HOUSING ASSOCIATION AND DEVELOPMENT CORPORATION
(A Not-for-Profit Organization)

June 30, 2020 and 2019

Financial Statements and Independent Auditor's Report

CAMPBELL, RAPPOLD & YURASITS LLP
Certified Public Accountants
1033 South Cedar Crest Boulevard Allentown, PA 18103

HOUSING ASSOCIATION AND DEVELOPMENT CORPORATION
(A Not-for-Profit Organization)
TABLE OF CONTENTS

CERTIFIED PUBLIC ACCOUNTANTS
CAMPBELL, RAPPOLD & YURASITS LLP

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Housing Association and Development Corporation
Allentown, PA

We have audited the accompanying financial statements of Housing Association and Development Corporation (a Not-for-Profit Organization) which comprise the statements of financial position as of June 30, 2020 and 2019, 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 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 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.

610-435-7489 • www.crycpas.com • 1033 South Cedar Crest Boulevard, Allentown, PA 18103-5443
MEMBERS: American Institute of Certified Public Accountants • Pennsylvania Institute of Certified Public Accountants

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Housing Association and Development Corporation as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Campbell, Pappold & Yurasits LLP

January 4, 2021

HOUSING ASSOCIATION AND DEVELOPMENT CORPORATION
(A Not-for-Profit Organization)
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	June 30, 2020	June 30, 2019
Assets		
Cash and Cash Equivalents	$ 320,441	$ 101,056
Cash and Cash Equivalents - Jordan Heights	10,000	10,000
Grants and Contracts Receivable	-	39,177
Miscellaneous Receivables	3,155	4,106
Mortgage Receivable (Note 2)	13,651	14,349
Investments - Jordan Heights	495,000	495,000
Buildings and Equipment (Net of Accumulated Depreciation) (Note 3)	1,393,799	1,380,930
Construction in Progress (Note 4)	813,324	781,450
Total Assets	$ 3,049,370	$ 2,826,068
Liabilities		
Accounts Payable	$ 57,323	$ 113,221
Accrued Expenses	34,350	27,881
Payroll Taxes Accrued and Withheld	899	403
Deposits Payable	30,405	28,045
Lines of Credit (Note 6)	828,000	638,000
Notes and Loans Payable (Note 8)	2,388,473	2,116,419
Note Payable - Related Party (Note 7)	21,534	28,807
Total Liabilities	3,360,984	2,952,776
Net Assets		
Without Donor Restrictions:		
Undesignated	(437,877)	(302,149)
With Donor Restrictions:		
Purpose Restrictions (Note 9)	126,263	175,441
Total Net Assets	(311,614)	(126,708)
Total Liabilities and Net Assets	$ 3,049,370	$ 2,826,068

See independent auditor’s report and notes to financial statements.

HOUSING ASSOCIATION AND DEVELOPMENT CORPORATION
(A Not-for-Profit Organization)
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2020 and 2019

	Year Ended June 30, 2020			Year Ended June 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total 2020	Without Donor Restrictions	With Donor Restrictions	Total 2019
Revenue and Other Support						
Government Grants	$ -	$ 75,753	$ 75,753	$ -	$ 215,023	$ 215,023
NPP and NAP Grants	400,000	-	400,000	350,000	-	350,000
Other Support - Private	1,652	254,640	256,292	32,068	168,350	200,418
Interest	1,324	-	1,324	7,104	-	7,104
Investment Earnings	49,902	-	49,902	-	-	-
Rentals	303,108	-	303,108	301,880	-	301,880
Sale of Properties	-	-	-	379,800	-	379,800
Net Assets Released from Restrictions	379,571	(379,571)	-	505,387	(505,387)	-
Total Revenue and Other Support	1,135,557	(49,178)	1,086,379	1,576,239	(122,014)	1,454,225
Expenses						
Program Services	1,004,417	-	1,004,417	1,547,593	-	1,547,593
Management and General	222,918	-	222,918	174,852	-	174,852
Development and Other	43,950	-	43,950	45,334	-	45,334
Total Expenses	1,271,285	-	1,271,285	1,767,779	-	1,767,779
Change in Net Assets	(135,728)	(49,178)	(184,906)	(191,540)	(122,014)	(313,554)
Net Assets, Beginning of Year	(302,149)	175,441	(126,708)	(110,609)	297,455	186,846
Net Assets, End of Year	$ (437,877)	$ 126,263	$ (311,614)	$ (302,149)	$ 175,441	$ (126,708)

See independent auditor’s report and notes to financial statements.

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY

HOUSING ASSOCIATION AND DEVELOPMENT CORPORATION
(A Not-for-Profit Organization)
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

	Program Services	Management and General	Development and Other	Total June 30, 2020
Salaries	$ 259,816	$ 100,081	$ 28,000	$ 387,897
Employee Benefits	104,800	24,731	5,206	134,737
Payroll Taxes	37,868	14,587	4,081	56,536
Total Salaries and Related Expenses	402,484	139,399	37,287	579,170
Bank Fees	234	129	9	372
Closing Costs	25,535	-	-	25,535
Cost of Property Sales	-	-	-	-
Insurance	46,838	5,961	-	52,799
Interest	90,394	4,111	1,150	95,655
Office Supplies	1,133	6,998	208	8,339
Other Costs	40,067	12,187	1,340	53,594
Postage and Printing	-	328	8	336
Pre-Development Costs	6,380	-	-	6,380
Professional Fees	8,225	29,026	-	37,251
Publications and Dues	3,754	697	114	4,565
City Fees	30,154	-	-	30,154
Rental Costs	63,641	-	-	63,641
Repairs and Maintenance	26,615	3,283	767	30,665
Telephone	1,749	11,729	346	13,824
Tools and Equipment	3,635	-	-	3,635
Trash Removal	4,081	-	-	4,081
Travel	2,421	908	85	3,414
Utilities	46,190	2,302	1,243	49,735
Impairment Loss	105,156	-	-	105,156
Stipends	17,092	-	-	17,092
Depreciation	78,639	5,860	1,393	85,892
Total Expenses	$ 1,004,417	$ 222,918	$ 43,950	$ 1,271,285

See independent auditor’s report and notes to financial statements.

HOUSING ASSOCIATION AND DEVELOPMENT CORPORATION
(A Not-for-Profit Organization)
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

	Program Services	Management and General	Development and Other	Total June 30, 2019
Salaries	$ 257,029	$ 77,155	$ 28,000	$ 362,184
Employee Benefits	103,747	20,882	5,139	129,768
Payroll Taxes	40,614	12,192	4,424	57,230
Total Salaries and Related Expenses	401,390	110,229	37,563	549,182
Bank Fees	239	525	20	784
Closing Costs	31,207	-	-	31,207
Cost of Property Sales	380,001	-	-	380,001
Insurance	53,818	6,850	-	60,668
Interest	92,529	3,957	1,436	97,922
Office Supplies	303	5,977	161	6,441
Other Costs	61,015	6,694	1,736	69,445
Postage and Printing	9	269	7	285
Pre-Development Costs	6,863	-	-	6,863
Professional Fees	-	19,762	-	19,762
Publications and Dues	341	734	28	1,103
City Fees	48,368	-	-	48,368
Rental Costs	29,507	-	-	29,507
Repairs and Maintenance	44,356	3,152	1,218	48,726
Telephone	1,904	7,591	243	9,738
Tools and Equipment	1,709	-	-	1,709
Trash Removal	3,647	-	-	3,647
Travel	1,151	978	55	2,184
Utilities	55,212	2,274	1,474	58,960
Impairment Loss	237,512	-	-	237,512
Stipends	28,067	-	-	28,067
Depreciation	68,445	5,860	1,393	75,698
Total Expenses	$ 1,547,593	$ 174,852	$ 45,334	$ 1,767,779

See independent auditor’s report and notes to financial statements.

HOUSING ASSOCIATION AND DEVELOPMENT CORPORATION
(A Not-for-Profit Organization)
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2020 and 2019

	Year Ended June 30, 2020	Year Ended June 30, 2019
Cash Flows from Operating Activities		
Change in Net Assets	$ (184,906)	$ (313,554)
Adjustments to Reconciled Change in Net Assets to Net Cash Used by Operating Activities		
Depreciation	85,892	75,698
(Gain) Loss on Sale of Properties	-	(75)
Impairment Loss on Properties	105,156	237,512
(Increase) Decrease in Assets:		
Construction in Progress	(137,030)	(416,904)
Grants and Contracts Receivable	39,177	(39,177)
Miscellaneous Receivables	951	(951)
Mortgage Receivable	698	60,932
Increase (Decrease) in Liabilities:		
Accounts Payable	(55,898)	27,472
Accrued Expenses	6,469	(11,156)
Payroll Taxes Accrued and Withheld	496	200
Deposits Payable	2,360	609
Net Cash Used by Operating Activities	(136,635)	(379,394)
Cash Flows from Investing Activities		
Purchase of Rental Property Improvements	(98,761)	(5,184)
Proceeds from Sale of Properties	-	379,800
Net Cash Provided (Used) by Investing Activities	(98,761)	374,616
Cash Flows from Financing Activities		
Borrowings on Lines of Credit	220,000	132,000
Borrowings on Long Term Debt	1,118,452	400,000
Repayments on Lines of Credit	(30,000)	(477,511)
Repayments on Long Term Debt	(846,398)	(207,568)
Repayments on Related Party Borrowing	(7,273)	(4,064)
Net Cash Provided (Used) by Financing Activities	454,781	(157,143)
Net Increase (Decrease) in Cash and Cash Equivalents	219,385	(161,921)
Cash and Cash Equivalents, Beginning of Year	111,056	272,977
Cash and Cash Equivalents, End of Year	320,441	101,056
Cash and Cash Equivalents, Jordan Heights, End of Year	10,000	10,000
Tota Cash and Cash Equivalents, End of Year	$ 330,441	$ 111,056
Additional Disclosure of Cash Flows:		
Interest Paid	$ 95,655	$ 97,922

See independent auditor’s report and notes to financial statements.

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The Housing Association and Development Corporation (the "Organization") is an organization incorporated under the laws of the Commonwealth of Pennsylvania as a non-profit organization. The Organization operates under an Executive Director and an appointed (18) eighteen-member Executive Board.

The program goal of the Organization is to eliminate blighted housing conditions in the City of Allentown's neighborhoods and to increase availability of housing opportunities for lower income residents. The Housing Association and Development Corporation purchases vacant, deteriorated residential properties within the city and totally rehabilitates the units and resells or rents the renovated properties.

The Organization is an affiliate of YouthBuild USA and implements a local YouthBuild program under those guidelines to annually serve at least 20 out-of-school youth between the ages of 17 – 24. The program provides educational training to obtain a GED, job site training in construction to provide skilled training and job preparedness, life skills coaching, leadership development and one-on-one case management and counseling. The program targets high school dropouts from the Organization's service area.

The Organization participates in the Commonwealth of Pennsylvania's Department of Community and Economic Development Contract for Neighborhood Partnership Program, which effectively provides authorization to the Organization to solicit and receive contributions for which a tax credit is granted to the contributor. A contract commenced concurrent with the fiscal year of the Organization.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

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 without donor restrictions may be designated for specific purposes by the action of the Board of Directors.

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

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 purposes for which the resource was restricted has been fulfilled, or both.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents, as presented on the Statement of Cash Flows, includes all checking and savings accounts, money markets and short term highly liquid investments with a maturity of three months or less at the time of the purchase.

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

Grants and Contracts Receivable

Grants and contracts receivable represent grants and contracts due from cities, counties, states, and various sources. Grants and contracts receivable are stated at an amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its historical collection trends. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to grants and contracts receivable. Management has determined that no allowance is necessary at June 30, 2020 and 2019.

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Investments

Investments in insured or federally backed instruments with readily determinable fair values based on quoted prices in active markets are carried at cost based on the Organization's accounting method. These investments represent a pool of capital from various investors/lenders participating in the Jordan Heights Neighborhood Development Investment Fund who have entered into an investor agreement to provide security for a line or lines of credit which will permit the Organization to secure bridge financing until funding from approved funding sources are available. It is anticipated that the investment will be returned to the investor and therefore an offsetting liability is recorded as described in Note 8 as J.H. Fund.

Buildings and Equipment

Buildings and equipment are stated at cost and include expenditures for new equipment, major betterments, and renewals costing $500 or more. Depreciation and amortization are provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, which range from 3 to 30 years. The Organization uses the straight-line method of computing depreciation and amortization. Maintenance and repair costs are expensed as incurred.

Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

All contributions, legacies and bequests are considered to be available for unrestricted use unless specifically restricted by the donor.

Income Taxes

The Organization is a non-profit organization exempt from income taxes under section 501(c)(3) of the internal revenue code.

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

The accounting standard for uncertainty in income taxes addresses the determination of whether tax benefits are claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits or liabilities recorded for the fiscal year 2020 and 2019.

The Organization files its 990 with the United States Internal Revenue Service and form BCO-10 with the Bureau of Charitable Organizations in Pennsylvania.

Adoption of New Accounting Standards

On July 1, 2019, the Organization adopted Accounting Standards Update 2014-09 *Revenue from Contracts with Customers (Topic 606)* and all subsequent amendments to the ASU, which affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this Update is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or services. This Update requires entities to make new judgements and estimates and provide expanded disclosures about revenue and is effective for fiscal years beginning after December 15, 2018.

On July 1, 2019, the Organization adopted Accounting Standards Update 2018-08 Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* which establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions. This Update is effective for fiscal years beginning after December 15, 2019, after a one-year deferral.

During 2020, the Organization adopted ASU 2016-18 Statement of Cash Flows (Topic 230): *Restricted Cash* and all subsequent amendments to the ASU. The Update requires that amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts on the Statement of Cash Flows.

The Organization has determined that the implementation of the accounting standards updates did not significantly impact the financial statements and therefore, there were no required prior period adjustments.

1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Accounting for Paycheck Protection Program (PPP)

The Organization may account for a Paycheck Protection Program (PPP) loan as a financial liability in accordance with FASB ASC Topic 470, *Debt,* or under other models, if certain conditions are met. If the Organization expects to meet the PPP's eligibility criteria and concludes that the PPP loan represents, in substance, a grant that is expected to be forgiven, the Organization may account for the PPP loan in accordance with ASC Subtopic 958-605 as a conditional contribution. As of June 30, 2020, management has not evaluated whether the Organization will meet the eligibility criteria for full forgiveness of the Loan. For this reason, the Organization has elected the debt method. Under this method, the Organization recorded a debt liability on the Statement of Financial Position and will subsequently recognize revenue from the extinguishment of debt once forgiveness has been determined by the Small Business Administration. On April 21, 2020, the Organization received $118,452 under the Paycheck Protection Program.

2. Mortgage Receivable

The Organization sold its 416 Oak Street property on December 3, 2013, and is providing seller financing to the purchaser. During the fiscal year ended June 30, 2019, the mortgage was refinanced with a third party, resulting in net proceeds of $60,000 to the Organization, and execution of a second mortgage receivable in the amount of $14,500. As of June 30, 2020, the mortgage receivable balance due to the Organization is $13,651. The following are maturities of the mortgage receivable for the years ended June 30:

2021	$	730
2022		764
2023		799
2024		835
2025		871
Thereafter		9,652
	$	13,651

3. Buildings and Equipment

Buildings and equipment consists of the following:

	June 30, 2020	June 30, 2019
Buildings	$ 2,019,998	$ 2,019,998
Building Improvements and Equipment	393,886	318,869
Appliances	36,100	28,355
Office Equipment	9,671	9,671
Construction Equipment	195,503	179,503
	2,655,158	2,556,396
Less: Accumulated Depreciation	(1,261,359)	(1,175,466)
	$ 1,393,799	$ 1,380,930

Depreciation charged to expense was $85,892 and $75,698 for the years ended June 30, 2020 and 2019, respectively.

4. Construction in Progress

The Organization's acquisition costs and costs to renovate and rehabilitate housing for a potential sale or rental are capitalized as the project progresses. Upon a sale of a renovated property, the Organization recognizes the actual cost to renovate and rehabilitate. The Organization's unrecovered acquisition, renovation, and construction costs were $813,324 and $781,450 at June 30, 2020 and 2019, respectively, which includes a $105,156 and $237,512 impairment for the years 2020 and 2019, respectively (see Note 5).

5. Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference between the fair value and the carrying value of the asset. Impairment losses of $105,156 and $237,512 have been recognized in the accompanying financial statements for construction in progress assets based upon the anticipated sale price for the homes, for the years ended June 30, 2020 and 2019, respectively.

6. Lines of Credit

The Organization has an available line of credit from Key Bank up to the lesser of $500,000 or collateral pledged. There was principal outstanding of $488,000 and $388,000 as of June 30, 2020 and 2019, respectively. Interest is payable on the outstanding balance at a variable interest rate, 2.06% at June 30, 2020. The credit line is secured by the assets held in a brokerage account with LPL Financial LLC. (See Note 1 - Investments).

During the fiscal year June 30, 2020, the Organization opened a $160,000 non-revolving line of credit from First Northern Bank, of which there was principal outstanding of $90,000 as of June 30, 2020. The credit line is to allow for the completion of improvements at two properties granted from the City of Allentown during the 2020 fiscal year. Interest only payments due monthly, with outstanding principal equal to the net proceeds due upon the sale of the units. Final balloon payment due on March 31, 2020 for outstanding principal balance and all accrued unpaid interest on the line. Interest is floating and payable at the Wall Street Journal's Prime rate plus 1%. The credit line is secured by a first lien mortgage on 508 North 6th Street and 536 West Allen Street, City of Allentown, County of Lehigh, PA.

The Organization has a non-interest bearing, non-revolving line of credit of $250,000 from Redevelopment Authority of the City of Allentown, of which there was principal outstanding of $250,000 as of June 30, 2020 and 2019. The credit line is secured by various properties in the Old Allentown Fairgrounds area.

Total principal outstanding on the Organization's available lines of credit amounted to $828,000 and $638,000 at June 30, 2020 and 2019, respectively.

Interest expense on the lines of credit was $21,133 and $27,843 for the years ended June 30, 2020 and 2019, respectively.

7. Note Payable - Related Party

The Organization has a loan payable to David and Carolyn Evans with a loan balance as of June 30, 2020 and 2019 of $21,534 and $28,807, respectively. David Evans is the Executive Director of the Organization. The loan is unsecured and is payable on demand at a variable rate based upon index plus a margin of 1.00%, with a floor of 4.00%. The interest rate at June 30, 2020 was 4.25%.

8. Notes and Loans Payable

The Organization had notes and loans payable to various lenders for the following respective properties:

Lender	Property Description	June 30, 2020 Balance	June 30, 2019 Balance	Interest Rate (%)		Maturity Date	Monthly Payment
Admin							
BB&T	Various	$ -	$ 46,834	6.00		2/1/2024	$ 833
		-	46,834				
Rehab							
J.H. Fund	N/A	505,000	505,000	1.00		11/20/2023	N/A
The Provident Bank	Equipment	-	9,196	4.25		8/30/2021	369
		505,000	514,196				
Rentals							
QNB	Various	987,407	-	5.50	**	7/31/2044	6,188
Key Bank	Various	-	679,378	4.50		4/15/2019	4,333
New Tripoli Bank	326 & 334 N Church St	75,897	78,245	3.75		3/10/2037	504
PNC Bank, NA	428 Oak Street	32,386	34,725	Variable		11/9/2021	284
The Provident Bank	519 Chew Street	-	79,135	6.50		1/28/2035	655
New Tripoli Bank	Various	276,032	284,981	Variable		7/29/2035	2,099
QNB	Various	393,299	398,925	5.50	**	3/31/2044	2,476
		1,765,021	1,555,389				
Paycheck Protection Program*							
QNB	N/A	118,452	-	1.00		4/21/2022	$ 6,666
		118,452	-				
	Total	$ 2,388,473	$ 2,116,419				

Interest expense on the loans was $74,522 and $70,079 for the years ended June 30, 2020 and 2019, respectively.

*If not fully forgiven, payable to Bank commencing the date the SBA remits the Organization's loan forgiveness amount to the lender or if the Organization does not apply for loan forgiveness, 10 months after the end of the Organization's loan forgiveness covered period, October 21, 2021.

**Subsequent to year end, these note payable interest rates were changed to 4.50% by QNB.

Long term debt maturities are as follows (exclusive of PPP loan):

Year ending June 30,	
2021	$ 47,444
2022	77,138
2023	49,783
2024	557,414
2025	55,190
Thereafter	1,483,052
	$ 2,270,021

8. Notes and Loans Payable (Continued)

Paycheck Protection Program (PPP) Loan, Contingency and Subsequent Event – the above PPP loan, as more fully described in Note 1, is presented in long-term debt based on terms of the bank note which provides, in part, repayment to commence in 2020. However, loan payments will be deferred for borrowers who apply for loan forgiveness until the time SBA remits the borrower's approved loan forgiveness amount to the lender. If a borrower does not apply for loan forgiveness, payments are deferred 10 months after the end of the covered period for the borrower's loan forgiveness (either 8 weeks or 24 weeks). The Organization received the PPP loan proceeds April 21, 2020. Management believes the Organization will attain full forgiveness of the loan upon application in fiscal year ended June 30, 2021.

9. Net Assets with Donor Restrictions

Net Assets with Donor Restrictions are available for the following purposes:

	June 30, 2020	June 30, 2019
Youth Build Program	$ 84,096	$ 84,096
Rehab Properties	42,167	91,345
Total	$ 126,263	$ 175,441

10. Savings Plan

The Organization provides its employees with the option of participating in a 403(b) savings plan. Though employees participated in the Plan during the year, the cost to the Organization for this plan was $-0- for the years ending June 30, 2020 and 2019.

11. Functional Expenses

The Organization's method for allocating expenses among functional reporting classifications, which cannot be specifically identified as program or supporting are based on estimates made for time spent by personnel between functions and other objective bases.

12. Lease Commitments

The Organization leases copiers under multi-year operating leases expiring in April, 2024. Yearly rental expenses under these leases were $2,632 and $3,677 for the years ended June 30, 2020 and 2019, respectively. The Organization also entered into a new operating lease for its rental units at Alliance Hall, beginning March 1, 2018. The lease term is for five years, with the option for one renewal period of five years, upon the same terms. The lease calls for monthly payments of $1,759 fixed for the first year, with optional increases at the discretion of the lessor. Any increase is effective as of each annual rent commencement date, with thirty days advance notice required from the lessor. The Organization is responsible for repairs or replacements to the structure of the building. Yearly rental expense under this lease was $21,107 for the year ended June 30, 2020. Future obligations of the Organization's long-term leases as of June 30, 2020 are:

Year ending June 30,		
2021	$	23,739
2022		23,739
2023		16,704
2024		2,194
	$	66,376

13. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	June 30, 2020		June 30, 2019	
Cash and Cash Equivalents	$	320,441		101,056
Miscellaneous Receivables		3,155		4,106
Grants and Contracts Receivable		-		39,177
Less:				
Net Assets with Donor Restrictions		(126,263)		(175,441)
	$	197,333	$	(31,102)

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help management with unanticipated liquidity needs, the Organizations has an available line of credit up to the lesser of $500,000 or the collateral pledged. The outstanding balance on the line of credit was $480,000 at June 30, 2020. The line is secured by $500,000 held in cash and the Jordan Heights Investment fund.

14. Subsequent Events

Management has considered events subsequent to June 30, 2020 that affect the Organization through January 4, 2021, the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses and communities. Specific to the Organization, COVID-19 may impact various parts of its 2021 operations and financial results. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events continued subsequent to year-end and are still developing.