

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

June 30, 2021 and 2020

**Financial Statements and
Independent Auditor's Report**

HOUSING ASSOCIATION AND DEVELOPMENT CORPORATION
(A Not-for-Profit Organization)
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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 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.

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, 2021 and 2020, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Housing Association and Development Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Housing Association and Development Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Housing Association and Development Corporation's ability to continue as a going concern for a reasonable period of time.

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

Congbell, Rappold & Yasuta LLP

November 17, 2021

HOUSING ASSOCIATION AND DEVELOPMENT CORPORATION
(A Not-for-Profit Organization)
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	June 30, 2021	June 30, 2020
<u>Assets</u>		
Cash and Cash Equivalents	\$ 59,076	\$ 320,441
Cash and Cash Equivalents - Jordan Heights	35,000	10,000
Subsidy Receivable, (Net of Allowance of \$-0-)	20,863	-
Miscellaneous Receivables	3,155	3,155
Mortgage Receivable (Note 2)	12,856	13,651
Investments - Jordan Heights	495,000	495,000
Buildings and Equipment (Net of Accumulated Depreciation) (Note 3)	1,743,530	1,393,799
Construction in Progress (Note 4)	612,323	813,324
	\$ 2,981,803	\$ 3,049,370
<u>Liabilities</u>		
Accounts Payable	\$ 46,352	\$ 57,323
Accrued Expenses	22,755	34,350
Payroll Taxes Accrued and Withheld	2,240	899
Deposits Payable	38,106	30,405
Refundable Advance (Note 6)	200,000	-
Lines of Credit (Note 7)	564,085	828,000
Notes and Loans Payable (Note 8)	2,411,609	2,388,473
Note Payable - Related Party (Note 9)	19,599	21,534
	3,304,746	3,360,984
<u>Net Assets</u>		
Without Donor Restrictions:		
Undesignated	(410,246)	(437,877)
With Donor Restrictions:		
Purpose Restrictions (Note 10)	87,303	126,263
	(322,943)	(311,614)
Total Net Assets	(322,943)	(311,614)
Total Liabilities and Net Assets	\$ 2,981,803	\$ 3,049,370

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, 2021 and 2020

	Year Ended June 30, 2021			Year Ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total 2021	Without Donor Restrictions	With Donor Restrictions	Total 2020
Revenue and Other Support						
Government Grants	\$ -	\$ 54,542	\$ 54,542	\$ -	\$ 75,753	\$ 75,753
NPP and NAP Grants	375,000	-	375,000	400,000	-	400,000
Other Support - Private	59,713	190,430	250,143	1,652	254,640	256,292
Extinguishment of Debt - PPP	118,452	-	118,452	-	-	-
Interest	3,339	-	3,339	1,324	-	1,324
Investment Earnings	-	-	-	49,902	-	49,902
Rentals	363,788	-	363,788	303,108	-	303,108
Sale of Properties	-	-	-	-	-	-
Net Assets Released from Restrictions	283,932	(283,932)	-	379,571	(379,571)	-
Total Revenue and Other Support	1,204,224	(38,960)	1,165,264	1,135,557	(49,178)	1,086,379
Expenses						
Program Services	895,678	-	895,678	1,004,417	-	1,004,417
Management and General	220,580	-	220,580	222,918	-	222,918
Development and Other	60,335	-	60,335	43,950	-	43,950
Total Expenses	1,176,593	-	1,176,593	1,271,285	-	1,271,285
Change in Net Assets	27,631	(38,960)	(11,329)	(135,728)	(49,178)	(184,906)
Net Assets, Beginning of Year	(437,877)	126,263	(311,614)	(302,149)	175,441	(126,708)
Net Assets, End of Year	<u>\$ (410,246)</u>	<u>\$ 87,303</u>	<u>\$ (322,943)</u>	<u>\$ (437,877)</u>	<u>\$ 126,263</u>	<u>\$ (311,614)</u>

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

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HOUSING ASSOCIATION AND DEVELOPMENT CORPORATION
(A Not-for-Profit Organization)
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

	Program Services	Management and General	Development and Other	Total June 30, 2021
Salaries	\$ 230,428	\$ 87,004	\$ 31,500	\$ 348,932
Employee Benefits	113,569	27,230	7,349	148,148
Payroll Taxes	34,477	13,017	4,713	52,207
Total Salaries and Related Expenses	378,474	127,251	43,562	549,287
Bank Fees	6	297	8	311
Closing Costs	2,248	-	-	2,248
Cost of Property Sales	-	-	-	-
Insurance	48,304	6,148	-	54,452
Interest	85,789	32,392	11,728	129,909
Office Supplies	148	6,217	163	6,528
Other Costs	14,574	6,127	531	21,232
Postage and Printing	36	402	11	449
Pre-Development Costs	3,221	-	-	3,221
Professional Fees	-	18,036	-	18,036
Publications and Dues	341	643	25	1,009
City Fees	19,724	-	-	19,724
Rental Costs	25,890	-	-	25,890
Repairs and Maintenance	35,005	5,242	1,032	41,279
Telephone	8,994	9,416	472	18,882
Tools and Equipment	3,487	-	-	3,487
Trash Removal	1,869	-	-	1,869
Travel	404	212	15	631
Utilities	52,048	2,337	1,395	55,780
Impairment Loss	129,854	-	-	129,854
Stipends	5,542	-	-	5,542
Depreciation	79,720	5,860	1,393	86,973
Total Expenses	\$ 895,678	\$ 220,580	\$ 60,335	\$ 1,176,593

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, 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)
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2021 and 2020

	Year Ended	
	June 30, 2021	June 30, 2020
Cash Flows from Operating Activities		
Change in Net Assets	\$ (11,329)	\$ (184,906)
Adjustments to Reconciled Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	86,973	85,892
Gain on Loan Extinguishment - PPP	(118,452)	-
Impairment Loss on Properties	129,854	105,156
(Increase) Decrease in Assets:		
Construction in Progress	71,147	(137,030)
Grants and Contracts Receivable	-	39,177
Subsidy Receivable	(20,863)	-
Miscellaneous Receivables	-	951
Mortgage Receivable	795	698
Increase (Decrease) in Liabilities:		
Accounts Payable	(10,971)	(55,898)
Accrued Expenses	(11,595)	6,469
Payroll Taxes Accrued and Withheld	1,341	496
Refundable Advances	200,000	-
Deposits Payable	7,701	2,360
Net Cash Provided (Used) by Operating Activities	<u>324,601</u>	<u>(136,635)</u>
Cash Flows from Investing Activities		
Purchase of Rental Properties and Improvements	<u>(436,704)</u>	<u>(98,761)</u>
Net Cash Used by Investing Activities	<u>(436,704)</u>	<u>(98,761)</u>
Cash Flows from Financing Activities		
Borrowings on Lines of Credit	553,085	220,000
Borrowings on Long Term Debt	168,190	1,118,452
Repayments on Lines of Credit	(817,000)	(30,000)
Repayments on Long Term Debt	(26,602)	(846,398)
Repayments on Related Party Borrowing	<u>(1,935)</u>	<u>(7,273)</u>
Net Cash Provided (Used) by Financing Activities	<u>(124,262)</u>	<u>454,781</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(236,365)	219,385
Cash and Cash Equivalents, Beginning of Year	<u>330,441</u>	<u>111,056</u>
Cash and Cash Equivalents, End of Year	59,076	320,441
Cash and Cash Equivalents, Jordan Heights, End of Year	<u>35,000</u>	<u>10,000</u>
Tota Cash and Cash Equivalents, End of Year	<u>\$ 94,076</u>	<u>\$ 330,441</u>
<u>Additional Disclosure of Cash Flows:</u>		
Interest Paid	<u>\$ 129,909</u>	<u>\$ 95,655</u>

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

HOUSING ASSOCIATION AND DEVELOPMENT CORPORATION
(A Not-for-Profit Organization)
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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 not-for-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.

HOUSING ASSOCIATION AND DEVELOPMENT CORPORATION
(A Not-for-Profit Organization)
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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, 2021 and 2020.

HOUSING ASSOCIATION AND DEVELOPMENT CORPORATION
(A Not-for-Profit Organization)
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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.

HOUSING ASSOCIATION AND DEVELOPMENT CORPORATION
(A Not-for-Profit Organization)
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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 2021 and 2020.

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

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, 2021, management has not evaluated whether the Organization will meet the eligibility criteria for full forgiveness of the second 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 12, 2021, the Organization received \$143,190 under the 2nd Paycheck Protection Program. On June 17, 2021, the Organization received forgiveness of \$118,452 on the first round PPP loan and accordingly recognized the revenue during the fiscal year ended June 30, 2021.

HOUSING ASSOCIATION AND DEVELOPMENT CORPORATION
(A Not-for-Profit Organization)
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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, 2021, the mortgage receivable balance due to the Organization is \$12,856. The following are maturities of the mortgage receivable for the years ended June 30:

2022	\$	745
2023		779
2024		815
2025		852
2026		891
Thereafter		8,774
	\$	12,856

3. Buildings and Equipment

Buildings and equipment consists of the following:

	June 30,	
	2021	2020
Buildings	\$ 2,369,999	\$ 2,019,998
Building Improvements and Equipment	480,589	393,886
Appliances	36,100	36,100
Office Equipment	9,671	9,671
Construction Equipment	195,503	195,503
	3,091,862	2,655,158
Less: Accumulated Depreciation	(1,348,332)	(1,261,359)
	\$ 1,743,530	\$ 1,393,799

Depreciation charged to expense was \$86,973 and \$85,892 for the years ended June 30, 2021 and 2020, 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 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 \$612,323 and \$813,324 at June 30, 2021 and 2020, respectively, which includes a \$129,854 and \$105,156 impairment for the years 2021 and 2020, respectively (see Note 5).

HOUSING ASSOCIATION AND DEVELOPMENT CORPORATION
(A Not-for-Profit Organization)
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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 \$129,854 and \$105,156 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, 2021 and 2020, respectively.

6. Refundable Advance

During the year, the Organization received a \$200,000 grant from Pennsylvania Housing Finance Agency (PHFA). Funding is to be utilized for the rehabilitation of three rental properties in center city Allentown, Lehigh County, Pennsylvania. Retention of funding is contingent upon completion of the rehabilitation within eighteen months of the execution of the contract with PHFA, signed December 7, 2020. As a June 30, 2021, the Organization had not begun any rehabilitation work on the aforementioned properties, and accordingly has recognized the grant as a refundable advance in the financial statements herein.

7. Lines of Credit

The Organization had an available line of credit from Key Bank up to the lesser of \$500,000 or collateral pledged. During fiscal year 2021, the Organization transferred the line to QNB Bank. There was principal outstanding on this line of \$159,085 and \$488,000 as of June 30, 2021 and 2020, respectively. Interest is payable on the outstanding balance at a variable interest rate, 3.25% at June 30, 2021. The credit line is secured by the assets held in the Jordan Heights Funds. (See Note 1 - Investments).

During the fiscal year June 30, 2021, the Organization opened a \$150,000 non-revolving line of credit from QNB Bank, of which there was principal outstanding of \$30,000 as of June 30, 2021. Interest is payable on the outstanding balance at a fixed interest rate of 4.00%, adjusted on November 30, 2026, and every year thereafter, to rate of 1.00% above the QNB Bank base lending rate then in effect. The credit line is secured by property at 501 West Chew Street Rear, City of Allentown, County of Lehigh, PA.

The Organization has a \$160,000 non-revolving line of credit from First Northern Bank, of which there was principal outstanding of \$125,000 and \$90,000 as of June 30, 2021 and 2020, respectively. 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, 2021 and 2020. 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 \$564,085 and \$828,000 at June 30, 2021 and 2020, respectively.

HOUSING ASSOCIATION AND DEVELOPMENT CORPORATION
(A Not-for-Profit Organization)
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

7. Lines of Credit (Continued)

Interest expense on the lines of credit was \$21,662 and \$21,133 for the years ended June 30, 2021 and 2020, respectively.

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,		Interest Rate (%)	Maturity Date	Monthly Payment
		2021 Balance	2020 Balance			
<u>Rehab</u>						
J.H. Fund	N/A	\$ 530,000	\$ 505,000	1.00	11/20/2023	N/A
		<u>530,000</u>	<u>505,000</u>			
<u>Rentals</u>						
QNB	Various	978,890	987,407	4.50	7/31/2044	6,188
New Tripoli Bank	326 & 334 N Church St	73,095	75,897	3.75	3/10/2037	504
PNC Bank, NA	428 Oak Street	29,972	32,386	Variable	11/9/2021	284
New Tripoli Bank	Various	266,710	276,032	Variable	7/29/2035	2,099
QNB	Various	389,752	393,299	4.50	3/31/2044	2,476
		<u>1,738,419</u>	<u>1,765,021</u>			
<u>Paycheck Protection Program Loans*</u>						
QNB	N/A	-	118,452	1.00	4/21/2022	6,666
QNB	N/A	143,190	-	1.00	4/12/2023	8,018
		<u>143,190</u>	<u>118,452</u>			
	Total	<u>\$ 2,411,609</u>	<u>\$ 2,388,473</u>			

Interest expense on the loans was \$108,247 and \$74,522 for the years ended June 30, 2021 and 2020, respectively.

*The PPP amount of \$118,452 received in the prior year has been fully forgiven by the SBA as of June 17, 2021. In the current year, the Organization received a second PPP loan in the amount of \$143,190. The second PPP loan was fully forgiven by the SBA subsequent to year end on October 6, 2021.

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

Year ending June 30,	
2022	\$ 76,621
2023	49,118
2024	581,721
2025	54,462
2026	57,350
Thereafter	<u>1,449,147</u>
	<u>\$ 2,268,419</u>

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8. Notes and Loans Payable (Continued)

Paycheck Protection Program (PPP) Loan, Contingency and Subsequent Event – the above second round 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 2021. 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 second PPP loan proceeds April 12, 2021. As stated above, Management received notice that the second round PPP loan was fully forgiven on October 6, 2021.

9. Note Payable - Related Party

The Organization has a loan payable to David and Carolyn Evans with a loan balance as of June 30, 2021 and 2020 of \$19,599 and \$21,534, 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, 2021 was 4.25%.

10. Net Assets with Donor Restrictions

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

	June 30,	
	2021	2020
Youth Build Program	\$ 87,303	\$ 84,096
Rehab Properties	-	42,167
Total	\$ 87,303	\$ 126,263

11. 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, 2021 and 2020.

12. 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.

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13. Lease Commitments

The Organization leases copiers under multi-year operating leases expiring in April, 2024. Yearly rental expenses under these leases was \$2,632 the years ended June 30, 2021 and 2020. The Organization also entered into a 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, 2021. Future obligations of the Organization's long-term leases as of June 30, 2021 are:

Year ending June 30,	
2022	\$ 23,739
2023	16,704
2024	<u>2,194</u>
	<u>\$ 42,637</u>

14. 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,	
	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 59,076	320,441
Subsidy Receivable	20,863	-
Miscellaneous Receivables	3,155	3,155
Less:		
Net Assets with Donor Restrictions	<u>(87,303)</u>	<u>(126,263)</u>
	<u>\$ (4,209)</u>	<u>\$ 197,333</u>

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 Organization 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 \$159,085 at June 30, 2021. The line is secured by \$500,000 held in cash and the Jordan Heights Investment fund. See footnote 8 for more details.

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15. Subsequent Events

Management has considered events subsequent to June 30, 2021 that affect the Organization through November 17, 2021, the date the financial statements were available to be issued, and has determined that with the exception of the items noted below and in Footnote 8, no additional items exist that require accrual or disclosure.

Subsequent to year end, the Organization was notified by Key Bank that the bank's investment in the Jordan Heights Neighborhood Investment Fund of \$50,000, which is utilized to secure financing, was to be converted into a contribution. At the time of this report, the Organization had elected to maintain the \$50,000 in the Investment Fund.

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 2022 fiscal year 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 are still developing.