**HABITAT FOR HUMANITY METRO MARYLAND, INC.**

**FINANCIAL STATEMENTS**
**WITH**
**INDEPENDENT AUDITORS' REPORT**

**Years Ended June 30, 2021 and 2020**

DELEON & STANG
Strategic Insights. Practical Advice.

**HABITAT FOR HUMANITY METRO MARYLAND, INC.**

**Table of Contents**

**Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis of the financial condition and results of our operations should be read in conjunction with the financial statements and the notes to those statements included elsewhere in this report. This discussion contains forward-looking statements reflecting our current expectations that involve risks and uncertainties. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors.

**Background**

Habitat for Humanity of Montgomery County Maryland, Inc. was formed as a nonprofit corporation under the laws of the State of Maryland on October 29, 1982 (inception). In April 2013, the Board of Directors approved a resolution to expand into Prince George's County, Maryland and operate going forward under Habitat for Humanity Metro Maryland, Inc. ("HFHMM").

In 2006, HFHMM opened its first retail operation that sells donated usable goods and surplus building materials to the public and operates under the name "ReStore". Currently, there are two ReStores in operation: one in Rockville, Maryland and one in Silver Spring, Maryland.

**Overview**

Our vision is a community in which everyone has a decent and affordable place to live. While Montgomery and Prince George's Counties are part of the most affluent, fastest growing communities in the nation, thousands of its residents are living in poverty. Housing costs have sky-rocketed, while income levels for many jobs have remained the same – making the dream of homeownership almost impossible for low-income families. In a spirit of collaboration and fellowship, HFHMM works with individuals, institutions, faith organizations, businesses, and the HFHMM families themselves to build and rehabilitate decent and energy efficient affordable housing for those living in substandard conditions in our community.

Habitat's unique homeownership model and programs provide a solution to this problem by offering low-income individuals the opportunity to purchase their own decent and affordable home or repair and weatherize their current home. Habitat for Humanity International also has programs to help low-income homeowners repair and weatherize their current home.

Our mission is to create simple, decent and affordable homeownership opportunities in Montgomery and Prince George's Counties, Maryland. HFHMM supports the notion that good, stable housing matters for neighborhoods. Better quality of living leads to stronger citizens and families. HFHMM is about changing lives, one home at a time.

## Strategic Planning

### Community Impact

For the fiscal years 2015 through 2021 HFHMM completed 350 projects through new construction, neighborhood revitalization, weatherization, minor and major home repair. We are happy to report that we completed 58 in 2015, 52 in 2016, 70 in 2017, 52 in 2018, 105 in 2019 and 71 in 2020 (despite 3.5 months of program closures due to Covid-19). Our strategic plan for the next 5 years is to complete 80 repair/weatherization projects and rehab 2 homes per year. To achieve this goal, we are prepared to respond quickly as opportunities to serve arise. HFHMM currently has 58 projects in its pipeline, comprised of 26 in Montgomery County and 32 in Prince George's County. In FY21 we continued work on a new construction, design home and rehabilitation of distressed property, both Prince George's County.

### Sector Impact

HFHMM strives to be the go-to organization for affordable housing and for owner-occupied neighborhood revitalization. HFHMM plans to strategically facilitate and support increased opportunities for affordable housing through collaborations with the affordable housing sector.

### Societal Impact

HFHMM is an organization that inspires action to end poverty housing. One of our goals is to increase awareness of the need and value of affordable housing. We study and forecast the impact of our work in the communities we service. In a recent *Habitat Homeowner Study,* conducted by *Habitat for Humanity International,* Habitat homeownership contributes to self-esteem and well-being, improved family mental and physical health, community awareness, and a feeling of neighborhood pride. In addition, HFHMM homeowners pay taxes and are more likely to vote. As well, Habitat homeowners are able to save more, pursue advanced educational opportunities, and work towards achieving financial stability. By providing a stable home, Habitat homeownership is more likely to prevent the fracturing of families. We will continue to maintain and grow the volunteer base in Montgomery County and Prince George's County. In addition, we will continue to serve families internationally through our global partnerships.

### Build a Sustainable Organization

HFHMM will continue to mobilize resources and steward them faithfully. We will continue to fund our mission strategically, grow our skills and leadership capabilities, and operate with excellence.

## Organizational Data, Statistics, and Financial Reporting

Since its inception in 1982, HFHMM has served 513 families and completed 678 projects through new construction, neighborhood revitalization, weatherization, minor and major home repair, of which 53 families were served in fiscal year 2021.

From an organizational and financial reporting perspective, HFHMM is a nonprofit corporation that follows accounting principles generally accepted in the United States (GAAP).

- HFHMM operates under a unique business model. In addition to its retail operation, new home construction, and home renovation initiatives, HFHMM acts as the mortgage servicer and lends money to homebuyers at a below market interest rate (0%). HFHMM records the loan receivable not at its face value, but net of the mortgage discounts using interest rates published by Freddie Mac on the date the loan closes. Other non-cash transactions that impact HFHMM's financial reporting represent amortization of deferred gains on home sales, depreciation and amortization of the discount of notes payable. The result of those non-cash entries in a year with significant home sales results in the statement of activities reflecting significant losses. We encourage the readers of our financial statements to focus on the statement of cash flows as part of the overall financial statement package.

A reader will notice that for the year ending June 30, 2021:

- The change in net assets was $2,294,720.
- As of June 30, 2021, mortgage loans receivable, net of discounts included in the statements of financial position were $3,108,917. These mortgage loans receivable have gross or face values of $4,965,280. This compares to notes payable net of discounts of $2,766,241. These notes payable have gross or face values of $3,359,729.
- Total combined ReStore sales for the year ending June 30, 2021, were $2,164,140. Sales for the year ended June 30, 2021 increased as the impacts of the COVID-19 pandemic have decreased.

HFHMM also retains an equity interest in the properties. Presently, if the home is sold by the homeowner in years 1 through 5, then HFHMM retains 100% equity. HFHMM's equity interest is reduced by 3% in each succeeding year until HFHMM's equity reaches 25%.

**Organizational Data, Statistics, and Financial Reporting** (Continued)

To facilitate operating cash flow in the effort to support its mission and goals, HFHMM has the option to assign its mortgages to a bank, whereby HFHMM receives approximately 80% of the value of the mortgage in cash while still guaranteeing 100% of the loan. As of June 30, 2021, HFHMM had assigned 18 loans under this arrangement. HFHMM, under its strategic plan, has set goals to increase fundraising to permit land acquisition and construction from operating cash and thus avoid mortgage assignments and construction loans. This would allow HFHMM to re-invest the mortgage payments into additional projects. During the year ended June 30, 2021, one of our banks relieved HFHMM of its guarantee of 41 loans HFHMM reflected this forgiveness in its change in net assets. In addition, HFHMM will look to enhance the ReStore's profitability and examine future locations to further assist in funding the mission and goals.

Since 1982, HFHMM has closed on 98 mortgage loans with its homebuyers, of which 84 are still active as of June 30, 2021. We have had only one mortgage default in our history. Mortgage loans receivables, net, at June 30, 2021 was $3,108,917 (see Note 4).

## Independent Auditors' Report

**Board of Directors**
**Habitat for Humanity Metro Maryland, Inc.**
**Silver Spring, Maryland**

We have audited the accompanying financial statements of Habitat for Humanity Metro Maryland, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' 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 audits 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 auditors' 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 auditors consider 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 Metro Maryland, Inc. as of June 30, 2021 and 2020, and the changes in its net assets (deficit) and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

Habitat for Humanity Metro Maryland, Inc. has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-19 (ASC 606), Revenue from Contracts with Customers, as described in Note 2. Our opinion is not modified with respect to this matter.

DeLeon & Stang

**DeLeon & Stang, CPAs and Advisors**
**Gaithersburg, Maryland**
**December 6, 2021**

**HABITAT FOR HUMANITY METRO MARYLAND, INC.**
**STATEMENTS OF FINANCIAL POSITION**
**June 30, 2021 and 2020**

| | 2021 | 2020 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 1,318,854 | $ 1,032,884 |
| Investments | 20,711 | - |
| Grants, contributions and contracts receivable | 336,095 | 39,840 |
| Mortgage loans receivable, net of discounts of $1,856,363 and $4,238,624, respectively | 3,108,917 | 7,062,196 |
| Inventories | 1,797,671 | 700,505 |
| Property and equipment, net of accumulated depreciation of $734,858 and $623,945, respectively | 397,663 | 499,772 |
| Other assets | 107,261 | 64,583 |
| **Total Assets** | $ 7,087,172 | $ 9,399,780 |
| **Liabilities and net assets (deficit)** | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | $ 518,661 | $ 208,609 |
| Lines of credit | 507,637 | 427,600 |
| Deferred rent | 621,542 | 722,787 |
| Notes payable and mortgage note assignments, net of discounts of $593,488 and $1,632,714 | 3,710,838 | 8,607,010 |
| Deferred gain on home sales | - | 901,957 |
| Total liabilities | 5,358,678 | 10,867,963 |
| Net assets (deficit): | | |
| Net assets (deficit), without donor restrictions | 1,000,544 | (1,535,729) |
| Net assets, with donor restrictions | 727,950 | 67,546 |
| Total net assets (deficit) | 1,728,494 | (1,468,183) |
| **Total liabilities and net assets (deficit)** | $ 7,087,172 | $ 9,399,780 |

**HABITAT FOR HUMANITY METRO MARYLAND, INC.**
**STATEMENTS OF ACTIVITIES**
**Years Ended June 30, 2021 and 2020**

| | 2021 | 2020 |
|---|---|---|
| **Net assets without donor restrictions** | | |
| Revenue and support: | | |
| Contributions, grants and contracts | $ 1,644,535 | $ 1,166,758 |
| Home sales | - | 540,000 |
| ReStore sales | 2,164,140 | 1,667,468 |
| Special events | 442,337 | 317,182 |
| In-kind contributions | 33,598 | 62,853 |
| Imputed mortgage interest income | 152,225 | 304,001 |
| Gain on mortgages | 1,203,991 | - |
| Loss on disposal of assets | - | (5,762) |
| Other revenue | 85,413 | - |
| Other interest income | 411 | 666 |
| Net assets released from restriction | 130,988 | 98,164 |
| Total revenue and support without donor restrictions | 5,857,638 | 4,151,330 |
| Expenses: | | |
| Program expenses | 3,341,617 | 4,031,142 |
| Supporting services | 881,705 | 676,082 |
| Total expenses | 4,223,322 | 4,707,224 |
| Change in net deficit without donor restrictions | 1,634,316 | (555,894) |
| **Net assets with donor restrictions** | | |
| Contributions and grants | 791,392 | 50,000 |
| Net assets released from restriction | (130,988) | (98,164) |
| Change in net assets with donor restrictions | 660,404 | (48,164) |
| **Change in net assets (deficit)** | 2,294,720 | (604,058) |
| **Net deficit, beginning of year** | (1,468,183) | (864,125) |
| **Adoption of accounting standard cummulative adjustment** | 901,957 | - |
| **Adjusted net deficit, beginning of year** | (566,226) | (864,125) |
| **Net assets (deficit), end of year** | $ 1,728,494 | $ (1,468,183) |

**HABITAT FOR HUMANITY METRO MARYLAND, INC.**
**STATEMENTS OF FUNCTIONAL EXPENSES**
**For the Years Ended June 30, 2021 and 2020**

| | 2021 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Program Expenses | | | | Supporting Services | | | |
| | Affordable Residential Housing | ReStore | Grant to Habitat for Humanity, International | Total Program Expenses | Fundraising | Management and General | Total Supporting Services | Total Expenses |
| Salaries and wages | $ 495,050 | $ 672,290 | $ - | $ 1,167,340 | $ 350,790 | $ 150,530 | $ 501,320 | $ 1,668,660 |
| Critical repair | 594,525 | - | - | 594,525 | - | - | - | 594,525 |
| Rent | 62,836 | 458,958 | - | 521,794 | 31,109 | 31,109 | 62,218 | 584,012 |
| Home weatherization | 181,971 | - | - | 181,971 | - | - | - | 181,971 |
| Payroll taxes | 38,310 | 62,883 | - | 101,193 | 31,301 | 7,116 | 38,417 | 139,610 |
| Depreciation and amortization | 18,621 | 88,238 | - | 106,859 | 2,897 | 1,157 | 4,054 | 110,913 |
| Professional expenses | 11,751 | 11,600 | - | 23,351 | 39,917 | 46,213 | 86,130 | 109,481 |
| Rent CAM | - | 89,898 | - | 89,898 | - | - | - | 89,898 |
| Health benefits | 11,208 | 55,164 | - | 66,372 | 11,505 | 7,389 | 18,894 | 85,266 |
| Loan interest | 78,731 | 3,397 | - | 82,128 | - | - | - | 82,128 |
| Utilities | 9,129 | 43,894 | - | 53,023 | 3,877 | 3,877 | 7,754 | 60,777 |
| Equipment maintenance | 9,040 | 32,917 | - | 41,957 | 9,040 | 9,040 | 18,080 | 60,037 |
| Supplies | 17,202 | 13,247 | - | 30,449 | 18,296 | 8,246 | 26,542 | 56,991 |
| Printing and publication | 1,145 | 388 | - | 1,533 | 52,833 | - | 52,833 | 54,366 |
| Real estate taxes | - | 48,356 | - | 48,356 | - | - | - | 48,356 |
| Insurance | - | 24,561 | - | 24,561 | 10,658 | 10,732 | 21,390 | 45,951 |
| Bank fees | - | 41,853 | - | 41,853 | - | 2,874 | 2,874 | 44,727 |
| Miscellaneous | 39,214 | 4,967 | - | 44,181 | - | 368 | 368 | 44,549 |
| Facility maintenance | - | 34,251 | - | 34,251 | - | 240 | 240 | 34,491 |
| Accounting fees | - | - | - | - | - | 17,964 | 17,964 | 17,964 |
| Inventory pickup | - | 15,579 | - | 15,579 | - | - | - | 15,579 |
| Equipment | - | 14,787 | - | 14,787 | - | - | - | 14,787 |
| Retirement plan contributions | 4,247 | 3,176 | - | 7,423 | 4,017 | 1,904 | 5,921 | 13,344 |
| Advertising | - | 12,989 | - | 12,989 | - | - | - | 12,989 |
| Construction | 11,649 | - | - | 11,649 | - | - | - | 11,649 |
| Team building | 4,297 | - | - | 4,297 | 6,156 | - | 6,156 | 10,453 |
| HFHI tithe expense | - | - | 8,500 | 8,500 | - | - | - | 8,500 |
| Postage and delivery | 2,561 | - | - | 2,561 | 5,170 | 260 | 5,430 | 7,991 |
| Payroll processing | 1,161 | 2,322 | - | 3,483 | 1,161 | 1,161 | 2,322 | 5,805 |
| Volunteers | 3,147 | - | - | 3,147 | - | - | - | 3,147 |
| Dues and fees | - | 170 | - | 170 | - | 2,746 | 2,746 | 2,916 |
| Travel | 988 | - | - | 988 | 518 | - | 518 | 1,506 |
| Conference, convention | 438 | 11 | - | 449 | - | (466) | (466) | (17) |
| | $ 1,597,221 | $ 1,735,896 | $ 8,500 | $ 3,341,617 | $ 579,245 | $ 302,460 | $ 881,705 | $ 4,223,322 |

(Continued)

**HABITAT FOR HUMANITY METRO MARYLAND, INC.**
**STATEMENTS OF FUNCTIONAL EXPENSES (Continued)**
**For the Years Ended June 30, 2021 and 2020**

| | 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Program Expenses | | | | Supporting Services | | | |
| | Affordable Residential Housing | ReStore | Grant to Habitat for Humanity, International | Total Program Expenses | Fundraising | Management and General | Total Supporting Services | Total Expenses |
| Salaries and wages | $ 445,739 | $ 644,887 | $ - | $ 1,090,626 | $ 301,582 | $ 86,113 | $ 387,695 | $ 1,478,321 |
| Cost of home sales | 900,952 | - | - | 900,952 | - | - | - | 900,952 |
| Rent | 61,758 | 416,803 | - | 478,561 | 31,042 | 31,018 | 62,060 | 540,621 |
| Critical repair | 307,889 | - | - | 307,889 | - | - | - | 307,889 |
| Mortgage subsidies | 201,073 | - | - | 201,073 | - | - | - | 201,073 |
| Loan interest | 138,669 | 5,993 | - | 144,662 | - | - | - | 144,662 |
| Payroll taxes | 34,956 | 60,185 | - | 95,141 | 25,643 | 7,091 | 32,734 | 127,875 |
| Depreciation and amortization | 13,088 | 90,343 | - | 103,431 | 1,739 | 696 | 2,435 | 105,866 |
| Health benefits | 15,213 | 58,071 | - | 73,284 | 12,336 | 9,418 | 21,754 | 95,038 |
| Rent CAM | - | 92,535 | - | 92,535 | - | - | - | 92,535 |
| Utilities | 11,246 | 57,701 | - | 68,947 | 5,214 | 5,214 | 10,428 | 79,375 |
| Home weatherization | 70,693 | - | - | 70,693 | - | - | - | 70,693 |
| Equipment maintenance | 8,827 | 36,285 | - | 45,112 | 8,827 | 9,433 | 18,260 | 63,372 |
| Miscellaneous | 52,208 | 8,364 | - | 60,572 | - | 2,603 | 2,603 | 63,175 |
| Insurance | 13,562 | 36,315 | - | 49,877 | 4,826 | 6,107 | 10,933 | 60,810 |
| Printing and publication | 5,457 | 972 | - | 6,429 | 48,403 | - | 48,403 | 54,832 |
| Real estate taxes | 3,833 | 49,812 | - | 53,645 | - | - | - | 53,645 |
| Professional expenses | 6,048 | 13,327 | - | 19,375 | 21,723 | 4,797 | 26,520 | 45,895 |
| Bank fees | - | 34,323 | - | 34,323 | - | 1,915 | 1,915 | 36,238 |
| Facility maintenance | 1,153 | 29,676 | - | 30,829 | 218 | 218 | 436 | 31,265 |
| Supplies | 6,139 | 12,977 | - | 19,116 | 4,198 | 3,146 | 7,344 | 26,460 |
| Accounting fees | - | - | - | - | - | 21,201 | 21,201 | 21,201 |
| Team building | 18,516 | - | - | 18,516 | 1,745 | - | 1,745 | 20,261 |
| Equipment | - | 19,853 | - | 19,853 | - | - | - | 19,853 |
| Retirement plan contributions | 4,222 | 3,289 | - | 7,511 | 4,591 | 1,931 | 6,522 | 14,033 |
| HFHI tithe expense | - | - | 12,000 | 12,000 | - | - | - | 12,000 |
| Inventory pickup | - | 11,237 | - | 11,237 | 748 | - | 748 | 11,985 |
| Advertising | - | 11,494 | - | 11,494 | - | - | - | 11,494 |
| Postage and delivery | 2,225 | - | - | 2,225 | 4,350 | 271 | 4,621 | 6,846 |
| Travel | 5,708 | - | - | 5,708 | 403 | - | 403 | 6,111 |
| Payroll processing | 1,182 | 2,364 | - | 3,546 | 1,182 | 1,182 | 2,364 | 5,910 |
| Volunteers | 5,692 | - | - | 5,692 | - | - | - | 5,692 |
| Conference, convention | 1,732 | - | - | 1,732 | 747 | 2,130 | 2,877 | 4,609 |
| Dues and fees | - | 205 | - | 205 | - | 2,081 | 2,081 | 2,286 |
| Construction (recovery) | (15,649) | - | - | (15,649) | - | - | - | (15,649) |
| | $ 2,322,131 | $ 1,697,011 | $ 12,000 | $ 4,031,142 | $ 479,517 | $ 196,565 | $ 676,082 | $ 4,707,224 |

**HABITAT FOR HUMANITY METRO MARYLAND, INC.**
**STATEMENTS OF CASH FLOWS**
**Years Ended June 30, 2021 and 2020**

| | 2021 | 2020 |
|---|---|---|
| **Cash Flows From Operating Activities:** | | |
| Change in net assets | $ 2,294,720 | $ (604,058) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation and amortization | 110,913 | 105,866 |
| Loss on disposal of property and equipment | - | 5,762 |
| Amortization of deferred gain on sale of homes | - | (29,134) |
| Amortization of discount on notes payable | 53,049 | 124,318 |
| Accretion of discount on mortgage loans receivable, net | (152,225) | (304,001) |
| Gain on mortgages | (1,203,990) | - |
| Mortgage subsidies-mortgage discount on homes sold | - | 201,073 |
| Donated investments | (20,348) | - |
| Unrealized gain on investments | (363) | - |
| (Increase) decrease in operating assets: | | |
| Grants and contracts receivable | (296,255) | 8,018 |
| Inventories | (1,097,166) | 16,105 |
| Other assets | (42,678) | 10,158 |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable and accrued expenses | 310,052 | (58,003) |
| Deferred rent | (101,245) | (54,264) |
| Net cash used in operating activities | (145,536) | (578,160) |
| **Cash Flows From Investing Activities:** | | |
| Repayments of of mortgage loans, net of issuance | 245,122 | (39,921) |
| Purchases of property and equipment | (8,804) | (73,654) |
| Net cash provided by (used in) investing activities | 236,318 | (113,575) |
| **Cash Flows From Financing Activities:** | | |
| Proceeds from lines of credit, net of repayments | 80,037 | 427,600 |
| Proceeds from notes payable, net of repayments | 115,151 | 529,840 |
| Net cash provided by financing activities | 195,188 | 957,440 |
| **Net increase in cash and cash equivalents** | 285,970 | 265,705 |
| **Cash and cash equivalents at beginning of year** | 1,032,884 | 767,179 |
| **Cash and cash equivalents at end of year** | $ 1,318,854 | $ 1,032,884 |
| **Supplemental Cash Flow Information:** | | |
| Cash paid for interest | $ 29,079 | $ 20,344 |

## NOTE 1 - ORGANIZATION

Habitat for Humanity of Montgomery County Maryland, Inc. (Habitat or Organization) is a nonprofit corporation that was formed under the laws of the State of Maryland on October 29, 1982, for the purpose of constructing and rehabilitating affordable housing for qualified low-income families. Habitat also has a retail operation that sells donated reusable and surplus building materials to the public. In April 2013, Habitat's Board of Directors approved a resolution to operate as Habitat for Humanity Metro Maryland, Inc., to better represent Habitat's service area which has expanded to one additional county in Maryland.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the 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.

### Basis of Presentation

Habitat complies with the Not-for-Profit Entities Revenue Recognition Subtopic and the Not-For-Profit Entities Presentation of Financial Statements Subtopic of the FASB Accounting Standards Codification. Under the provisions of these standards, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. These standards require a statement of financial position, a statement of activities, and a statement of cash flows. Accordingly, the net assets of Habitat and the changes therein, are classified and reported as follows:

*Net assets without donor restriction* – This category is used to record activity that has not been restricted by a donor or funding source.

*Net assets with donor restriction* – This classification is used to record contributions that have been specifically restricted by time or purpose of the donor. Restricted contributions are recorded as revenue when the donor has made a gift rather than when the cash is actually received. Once the restriction has been satisfied, a reclassification is made from net assets with donor restriction to net assets without donor restriction.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Adoption of New Accounting Standard

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

Habitat adopted this standard on July 1, 2020, using the modified retrospective method through a cumulative effect adjustment to beginning net assets without donor restrictions and deferred gain on homes sales in the amount of $901,957.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in banks, money market accounts, and short-term investments purchased with original maturities of three months or less, if any. The Organization maintains cash balances in banks. These balances are insured by the Federal Deposit Insurance Corporation. Habitat's cash deposits may exceed the Federal Deposit Insurance Corporation limits at various times throughout the fiscal year.

Grants, Contributions and Contracts Receivable

Habitat is funded through various grants, cost reimbursements, and performance-based contracts. Habitat accounts for the grants and contracts as exchange transactions. Revenue is recognized as an increase in the statements of activities as stipulated performance is executed, or as expenditures are incurred in accordance with applicable agreements under expenditure reimbursement contracts. A receivable is recorded to the extent grant and contract revenue exceeds payment.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the accompanying statements of financial position. Donated securities are recorded at the fair value on the date of the gift. Investment income or loss is reflected in the accompanying statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by the donor or law. Unrealized gains and losses are included in the statements of activities as a component of other revenue.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Investments (Continued)

Equity and fixed income securities are exposed to various risks such as market and credit risk. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

The fair values of marketable securities are determined by utilizing quoted market prices on active markets (Level 1 inputs) for identical securities.

Inventories

Inventories consist of construction-in-progress, developed lots available for construction, and ReStore (thrift store) inventory. Construction-in-progress represents the costs incurred on housing units under construction. Costs include direct material and labor costs and those indirect costs related to construction completion such as indirect labor, fringe benefits, and allocated overhead. Assets are moved from investing to construction-in progress when construction begins. Assets under construction are classified as construction in progress until completed and transferred to the homeowner. Real estate taxes are capitalized during the construction period. ReStore inventory is carried at fair value and estimated using historical turnover in lieu of a physical count.

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**NOTE 2 - <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>** (Continued)

<u>Mortgage Loans Receivable</u>

In accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and the Habitat for Humanity International Accounting Manual, when a house is sold and title transferred to a homeowner, revenue is recorded for the house price and a mortgage loan receivable, discounted to the present value of cash payments to be received over the term of the note (see Note 3), is set up. At the same time, construction in progress inventory cost for the house is transferred to program services expense. Habitat obtains a note and deed of trust on the property from the homebuyer. In addition, Habitat retains a second lien on the property in the event the lower of cost or fair market value is greater than the sales price of the home. The homeowner will pay off the second lien to Habitat only if the home is sold prior to paying off the first mortgage. Habitat orders an appraisal of the home when it is completed, and the property cannot have a combined first and second note that is higher than the appraised value. Habitat also retains an equity interest in property. If the home is sold in years 1 through 5, Habitat retains a 100% equity interest. Habitat's equity interest is reduced by 3% each succeeding year to maturity. The mortgage loan receivable is reduced by monthly payments made by the homebuyer, usually over a 20 to 30 year period. Habitat has a collection policy in force, which requires collection action at a regular interval beginning with 15 days delinquency. Defaults over 90 days are subject to possible foreclosure if the default is not cured. At June 30, 2021 and 2020, no amounts were more than 90 days delinquent.

<u>Property and Equipment</u>

Property and equipment purchased with a cost basis greater than $1,000 are recorded at cost when acquired and depreciated using the straight-line method over three to ten years.

<u>In-Kind Contributions</u>

Habitat receives donations of land, products, and services from individual and corporate donors. These contributions are recorded at their estimated fair market value at their date of donation.

Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Otherwise, volunteer services are not recorded in the financial statements as these contributions do not meet the requirements to be recorded as revenue and expense.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Revenue Recognition - Exchange Transactions

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

Revenue Types:

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

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

Sale of Mortgages – The Organization sells existing mortgages to a third-party bank. Such revenues are recognized at the date of sale as this is the point in time the Organization has determined to satisfy their performance obligation. This excludes non-sale mortgage transfers described further in Note 7.

Significant Judgments:

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

Practical Expedients:

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

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Revenue Recognition - Exchange Transactions (Continued)

Sales and Use Tax:

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

Other Support and Revenue

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

Grant income that does not meet the criteria of an exchange transaction is recognized under the criteria described above for contributions. Grantors may, at their discretion, amend the grant and contract amounts. In addition, reimbursement for expenses or return of funds, or both, may be requested as a result of noncompliance by the Organization with the terms of the grants and contracts. The Organization records such amendments, reimbursement, and return of funds as an adjustment to revenue in the year of the amendment. No such changes occurred during the years ended June 30, 2021 and 2020.

Allocation of Costs

The cost of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and related costs are allocated based upon the proportionate share of hours worked amongst each function. All other costs are charged directly to the appropriate functional category.

Advertising

Habitat expenses the costs of advertising as they are incurred.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Income Taxes

Habitat is exempt from Federal income taxes through the group exemption of Habitat for Humanity International under Section 501(c)(3) of the Internal Revenue Code.

Habitat has determined that there are no uncertain tax positions required to be disclosed under the Income Taxes Topic of the FASB Accounting Standards Codification.

Habitat's tax returns are subject to audit for three years after filling, hence Habitat's returns for tax years 2018 onwards are open to tax examination.

Subsequent Events

Management has evaluated the financial statements for subsequent events requiring accrual or disclosure through December 6, 2021, which is the date the financial statements were available to be issued.

**NOTE 3 - INVESTMENTS**

Investments consist of the following at June 30, 2021:

| | Cost | Fair Value |
|---|---|---|
| Mutual funds | $ 8,944 | $ 15,393 |
| Common stock | 2,302 | 5,318 |
| | 11,246 | 20,711 |

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## NOTE 4 - MORTGAGE LOANS RECEIVABLE

For each property sold, Habitat lends money to the homebuyer at a below-market interest rate (generally zero percent). The receivable is recorded at the face value and discounted to reflect the present value of the receivable using rates between 3.48% and 7.93% based upon rates published by Freddie Mac at the origination date for each mortgage. The amount of the discount is charged to program expenses when the mortgage loans are issued. No discount was charged to program expenses in 2021. The amount of discount charged to program expenses in 2020 was $201,073. The discount is accreted to income over the life of the note. The amount of discount accreted to income in 2021 and 2020 was $152,225 and $304,001, respectively. As further described in Note 7, Habitat received relief from certain recourse provisions related to the previous transfer of loans receivable. This resulted in a reduction of net mortgage loans receivable in totaling $3,860,382. Mortgage loans receivable at consist of the following at June 30:

| | 2021 | 2020 |
|---|---|---|
| Mortgage loans receivable | $ 4,965,280 | $ 11,300,820 |
| Less: mortgage discount | (1,856,363) | (4,238,624) |
| | $ 3,108,917 | $ 7,062,196 |

## NOTE 5 - INVENTORIES

Inventories consist of the following components at June 30, 2021 and 2020:

| | 2021 | 2020 |
|---|---|---|
| Homes under construction or renovation | $ 1,357,283 | $ 336,319 |
| Developed lots available for construction | 121,019 | 109,808 |
| ReStore inventory | 319,369 | 254,378 |
| | $ 1,797,671 | $ 700,505 |

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## NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2021 and 2020:

| | 2021 | 2020 |
|---|---|---|
| Equipment-construction | $ 7,064 | $ 7,064 |
| Equipment-office | 100,444 | 94,341 |
| ReStore leasehold improvements | 886,021 | 883,320 |
| Vehicles | 117,504 | 117,504 |
| Leasehold improvements | 21,488 | 21,488 |
| | 1,132,521 | 1,123,717 |
| Accumulated depreciation and amortization | (734,858) | (623,945) |
| | $ 397,663 | $ 499,772 |

Depreciation and amortization expense for the years ended June 30, 2021 and 2020 was $110,913 and $105,866, respectively.

## NOTE 7 - LOANS AND LINES OF CREDIT

Notes Payable

On January 6, 2003, Habitat entered into an agreement with OBA Federal Savings Bank (First National Bank) for four separate notes payable of $80,000 each, totaling $320,000. The notes are collateralized by the homes funded by those notes payable. Each note payable matures on October 1, 2023, carries a zero percent interest rate, and is repayable in 240 equal monthly payments of approximately $333. During 2016, Habitat repaid one of these notes payable in full. The principal balance outstanding on these notes at June 30, 2021 and 2020 was $25,762 and $40,811. At June 30, 2021 and 2020, these notes payable are included in the statements of financial position at discounted values of approximately $23,364 and $35,918, which represents the present value of the remaining monthly payments at the statement of financial position date. Interest expense imputed on these notes for the year ended June 30, 2021 payable was $2,496 and $2,224, respectively.

Habitat maintained a $250,000 line of credit with United Bank. In December 2016, the outstanding balance on this line of credit ($250,000) was converted into a 5 year amortizing note payable. The note requires monthly installments of $4,655 and charges interest at 4.4%. In May 2020, Habitat executed a three month payment deferral for May, June and July 2020. The loan matures in 2022. At June 30, 2021 and 2020 the principal outstanding on this note payable was $28,250 and $85,640, respectively.

**NOTE 7 - <u>LOANS AND LINES OF CREDIT</u>** (Continued)

<u>Notes Payable</u> (Continued)

Habitat maintained a $250,000 line of credit with First National Bank. In October 2015, the outstanding balance on this line of credit ($250,000) was converted into a 5 year amortizing note payable. The note required monthly installments of $4,726 and charges interest at 5%. The loan matured in 2020. The principal outstanding on this note payable at June 30, 2020 was $7,656. This note was paid in full as of June 30, 2021.

In January 2019, Habitat executed two construction notes payable with Old Line Bank (WesBanco Bank). The notes provide borrowing up to $198,400 and $208,000, respectively. The notes require interest only payments at 6%. The notes mature July 2021. At June 30, 2020 the principal balance outstanding on these notes were $48,524. These notes were paid in full as of June 30, 2021.

In September 2019, Habitat executed a note payable in the amount of $45,623 to fund the purchase of a truck. The note charges zero percent interest and requires payments monthly payments of $631 for a period of 6 years. At June 30, 2021 and 2020 the principal balance outstanding on this note payable was $31,544 and $39,114, respectively.

In November 2020, Habitat executed a temporary loan with the City of Takoma Park. The $200,000 loan is payable on demand. The outstanding balance on this note at June 30, 2021 was $200,000.

In June 2020, Habitat received a $150,000 Economic Injury Disaster Loan ("note") through the Small Business Administration. The note requires monthly payments of $641 which commence twelve months from the execution of the note. The note matures in 2050 and charges interest at 2.75%. At June 30, 2021 and 2021, the principal balance outstanding was $149,603 and $149,900, respectively.

In April 2020, Habitat received a $267,600 Paycheck Protection Program Loan (note) through the Small Business Administration. Under the terms of this note, all or a portion of the loan, including accrued interest, may be forgiven if proceeds are used for qualifying expenses and if certain staffing levels are maintained. Habitat expects this note to be fully forgiven. However, any unforgiven amounts are payable over a twenty four month period beginning at the time any unforgiven amounts are determined by the Small Business Administration. Interest on the unforgiven balance accrues at 1% annually. This loan was forgiven in full in July 2021.

**NOTE 7 - LOANS AND LINES OF CREDIT** (Continued)

Notes Payable (Continued)

In February 2021, Habitat received a second Paycheck Protection Program Loan in the amount of $267,600 through the Small Business Administration. Under the terms of this note, all or a portion of the loan, including accrued interest, may be forgiven if proceeds are used for qualifying expenses and if certain staffing levels are maintained. Habitat expects this note to be fully forgiven. However, any unforgiven amounts are payable over a twenty four month period beginning at the time any unforgiven amounts are determined by the Small Business Administration. Interest on the unforgiven balance accrues at 1% annually.

Secured Borrowing—Nonsale Transfer of Mortgage Loans Receivable

Habitat transfers mortgage loans receivable to financial institutions in accordance with the Transfer and Servicing Topic of the FASB Accounting Standards Codification, under separate transfer and servicing agreements. As of June 30, 2020, Habitat had transferred 61 mortgage loans receivable. All mortgage loans receivable were transferred with full recourse at present value. Under the terms of the agreements, Habitat continues to service these loans and remits payments to the transferees. Habitat retains full responsibility for defaults or delinquencies. Accordingly, the transfers are accounted for as a secured borrowing and included in notes payable in the accompanying statement of financial position.

In August 2020, Habitat amended 41 mortgage assignments. The assignment agreements as amended removed recourse provisions from existing assigned mortgages after a five year period if mortgages are in good standing. At the time the recourse provisions expire, Habitat no longer retains full responsibility for defaults or delinquencies. Accordingly, the transfers are accounted for as sold loans and related assets and liabilities are extinguished. The amendments resulted in a reduction of net mortgage loans receivable by $3,860,382, a reduction of notes payable by $5,064,371 and a related gain of $1,203,991.

As of June 30, 2021, total recourse mortgage loans receivable transferred have a face and present value of $3,333,967 and $2,742,876, respectively. As of June 30, 2020, total recourse mortgage loans receivable transferred have a face and present value of $9,599,040 and $7,972,328, respectively.

**NOTE 7 - LOANS AND LINES OF CREDIT** (Continued)

Future principal payments of notes payable and transferred mortgage loans net of discounts are as follows:

| *Years ending June 30:* | | |
|---|---|---|
| 2022 | $ | 341,177 |
| 2023 | | 117,891 |
| 2024 | | 112,229 |
| 2025 | | 109,958 |
| 2026 | | 105,402 |
| Thereafter | | 2,388,981 |
| | $ | 3,175,638 |

Habitat is expecting the Paycheck Protection Program loans in the amount of $535,200 to be fully forgiven during the year ended June 30, 2022. Accordingly, the above maturities exclude this amount.

Lines of Credit

Habitat has a $400,000 line of credit with Sandy Spring Bank. The line of credit bears interest at 1% under the Prime Index (3.75% at June 30, 2021). Interest only payments are due on the first of each month with principal and accrued interest due on November 1st, annually, on which date the line of credit is renewable. The outstanding balance on this line of credit at June 30, 2021 and 2020 was $330,037 and $150,000, respectively.

During 2016, Habitat executed a $500,000 line of credit with Old Line Bank (WesBanco Bank). The line of credit bears interest at the greater of 1% above the Prime Index (5.25% at June 30, 2021) or 4.5%. Interest-only payments are due each month. The line of credit renews annually. The outstanding balance on this line of credit at both June 30, 2021 and 2020 was $177,600.

Habitat has a $100,000 line of credit with Eagle Bank. The line of credit bears interest at 1.5% above the Prime index with a floor of 5.5%. Interest only payments are due on the first of each month with principal and accrued interest due on November 1st, annually, on which date the line of credit is renewable. There was no outstanding balance on this line of credit at June 30, 2021. The outstanding balance on this line of credit at June 30, 2020 was $100,000.

In September 2019, Habitat executed a line of credit with Sandy Spring Bank in the amount of $1,500,000. The line of credit bears interest at the Prime index. Interest payments on outstanding borrowings are due monthly. The line of credit renews annually. There was no outstanding balance at June 30, 2021 and 2020.

## NOTE 8 - LEASE COMMITMENTS

In October 2015, Habitat entered into a lease for 22,125 square feet of retail space in Rockville, Maryland. The space will be used to facilitate Habitat's Rockville Maryland ReStore location. The lease commenced in November 2015. The lease is a ten-year operating lease with a monthly base rent of $20,742, which is subject to an annual 2.5% increase. Terms of the agreement provide a rent abatement for an eight month period beginning November 2015. In addition, Habitat received a $442,500 improvement allowance. Rent adjustments, abatement, and the improvement allowance are recognized as an adjustment to rent expense on a straight-line basis over the lease term. Habitat executed a lease amendment to reduce and defer rent payments for July, August and September 2020. The deferred amounts are payable over a six month period commencing April 1, 2021.

In March 2014, Habitat entered into a lease for 15,000 square feet of retail space in Silver Spring, Maryland. The space will be used to facilitate a second ReStore location in Silver Spring, Maryland. The lease commenced in August 2014. The lease is a ten-year operating lease with a monthly base rent of $17,070, which is subject to an annual 2.5% increase. Terms of the agreement provide a rent abatement for the months of September, October and November 2014. In addition, Habitat received a $200,000 improvement allowance. Rent adjustments, abatement, and the improvement allowance are recognized as an adjustment to rent expense on a straight-line basis over the lease term. Effective July 1, 2018, the lease was amended to grant Habitat a lease abatement of $60,000 for a 2 year period. In addition, the amendment extended the lease for one additional year, at the same rate as year 10. The lease as amended expires July 2026. Habitat executed a lease amendment to defer rent payments for May and June 2020. The deferred amounts are payable over a twelve month period commencing January 1, 2021.

In February 2016, Habitat entered into a lease for office space in Silver Spring, Maryland. The lease commenced in February 2016. The lease is for a period of ten years and six months. The lease requires monthly base rent of $9,561, which is subject to an annual 2.5% increase. Terms of the agreement provide a 50% rent abatement for the first twelve months of occupancy. The rent abatement is recognized as an adjustment to rent expense on a straight-line basis over the lease term. Habitat executed a lease amendment to defer rent payments for May and June 2020. The deferred amounts are payable over a twenty four month period commencing July 2020.

**NOTE 8 - LEASE COMMITMENTS** (Continued)

Future minimum payments required under these leases are as follows:

| *Years ending June 30:* | |
|---|---|
| 2022 | $ 709,279 |
| 2023 | 660,527 |
| 2024 | 677,033 |
| 2025 | 453,588 |
| 2026 | 677,033 |
| Thereafter | 24,477 |
| | $ 3,201,937 |

Total rent expense for the years ended June 30, 2021 and 2020 was $584,012 and $540,621, respectively.

**NOTE 9 - RETIREMENT PLAN**

Habitat has a defined contribution plan in which all employees at least 21 years of age are eligible to participate. Employees may enter the plan after three consecutive calendar months of employment in which the individual is credited with at least 83-1/3 hours of service per month. Employees are 100% vested in voluntary contributions. Habitat may make a matching contribution, which is determined annually by the Board of Directors. Matching contributions are vested after 36 months of service. Habitat's contributions to the plan for the year ended June 30, 2021 and 2020 totaled $13,344 and $14,033, respectively.

## NOTE 10 - LIQUIDITY AND FUNDS AVAILIBLE

The following table reflects Habitat's financial assets as of June 30, 2021 and 2020, reduced by amounts not available for general expenditure within one year, if any. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, assets held for others, funds that are purpose or time restricted beyond one year, endowments and accumulated earnings net of appropriations within one year and board designated endowments. If present, board designations could be drawn upon if the Board of Directors approves that action.

Financial assets available to meet cash needs for general expenditures within one year as of June 30, 2021 and 2020:

| | 2021 | 2020 |
|---|---|---|
| Financial assets: | | |
| Cash and cash equivalents | $ 1,318,854 | $ 1,032,884 |
| Investments | 20,711 | - |
| Grants and contracts receivable | 336,095 | 39,840 |
| Gross mortgage loans receivable due in one year | 138,251 | 521,693 |
| Subtotal | 1,813,911 | 1,594,417 |
| Less those unavailable for general expenditure within one year, due to: | | |
| Mortgage assignment obligations | (93,700) | (411,614) |
| Net assets with donor restrictions | (727,950) | (67,546) |
| Subtotal | (821,650) | (479,160) |
| Financial assets available to meet cash needs for general expenditures within on year: | $ 992,261 | $ 1,115,257 |

Habitat has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs Habitat has committed lines of credit in the aggregate amount of $900,000.

## NOTE 11 - UNCERTAINTIES

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) a pandemic. The pandemic has caused business disruption through mandated and voluntary closings of businesses for non-essential services and triggered volatility in financial markets and a significant negative impact on the global economy. Habitat's management has concluded that while it is reasonably possible that COVID- 19 could have a negative impact on Habitat's results of operations, the specific impact is not readily determinable. However, there are no comparable recent events which may provide guidance as to the effect of the spread of the pandemic. As a result, the ultimate impact of the COVID-19 outbreak is highly uncertain and subject to change. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.