GREATER FREDERICKSBURG HABITAT FOR HUMANITY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020

PBMares

ASSURANCE, TAX & ADVISORY SERVICES

GREATER FREDERICKSBURG HABITAT FOR HUMANITY, INC.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Greater Fredericksburg Habitat for Humanity, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization’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 Organization’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 positions of Greater Fredericksburg Habitat for Humanity, Inc. as of June 30, 2020 and 2019 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PBMares, LLP

Fredericksburg, Virginia
December 14, 2020

FINANCIAL STATEMENTS

GREATER FREDERICKSBURG HABITAT FOR HUMANITY, INC.

STATEMENTS OF FINANCIAL POSITION
Years Ended June 30, 2020 and 2019

	2020	2019
ASSETS		
Current Assets		
Cash	**$ 635,316**	$ 336,809
Accounts receivable	**1,514**	4,270
Mortgage loans receivable - current portion	**47,139**	50,403
Inventory	**60,748**	41,138
Other current assets	**708**	708
Grants receivable	**3,546**	55,625
Assets held by others	**-**	18,476
Total current assets	**748,971**	507,429
Property and Equipment		
Leasehold improvements	**220,744**	220,744
Vehicles	**72,992**	72,992
Furniture, fixtures, and equipment	**38,293**	38,293
	332,029	332,029
Less: accumulated depreciation	**(142,196)**	(110,782)
Total net property and equipment	**189,833**	221,247
Other Assets		
Mortgage loans receivable, net of current portion less discount	**346,051**	365,493
Land and land engineering costs	**341,150**	227,300
Construction in progress	**556,997**	293,561
Property for resale	**43,310**	43,310
Other assets	**14,688**	14,688
Total other assets	**1,302,196**	944,352
Total assets	**$ 2,241,000**	$ 1,673,028
LIABILITIES AND NET ASSETS		
Current Liabilities		
Notes payable - current portion	**$ 378,369**	$ 198,026
Accounts payable	**69,947**	72,443
Accrued liabilities	**35,523**	23,801
Down payments	**500**	-
Total current liabilities	**484,339**	294,270
Long-Term Liabilities		
Notes payable - less current portion	**163,162**	98,767
Deferred straight-line rent	**101,900**	77,973
Total long-term liabilities	**265,062**	176,740
Net Assets		
Without donor restrictions	**1,449,099**	1,202,018
With donor restrictions	**42,500**	-
Total net assets	**1,491,599**	1,202,018
Total liabilities and net assets	**$ 2,241,000**	$ 1,673,028

See Notes to Financial Statements.

GREATER FREDERICKSBURG HABITAT FOR HUMANITY, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

	2020		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenue, Gains, and Other Support			
Contributions	$ 85,419	$ -	$ 85,419
Endowments and grants	88,131	455,991	544,122
In-kind contributions	30,652	-	30,652
Interest income	812	-	812
Mortgage discount amortization	27,123	-	27,123
Gain from mortgages retired pre-term	-	-	-
Other income	635	-	635
Special events	2,400	-	2,400
ReStore sales income	888,072	-	888,072
Sale of completed homes	190,000	-	190,000
Unrealized loss on investments	(3)	-	(3)
Realized gain on investments	13	-	13
Satisfaction of donor restrictions	413,491	(413,491)	-
Total revenue, gains and other support	1,726,745	42,500	1,769,245
Expenses			
Program services	1,114,559	-	1,114,559
Management and general	175,816	-	175,816
Fundraising	189,289	-	189,289
Total expenses	1,479,664	-	1,479,664
Change in net assets	247,081	42,500	289,581
Net Assets, beginning of year	1,202,018	-	1,202,018
Net Assets, end of year	$ 1,449,099	$ 42,500	$ 1,491,599

GREATER FREDERICKSBURG HABITAT FOR HUMANITY, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

	2019		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenue, Gains, and Other Support			
Contributions	$ 96,174	$ -	$ 96,174
Endowments and grants	20,087	255,059	275,146
In-kind contributions	42,350	-	42,350
Interest income	676	-	676
Mortgage discount amortization	26,630	-	26,630
Gain from mortgages retired pre-term	3,895	-	3,895
Other income	6,081	-	6,081
Special events	19,348	-	19,348
ReStore sales income	1,010,156	-	1,010,156
Sale of completed homes	107,968	-	107,968
Unrealized gain on investments	(7)	-	(7)
Realized gain on investments	11	-	11
Satisfaction of donor restrictions	255,059	(255,059)	-
Total revenue, gains and other support	1,588,428	-	1,588,428
Expenses			
Program services	1,235,087	-	1,235,087
Management and general	101,376	-	101,376
Fundraising	99,525	-	99,525
Total expenses	1,435,988	-	1,435,988
Change in net assets	152,440	-	152,440
Net Assets, beginning of year	1,049,578	-	1,049,578
Net Assets, end of year	$ 1,202,018	$ -	$ 1,202,018

GREATER FREDERICKSBURG HABITAT FOR HUMANITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

	Total Program Services	Supporting Services: Management and General	Supporting Services: Fund-Raising	Total Expenses June 30, 2020
Advertising and marketing	$ 256	$ -	$ 3,394	$ 3,650
Bad debt expense	18,653	-	-	18,653
Bank and merchant fees	13,683	962	20	14,665
Construction	155,735	-	-	155,735
Depreciation and amortization	31,414	-	-	31,414
Donations and tithes	-	4,000	-	4,000
Dues, subscription, and publications	12,670	-	1,339	14,009
Facility	240,802	16,114	36,113	293,029
Food, travel, seminars, and training	9,942	-	-	9,942
Fundraising expenses	-	-	113	113
General liability insurance	21,356	986	987	23,329
Homebuyer service and administrative costs	1,209	-	-	1,209
Human resource expenses	265	-	-	265
Interest expense	2,258	2,578	-	4,836
Mdse for resale and uniform expense	1,223	-	-	1,223
One time expenses	1,769	24	36	1,829
Organization and professional fees	22,956	4,175	-	27,131
Payroll taxes and benefits	84,652	18,670	18,859	122,181
Postage	262	-	334	596
Salaries and benefits expense	461,966	126,167	126,167	714,300
Supplies and equipment	10,464	1,737	1,927	14,128
Taxes and licenses	3,654	403	-	4,057
Vehicle expense	19,370	-	-	19,370
	$ 1,114,559	$ 175,816	$ 189,289	$ 1,479,664

GREATER FREDERICKSBURG HABITAT FOR HUMANITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

	Total Program Services	Supporting Services: Management and General	Supporting Services: Fund-Raising	Total Expenses June 30, 2019
Advertising and marketing	$ 1,157	$ -	$ -	$ 1,157
Bank and merchant fees	16,090	557	403	17,050
Construction	242,930	-	-	242,930
Depreciation and amortization	31,474	-	-	31,474
Donations and tithes	-	14,000	3,000	17,000
Dues, subscription, and publications	4,968	798	3,512	9,278
Facility	281,667	6,568	6,566	294,801
Food, travel, seminars, and training	6,426	3,500	3,500	13,426
Fundraising expenses	-	-	5,743	5,743
General liability insurance	12,380	2,820	2,780	17,980
Homebuyer service and administrative costs	572	-	-	572
Human resource expenses	255	-	-	255
Interest expense	-	5,769	-	5,769
Mdse for resale and uniform expense	396	-	-	396
One time expenses	6,715	838	-	7,553
Organization and professional fees	11,005	3,424	-	14,429
Payroll taxes and benefits	88,385	7,232	8,089	103,706
Postage	311	65	69	445
Salaries and benefits expense	494,396	52,629	60,687	607,712
Supplies and equipment	11,462	901	2,170	14,533
Taxes and licenses	1,448	2,275	26	3,749
Transitional property expenses	2,175	-	-	2,175
Vehicle expense	20,875	-	2,980	23,855
	$ 1,235,087	$ 101,376	$ 99,525	1,435,988

GREATER FREDERICKSBURG HABITAT FOR HUMANITY, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2020 and 2019

		2020		2019
Cash Flows From Operating Activities				
Change in net assets	**$**	**289,581**	$	152,440
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation		**31,414**		31,474
Mortgage loan discount amortization		**(27,123)**		(30,525)
Changes in assets and liabilities:				
Decrease (increase) in:				
Accounts receivable		**2,756**		960
Grants receivable		**52,079**		124,375
Inventory		**(19,610)**		(33,508)
Assets held by others		**18,476**		74
Other assets		**-**		1,000
Land and land engineering costs		**(113,850)**		160,079
Construction in progress		**(263,436)**		(196,149)
Increase (decrease) in:				
Downpayment		**500**		-
Accounts payable		**(2,496)**		(3,575)
Accrued expenses		**11,722**		1,385
Deferred straight-line rent		**23,927**		25,296
Net cash provided by operating activities		**3,940**		233,326
Cash Flows From Investing Activities				
Payments received on mortgage loans receivable		**49,829**		51,409
Purchase of property and equipment		**-**		(53,469)
Net cash provided by (used in) investing activities		**49,829**		(2,060)
Cash Flows From Financing Activities				
Proceeds from long-term borrowings		**268,850**		50,000
Principal payments on long-term borrowings		**(24,112)**		(147,376)
Repayments on line of credit		**-**		(14,053)
Net cash provided by (used in) financing activities		**244,738**		(111,429)
Increase (decrease) in cash and cash equivalents		**298,507**		119,837
Cash and Cash Equivalents:				
Beginning		**336,809**		216,972
Ending	**$**	**635,316**	$	336,809
Supplementary Disclosure of Cash Flow Information				
Cash paid for interest	**$**	**5,769**	$	5,769

Note 1. Nature of Organization and Significant Accounting Policies

Greater Fredericksburg Habitat for Humanity, Inc. (the Organization) (a nonprofit corporation) was incorporated on October 12, 1994. The Organization is an affiliate of Habitat for Humanity International, Inc. (Habitat International), a nondenominational Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. Although Habitat for Humanity International assists with information resources, training, publications, and prayer support and in other ways, the Organization is primarily and directly responsible for its own operations. Greater Fredericksburg Habitat for Humanity, Inc. operates primarily in the city of Fredericksburg, Virginia and the surrounding counties of Spotsylvania, Stafford, and King George.

The Organization operates a Habitat ReStore retail location that sells surplus new and used building and home improvement materials to the general public. ReStore provides additional funding for the Organization as well as inexpensive building materials to the public.

A summary of the Organization's significant accounting policies follows:

Basis of accounting: The Organization prepares its financial statements on the accrual basis of accounting, according to the policies of Habitat International and accounting principles generally accepted in the United States of America (U.S. GAAP). Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when the obligation is incurred.

Cash and cash equivalents: All highly liquid investments with a maturity date of three months or less are considered to be cash equivalents.

Support and revenue recognition: Revenues from the sale of houses are recognized at the date of transfer to the homeowner. Construction costs for each home are capitalized and carried as an asset until the date of transfer of the home, at which time the costs are expensed.

Contributions are generally available for unrestricted use in the year of receipt unless specifically restricted by the donor. Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. Classification of all other donor-restricted net assets depends on when the time restriction ends or the purpose restriction is accomplished. Temporarily restricted net assets are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions of donated noncash assets and in-kind contributions are recorded at their estimated fair value on the date of the contribution. The in-kind contributions received by Habitat are primarily construction materials.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, of volunteers who have made significant contributions of their time to the Organization's program and supporting services. The value of this contributed time is not reflected in these financial statements because the criteria for recognition has not been satisfied.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

New home construction sales to homeowners are financed by the Organization and are recorded when the title is transferred. Neighborhood Stabilization Program (NSP) home sales are financed by a variety of sources including the Organization, the Virginia Department of Housing and Community Development (DHCD), and other grant sources as directed by the NSP program. Upon a sale of NSP program homes, the Organization is required to return a percentage of program receipts to the NSP program. The Organization estimates this liability/refund and reports such as an outstanding obligation. The value of the first mortgage on the home is reported as revenue with the corresponding sales price discount and mortgage loan discount reported as operating expenses.

Net assets: Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Mortgages receivable: Mortgages receivable consist of non-interest bearing mortgages secured by real estate and payable in monthly installments. The maturities of the mortgages range from 15 to 30 years. These mortgages have been discounted at prevailing rates for similar mortgages. The mortgage discount rates range from 7.5% to 9.0%; for the years ended June 30, 2020 and 2019, respectively, as determined by Habitat International.

Receivables are stated at the amount management expects to collect as of year-end. Management estimates that no material losses will be sustained relating to the collectability of mortgages. As such, no allowance for loan losses or adjustments to the balance of mortgages receivable has been recorded, based on current facts and circumstances.

Grants and accounts receivable: Grants and accounts receivable are considered to be fully collectible and accordingly no allowance for doubtful accounts is required. If amounts become uncollectible, they are charged to operations when that determination is made. Bad debt expense for the years ended June 30, 2020 and 2019 was $18,653 and $-0-, respectively.

Inventory: ReStore inventory items are primarily donated by the public; the Organization's policy is not to recognize the value of these donated inventory items, as there is a major uncertainty about the reliability of their values. The value of these items is not reasonably determined until they are sold.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Property and equipment: Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the following estimated useful lives:

Leasehold improvements	20 years
Vehicles	5 years
Furniture and fixtures	3 – 7 years

Functional allocation of expenses: The costs of providing the Organization's programs and support services have been summarized on a functional basis in the statement of activities and functional expenses. Directly identifiable expenses are allocated to program services, management and general, or fundraising. Expenses related to more than one function are charged to program services, management and general, and fundraising classifications based on estimates made by management. Allocations are based on departmental staffing levels and other methodologies. Management and general 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.

Program services include construction and discounts on mortgage originations as well as providing affordable home furnishings and home improvement materials in the ReStore. The cost of home building is capitalized as construction in progress and charged to program services when the house is sold. Program services include the cost of all homes completed and sold during the fiscal year and expenses related to the operation of the ReStore.

During the year ended June 30, 2020, the Organization was in the process of rehabilitating five homes, one of which was sold during the fiscal year. The expenses incurred related to the four homes in construction remain on the balance sheet as construction in process since they have not yet been sold.

Income taxes: The Organization is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC). Unrelated business income that is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes.

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Organization's management has evaluated the impact of this guidance to its financial statements. The Organization's income tax returns are subject to examination by taxing authorities, generally for a period of three years from the date the returns are filed.

Estimates and assumptions: 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 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.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Recent accounting pronouncements: In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction would be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606).

The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous U.S. GAAP. The ASU is effective for annual periods beginning after December 15, 2019 and will be applied either on a modified prospective of retrospective basis. The Organization is currently evaluating the effect this new standard will have on its financial statements.

Recent accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the lease guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

In June 2020, the FASB issued ASU 2020-05, which defers the effective date of ASU 2016-02 one year making it effective for annual reporting periods beginning after December 15, 2021. The Organization does not expect this guidance to have a significant impact on its financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method.

The core principle of the ASU is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each performance obligation. The Organization is currently evaluating the impact the adoption of this guidance may have on its financial statements.

In June 2020, the FASB issued ASU 2020-05, which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2019. The Organization is currently evaluating the impact the adoption of this guidance may have on its financial statements.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Reclassifications: Certain amounts in the June 30, 2019 financial statements have been reclassified to conform to the current year presentation. The reclassifications had no impact on net assets or changes in net assets for the year ended June 30, 2019.

Subsequent events: Subsequent events have been evaluated through December 14, 2020, which was the date the financial statements were available to be issued (See Note 9).

Note 2. Liquidity

The following reflects the Organization's financial assets at June 30, 2020, reduced by amounts that are not available for general use because of donor-imposed restrictions within one year of the statement of financial date.

Cash	$ 635,316
Accounts receivable	1,514
Grants receivable	3,546
Mortgage loans receivable - current portion	47,139
Financial assets available to meet cash needs for general expenditures within one year	$ 687,515

Current assets available for expenditure within one year consist mainly of cash. The Organization relies on grants and contributions throughout the year to fund its operations. In addition to relying on grants and contributions, the Organization also uses debt financing to fund its program expenses.

Note 3. Transactions with Related Parties

The Organization annually remits a portion of its contributions to Habitat International. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2020 and 2019, the Organization contributed $18,000 and $17,000, respectively, to Habitat International. In addition to yearly tithes, Habitat International incurs and pays expenses on the Organization's behalf throughout the normal course of business. The Organization remitted payments of $4,131 and $5,359 for the years ended June 30, 2020 and 2019, respectively. Amounts payable to Habitat International were $1,000 and $15,000 for the years ended June 30, 2020 and 2019, respectively. These outstanding balances represent annual dues payable to Habitat International for the following year. The Organization received a conditional promise to give from Habitat for Humanity International during the year ended June 30, 2020 in the amount of $88,200 to be remitted once the funds have been spent and submitted for reimbursement. During the year ended June 30, 2020, the Organization received $40,781, submitted $3,546 for reimbursement, and the remaining $43,873 have been disclosed as a conditional promise to give and will not be recognized until such time as the conditions have been met. The Organization also received a conditional promise to give from Habitat for Humanity International during the year ended June 30, 2019 that was recognized during the year ended June 30, 2020 when the conditions were met. All funds related to this conditional grant were received in the year ended June 30, 2020. Additionally, the Organization received a $1,000 donation from Habitat International during the year ended June 30, 2019.

Note 3. Transactions with Related Parties (Continued)

The Organization and Habitat Virginia reimburse one another for small expenditures they incur and pay on the other entity's behalf throughout the normal course of operations. The Organization remitted payments to Habitat Virginia of $23,702 and $110,757 for the years ended June 30, 2020 and 2019, respectively. There were no payments received from Habitat Virginia for the years ended June 30, 2020 and 2019.

Note 4. Mortgage Loans Receivable

When the Organization transfers ownership of a home to a family, multiple mortgages are created. The terms of the first mortgage vary depending on the amount of the mortgage and the family's ability to pay. First mortgages are interest free and have terms ranging from 15 to 30 years. Monthly payments range from $141 to $493. The Organization does not record an allowance for bad debts for these mortgages because each mortgage is fully secured by collateral.

First mortgages are valued in the financial statements net of a discount. The discount is computed using the rate established by Habitat International at the time of the mortgage origination. Habitat International sets the rates by averaging the monthly discount rates published by the IRS for buildings placed into service for that year. The discount is amortized over the life of the mortgage.

Non-interest bearing mortgage loans receivable consisted of the following at June 30:

	2020	2019
Mortgages receivable	**$ 927,471**	$ 977,300
Discount	**(534,281)**	(561,404)
	393,190	415,896
Portion receivable within one year	**47,139**	50,403
Mortgages receivable, net of current portion	**$ 346,051**	$ 365,493

The above referenced mortgage loans receivable have scheduled maturities as follows

Years Ending June 30,	Amount
2021	$ 47,139
2022	47,139
2023	47,139
2024	44,638
2025	43,499
Thereafter	697,917
	$ 927,471

Note 4. Mortgage Loans Receivable (Continued)

In connection with each mortgage, there is an agreement with the Organization to perfect a second deed of trust. In the event of default on the first mortgage or sale of real estate, the other mortgage becomes due on demand. The second deed of trust is forgiven by the Organization using the straight-line method over the life of the loan. These mortgages are not recorded in the financial statements because collection is uncertain and no estimate is available for future payments. If the homeowner transfers, sells, or assigns their title or interest in the property, the second mortgage becomes due on demand and the Organization records a gain equal to the balance determined to be reasonably assured of collection. Realized gains on second mortgages were $-0- for the years ended June 30, 2020 and 2019.

Note 5. Long-Term Liabilities

Long-term liabilities consist of the following at June 30:

	2020	2019
Note payable to the Neighborhood Stabilization Program for a house to be rehabilitated, bearing no interest, due at the time the home is sold to an individual or family, secured by one property located at Taverneer Drive, Spotsylvania, Virginia.	**$ 175,000**	$ 175,000
Note payable to the Neighborhood Stabilization Program for a house to be rehabilitated, bearing no interest, due at the time the home is sold to an individual or family, secured by one property located at Plantation Forest Drive, Spotsylvania, Virginia.	**113,850**	-
Four notes payable (five in 2019) to Virginia Housing Development Authority, bearing interest at 3%, due in monthly installments ranging from $173 to $408, with maturities ranging from November 2020 to January 2027, collateralized by mortgage receivables that have been pledged by the Organization.	**65,585**	79,377
Note payable to Virginia Partners Bank for a Payroll Protection Program loan, bearing interest at 1%, due in monthly installments of $8,725, beginning November 2020, maturing April 2022.	**155,000**	-
Note payable to BB&T, bearing interest at 5.94%, due in monthly installments of $967, beginning September 2018, maturing September 2023, collateralized by a vehicle.	**32,096**	42,416
	541,531	296,793
Portion due within one year	**378,369**	198,026
Long-term debt, net of current portion	**$ 163,162**	$ 98,767

Note 5. Long-Term Liabilities (Continued)

Aggregate maturities on the notes payable for the next five years are as follows:

Years Ending June 30,		Amount
2021	$	378,369
2022		110,217
2023		22,336
2024		10,426
2025		8,928
Thereafter		11,255
	$	541,531

Note 6. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

		2020		2019
Purpose Restricted				
NSP grants for home purchases	**$**	**42,500**	$	-

Net assets were received and released from donor restrictions, through satisfaction of the following purpose restrictions, during the years ended June 30, 2020 and 2019 as follows:

		2020		2019
Net assets received and released with donor restrictions				
Construction or rehabilitation of home	**$**	**405,291**	$	166,125
NSP grants for home purchases		**8,200**		88,934
	$	**413,491**	$	255,059

Note 7. Conditional Promises to Give

The Organization received the following conditional promises to give that are not recognized as assets in the statements of financial position as of June 30, 2020 and 2019:

	2020	2019
Grant agreement for construction or rehabilitation of homes from the Virginia Department of Housing and Community Development (DHCD) conditioned upon expenditure of the funds and submission for reimbursement.	**$ 200,000**	**$ -**
Grant agreement for the Habitat and Thrivent Faith Builds 2019 project for construction or rehabilitation of 1 sponsored house; conditioned upon obtaining a certificate of occupancy and timely submission of certain deliverables.	**111,250**	55,625
	$ 311,250	$ 55,625

Note 8. Operating Lease Commitment

Effective November 1, 2016, the Organization relocated its office to 2376 Plank Road and the retail store to 2378 Plank Road, Fredericksburg, Virginia. The Organization leases its office facilities from Cosner Corner South, LLC and the ReStore from Poor House, LLC. The lease terms for the new locations are five (5) years and the Organization has four (4) options to extend the term for an additional five (5) years each. The base rent payments are $3,800 per month for the office space and $10,200 per month for the retail store, with 2% annual increases.

In April 2017, the Organization rented additional warehouse space for $1,700 per month, with 2% annual increases. The Organization is also responsible for real estate taxes, insurance and common area maintenance which will be billed separately by the landlord.

The minimum required lease payments for the office space and retail store are as follows:

Years Ending June 30,	Amount
2021	$ 193,458
2022	197,328
2023	201,274
2024	205,300
2025	208,279
Therafter	2,271,346
	$ 3,276,985

Note 9. COVID 19 and Payroll Protection Program Loan

In the first quarter of 2020, a Coronavirus Disease 2019 (COVID-19) outbreak affected markets, businesses and other organizations worldwide. Negative impacts include record declines in financial markets, supply chain disruption and other business interruptions, resulting in financial losses to many businesses and not-for-profit entities. The extent to which this event may affect operations and financial position going forward remains uncertain.

On April 13, 2020, as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Organization received a Payroll Protection Program (PPP) loan in the amount of $155,000. The loan carries an interest rate of one (1%) percent and matures on April 13, 2022. The Company will make 18 payments of $8,725 beginning November 13, 2020. If, during the eight weeks following receipt of the funds, the Company spends the money on expenses specified in the CARES Act, all or a portion of the loan may be forgiven. In November 2020, the Company received notification that the loan has been forgiven in full.