

HABITAT FOR HUMANITY OF THE NC SANDHILLS, INC.

**Audited Financial Statements
June 30, 2022 and 2021**

HABITAT FOR HUMANITY OF THE NC SANDHILLS, INC.
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June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Habitat for Humanity of the NC Sandhills, Inc.
Aberdeen, North Carolina

Opinion

We have audited the accompanying financial statements of Habitat for Humanity of the NC Sandhills, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, 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 Habitat for Humanity of the NC Sandhills, Inc. as of June 30, 2022 and 2021, 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 Habitat for Humanity of the NC Sandhills, Inc. 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 Habitat for Humanity of the NC Sandhills, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 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 Habitat for Humanity of the NC Sandhills, Inc.'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 Habitat for Humanity of the NC Sandhills, Inc.'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.



Busby & Co.

Southern Pines, North Carolina
January 4, 2023

HABITAT FOR HUMANITY OF THE NC SANDHILLS, INC.
Statements of Financial Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Cash	\$ 4,077,091	\$ 579,386
Inventory	1,229,472	1,075,504
Sales tax receivable	27,606	28,523
Other receivable	59,222	1,545
Refunds receivable	516,000	-
Total Current Assets	<u>5,909,391</u>	<u>1,684,958</u>
 Fixed Assets:		
Buildings	948,599	904,060
Furniture and equipment	49,022	120,694
Vehicles	229,149	256,919
	<u>1,226,770</u>	<u>1,281,673</u>
Less accumulated depreciation	<u>508,601</u>	<u>610,527</u>
	718,169	671,146
Land	121,499	121,499
Total Fixed Assets	<u>839,668</u>	<u>792,645</u>
 Other Assets:		
Mortgages receivable - net	4,916,425	4,650,781
Securities	9,936	11,536
SECU escrow	9,950	9,950
Cash value of life insurance	61,567	54,781
Total Other Assets	<u>4,997,878</u>	<u>4,727,048</u>
 TOTAL ASSETS	<u><u>\$ 11,746,937</u></u>	<u><u>\$ 7,204,651</u></u>

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF THE NC SANDHILLS, INC.
Statements of Financial Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 73,307	\$ 40,622
Payroll liabilities	2,007	1,547
Sales tax payable	9,445	8,557
Accrued liabilities	87,666	6,234
Notes payable - current portion of long-term debt	157,344	205,666
Total Current Liabilities	<u>329,769</u>	<u>262,626</u>
Long-Term Debt:		
Long-term debt - less current portion	<u>2,797,720</u>	<u>2,470,878</u>
Total Long-Term Debt	<u>2,797,720</u>	<u>2,470,878</u>
Net Assets:		
Without donor restrictions	<u>8,619,448</u>	<u>4,471,147</u>
Total Net Assets	<u>8,619,448</u>	<u>4,471,147</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 11,746,937</u></u>	 <u><u>\$ 7,204,651</u></u>

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF THE NC SANDHILLS, INC.

Statements of Activities

For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support:		
Contributions	\$ 4,940,191	\$ 706,479
Contributions - in kind	114,200	89,775
Special events	239,113	212,795
Total Support	<u>5,293,504</u>	<u>1,009,049</u>
Revenue:		
Homes	1,662,000	821,000
Discount amortized	286,930	312,701
Interest	4	207
Store sales	1,345,709	1,306,493
Other	27,830	58,486
Unrealized gain (loss) on investments	(261)	739
Gain (loss) on sale or disposal of fixed assets	19,502	1,000
Gain (loss) on sale of investments	1,048	211
Total Revenue	<u>3,342,762</u>	<u>2,500,837</u>
Total Support and Revenue	<u>8,636,266</u>	<u>3,509,886</u>
Expenses:		
Program	4,027,820	2,480,376
General and administrative	344,393	233,936
Fundraising	115,752	128,577
Total Expenses	<u>4,487,965</u>	<u>2,842,889</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	4,148,301	666,997
NET ASSETS, END OF YEAR	4,471,147	3,804,150
NET ASSETS, END OF YEAR	<u>\$ 8,619,448</u>	<u>\$ 4,471,147</u>

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF THE NC SANDHILLS, INC.

**Statements of Functional Expenses
For the Years Ended June 30, 2022 and 2021**

	2022					2021
	Program Services		Supporting Services		Total	Total
	Homes	ReStores	General and Administrative	Fundraising		
Cost of homes	\$ 1,467,453	\$ -	\$ -	\$ -	\$ 1,467,453	\$ 811,137
Cost of repair program	415,074	-	-	-	415,074	104,674
Cost of store sales	-	22,559	-	-	22,559	64,739
Salaries and benefits	554,761	461,441	55,891	70,588	1,142,681	1,126,382
Mortgage discounts	497,038	-	-	-	497,038	134,420
Donation to Habitat for Humanity						
International	310,000	-	-	-	310,000	37,950
Advertising	-	2,276	3,290	-	5,566	12,242
Bad debt expense	-	-	36,285	-	36,285	20,534
Bank charges	-	30,816	5,891	-	36,707	23,072
Communications	78	1,698	6,715	-	8,491	14,512
Dues	-	-	15,033	-	15,033	10,443
Equipment rental	-	-	8,191	-	8,191	7,448
Fundraising and special events	-	-	-	45,164	45,164	46,213
Insurance	20,373	21,166	4,469	-	46,008	87,522
Maintenance and repairs	34,740	55,226	8,200	-	98,166	95,736
Mortgage servicing	28,871	-	-	-	28,871	27,531
Office expense	18,565	-	30,878	-	49,443	46,407
Professional fees	-	-	92,468	-	92,468	17,603
Program development	13,836	-	14,796	-	28,632	17,942
Family services	10,412	-	-	-	10,412	9,000
Rent	-	-	-	-	-	21,681
Supplies	-	12,087	-	-	12,087	9,330
Travel and training	12,254	991	3,033	-	16,278	2,986
Utilities	-	20,037	26	-	20,063	17,752
Volunteer expenses	11,930	4,138	-	-	16,068	19,331
Total expenses before depreciation depreciation and transfer	3,395,385	632,435	285,166	115,752	4,428,738	2,786,587
Depreciation	-	-	59,227	-	59,227	56,302
Total Expenses	<u>\$ 3,395,385</u>	<u>\$ 632,435</u>	<u>\$ 344,393</u>	<u>\$ 115,752</u>	<u>\$ 4,487,965</u>	<u>\$ 2,842,889</u>

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF THE NC SANDHILLS, INC.
Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$4,148,301	\$ 666,997
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	59,227	56,302
Donated securities	(36,512)	(18,043)
Unrealized (gain) loss on securities	261	(739)
(Gain) loss on securities	(1,048)	(211)
(Gain) loss on sale or disposal of property	(19,502)	(1,000)
(Increase) decrease in mortgage receivable	(265,644)	155,665
(Increase) decrease in sales tax receivable	917	(13,273)
(Increase) decrease in other receivables	(573,677)	(1,345)
(Increase) decrease in inventories	(153,968)	(464,237)
(Increase) decrease in other assets	(6,786)	(12,517)
Increase (decrease) in accounts payable	32,685	(10,527)
Increase (decrease) in payroll liabilities	460	75
Increase (decrease) in accrued liabilities	81,431	5,408
Increase (decrease) in sales tax payable	888	375
Increase (decrease) in money held for the benefit of mortgagees	<u>27,770</u>	<u>(5,000)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>3,294,803</u>	<u>357,930</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash payments for the purchase of property	(109,881)	(47,992)
Cash proceeds from the sale of property	10,000	1,000
Cash proceeds from sale of securities	<u>24,262</u>	<u>17,053</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(75,619)</u>	<u>(29,939)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	436,500	140,000
Proceeds from issuance of PPP loan	-	(184,700)
Principal payments on long-term debt	<u>(157,979)</u>	<u>(207,287)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>278,521</u>	<u>(251,987)</u>

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF THE NC SANDHILLS, INC.
Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
NET INCREASE (DECREASE) IN CASH	\$3,497,705	\$ 76,004
CASH AT BEGINNING OF YEAR	<u>579,386</u>	<u>503,382</u>
CASH AT END OF YEAR	<u><u>\$4,077,091</u></u>	<u><u>\$ 579,386</u></u>

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF THE NC SANDHILLS, INC.

Notes to Financial Statements

June 30, 2022 and 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CORPORATION'S ACTIVITIES

Habitat for Humanity of the NC Sandhills, Inc. (Corporation) was incorporated as a nonprofit organization in 1988. The purpose of the Corporation is to implement the gospel of Jesus Christ throughout the United States of America and around the world by working with economically disadvantaged people to help them create a better human habitat in which to live and work, and to cooperate with other charitable organizations, through grants and otherwise, which are working to develop a better habitat for economically disadvantaged people.

The Corporation built 9 homes, recycled 1 home and had 46 repairs in 2022. The Corporation built 4 homes, recycled 2 homes and had 15 repairs in 2021.

PRINCIPLES OF PRESENTATION

The financial statements of Habitat for Humanity of the NC Sandhills, Inc. are presented in accordance with accounting principles generally accepted in the United States of America as applied to non-profit organizations. The Corporation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Corporation considers all demand deposits with initial maturities of three months or less to be cash or cash equivalents.

REVENUE AND COST RECOGNITION

The Corporation recognizes revenue from homebuilding activities at the closing of the sale. During construction, all direct material and labor costs and those indirect costs related to acquisition and construction is accumulated as inventory. Inventory costs are charged to expense upon the closing of each home.

HABITAT FOR HUMANITY OF THE NC SANDHILLS, INC.

Notes to Financial Statements

June 30, 2022 and 2021

ADVERTISING COSTS

All advertising costs are expensed when incurred. Advertising costs totaled \$5,566 in 2022 and \$12,242 in 2021.

INCOME TAXES

Habitat for Humanity of the NC Sandhills, Inc. qualifies as a tax-exempt corporation under 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes is included in the financial statements.

FIXED ASSETS

Acquisitions of property and equipment in excess of \$500 are capitalized at cost by the Organization. Donations of property and equipment are recorded as contributions at their estimated fair market value on the date of the gift. Such donations are reported as unrestricted contributions unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property, buildings, and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Corporation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Corporation reclassifies net assets with donor restrictions to net assets without donor restrictions at the time they are placed in service. Property and equipment are depreciated using the straight-line method using the following lives:

Furniture and equipment	3 – 7 years
Vehicles	5 years
Building	39 years

INVESTMENTS

Investments in marketable equity securities, government bonds and mutual funds with readily determinable fair values are stated at fair market value. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

HABITAT FOR HUMANITY OF THE NC SANDHILLS, INC.

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 1 - MORTGAGE RECEIVABLES

The Corporation, through a no interest twenty-five- or thirty-year mortgage, finances completed homes. Mortgages are recorded when a home sale is closed. Mortgages receivable have been discounted using an imputed interest rate of 7.49% for 2022 based upon Habitat for Humanity International averages. Discounted amortization income is recorded over the lives of the mortgages using the effective interest method.

Beginning in 2019, the Corporation entered into a financing arrangement with a third-party lender in which the lender underwrites a portion of the mortgage utilizing a 2% interest rate. The face value of the mortgage is reduced to create a zero-interest equivalent mortgage which provides the same stream of payments for the borrower as with a no interest loan at full appraisal value. The reduction in face value is not recorded for accounting purposes at time of sale, but is included as a recorded unamortized and forgivable loan only to be paid on in the event of a sale or refinancing of the home. The Corporation has established an allowance for doubtful accounts based on historic foreclosure rates.

Mortgage receivables as of June 30, 2022 and 2021 were the following:

	<u>2022</u>	<u>2021</u>
Mortgages receivable	\$ 7,422,526	\$ 7,351,790
Less allowance for doubtful accounts	(211,417)	(175,132)
Less discount amortization	<u>(2,294,684)</u>	<u>(2,525,877)</u>
Mortgages receivable net of amortization	<u>\$ 4,916,425</u>	<u>\$ 4,650,781</u>

NOTE 2 - DONATED SERVICES AND MATERIALS

During the years ended June 30, 2022 and 2021, the value of contributed services and materials meeting the requirements for recognition in the financial statements was \$77,688 and \$89,775, respectively. In addition, many other individuals volunteer their time to the Corporation; however these services do not meet the criteria for recognition as donated services.

NOTE 3 - INVENTORIES - REAL PROPERTY

Inventories consist of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Homes under construction	\$ 584,329	\$ 766,389
Developed lots for construction	13,451	13,451
Undeveloped real estate	628,994	295,664
Resale inventory	<u>2,698</u>	<u>-</u>
	<u>\$1,229,472</u>	<u>\$1,075,504</u>

HABITAT FOR HUMANITY OF THE NC SANDHILLS, INC.
Notes to Financial Statements
June 30, 2022 and 2021

NOTE 4 - LONG-TERM DEBT

Note payable to a housing agency, payable in monthly installments of \$7,450, interest free, final payment is various. Note is secured by mortgage receivables.

\$ 2,848,564 \$ 2,575,909

Note payable to investment company, payable 2.95% interest only payments. Note is due the earlier of IRA owner's death or September 2031. Note is secured by a life insurance policy that matures May, 2060.

100,000 100,000

Note payable to the national office, payable in monthly installments beginning July, 2023 of \$135 including interest at 0.00%, final payment amount due is \$155 on July, 2027. Note is secured by mortgage receivables.

\$ 6,500 \$ 635

Less current portion

(157,344) (205,666)

Total long-term debt

\$2,797,720 \$2,470,878
=====

Maturities of debt are as follows:

Fiscal year ending June 30, 2023	\$ 157,344
2024	157,344
2025	158,964
2026	158,964
Thereafter	2,322,448
	2,955,064

Less current portion

(157,344)

Total long-term debt

\$2,797,720
=====

HABITAT FOR HUMANITY OF THE NC SANDHILLS, INC.

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 5 - CONCENTRATIONS OF CREDIT RISK

Cash and cash equivalents that potentially subject the Corporation to concentrations of credit risk consist principally of accounts in three financial institutions located in North Carolina. The Federal Deposit Insurance Corporation (FDIC) up to \$250,000 covers accounts at these institutions. The amount in excess of the FDIC limit totaled \$3,597,345 and \$103,078 as of June 30, 2022 and 2021, respectively.

NOTE 6 - FIXED ASSETS

Property and equipment at June 30, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 49,022	\$ 120,694
Vehicles	229,149	256,919
Building	948,599	904,060
Land	121,499	121,499
Less: accumulated depreciation	(508,601)	(610,527)
	<u>\$ 839,668</u>	<u>\$ 792,645</u>
Depreciation expense	<u>\$ 59,227</u>	<u>\$ 56,302</u>

NOTE 7 – OPERATING LEASES

The Corporation entered into a one-year lease agreement for store space. Store rental expense totaled \$0 and \$21,681 for 2022 and 2021, respectively. The Corporation leases two pieces of office equipment. Office equipment rental expense totaled \$8,191 and \$7,448 for 2022 and 2021, respectively.

Future minimum rental payments as of June 30, 2022 are as follows:

Fiscal year ending June 30, 2023	\$ 8,022
2024	8,022
2025	-
2026	-
2027	-

HABITAT FOR HUMANITY OF THE NC SANDHILLS, INC.
Notes to Financial Statements
June 30, 2022 and 2021

NOTE 8 – INVESTMENTS

Investments as of June 30, 2022 are summarized as follows:

	<u>2022</u>	<u>Market</u>
	<u>Cost</u>	<u>Value</u>
Stocks	\$ 10,197	\$ 9,936

The following schedule summarizes the investment return of the preceding investments and its classification in the statement of activities for the year then ended June 30, 2022.

	<u>2022</u>
Realized gain (loss)	\$(261)
Unrealized gain (loss)	<u>1,048</u>
Net investment return	\$ 787 =====

NOTE 9 – LIQUIDITY

The Corporation's financial assets available within one year of the statement of position date for general expenditures are as follow:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$4,077,091	\$ 579,386
Investments, at cost	9,936	11,536
Sales receivable	<u>27,606</u>	<u>28,523</u>
	\$4,114,633 =====	\$ 618,945 =====

HABITAT FOR HUMANITY OF THE NC SANDHILLS, INC.

Notes to Financial Statements

June 30, 2022 and 2021

NOTE 10 – GAIN CONTINGENCIES

The homes are sold at fair market value as determined by a professional appraiser unless the amount is deemed unaffordable for the homeowner. Unaffordable is defined as the mortgage payment is more than 30% of the family's monthly income. If the price of the home is unaffordable, the Corporation will create a silent mortgage to be paid only in the event of a sale on the open market or refinancing of the home. The silent mortgage is forgiven if mortgagee does not sell or refinance the home during the life of the mortgage. If the mortgagee sells or refinances the home before the mortgage is paid off, then the silent mortgage is prorated over the time left on the mortgage and it is paid to the Corporation. The amount the Corporation may receive cannot be determined because there is no way to know when or if a homeowner will sell or refinance their home.

NOTE 11 – RELATED PARTY TRANSACTIONS

Each year the Corporation makes a contribution to Habitat for Humanity International, Inc. which uses these funds to construct homes in an economically depressed area around the world. Program service expense includes \$310,000 and \$37,950 contributed to Habitat for Humanity International, Inc. for the years ended June 30, 2022 and 2021, respectively.

NOTE 12 – CONFLICT OF INTEREST POLICY

It is the policy of the Corporation that all officers, directors, and committee members shall avoid any conflict between their own individual interests and the interests of the corporation. Included among the corporation's board members and officers are volunteers from the financial and legal community, who provide valuable assistance to the corporation in the development of policies and programs. The corporation has a conflict-of-interest policy whereby board and committee members must advise the board of any direct or indirect interest in any transaction or relationship with the corporation and not participate in discussions and decisions regarding any action affecting their individual, professional, or business interests.

NOTE 13 – SUBSEQUENT EVENTS

The Corporation evaluated subsequent events through January 4, 2023, which is the date the financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure within the financial statements.

HABITAT FOR HUMANITY OF THE NC SANDHILLS, INC.
Notes to Financial Statements
June 30, 2022 and 2021

**NOTE 14 – REFUNDS
RECEIVABLE**

Employee Retention Credits (the ERC) were established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March 2020. Organizations that received Paycheck Protection Plan loans were originally not eligible to receive the ERC. The Consolidated Appropriates Act of 2021 later enabled Paycheck Protection Plan loan recipients to also claim the ERC which meant organizations had to retrospectively ask for funds for 2020 and 2021 in future years.

When applying the revenue recognition model under ASC 958-605, ASU No. 2018-08, ERCs are treated as conditional contributions. Organizations must have “substantially met” the program’s eligibility conditions to record revenue, and no amounts would be recorded until all criteria were evaluated.

In mid-2022 the Corporation engaged a third-party company to evaluate their eligibility under the new requirements. Upon determining that the Corporation met all the criteria the third-party company prepared corrected payroll reports for the applicable quarters of 2020 and 2021. Based on the corrected reports they are eligible to receive \$516,000 in refundable ERC and the fee to the third-party company for preparation of the corrected payroll reports is \$77,000. These amounts are included on the Statement of Financial Position as Refunds Receivable and Accrued Liabilities, respectively.