

**EBSV COMMUNITY DEVELOPMENT, INC.**  
***(A California Nonprofit Public Benefit Corporation)***

**FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**



Accountants & Advisors

**EBSV COMMUNITY DEVELOPMENT, INC.**

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**JUNE 30, 2021 AND 2020**

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## Independent Auditors' Report

Board of Directors  
EBSV Community Development, Inc.  
Oakland, California

### Report on the Financial Statements

We have audited the accompanying financial statements of EBSV Community Development, Inc., a California nonprofit public benefit corporation, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 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.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EBSV Community Development, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Prior Period Financial Statements**

The financial statements of EBSV Community Development, Inc. as of June 30, 2020, were audited by other auditors whose report dated November 17, 2020, expressed an unmodified opinion on those statements.

**Emphasis of Matters**

As discussed in Note 1 of the financial statements, EBSV Community Development, Inc. is controlled by the Board of Directors of Habitat for Humanity of East Bay Silicon Valley. Our report is not modified with respect to this matter.

*RINA Accountancy LLP*

Certified Public Accountants

San Francisco, California  
December 17, 2021

## EBSV COMMUNITY DEVELOPMENT, INC.

### STATEMENTS OF FINANCIAL POSITION

| <u>ASSETS</u>                                                                                                  | <u>June 30, 2021</u> | <u>June 30, 2020</u> |
|----------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| <b>CURRENT:</b>                                                                                                |                      |                      |
| Cash                                                                                                           | \$ 1,519,083         | \$ 685,385           |
| Related party receivables                                                                                      | 425,000              | 375,000              |
| Current portion of mortgages receivable, net of unamortized discount of \$54,065 (2021) and \$35,996 (2020)    | 150,237              | 137,927              |
| Current portion of prepaid expenses                                                                            | <u>14,528</u>        | <u>14,528</u>        |
| TOTAL CURRENT ASSETS                                                                                           | 2,108,848            | 1,212,840            |
| <b>OTHER:</b>                                                                                                  |                      |                      |
| Mortgages receivable, net of current portion and unamortized discount of \$674,893 (2021) and \$595,928 (2020) | 1,792,914            | 1,624,527            |
| Prepaid expenses, net of current portion                                                                       | 8,672                | 8,672                |
| Deferred costs, net of amortization of \$9,095 (2021) and \$5,197 (2020)                                       | <u>63,205</u>        | <u>67,103</u>        |
| TOTAL ASSETS                                                                                                   | <u>\$ 3,973,639</u>  | <u>\$ 2,913,142</u>  |
| <u>LIABILITIES AND NET ASSETS</u>                                                                              |                      |                      |
| <b>CURRENT LIABILITIES:</b>                                                                                    |                      |                      |
| Current portion of note payable                                                                                | \$ 57,799            | \$ -                 |
| Accounts payable and accrued expenses                                                                          | -                    | 1,000                |
| Related party payable                                                                                          | 11,858               | 1,500                |
| Deferred revenue                                                                                               | <u>-</u>             | <u>10,000</u>        |
| TOTAL CURRENT LIABILITIES                                                                                      | 69,657               | 12,500               |
| <b>LONG-TERM LIABILITIES:</b>                                                                                  |                      |                      |
| Note payable, net of current portion                                                                           | 1,296,913            | -                    |
| Other subordinate debt                                                                                         | <u>2,225,153</u>     | <u>2,225,153</u>     |
| TOTAL LIABILITIES                                                                                              | <u>3,591,723</u>     | <u>2,237,653</u>     |
| <b>NET ASSETS:</b>                                                                                             |                      |                      |
| Without donor restrictions                                                                                     | <u>381,916</u>       | <u>675,489</u>       |
| TOTAL NET ASSETS                                                                                               | <u>381,916</u>       | <u>675,489</u>       |
| TOTAL LIABILITIES AND NET ASSETS                                                                               | <u>\$ 3,973,639</u>  | <u>\$ 2,913,142</u>  |

See notes to financial statements.

# EBSV COMMUNITY DEVELOPMENT, INC.

## STATEMENTS OF ACTIVITIES

|                                              | Without Donor Restrictions  |                             |
|----------------------------------------------|-----------------------------|-----------------------------|
|                                              | Year Ended<br>June 30, 2021 | Year Ended<br>June 30, 2020 |
| SUPPORT AND REVENUE:                         |                             |                             |
| Grants and contributions                     | \$ -                        | \$ -                        |
| TOTAL SUPPORT AND REVENUE                    | -                           | -                           |
| EXPENSES:                                    |                             |                             |
| Program                                      | 324,058                     | 148,956                     |
| Management and general                       | 62,849                      | 67,193                      |
| TOTAL EXPENSES                               | 386,907                     | 216,149                     |
| CHANGE IN NET ASSETS BEFORE<br>OTHER REVENUE | (386,907)                   | (216,149)                   |
| OTHER REVENUE:                               |                             |                             |
| Investment and other income                  | 26,290                      | -                           |
| Mortgage discount amortization               | 67,044                      | 30,437                      |
| CHANGE IN NET ASSETS                         | (293,573)                   | (185,712)                   |
| NET ASSETS, beginning of year                | 675,489                     | 861,201                     |
| NET ASSETS, end of year                      | \$ 381,916                  | \$ 675,489                  |

See notes to financial statements.

# EBSV COMMUNITY DEVELOPMENT, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

### YEAR ENDED JUNE 30, 2021

|                       | <u>Program<br/>Services</u> | <u>Management<br/>and General</u> | <u>Totals</u>               |
|-----------------------|-----------------------------|-----------------------------------|-----------------------------|
| Professional services | \$273,458                   | \$ -                              | \$ 273,458                  |
| Interest              | -                           | 58,926                            | 58,926                      |
| Homeowner relations   | 50,600                      | -                                 | 50,600                      |
| Amortization          | -                           | 3,898                             | 3,898                       |
| Miscellaneous         | -                           | 25                                | 25                          |
|                       | <u>                    </u> | <u>                    </u>       | <u>                    </u> |
| TOTAL EXPENSES        | <u>\$ 324,058</u>           | <u>\$ 62,849</u>                  | <u>\$ 386,907</u>           |

See notes to financial statements.

**EBSV COMMUNITY DEVELOPMENT, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2020**

|                       | <u>Program<br/>Services</u> | <u>Management<br/>and General</u> | <u>Totals</u>     |
|-----------------------|-----------------------------|-----------------------------------|-------------------|
| Homeowner relations   | \$ 73,612                   | \$ -                              | \$ 73,612         |
| Professional services | 75,344                      | -                                 | 75,344            |
| Interest              | -                           | 62,580                            | 62,580            |
| Amortization          | -                           | 3,898                             | 3,898             |
| Miscellaneous         | -                           | 715                               | 715               |
|                       | <u>          </u>           | <u>          </u>                 | <u>          </u> |
| TOTAL EXPENSES        | \$ 148,956                  | \$ 67,193                         | \$ 216,149        |

See notes to financial statements.

## EBSV COMMUNITY DEVELOPMENT, INC.

### STATEMENTS OF CASH FLOWS

|                                                                                         | Year Ended<br>June 30, 2021 | Year Ended<br>June 30, 2020 |
|-----------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                            |                             |                             |
| Change in net assets                                                                    | \$ (293,573)                | \$ (185,712)                |
| Adjustments to reconcile change in net assets to net cash used by operating activities: |                             |                             |
| Mortgage discount amortization                                                          | (67,044)                    | (30,437)                    |
| Amortization                                                                            | 3,898                       | 3,898                       |
| Interest expense - permanent loan cost amortization                                     | -                           | 5,891                       |
| Increase (decrease) in assets:                                                          |                             |                             |
| Prepaid expenses                                                                        | -                           | 2,819                       |
| Increase (decrease) in liabilities:                                                     |                             |                             |
| Accounts payable and accrued expenses                                                   | (1,000)                     | 1,000                       |
| Deferred revenue                                                                        | (10,000)                    | -                           |
| Related party                                                                           | 10,358                      | (2,858)                     |
|                                                                                         | <b>(357,361)</b>            | <b>(205,399)</b>            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                            |                             |                             |
| Issuance of mortgages receivable                                                        | (407,711)                   | (292,818)                   |
| Collection of mortgages receivable                                                      | 294,058                     | 125,101                     |
| Deferred costs paid                                                                     | -                           | (33,000)                    |
|                                                                                         | <b>(113,653)</b>            | <b>(200,717)</b>            |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                            |                             |                             |
| Proceeds from debt                                                                      | 1,354,712                   | -                           |
| Loan to related-party                                                                   | (50,000)                    | (375,000)                   |
|                                                                                         | <b>1,304,712</b>            | <b>(375,000)</b>            |
| <b>NET INCREASE (DECREASE) IN CASH</b>                                                  | <b>833,698</b>              | <b>(781,116)</b>            |
| <b>CASH AND CASH EQUIVALENTS, beginning of year</b>                                     | <b>685,385</b>              | <b>1,466,501</b>            |
| <b>CASH AND CASH EQUIVALENTS, end of year</b>                                           | <b>\$ 1,519,083</b>         | <b>\$ 685,385</b>           |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>                                |                             |                             |
| Cash paid for interest                                                                  | \$ 37,335                   | \$ 56,689                   |

See notes to financial statements.

# **EBSV COMMUNITY DEVELOPMENT, INC.**

## **NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021 AND 2020**

### **Note 1. ORGANIZATION AND NATURE OF ACTIVITIES:**

EBSV Community Development, Inc. (EBSV) is a California nonprofit public benefit corporation, which was formed on May 25, 2016 as an instrument to further Habitat of Humanity East Bay Silicon Valley's (HEBSV) organizational objectives. EBSV's purposes are the attraction of long-term capital in order to finance community development activities of HEBSV and other affordable housing organizations, and to provide development services to participants in the programs of those entities. EBSV obtained Community Development Financial Institution certification of the CDFI Fund of the U.S. Department of Treasury on May 5, 2017.

### **Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The following is a summary of significant accounting policies followed in preparation of the financial statements:

#### Accounting methods:

EBSV uses the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

#### Basis of presentation:

The Organization reports information regarding its financial position and activities according to two classes of net assets, as applicable: net assets without donor restrictions and net assets with donor restrictions.

- Net assets without donor restrictions include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization.
- Net assets with donor restrictions include those assets subject to donor restrictions and for which the applicable restrictions were not met as of the end of the current reporting period. 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. 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 statements of activities as net assets released from restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity.

#### Revenue recognition:

Contributions are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions are recorded at their fair value as support without donor restrictions or support with donor restrictions, depending on the absence or existence of donor-imposed restrictions as applicable. When a 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 statements of activities as net assets released from restrictions. If donors' restrictions are satisfied in the same period that the contribution is received, the contribution is reported as support without donor restrictions. Contributions restricted for the purchase of long-lived assets, are reported as without donor restriction when the assets are placed in service.

## **EBSV COMMUNITY DEVELOPMENT, INC.**

### **NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021 AND 2020**

#### **Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued);**

##### **Cash:**

For purposes of the statement of cash flows, the EBSV considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash consists of cash in demand deposit accounts as well as cash on hand.

##### **Mortgages receivable:**

Mortgages receivable bear no interest and are discounted to reflect imputed interest over the lives of the mortgages. For acquired mortgages, the discount is calculated as the difference between the gross value of the mortgages acquired and the acquisition price. The discount rates based on this calculation which is used to impute interest of the first liens and second/third liens ranges between 2.50% and 6.26%. Mortgages are reported net of unamortized discount and amortization is recognized on a straight-line basis. Management estimates that the difference between amortization calculated using the straight-line method and the effective interest method is not material.

Management may sell a portion of the first-lien mortgages. Due to the uncertainty of the timing and amount of each sale of those mortgage receivables, any loss resulting from such transactions will be recorded when the transactions are settled or when amounts can be reasonably estimated.

##### **Allowance for mortgages receivable losses:**

Management's determination of the level of the allowance for mortgages receivable losses rests upon various judgments and assumptions, including current and projected economic conditions, prior loan loss experience, the value of the underlying collateral, continuing review of the loan, and evaluation of credit risk. The allowance is increased or decreased by a provision (recapture) for loan losses, which is charged to expense and reduced by charge-offs, net of recoveries. As of June 30, 2021 and 2020, management believed the mortgages receivable were fully collectible and as such, no allowance for mortgage losses was necessary. At June 30, 2021, mortgages were current in their payment.

##### **Deferred costs:**

Deferred costs were incurred in order to acquire mortgages. Deferred costs are amortized on a straight-line basis over the term of the acquired mortgages.

##### **Notes payable:**

GAAP requires that notes payable bearing no interest are discounted to reflect imputed interest using the effective interest method over the lives of the loan, if the financial statement impact is material. Notes payable to governmental entities are exempt from the requirement to impute interest.

##### **Permanent loan costs:**

Costs incurred in order to obtain permanent financing are stated at cost and amortized on a straight-line basis into interest expense over the term of the loan. Permanent loan costs are reported as a direct deduction from the face amount of the related debt.

# EBSV COMMUNITY DEVELOPMENT, INC.

## NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021 AND 2020

### **Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued);**

#### Income taxes:

EBSV received approval for exemption from federal income taxes under section 501(c)(3) of the Internal Revenue Code and related California code sections in January 2020.

EBSV believes that it has appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the financial statements. EBSV's federal returns for years 2017 through 2019 and the state information returns for the years 2016 through 2019 are subject to examination by regulatory agencies, generally for three years and four years after they were filed federal and state, respectively.

#### Functional allocation of expenses:

The costs of providing program services and supporting services are summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, certain costs are allocated among program services and supporting services based on estimates of employees' time incurred and on usage of resources. Directly identifiable expenses are charged to programs and supporting services.

#### Subsequent events:

Management has evaluated subsequent events through December 17, 2021 the date on which the financial statements were available to be issued.

### **Note 3. NATURE OF ESTIMATES:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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.

### **Note 4. CONCENTRATIONS OF CREDIT RISK:**

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist primarily of cash and investments. The Foundation places its cash and investments with high credit quality financial institutions. At times, the account balances may exceed the institution's federally insured limits. The Foundation has not experienced any losses in such accounts.

### **Note 5. LIQUIDITY AND AVAILABILITY:**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following at June 30, 2021 and 2020:

|                                    | <u>2021</u>         | <u>2020</u>         |
|------------------------------------|---------------------|---------------------|
| Cash                               | \$ 1,519,083        | \$ 685,385          |
| Related party receivable - current | 425,000             | 375,000             |
| Mortgage receivable - current      | <u>150,237</u>      | <u>137,927</u>      |
|                                    | <u>\$ 2,094,320</u> | <u>\$ 1,198,312</u> |

## EBSV COMMUNITY DEVELOPMENT, INC.

### NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021 AND 2020

**Note 6. MORTGAGES RECEIVABLE:**

Mortgages receivable are summarized as follows at June 30:

|                             | 2021         | 2020         |
|-----------------------------|--------------|--------------|
| Mortgages receivable, gross | \$ 2,672,109 | \$ 2,394,378 |
| Less: unamortized discount  | (728,958)    | (631,924)    |
|                             | 1,943,151    | 1,762,454    |
| Less: current portion       | (150,237)    | (137,927)    |
| Long-term portion           | \$ 1,792,914 | \$ 1,624,527 |

The Organization had 51 and 42 1<sup>st</sup> and 2<sup>nd</sup> lien mortgages outstanding in 2021 and 2020, respectively. The mortgages were purchased from the following Habitat for Humanity organizations who continue to service the loans and remit payments to EBSV:

Habitat for Humanity East Bay/Silicon Valley (a related party): 14 mortgages with an aggregate balance of \$1,637,216 purchased at a discount of 29% in July 2016. Monthly payment due is \$4,817 as adjusted based on collections anticipated through 2045.

Habitat for Humanity Fresno: 14 mortgages with an aggregate balance of \$684,183 purchased at a discount of 23% in February 2019. Monthly payment due is \$5,633 as adjusted based on collections anticipated through 2033.

Habitat for Humanity Tulare/Kings Counties: 14 mortgages with an aggregate balance of \$382,673 purchased at a discount of 23% in June 2020. Monthly payment due is \$4,048 as adjusted based on collections anticipated through 2036.

Habitat for Humanity Fresno: 9 mortgages with an aggregate balance of \$474,755 purchased at a discount of 34% in September 2020. Monthly payment due is \$2,528 as adjusted based on collections anticipated through 2043.

**Note 7. DEFERRED COSTS:**

Deferred costs are summarized as follows at June 30:

|                                | 2021      | 2020      |
|--------------------------------|-----------|-----------|
| Mortgages acquisition costs    | \$ 72,300 | \$ 72,300 |
| Less: accumulated amortization | (9,095)   | (5,197)   |
| Total deferred cost            | \$ 63,205 | \$ 67,103 |

## EBSV COMMUNITY DEVELOPMENT, INC.

### NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021 AND 2020

**Note 8. RELATED PARTY TRANSACTIONS:**

Expenses paid to related parties included on the statements of activities are summarized as follows:

|                               | 2021       | 2020       |
|-------------------------------|------------|------------|
| HEBSV:                        |            |            |
| Community counseling services | \$ 50,775  | \$ 69,624  |
| Other outsourced services     | 155,166    | 52,525     |
| Totals                        | \$ 205,941 | \$ 122,149 |

The Organization contracted HEBSV to provide the following services to residents of Alameda County, Contra Costa County and Santa Clara County: pre-purchase counseling; pre-purchase homebuyers education workshops; financial management counseling; financial, budgeting and credit workshops and non-delinquency post purchase workshops.

The operating advances owed to HEBSV as of June 30, 2021 and 2020 amounted to \$11,858 and \$1,500, respectively.

In June 2020, EBSV entered into a loan agreement with HEBSV in the amount of \$375,000, accruing interest at the rate of 4.0% per annum. Effective June 2021, this agreement was increased to the amount of \$425,000 accruing interest at the rate of 3.6% per annum. EBSV is entitled to receive monthly interest payments of \$1,275 through June 19, 2022, at which time the remaining principal and interest shall be due in full.

**Note 9. NOTES PAYABLE:**

Notes payable consist of the following at June 30:

|                                                                                                                                      | June 30,     |      |
|--------------------------------------------------------------------------------------------------------------------------------------|--------------|------|
|                                                                                                                                      | 2021         | 2020 |
| Northern Trust, original amount of \$1,383,612 bears no interest, with monthly installments of \$4,817, payable in full in May 2045. | \$ 1,354,692 | \$ - |
| Totals                                                                                                                               | 1,354,692    | -    |
| Less: portion due in one year                                                                                                        | (57,799)     | -    |
| Long-term portion notes payable                                                                                                      | \$ 1,296,893 | \$ - |

# EBSV COMMUNITY DEVELOPMENT, INC.

## NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021 AND 2020

### **Note 9. NOTES PAYABLE (Continued):**

Scheduled principal payments on the notes payable for the next five years are estimated as follows:

| Year Ending<br>June 30, |    |                  |
|-------------------------|----|------------------|
| 2022                    | \$ | 57,799           |
| 2023                    |    | 57,799           |
| 2024                    |    | 57,799           |
| 2025                    |    | 57,799           |
| 2026                    |    | 57,799           |
| Thereafter              |    | <u>1,065,697</u> |
| Total                   | \$ | <u>1,354,692</u> |

### **Note 10. OTHER SUBORDINATE DEBT:**

In June 2016, EBSV entered into a subordinated equity note agreement with Heritage Bank of Commerce. The agreement provides for Heritage Bank of Commerce to purchase from EBSV a subordinated equity note at a purchase price of \$350,000 which is structured as a subordinated unsecured equity equivalent investment (EQ). The EQ requires quarterly interest-only payments at a rate of 2.50% per annum. The original maturity date of the EQ was April 1, 2021, which is expected to be extended annually through April 2041. Currently, the extended maturity date is April 1, 2026. The EQ was made subordinate to all other obligations of EBSV. The interest expense for 2021 and 2020 was \$11,137 and \$6,689, respectively.

A second EQ, in the amount of \$2,000,000 was obtained by EBSV from City National Bank in November 2016. The EQ bears quarterly interest-only payments at a rate of 2.50% per annum. The loan was originally due in full on January 1, 2022, which is expected to be extended annually through January 1, 2042. Currently, the extended maturity date is January 1, 2026. The interest expense was \$50,000 for both 2021 and 2020.

Costs incurred in order to obtain permanent financing were \$146,875 and are amortized on a straight-line basis into interest expense over the term of the subordinate debts. The unamortized permanent loan costs balance as of June 30, 2021 and 2020 was \$124,847 and \$124,847, respectively. Interest expense for amortization of permanent loan costs for 2021 and 2020 was \$5,891.

### **Note 11. COVID-19 IMPACT:**

As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact support, revenue and operating results. While the disruption is expected to be temporary, there is considerable uncertainty around the duration. The related financial impact and duration cannot be reasonably estimated at this time.