions	\$ 927,472	\$ 226,700	\$ 1,154,172	\$ 1,065,918
Grants	7,000	170,000	177,000	58,800
Donated services and materials	1,102,053	-	1,102,053	1,310,992
Special events, net	363,320	-	363,320	314,067
ReStore revenue	886,876	-	886,876	1,000,765
Net assets released from restrictions				
Satisfaction of program/donor restrictions	153,800	(153,800)	-	-
Total support	<u>3,440,521</u>	<u>242,900</u>	<u>3,683,421</u>	<u>3,750,542</u>
Revenues				
Sale of homes	725,000	-	725,000	650,000
Mortgage discount amortization	109,800	-	109,800	103,488
Miscellaneous income	12,383	-	12,383	12,197
Interest income	20,175	-	20,175	43,686
Total revenues	<u>867,358</u>	<u>-</u>	<u>867,358</u>	<u>809,371</u>
TOTAL SUPPORT AND REVENUES	<u>4,307,879</u>	<u>242,900</u>	<u>4,550,779</u>	<u>4,559,913</u>
FUNCTIONAL EXPENSES				
Program service expenses - family services	395,322	-	395,322	458,134
Program service expenses - pre/post conveyance	1,360,421	-	1,360,421	1,445,704
Program service expenses - ReStore	1,823,416	-	1,823,416	1,839,022
General and administrative	147,981	-	147,981	159,261
Fundraising expenses	428,478	-	428,478	330,658
TOTAL FUNCTIONAL EXPENSES	<u>4,155,618</u>	<u>-</u>	<u>4,155,618</u>	<u>4,232,779</u>
CHANGES IN NET ASSETS	<u>152,261</u>	<u>242,900</u>	<u>395,161</u>	<u>327,134</u>
NET ASSETS, BEGINNING OF YEAR	<u>6,411,834</u>	<u>253,800</u>	<u>6,665,634</u>	<u>6,254,916</u>
Prior period adjustments	-	-	-	83,584
NET ASSETS, END OF YEAR	<u>\$ 6,564,095</u>	<u>\$ 496,700</u>	<u>\$ 7,060,795</u>	<u>\$ 6,665,634</u>

See independent auditor's report and notes to financial statements

HABITAT FOR HUMANITY GREATER BOSTON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	2019						
	Program Services				Supporting Services		Totals
	Family Services	Cost of Homes Sold and Program Support	ReStore	Total Program Expenses	General and Administrative Expenses	Fundraising Expenses	
Salaries	\$ 150,735	\$ 337,061	\$ 414,636	\$ 902,432	\$ 86,049	\$ 217,235	\$ 1,205,716
Payroll taxes	13,105	30,304	35,849	79,258	7,357	18,861	105,476
Benefits	11,377	23,515	25,569	60,461	6,996	16,689	84,146
Salaries and related expenses	175,217	390,880	476,054	1,042,151	100,402	252,785	1,395,338
Advertising	-	19	2,592	2,611	-	76	2,687
Americorps	-	12,513	-	12,513	-	-	12,513
Amortization closing costs	-	13,789	-	13,789	-	-	13,789
Applicant costs	12,406	-	-	12,406	-	-	12,406
Bank charges	-	-	21,603	21,603	7,315	-	28,918
Bonds and permits	-	-	-	-	-	-	-
Conferences	625	247	-	872	-	987	1,859
Consultants	-	34,043	-	34,043	-	75,600	109,643
Cost of goods sold	-	-	2,569	2,569	-	45,711	48,280
Cost of homes sold	-	430,949	-	430,949	-	-	430,949
Depreciation	-	7,340	-	7,340	-	-	7,340
Dues, fees and subscriptions	-	29,183	3,600	32,783	500	-	33,283
Equipment rental	-	11,605	-	11,605	-	-	11,605
Insurance	-	16,344	-	16,344	-	-	16,344
Interest	27,398	23,796	-	51,194	-	-	51,194
Mortgage discount expense	-	237,652	-	237,652	-	-	237,652
Office expenses and supplies	4,422	7,713	6,208	18,343	3,597	4,924	26,864
Payroll services	829	2,350	2,073	5,252	484	1,175	6,911
Postage	1,010	1,741	-	2,751	599	3,769	7,119
Printing	39	1,692	-	1,731	2,183	9,634	13,548
Professional fees	-	-	-	-	18,913	-	18,913
Real estate taxes	-	6,817	-	6,817	-	-	6,817
Rent	16,128	19,488	318,696	354,312	9,408	22,176	385,896
Repairs and maintenance	-	18,831	650	19,481	-	-	19,481
Site cleaning and disposal	-	25,277	47,064	72,341	-	-	72,341
Tithe expenses	-	41,966	-	41,966	-	-	41,966
Truck expenses	-	1,375	25,607	26,982	-	-	26,982
Telephone and information technology	2,658	3,552	3,526	9,736	1,800	4,145	15,681
Travel	5,492	16,599	6,363	28,454	1,743	5,124	35,321
Utilities	1,741	4,660	30,307	36,708	1,037	2,372	40,117
	<u>\$ 247,965</u>	<u>\$ 1,360,421</u>	<u>\$ 946,912</u>	<u>\$ 2,555,298</u>	<u>\$ 147,981</u>	<u>\$ 428,478</u>	<u>\$ 3,131,757</u>
Donated services and goods:							
ReStore gifts in-kind	-	-	876,504	876,504	-	-	876,504
Professional fees	147,357	-	-	147,357	-	-	147,357
	<u>147,357</u>	<u>-</u>	<u>876,504</u>	<u>1,023,861</u>	<u>-</u>	<u>-</u>	<u>1,023,861</u>
Total	<u>\$ 395,322</u>	<u>\$ 1,360,421</u>	<u>\$ 1,823,416</u>	<u>\$ 3,579,159</u>	<u>\$ 147,981</u>	<u>\$ 428,478</u>	<u>\$ 4,155,618</u>

HABITAT FOR HUMANITY GREATER BOSTON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	2018						
	Program Services				Supporting Services		Totals
	Family Services	Cost of Homes Sold and Program Support	ReStore	Total Program Expenses	General and Administrative Expenses	Fundraising Expenses	
Salaries	\$ 112,923	\$ 266,743	\$ 357,598	\$ 737,264	\$ 86,081	\$ 195,388	\$ 1,018,733
Payroll taxes	9,886	23,450	31,406	64,742	7,392	16,845	88,979
Benefits	5,942	25,999	15,073	47,014	3,010	9,375	59,399
Salaries and related expenses	128,751	316,192	404,077	849,020	96,483	221,608	1,167,111
Advertising	-	428	5,463	5,891	-	420	6,311
Americorps	-	13,358	-	13,358	-	-	13,358
Amortization closing costs	-	13,789	-	13,789	-	-	13,789
Applicant costs	9,516	-	-	9,516	-	-	9,516
Bank charges	-	-	26,132	26,132	5,064	-	31,196
Bonds and permits	-	7,264	-	7,264	-	-	7,264
Conferences	407	562	-	969	54	1,360	2,383
Consultants	17,650	38,518	-	56,168	-	49,200	105,368
Cost of goods sold	-	-	12,861	12,861	-	-	12,861
Cost of homes sold	-	640,970	-	640,970	-	-	640,970
Depreciation	-	-	7,330	7,330	-	-	7,330
Dues, fees and subscriptions	-	25,500	-	25,500	-	-	25,500
Equipment rental	1,303	5,665	9,125	16,093	-	-	16,093
Insurance	-	15,523	-	15,523	-	-	15,523
Interest	-	43,330	-	43,330	-	-	43,330
Mortgage discount expense	-	195,271	-	195,271	-	-	195,271
Office expenses and supplies	3,946	4,150	6,479	14,575	7,428	4,239	26,242
Payroll services	785	2,553	1,630	4,968	465	1,113	6,546
Postage	962	1,415	-	2,377	545	4,204	7,126
Printing	307	2,161	-	2,468	3,669	16,366	22,503
Professional fees	-	-	-	-	31,438	-	31,438
Real estate taxes	-	3,787	-	3,787	-	-	3,787
Rent	16,128	27,089	286,139	329,356	9,408	20,832	359,596
Repairs and maintenance	-	1,094	1,109	2,203	-	-	2,203
Site cleaning and disposal	-	10,224	53,215	63,439	-	-	63,439
Tithe expenses	-	43,351	-	43,351	-	-	43,351
Truck expenses	-	1,876	44,869	46,745	-	-	46,745
Telephone and information technology	2,934	3,823	2,979	9,736	1,834	4,042	15,612
Travel	6,483	24,075	5,980	36,538	1,777	4,848	43,163
Utilities	1,878	3,736	30,055	35,669	1,096	2,426	39,191
	<u>\$ 191,050</u>	<u>\$ 1,445,704</u>	<u>\$ 897,443</u>	<u>\$ 2,534,197</u>	<u>\$ 159,261</u>	<u>\$ 330,658</u>	<u>\$ 3,024,116</u>
Donated services and goods:							
ReStore gifts in-kind	-	-	941,579	941,579	-	-	941,579
Professional fees	267,084	-	-	267,084	-	-	267,084
	<u>267,084</u>	<u>-</u>	<u>941,579</u>	<u>1,208,663</u>	<u>-</u>	<u>-</u>	<u>1,208,663</u>
Total	<u>\$ 458,134</u>	<u>\$ 1,445,704</u>	<u>\$ 1,839,022</u>	<u>\$ 3,742,860</u>	<u>\$ 159,261</u>	<u>\$ 330,658</u>	<u>\$ 4,232,779</u>

See independent auditor's report and notes to financial statements

HABITAT FOR HUMANITY GREATER BOSTON, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ 395,161</u>	<u>\$ 327,134</u>
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	7,340	7,330
Amortization	13,789	13,789
Donated professional fees	67,820	43,143
Mortgage amortization income	(109,800)	(103,488)
Imputed interest expense	237,652	195,271
Interest income - note receivable	(18,839)	(23,075)
Investment in NMTC	19,248	-
Decrease (increase) in assets:		
Promises to give	(178,467)	145,484
Inventory - Restore	(10,372)	(59,186)
Prepaid expenses and other current assets	938	(538)
Note receivable	257,461	-
Loan receivable	-	(993)
Audit and tax fee reserve fund	8,146	8,146
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	134,482	(28,077)
Agency accounts	<u>2,025</u>	<u>(405)</u>
Net Cash Provided by Operating Activities	<u>826,584</u>	<u>524,535</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction of housing and improvements	(1,007,751)	(574,886)
Net Cash mortgage notes receivable	(253,713)	433,580
(Increase) decrease in cash required for NMTC	<u>13,181</u>	<u>(10,957)</u>
Net Cash Used in Investing Activities	<u>(1,248,283)</u>	<u>(152,263)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances on line of credit		
Principal payments on long-term debt	<u>331,887</u>	<u>(124,218)</u>
Net Cash provided by Financing Activities	331,887	(124,218)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(89,812)	248,054
CASH AND CASH EQUIVALENTS - BEGINNING	<u>953,571</u>	<u>705,517</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 863,759</u>	<u>\$ 953,571</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	<u>\$ 51,194</u>	<u>\$ 43,330</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:		
Sale of housing and property financed with mortgage receivable	<u>\$ 725,000</u>	<u>\$ 650,000</u>

HABITAT FOR HUMANITY GREATER BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

Note 1. ORGANIZATION AND PURPOSE

Habitat for Humanity Greater Boston, Inc. (the Organization) is a charitable nonprofit Massachusetts corporation organized in December 1987. It is an affiliate of Habitat for Humanity International (HFHI), an organization with a grassroots structure which is dedicated to eliminating poverty housing from the earth and making poverty housing and homelessness socially and politically unacceptable in the world. The Organization's mission is to help low-income families become homeowners in the Greater Boston area using the Habitat model of volunteer labor, donated materials and charitable contributions to construct housing. Each Habitat family helps build their home by providing at least 300 hours of "sweat equity". When the home is complete, Habitat sells it to the family for an affordable price and provides the family with a no-interest mortgage loan. The Organization is responsible for raising funds for all of its projects, its annual operating budget and for "tithing" 10% of its unrestricted revenues to HFHI projects overseas.

The Organization's program divisions are as follows:

Family services: The Family Service division interacts with applicants for the Habitat homeowner program and assists the Family Selection Committee with the family selection process. It also monitors the "sweat equity" program and conducts a series of education classes on topics relating to homeownership, including budgeting, credit and financial management, condominium associations, home repairs and legal matters. Existing Habitat families with financial problems receive credit counseling and when appropriate, referrals to other social service programs. The Organization also helps families living in condominium associations communicate effectively with each other so they can manage the association's finances. In addition, the Organization promotes energy efficiency and monitors those Habitat projects where solar energy panels have been installed.

Construction and Sale of Habitat Homes: The Organization builds homes in partnership with low-income families, volunteers and donors. The division identifies and acquires land for projects, works with architects on the design of homes and with lawyers on permitting and real estate documentation. It also obtains permits for projects and functions as a general contractor during construction, including procuring construction materials and managing subcontractors.

ReStore Operations: In 2011 the Organization opened up its Habitat ReStore. The ReStore is a retail business that accepts donations of new and gently-used building materials, furniture, appliances, and housewares and resells them to the general public through a retail store front warehouse. The Habitat ReStore helps to protect the environment by keeping hundreds of tons of material out of our landfills and provides a low-cost outlet for home improvement materials, and making home renovations and improvements more affordable.

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:

HABITAT FOR HUMANITY GREATER BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- *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, 2019 and 2018.

Pledges and Other Receivables

Receivables, other than mortgages, are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a charge to expense, based on its assessment of the current status of individual accounts. All receivables are deemed to be collectible at June 30, 2019 and 2018.

Promises to Give

Unconditional promises to give are recognized as assets, net of allowances, and as revenue in the period in which the promises are made. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and when the promises become unconditional. Unconditional promises to give are recorded, in the year received, at the present value of estimated future cash flows using a risk adjusted discount rate. Amortization of the discount is included in contribution revenue.

Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful accounts. Management estimates the allowance by review of historical experience and a specific review of collection trends that differ from scheduled collections on individual promises. As of June 30, 2019 and 2018, management has determined any allowance would be immaterial.

HABITAT FOR HUMANITY GREATER BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Receivables

The Organization is a charity engaged in providing homeownership opportunities to low-income families living or working in the Greater Boston area. Upon completion of construction, the home is conveyed to a selected family for an affordable price. The Organization takes back a non-interest bearing note and the note is secured by a first mortgage on the home. The Organization takes a second note, secured by a second mortgage, for the difference between the first note and the home's fair market value as determined by an independent appraisal. The first note receivable is then discounted in accordance with Internal Revenue Code Section 1288. The discounted amount, which represents the underlying mortgage receivable, is recorded at its face value less the calculated discount. The Organization utilizes the rates determined by the applicable long-term Federal Funds rate in effect as of the date of transfer to the homeowner. The mortgages have an original maturity of 20 to 35 years and arise in connection with the Organization's homebuilding initiatives in Greater Boston. These mortgages are secured by the underlying real estate that is located in the Greater Boston area.

The underlying real estate is transferred to the homeowner at fair market value. The fair value of the homes are equal to the related mortgage note balances, and due to the secured creditor status of the Organization all mortgage balances are deemed fully collectible. The Organization believes that no allowance for doubtful accounts is necessary.

Inventory

Inventory consists of donated building supplies and other home improvement items to be sold at the Organization's ReStore. Purchased inventory is valued at cost. Donated inventory is calculated using a three month average of sales. At June 30, 2019 and 2018 inventory was valued at \$248,796 and \$238,424, respectively.

House Construction in Progress

Property held for development consists of costs to develop homes for projects located in Massachusetts. Property held for development is recorded on the cost method. Costs associated with the acquisition, development, and construction of property including property taxes, interest, and associated general and administrative costs are capitalized as a cost of the property, and are reported net of contingent liabilities.

The Organization reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2019 and 2018.

As of June 30, 2019 and 2018, the Organization had 5 properties held for development.

HABITAT FOR HUMANITY GREATER BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment purchased by the Organization with unrestricted funds are 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. Depreciation expense for the years ending June 30, 2019 and 2018 was \$7,340 and \$7,330 , respectively.

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

Leasehold improvements	7 years
Office equipment	5 years
Furniture and equipment	7 years
Vehicle	5 years

Compensated Absences

Employees of the Organization are entitled to paid vacation, sick days, and other personal days off, depending on job classification, length of service, and other factors. Any unused vacation days or personal days will not be carried from one calendar year to the next and employees are not entitled to compensation for any accrued but unused vacation or personal days. Unused sick days are cumulative and may be carried from one year to the next up to a maximum of 60 days; however, employees are not entitled to compensation for any accumulated but unused sick leave.

Revenues and Support Recognition

Transfer to Homeowners

Mortgage income includes the annual amortization of the discount for the present time value of money on the primary mortgage and recognition for the release of the contingent mortgage (See Note 7) upon the premature sale by a homeowner.

Contributions and Contributed Services

Contributions are recognized as revenue in the period received. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved.

Contributions received with donor-imposed restrictions that will lapse are reported as temporarily restricted revenues when they are received. A reclassification to unrestricted net assets is made to reflect the expiration of such restrictions in the year the restriction is met. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as unrestricted.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as unrestricted revenues. Contributions of cash or other assets to be used to acquire property and equipment with donor stipulations are reported as temporarily restricted revenues, and the restrictions are considered to be released at the time of acquisition of such long-lived assets.

HABITAT FOR HUMANITY GREATER BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Support Recognition (Continued)

Contributions and Contributed Services (Continued)

Contributions of services are reported as temporarily restricted revenues and expenses at the fair value of the services received only if the services create or enhance a non-financial asset or would typically need to be purchased by the Organization if they had not been provided by individuals with those skills. A substantial number of volunteers have made significant contributions of their time to the Organization's program of building and rehabbing houses, and other supporting services. The value of this contributed time is not reflected in these financial statements since it does not require a specialized skill. However, certain other contributed services that require specialized skills, such as design work, legal services, plumbing, HVAC and electrical work are provided by individuals possessing those skills and/or licenses that would otherwise need to be purchased if not provided by donation are recognized as temporarily restricted revenue. Contributions of materials to be used in program operations are reported as revenues and expenses of the temporarily restricted net asset category at the time the materials are received.

Fundraising and Special Events

Special event revenue is primarily derived from contributions collected and fees charged for admission at various sponsored events. Special event contributions and fees are recognized as income when received. The majority of special event revenue is derived from one event, the American Dream Awards Breakfast.

ReStore Sales

Retail store sales represent merchandise sales of building materials, furniture, appliances, and housewares donated to the Organization. Retail store revenues are recognized when the related goods are sold. The Organization records sales taxes collected on these sales in ReStore Revenue.

Advertising

The Organization expenses advertising costs as they are incurred.

Income Taxes and Uncertain Tax Positions

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 tax expenses. 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 generally accepted accounting principles in the United States of America 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.

HABITAT FOR HUMANITY GREATER BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes and Uncertain Tax Positions (Continued)

The Organization's federal tax returns and state reports for the years ended June 30, 2017 through June 30, 2019 (open years) are subject to examination by the Internal Revenue Service and Massachusetts Attorney General's Office.

Fair Value of Financial Instruments

Generally accepted accounting principles establish a framework for measuring fair value.

Fair value is the amount that would be received to sell an asset, or paid to settle a liability, in an orderly transaction between market participants at the measurement date. Accounting principles require the use of observable market data, when available, in making fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization's financial instruments, none of which are held for trading purposes, consist primarily of cash, accounts payable and accrued expenses. The Organization estimates the carrying amount of these financial instruments approximate their fair value recorded in the accompanying financial statements due to their short-term nature.

The carrying amount of the Organization's mortgages receivable and debt generally approximates its fair value at June 30, 2019 and 2018 as the instruments' current interest rate approximates market rates.

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 Statement 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.

Contributed Services and Gifts in Kind

Donated materials are reported as contributions in the financial statements at their estimated fair values at the time of receipt. Donated services are similarly reported when services are performed, and which would otherwise have been purchased or performed by the Organization personnel.

In-kind contributed goods and services were recorded as follows:

	<u>2019</u>	<u>2018</u>
Professional fees (non-capital)	\$ 147,357	\$ 267,084
Professional fees (capital)	67,820	43,143
Donated goods – ReStore	<u>886,876</u>	<u>1,000,765</u>
	<u>\$ 1,102,053</u>	<u>\$ 1,310,992</u>

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific services related to the construction and development of the properties. However, the Organization determined it was not practical to quantify the value of these commercial services.

HABITAT FOR HUMANITY GREATER BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment in Partnership

Investments in partnerships or similar entities in which the Organization does not have a controlling financial interest are accounted for as equity method investments.

As of June 30, 2019 and 2018, the Organization has an investment in NFH Northeast 1 Leverage Lender, LLC (the LLC) which is accounted for under the equity method. Under the equity method, the investment is carried at cost and adjusted for the Organization's share of income, losses, additional investments and cash distributions from the limited liability company. As a member of the LLC, the Organization ceases recognition of losses for financial statement purposes once the cost of the investment is reduced to zero.

Declines in the fair value of the Organization's investment in the LLC below their carrying value that are deemed to be other than temporary are reflected in the statements of operations as an impairment loss. In estimating other than temporary impairment losses, management considers many factors which include: the length of time and the extent to which the fair value has been less than carrying value, the financial condition of the LLC, and the intent and ability of the Organization to retain its investment in the LLC for a period of time sufficient to allow for any anticipated recovery in fair value, as calculated based primarily on remaining tax benefits. There were no impairment losses recognized during the years ended June 30, 2019 and 2018.

Closing Costs and Fees

Closing costs and fees related to the New Markets Tax Credit (NMTC) financing, as disclosed in Note 12, are recorded at cost and amortized over the respective life of the related agreements using the straight line method, which approximates the effective interest method for purposes of the closing costs and servicing fees, as follows:

Closing costs and servicing fees	\$122,756	360 months
HGHI guarantor fee	164,654	84 months
Audit and tax fee reserve fund	57,017	84 months

Amortization expense amounted to \$13,789 for the years ended June 30, 2019 and 2018.

Change in Accounting Principle

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (*Topic 958*) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, and consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these financial statements accordingly. ASU 2016-14 has been applied retrospectively to all periods presented.

Note 3. 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. At June 30, 2019 and 2018 Habitat exceeded the FDIC insured limit by approximately \$670,800 and \$827,700, respectively. In addition, the financial institution is a Massachusetts chartered Savings Bank that maintains additional insurance through the Depositors Insurance Fund (DIF), a private industry sponsored insurance company. 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.

HABITAT FOR HUMANITY GREATER BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

Note 3. CONCENTRATION OF CREDIT RISK (Continued)

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

Note 4. PROMISES TO GIVE

The Organization has received unconditional promises to give related to fundraising events. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be received more than a year after June 30, 2019 are recorded at the present value of their future cash flows using a risk adjusted discount rate.

As of June 30, 2019 and 2018, all promises to give were expected to be received in one year and any allowance or discount is expected to be immaterial and has not been recorded.

Note 5. LOAN RECEIVABLE

The Organization has a loan receivable with a homeowner at the Navarre Street Condominium Association. They have fallen behind on condominium fees and the Organization paid these fees in order to get the unit owners current. The loan is secured by the homeowner's property and is payable upon notice by the lender. As of June 30, 2019 and 2018 the loan receivable balance due totaled \$2,891.

The Organization has a loan receivable from a homeowner at the Quincy Street Condominium Association. They have fallen behind on condominium fees and Organization paid these fees in order to get the unit owners current. The loan is secured by the homeowner's property and is payable upon notice by the lender. As of June 30, 2019, the loan receivable balance due totaled \$14,325.

Note 6. MORTGAGES RECEIVABLE

Transfers to homeowners represent the sale of houses built by the Organization in exchange for mortgage notes with no interest. As discussed in Note 2 these mortgages are payable over 20 – 35 years and discounted for the present time value of money. Mortgage payments received after 30 days are considered late and subject to the Organization's delinquency policy. Notices of filing of foreclosure will be made if payments are 90 days delinquent, the homeowner is not on a Payment Plan and has not been granted a Grace Period. The Organization has a policy of working with homeowners to ensure that accounts are brought up to date and all remedies exhausted before any legal action will commence. At June 30, 2019 the Organization had 74 loans outstanding with a gross value of \$7,703,927 and a discounted value of \$5,492,405. At June 30, 2018 the Organization had 73 loans outstanding with a gross value of \$7,384,868 and a discounted value of \$5,348,492.

The annual maturities stated at their discounted present value to be received over the next five years and in the aggregate as follows:

2020	\$	343,826
2021		351,783
2022		359,924
2023		368,253
2024		376,775
Thereafter		<u>3,691,844</u>
Total	\$	<u>5,492,405</u>

See independent auditor's report.

HABITAT FOR HUMANITY GREATER BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

Note 7. CONTINGENT MORTGAGES RECEIVABLE

Homeowners who purchase housing through the Organization's program are subject to additional payments should the house be sold before the full term of the mortgage is completed. The remaining payments on the original mortgage would be due at the closing and they would be subject to a second predetermined (contingent) mortgage. Contingent mortgage receivables are not reported in the accompanying financial statements, and their outstanding balances at June 30, 2019 and 2018 totaled \$3,162,476 and \$3,026,476, respectively.

Note 8. RESTRICTED DEPOSITS AND FUNDED RESERVES

In accordance with the note payable to Habitat for Humanity International ("the FlexCap Note"), the Organization is required to maintain a reserve balance equal to the quarterly payment of interest and principal due under the note payable agreement. As of June 30, 2019 and 2018, the balance was \$13,740 and \$559, respectively.

In accordance with the loan and security agreement with Citi NMTC CDE XVI, LLC (CDE), the Organization is required to pay to the lender an annual audit and tax expense fee. The reserve was funded at the time of the NMTC financing closing and additional deposits are not required. During the years ended June 30, 2019 and 2018, fees of \$4,073 were paid and the balance was \$6,107 and \$10,180, respectively. The balance is included in the audit and tax fee reserve fund on the accompanying statement of financial position.

Similarly, a separate reserve was established to fund the annual audit and tax expense fee of the HFH NMTC Investment Fund, LLC (HFH NMTC). HFH NMTC has a 99.99% interest in CDE. The reserve was funded at the time of the NMTC financing closing and additional deposits are not required. During the years ended June 30, 2019 and 2018, fees of \$4,073 were paid and the balance was \$6,107 and \$10,180, respectively. The balance is included in the audit and tax fee reserve fund on the accompanying statement of financial position.

Note 9. LINE OF CREDIT

The Organization has available a line of credit with Dedham Institute for Savings in the amount of \$500,000 to be drawn upon as needed. The line of credit bears interest at 3% per annum. During the year ended June 30, 2019 the Organization had advances on the line of credit that amounted to \$430,529. During the year ended June 30, 2019, interest expense amounted to \$14,249. As of June 30, 2019, the balance outstanding was \$495,584. During the year ended June 30, 2018 the Organization had repayments on the line of credit that amounted to \$28,638, while interest expense amounted to \$3,086. As of June 30, 2018, the balance outstanding was \$65,055.

Note 10. LONG-TERM DEBT

The Organization has a FlexCap note payable to Habitat for Humanity International (HFHI), in the original amount of \$335,200. The loan pool to affiliates is secured by collateral assignments of mortgages on eight mortgage loans receivable dated June 23, 2011 and amended December 12, 2013. The note bears interest at 3.8% per annum through December 2020, the maturity date, and is payable in quarterly payments of \$13,691. During the years ended June 30, 2019 and 2018, interest expense amounted to \$4,677 and \$6,102, respectively. As of June 30, 2019 and 2018, the principal balance due amounted to \$79,480 and \$130,016, respectively.

The Organization has a note payable to MassHousing in the original amount of \$600,000. The note is secured by five mortgages conveyed to buyers. The note bears interest at 2.5% per annum and requires monthly payments of principal and interest in the amount of \$4,471. The note matures in May 2023. During the years ended June 30, 2019 and 2018, interest expense amounted to \$5,961 and \$6,739, respectively. As of June 30, 2019 and 2018, the principal balance due amounted to \$195,944 and \$244,050, respectively.

HABITAT FOR HUMANITY GREATER BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

Note 10. LONG-TERM DEBT (Continued)

The Organization has a note payable to CDE as part of the NMTC structure described in Note 12, in the original amount of \$2,660,790. The note is secured by collateral assignments of various accounts established as part of the NMTC structure. The note bears interest at 1.03% per annum and requires interest only payments through November 2020. Commencing November 2021, the note is payable in semi-annual payments of \$65,111 through the maturity date, December 2043. Debt covenants on the note include maintaining a debt to asset ratio, not to exceed 95%. During the years ended June 30, 2019 and 2018, interest expense amounted to \$27,398. As of June 30, 2019 and 2018, the principal balance due amounted to \$2,660,790.

Principal payments due in the next five years and in the aggregate:

2020	\$ 101,758
2021	129,021
2022	155,450
2023	148,962
2024	130,222
Thereafter	<u>2,270,801</u>
Total	<u>\$ 2,936,214</u>

Note 11. OPERATING LEASES

The Organization occupies office space under a non-cancelable, operating lease agreement with monthly rent of \$5,600. The Organization is also liable for its proportionate share of common area expenses and real estate taxes. This lease agreement expires in January, 2020. The lease was renewed in January 2020 with a monthly rent of \$8,000. The new lease agreement expires in July 2022.

The Organization leases additional space, for its ReStore activities, of approximately 21,120 square feet as the lessee under a non-cancelable, operating lease agreement. The original lease term is for ten (10) years with two (2) five (5) year options.

Rent expense for the years ended June 30, 2019 and 2018 was \$385,896 and \$359,596, respectively.

As of June 30, 2019, future minimum lease payments are as follows:

2020	\$ 341,200
2021	\$ 391,680
2022	\$ 412,800
2023	\$ 412,800

Note 12. NMTC FINANCING

During 2014, the Organization embarked on a series of transactions with Citibank, HFHI, Habitat for Humanity of Costal Fairfield County, Inc. (HFHCFC) and Patterson Habitat for Humanity, Inc. (PHFH) to effectuate a NMTC structure to assist the construction of Habitat homes in certain low-income neighborhoods. NMTC allows for larger net proceeds than would otherwise be available under classic financing.

HABITAT FOR HUMANITY GREATER BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

Note 12. NMTC FINANCING (Continued)

The Organization, HFHCFC and PHFH each invested in the LLC to leverage the capital contribution of the investor into a new entity set up for this purpose. The LLC then invested in the CDE. The CDE received allocations of NMTC funds pursuant to Section 45D of the Internal Revenue Code (IRC) in order to assist eligible businesses in making investments in certain low-income communities. The Organization's investment in the LLC effectively avails itself of \$2,454,146 in funds, net of fees and transaction costs, for the construction of Habitat homes in certain Boston neighborhoods.

As of June 30, 2019 and 2018, the membership interests in the LLC are owned .01% by Habitat NMTC LLC (Habitat NMTC) (managing member), 44.70% by PHFH, 33.93% by the Organization and 21.36% by HFHCFC.

As part of the NMTC transactions, the Organization received cash in the amount of \$538,771 which had to be spent within twelve months on construction costs for the NMTC properties. All funds were spent as of June 30, 2015.

On December 31, 2020, Citibank has a right and option, but not an obligation, for a period of six months, to require Habitat NMTC to purchase all the investor's interest for an exercise price of \$1,000. If the put is not exercised, then Habitat NMTC has the right to purchase the investor's interest for fair market value, as determined by an independent appraiser. Habitat NMTC is wholly owned by HFHI.

The value of the Organization's investment as of June 30, 2019 and 2018 amounted to \$1,925,054. The condensed unaudited financial statements of Habitat for Humanity Greater Boston, Inc.'s portion as of June 30, 2019 and 2018 are as follows:

Assets	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 13,740	\$ 559
Restricted cash	12,214	20,359
Unsold homes and lots under development	-	258,244
Mortgages receivable	2,930,435	2,700,121
Intangible assets, net	<u>14,545</u>	<u>24,242</u>
 Total Assets	 <u>\$ 2,970,934</u>	 <u>\$ 3,003,525</u>
 Liabilities and Net Assets		
Due to affiliate	\$ 672,599	\$ 740,171
Loan payable	<u>2,560,539</u>	<u>2,556,447</u>
 Total Liabilities	 3,233,138	 3,296,618
 Unrestricted net assets	 <u>(262,204)</u>	 <u>(293,093)</u>
 Total liabilities and net assets	 <u>\$ 2,970,934</u>	 <u>\$ 3,003,525</u>
 Revenue	 \$ 350,000	 \$ 350,000
Costs and Expenses	<u>319,111</u>	<u>314,180</u>
Net Income (Loss)	<u>\$ 30,889</u>	<u>\$ 35,820</u>

See independent auditor's report.

HABITAT FOR HUMANITY GREATER BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

Note 13. CONTRIBUTION TO HABITAT FOR HUMANITY INTERNATIONAL, INC.

Habitat for Humanity International, Inc. has a suggested 10% tithing based on internal calculations for unrestricted funds, however, there is no penalty for tithing less than this amount. This amount is used for Habitat for Humanity International's worldwide housing programs. For the years ended June 30, 2019 and 2018 contributions to Habitat for Humanity International, Inc. amounted to \$41,966 and \$43,593, respectively.

HFHI entered into a tax credit and indemnity agreement dated December 30, 2013 with Citibank, N.A. HFHI has guaranteed the delivery of the NMTC and the achievement of an annual internal rate of return of 8.79%. In addition, HFHI has entered into a servicing agreement with Citi NMTC Subsidiary CDE XVI, LLC dated December 30, 2013. In connection with these agreements, the Organization prepaid the service fee due to HFHI. For each of the years ending June 30, 2019 and 2018, \$9,697 was incurred.

As described in Note 10, the Organization has a note payable to HFHI. As of June 30, 2019 and 2018, the principal balance due amounted to \$79,480 and \$130,016, respectively.

Note 14. TAX DEFERRED ANNUITY PLAN

The Organization maintains a tax-deferred qualified annuity plan under Section 403(b) of the Internal Revenue Code (IRC). The plan covers any employees electing to participate and is entirely funded with employee contributions up to the maximum amount allowed by the IRC. During the years ended June 30, 2019 and 2018, expenses incurred in connection with the plan were immaterial.

Note 15. RESTORE PROGRAM

The Organization established its ReStore in the January 2011. 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. The store received approximately \$886,876 and \$1,000,765 in donated materials and goods during the years ended June 30, 2019 and 2018. For the year ended June 30, 2019 the ReStore Program generated \$886,876 of revenues with associated costs of \$946,429. This resulted in a net loss of \$59,553 on ReStore activities. For the year ended June 30, 2018 the ReStore Program generated \$1,000,765 of revenues with associated costs of \$897,443. This resulted in net income of \$103,322 on ReStore activities.

Note 16. PRIOR PERIOD ADJUSTMENTS

Interest income was not recorded on a note receivable granted to an individual who purchased a commercial unit at Blue Hill Place. An adjustment to the prior period was made to correct this discrepancy in the amount of \$70,253.

A note receivable granted to an individual at the Quincy Street Condominium Association was recorded incorrectly on the Statement of Activities in the prior year. An adjustment to the prior period was made to correct this discrepancy in the amount of \$13,331.

The total prior period adjustments amount to \$83,584 as of June 30, 2018.

HABITAT FOR HUMANITY GREATER BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019 AND 2018

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.

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 877,499	\$ 954,130
Mortgage notes receivable, current portion	<u>343,826</u>	<u>343,227</u>
Total financial assets and liquidity resources available within one year	<u>1,221,325</u>	<u>1,297,357</u>

Note 18. SUBSEQUENT EVENTS

Management has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2019 through May 4, 2020, the date the financial statements were first available to be issued.

There is a signed purchase and sale agreement between a buyer and the commercial unit at Blue Hill Place discussed in Note 5. The unit is expected to sell in March 2019 with the Organization receiving a payment of \$274,214.

Additionally, the following event was considered significant as to require disclosure. 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 Association depends on certain developments, as well as the impact on individual unit owners and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Association's future financial condition or results of operations is uncertain.