

GLOUCESTER COUNTY HABITAT FOR HUMANITY

**FINANCIAL STATEMENTS FOR THE YEAR
ENDED JUNE 30, 2021 AND**

**INDEPENDENT AUDITOR'S
REPORT**

Ditmars, Perazza & Co.
CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

**Gloucester County Habitat for
Humanity, Inc.:**

October 12, 2021

To the Officers and Directors:

Report on Financial Statements

We have audited the accompanying financial statements of **Gloucester County Habitat for Humanity Inc.**, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, of functional expenses, of cash flows for the year then ended, and the related notes of 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 the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 position of the **Gloucester County Habitat for Humanity, Inc.** as of June 30, 2021, and the results of its operations and its cash flows for the year that ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the **Gloucester County Habitat for Humanity, Inc.'s** 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 10, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Ditmars, Perazza & Co.

**GLOUCESTER COUNTY HABITAT FOR HUMANITY
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2021 AND 2020**

	2021	2020
ASSETS:		
Cash and cash equivalents	\$ 475,882	\$ 458,094
Mortgages receivable	437,091	438,202
Unamortized discount on mortgage	(226,012)	(238,484)
Mortgages receivable - Net	211,079	199,718
Grants receivable	27,214	135,841
Other receivables and assets	6,840	4,881
Construction work in progress	208,605	357,962
Escrow advances - net	3,399	8,196
Certificate of deposit - restricted	31,334	30,971
Property and equipment net of depreciation of \$ 256,877	596,147	611,909
TOTAL ASSETS	\$ 1,560,500	\$ 1,807,572
LIABILITIES AND NET ASSETS:		
Liabilities		
Account payable	\$ 11,099	\$ 19,555
Closing cost escrows	17,875	20,295
Refundable advances - grants	4,640	132,419
Payroll Protection Program Loan	-	41,927
Mortgage payable - GCSF	71,086	131,505
Total Liabilities	104,700	345,701
Net Assets:		
Without donor restrictions:		
Unreserved	1,153,059	1,461,871
Board restricted CHDO reserve	261,388	-
Reserved for expansion	41,353	-
Total Net Assets	1,455,800	1,461,871
TOTAL LIABILITIES AND NET ASSETS	\$ 1,560,500	\$ 1,807,572

The accompanying footnotes are an integral part of the financial statements.

**GLOUCESTER COUNTY HABITAT FOR HUMANITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

(With summarized totals for 2020)

SUPPORT AND REVENUE:	Without Donor Restrictions	With Donor Restrictions	Totals 2021	Totals 2020
Direct Public Support				
Individuals, business and other	\$ 36,114		\$ 36,114	\$ 68,660
Indirect public support	5,558		5,558	800
Payroll Protection grant		\$ 132,127	132,127	48,073
Grants	210,513		210,513	195,150
Property donations			-	53,900
Income from Restore sales - net	155,566		155,566	55,146
Fundraising events	65,774		65,774	27,711
Sale of homes to partner families	440,000		440,000	270,000
Sale of home previously sold			-	
Gain (loss) on sale of mortgages	(8,064)		(8,064)	108,857
Program income	14,224		14,224	
Investment income	5,332		5,332	3,354
Other income	2,141		2,141	1,068
Mortgage interest discount amortization	12,472		12,472	14,400
Net assets released from restrictions	132,127	(132,127)	-	-
TOTAL SUPPORT AND REVENUE	<u>1,071,757</u>	<u>-</u>	<u>1,071,757</u>	<u>847,119</u>
EXPENSES:				
Program Services	851,391		851,391	589,614
Administrative	127,071		127,071	126,260
Fund Raising	99,366		99,366	62,465
TOTAL EXPENSES	<u>1,077,828</u>	<u>-</u>	<u>1,077,828</u>	<u>778,339</u>
CHANGE IN NET ASSETS	(6,071)	-	(6,071)	68,780
NET ASSETS, BEGINNING OF YEAR:	1,461,871		1,461,871	1,393,091
NET ASSETS, END OF YEAR	<u>\$ 1,455,800</u>	<u>\$ -</u>	<u>\$ 1,455,800</u>	<u>\$ 1,461,871</u>

The accompanying footnotes are an integral part of the financial statements.

**GLOUCESTER COUNTY HABITAT FOR HUMANITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**

(With summarized totals for 2020)

	Program Services	Management & General	Fund Raising	Totals 2021	Totals 2020
Construction costs	\$ 419,051		\$	419,051	\$ 235,142
Home sale adjustment	240,000			240,000	170,000
Mortgage discount expense				-	
Affiliate expenses	18,450			18,450	15,000
Insurance	26,566	\$ 5,706		32,272	26,998
Equipment rental and small tools	1,209			1,209	2,213
Other program	9,279			9,279	13,322
Personnel costs	99,343	94,970	62,372	256,685	219,153
Office expenses		4,014	1,021	5,035	2,467
Professional services		5,683		5,683	7,660
Computer expenses		3,241	1,789	5,030	2,449
Telephone & fax	628	2,214	447	3,289	3,961
Travel, meals and conferences		481		481	1,931
Warehouse expenses	10,533			10,533	20,205
Depreciation	14,233	1,581		15,814	28,770
Mortgage and other interest		843		843	1,315
Vehicle	8,784	5,261	1,030	15,075	15,850
Community relations	3,153			3,153	963
Volunteer administration	162			162	2,291
Postage and freight		932		932	1,118
Special events			30,198	30,198	3,845
Other		2,145	1,556	3,701	348
Fees			953	953	3,338
	\$ 851,391	\$ 127,071	\$ 99,366	\$ 1,077,828	\$ 778,339

The accompanying footnotes are an integral part of the financial statements.

**GLOUCESTER COUNTY HABITAT FOR HUMANITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

	2021
FROM OPERATING ACTIVITIES:	
Change in Net Assets	\$ (6,071)
Add - depreciation	21,814
Mortgage payments and adjustments	1,111
Change in grants and other receivables	106,668
Change in other receivables and assets	
Change in certificate of deposit - Restricted	(363)
Change accounts payable	(8,456)
Change in escrow deposits and advances	2,377
Change in refundable advances	(127,779)
	(10,699)
FROM INVESTING ACTIVITIES:	
Mortgage discount amortization	(12,472)
Change in construction work in progress	149,357
Donated property	-
Property additions - net	(6,052)
	130,833
FROM FINANCING ACTIVITIES:	
Payments of mortgage principle	(60,419)
Proceeds from Payroll Protection Loan	90,200
Payroll Protection Loan earned	(132,127)
	(102,346)
CHANGE IN CASH AND CASH EQUIVALENTS	17,788
BEGINNING CASH AND CASH EQUIVALENTS	458,094
ENDING CASH AND CASH EQUIVALENTS	\$ 475,882
SUPPLEMENTAL INFORMATION:	
Interest paid	\$ 843

The accompanying footnotes are an integral part of the financial statements.

**GLOUCESTER COUNTY HABITAT FOR HUMANITY
NOTES TO THE FINANCIAL, STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose - Gloucester County Habitat for Humanity (GCHH) is a not-for-profit organization affiliated with Habitat International, Inc. (HHFI). GCHH acquires land and buildings for construction and renovation into affordable housing. Materials and labor are largely contributed and volunteered. In addition, the qualified partner family must provide volunteer labor as their sweat equity. GCHH assists the partner family in obtaining a mortgage on the property.

Basis of Accounting

The financial statements of GCHH have been prepared on the accrual basis of accounting.

Basis of Presentation

In the prior year GCHH adopted the new standards issued in August 2016 relating to the Presentation of Financial Statements of Not-for-Profit entities. These new standards are intended to improve the presentation of financial statements of not-for-profit (NFP) entities. The ASU eliminates the distinction between resources with permanent restrictions and those with temporary restrictions from the face of NFP financial statements by reducing the current three net asset classes (unrestricted, temporarily restricted, and permanently restricted) to two classes (net assets with donor restrictions and net assets without donor restrictions). The ASU also requires additional information to be disclosed about expense classifications and liquidity and availability of resources.

New Accounting Pronouncements

Revenue from Contracts with Customers – In May 2014, the Financial Accounting Standards Board issued guidance that replaces the existing accounting standards for revenue recognition. The guidance requires an organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration it is entitled to receive in exchange for those goods or services. The standard is effective during the current fiscal year.

Leases – Issued in February 2016, Accounting Standards Update (ASU) No. 2016-02 requires lessees to recognize right-of-use assets and lease liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than 12 months. This new accounting will apply to both types of leases-capital (or finance) leases and

operating leases. Previously, accounting principles generally accepted in the United State of America has required only capital leases to be recognized on lessee balance sheets. The standard will take effect for fiscal years beginning after December 15, 2021, and for interim periods within fiscal years beginning after December 15, 2022. Early application is permitted. The GCHH is assessing the potential impact this guidance will have on it financial statements.

Contributions - In June 2018, FASB issued ASU 2018-08 "*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*". The new guidance assists not-for-profit entities in determining whether to account for a transfer of assets as a contribution or an exchange transaction. The update also clarifies that a contribution is conditional if the agreement includes both a barrier (as defined) and a right of return or release. The standard is effective for transactions during the prior fiscal year.

Donor Imposed Restrictions

All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are restricted for future periods or are restricted by the donor for specific purposes are reported as net assets with donor restrictions. 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 in the statement of activities as net assets released from restrictions. GCHH follows the policy of showing donor contributions whose restrictions are met in the same reporting period as donations without donor restrictions.

Cash and Cash equivalents

GCHH considers all highly liquid investments with an original maturity of less than one year to be cash equivalents. Cash and cash equivalents consist of checking accounts, savings accounts and a short term certificate of deposit.

Mortgages receivable

Mortgages receivable consists of non-interest bearing mortgages which are secured by real estate and receivable in monthly installments over the life of the mortgage.

Donated Services and Materials

Donated services are recognized as contributions in accordance with standards of the Financial Accounting Standards Board, if the services (a) create or enhance non financial assets or (b) require specialized skills, as performed by people with those skills, and would otherwise be purchased by GCHH. GCHH does not consider that donated services by individuals with specialized skills to meet this criteria in that they would generally not be required to purchase the services. In addition a substantial number of volunteers have made significant contributions of their time to GCHH's program and supporting services. The value of this contributed time is not reflected in these financial statements since it does not meet the above criteria.

GCHH also receives donated building materials which are used in home construction. These donations are generally not significant and therefore are not included in the accompanying statements.

Transfers to Homeowners

Sales to homeowners are recorded at the gross mortgage amount. Non-interest bearing mortgages have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages. Utilizing a straight-line basis, this discount is recognized as interest income over the term of the mortgage.

Construction in Progress/ Project Income

Direct costs associated with the renovation of properties are capitalized. When the property is sold the related costs are offset against the sales price and the excess revenues or expenses are reflected in the statement of activities. Any excess revenues from the sale of a property are used to offset overhead costs and to provide for the continuation of GCHH's mission. When the property is sold the cost of construction is reflected in the Statement of Activities.

Property and Depreciation

Property and equipment are stated at cost. Depreciation is provided using the straight line method over the estimated useful lives of the related asset.

Income Taxes

GCHH has received exemption from income taxes under Section 501 (c) (3) of the Internal Revenue Code and qualifies as a public charity.

Refundable Advances – Grants

GCHH treats any grant funds that have not been earned and could be returned to the grantor if not spent as refundable advances – grants in the accompanying Statement of Financial Position.

Estimates in the Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Subsequent Events

The Financial Accounting Standards Board has issued a standard that applies to annual financial periods ending after June 15, 2009. These standards establish principles setting forth the period after the balance sheet date during which management shall evaluate events and transactions that may occur for potential recognition or disclosure in the financial statements. For the purposes of this accounting standard, GCHH has evaluated subsequent events through October 12, 2021.

Fair Value Measurements

GCHH has adopted the Financial Accounting Standards Board's standards that apply to all assets and liabilities that are being measured and reported on a fair value basis. Under the standards new disclosures are required that establish a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosure about fair value measurements. The standards enable the reader of the financial statements to access the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values.

The standards require that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

1. Level 1: Quoted market prices in active markets for identical assets or liabilities
2. Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
3. Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, GCHH performs a detailed analysis of the assets and liabilities that are subject to the Standards.

The carrying amounts of financial instruments including cash and cash equivalents, receivables, prepaid and payables approximates fair value due to the short maturity of these instruments.

Income Taxes

In June 2006 the Financial Accounting Standards Board issued FIN 48, Accounting for Uncertainty in Income Taxes, which prescribes how an entity should measure, recognize, present and disclose in its financial statements tax positions that an organization has taken or expects to take on its information returns. FIN 48 is effective for years beginning after December 31, 2008 for nonpublic entities.

GCHH regularly reviews and evaluates its tax positions taken in previously filed information returns with regard to issues affecting its tax exempt status, unrelated business income and related matters. Based on GCHH's evaluation of their positions relating to any relevant matters no tax benefits or liabilities are required to be recognized in accordance with FIN 48.

Advertising

Advertising costs are expensed as incurred.

2. MORTGAGE RECEIVABLE

The mortgage receivable balance at June 30, 2021 consists of 7 loans on properties developed by GCHH. These loans are non interest bearing loans with original maturities of 30 years. The balance receivable for these loans was \$ 437,091 at June 30, 2021.

The amount of principal that will be collected on the above mortgages is approximately \$18,000 per year for each of the next five years.

Effective July 1, 2013 GCHH has contracted with a service provider to service the loans and to collect the payments and to pay the escrow. GCHH advances funds to cover any escrow deficit balances. This amount is reflected as an asset in the accompanying Statement of Financial Position.

Subsequent to the end of the year GCHH sold two of their mortgages to another mortgage servicer.

3. CONSTRUCTION IN PROGRESS

As of June 30, 2021 GCHH was in the process of renovating a number of properties for future sales under the program.

4. DISCOUNT ON MORTGAGES RECEIVABLE

GCHH accounts for their mortgages in accordance with the Habitat for Humanity International's U.S. Affiliate Accounting Policy Manual. Under this guide the non interest bearing mortgages are discounted to their present value at the time the mortgage is issued. The discounted amount is amortized over the life of the mortgage using a imputed interest rate, averaging 8 % on a straight line basis.

The following reflects the activity in the related accounts for the year ended June 30, 2021:

Unamortized Discount on Mortgages:

Balance at June 30, 2020	\$ 238,484
Discount on Mortgages Issued in 2021	-
Adjustment for Sales of Mortgages	-
Mortgage Discount Amortization for 2021	<u>(12,472)</u>
Balance at June 30, 2021	<u>\$ 226,012</u>

5. ZERO EQUIVALENT MORTGAGES

Commencing in 2012 GCHH entered into an arrangement with several local financial institutions to provide mortgages to their partner families for the purchase of the completed home. The mortgages are discounted by the financial institution to achieve a monthly payment that would be the equivalent of the amount of the payment if GCHH took back a non interest bearing mortgage. As a further protection for GCHH they enter into a second mortgage (silent second) with the partner family that is the difference between the sales price of the home and amount of the financial institutions mortgage. If the property were sold, GCHH would have the right to receive this difference. Three mortgages were closed in 2021 under this arrangement with silent second mortgages of

\$240,000. This amount is treated as a Home Sale Adjustment in the accompanying statement of functional expenses.

6. MORTGAGE PAYABLE – INVESTORS BANK

GCHH has entered into a mortgage with a local financial institution to finance the acquisition and renovation of the property that they operate from in Pitman, NJ. The mortgage is payable in monthly installments of \$ 2,893.45 including interest computed at the rate of 3.89 %. The original loan date is 3/25/2011 and the maturity date is 4/1/2031. Their property in Pitman is secured for the loan. The balance of the loan at June 30, 2021 was \$ 71,086. In July 2021 the loan was paid off.

7. LINE OF CREDIT

In March 2011 GCHH entered into a line of credit arrangement with a local financial institution in the amount of \$ 150,000. Interest on any outstanding balance is computed using a variable NY prime rate as published in the Wall Street Journal. As of June 30, 2021 no amount was outstanding on the line.

8. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the programs and activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses are allocated on a reasonable basis this is consistently applied based on effort, time or usage. GCHH charges expenses to one of three categories defined as follows:

Program Services - This category includes expenses in support of the Construction Program and expenses in support of Family and Volunteer Programs.

Management and General - This category relates to activities related to policy development, planning, design and implementation of GCHH's programs and services and include administrative, financial and personnel management functions.

Fund Raising - The category includes activities related to agency efforts to solicit, attract and increase financial support.

9. TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL

GCHH annually remits a portion of its unrestricted contributions (excluding in kind contributions) to Habitat for Humanity International. GCHH also remitted to Habitat for Humanity International a SOSI (Stewardship and Organization Sustainability Initiative) fee of \$ 15,000 for additional support provided by them. These amounts are included in direct program costs in the Statement of Activities. The total paid to Habitat International amounted to \$ 18,450 for the year.

10. RESTORE PROGRAM

In a prior year GCHH commenced a “ReStore Program”. Under this program GCHH sells donated building materials and household items to the public at retail. The financial results of the ReStore operation are presented net of direct expenses in the accompanying Statement of Activities. The mission of the ReStore operation is to use the income it generates to help offset the management & general expenses of GCHH.

11. LEONA AVENUE

During a prior year GCHH was donated a property (land and building) located in Woodbury, NJ. The property was valued at \$ 215,000 at the time of the donation. Additional costs have been incurred in the amount of approximately \$ 100,000. The property is used as a construction warehouse as well as a storage site for the Restore Program.

12. CALCULATION OF OVERHEAD RATIO

The overhead ratio is calculated as follows. In computing the ratio, GCHH deducts the Net Income from the Restore Program from both the numerator and denominator, as the purpose of the Restore Program is to offset the administrative expenses of GCHH.

Numerator:

Administrative Expenses	\$ 127,071
Fund Raising Expenses	99,366
Less – Net Income from Restore Program	<u>(155,566)</u>
Total Numerator	70,871

Denominator:

Total Support and Revenue –net of Restore	\$ 916,191
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OVERHEAD RATIO 7.7 %

13. COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the GCHH’S financial statements for the year ended June 30, 2020.

14. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures within one year of the statement of financial position date comprise the following:

Cash and cash equivalents	\$ 475,882
Grants and accounts receivable	27,214
Mortgage principal payments	15,000
Total Financial Assets Available for General Expenditures	<u>\$ 518,096</u>

GCHH regularly monitors liquidity to meet its operating needs. GCHH has various sources of liquidity at its disposal, including cash and cash equivalents and a line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12 month period, GCHH considers all expenditures related to its ongoing activities of providing social services as well as the conduct of services undertaken to support these activities to be general expenditures.

15. SALE OF MORTGAGES

During the prior year GCHH sold 7 of their existing mortgages to the CBC Mortgage Agency. For the sale GCHH received 58 % of the outstanding balance on the loan. This amounted to \$ 289,108. A gain in the amount of \$ 108,857, that is net of the mortgage balance less the unamortized discount is reflected in the accompanying Statement of Activities.

16. COVID-19 PANDEMIC

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, in mid March 2020 the State of New Jersey ordered the closure of the physical location of every “non-essential” business. All of the programs of GCHH were impacted by this and construction and the Restore were suspended or limited. In June 2020 both programs were allowed to begin operating again following guidance from the federal and state government for safe operation.

In the prior year GCHH applied for and was approved for a \$ 90,200 loan under the Payroll Protection Program created as a part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest but

payments are not required to begin for six months after the funding of the loan. GCHH is eligible for loan forgiveness of up to 100 % of the loan, upon meeting certain requirements. During the year GCHH applied for and received approval that the loan had been forgiven. In the year ended June 30, 2020 GCHH had determined that \$ 48,272 has been spent that can be allocated to the loan. Subsequent to June 30, 2020 the remaining balance of the funds of \$41,927 has been spent. These amounts that have been earned is considered to be a conditional grant and is reflected in the accompanying Statement of Activities in the With Donor Restrictions net asset category. The loan is uncollateralized and is fully guaranteed by the Federal Government.

In addition, GCHH applied for, in the fiscal year ended June 30, 2021, and received a loan under Phase 2 of the Payroll Protection Plan in the amount of \$ 90,200 under the same terms as the Phase 1 loan. During the year ended June 30, 2021 all of the funds received have been earned and are included in the accompanying Statement of Activities in the With Donor Restrictions net asset category. GCHH is in the process of requesting that the loan be forgiven.