Richmond Metropolitan Habitat for Humanity®

Consolidated Financial Statements

June 30, 2023

Keiter
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RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Richmond Metropolitan Habitat for Humanity, Inc. and Subsidiary
Richmond, Virginia

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Richmond Metropolitan Habitat for Humanity, Inc. and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Richmond Metropolitan Habitat for Humanity, Inc. and Subsidiary as of June 30, 2023, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, effective July 1, 2022, the Organization has adopted Accounting Standards Update 2016-02, *Leases* (Topic 842), which supersedes existing accounting standards for leases and requires lessees to recognize right-of-use lease assets and corresponding lease liabilities on the consolidated statement of financial position. As described in Note 2, there was an adjustment to recognize right-of-use lease assets of $502,494 and lease liabilities of $502,494 at adoption at July 1, 2022. Our opinion is not modified in respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 and *Government 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidated schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Richmond Metropolitan Habitat for Humanity Inc. and Subsidiary's 2022 consolidated financial statements, and in our report dated October 19, 2022, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Keiter

December 12, 2023
Glen Allen, Virginia

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statement of Financial Position
June 30, 2023 with 2022 Comparative Totals

Assets	Without Donor Restrictions	With Donor Restrictions	Totals 2023	Totals 2022
Current assets:				
Cash and cash equivalents	$ 293,703	$ 645,009	$ 938,712	$ 5,671,288
Pledges and grants receivable	103,456	435,143	538,599	484,168
Inventory	3,026,833	344,993	3,371,826	2,844,873
Mortgages receivable - current portion	586,179	-	586,179	593,517
Other current assets	8,472	-	8,472	3,920
Total current assets	4,018,643	1,425,145	5,443,788	9,597,766
Property and equipment, net	2,862,514	-	2,862,514	2,890,463
Other assets:				
Beneficial interest in assets held by The Community Foundation	245,116	31,233	276,349	274,435
Right-of-use operating lease assets	407,703	-	407,703	-
Investments	2,883,217	-	2,883,217	-
Escrow funds held by VHDA	110,155	-	110,155	96,412
Mortgages receivable - net of current portion and unamortized discount	4,021,675	-	4,021,675	3,677,802
Total other assets	7,667,866	31,233	7,699,099	4,048,649
	$ 14,549,023	$ 1,456,378	$ 16,005,401	$ 16,536,878

See accompanying notes to consolidated financial statements.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statement of Financial Position, Continued
June 30, 2023 with 2022 Comparative Totals

Liabilities and Net Assets	Without Donor Restrictions	With Donor Restrictions	Totals 2023	Totals 2022
Current liabilities:				
Line of credit	$ 49,744	$ -	$ 49,744	$ 350,000
Accounts payable	216,909	-	216,909	164,454
Notes payable - current portion	166,720	-	166,720	160,659
Operating lease liabilities - current potion	140,430	-	140,430	-
Accrued expenses	116,771	-	116,771	104,099
Escrow fund liability	114,946	-	114,946	107,983
Total current liabilities	805,520	-	805,520	887,195
Notes payable	2,751,489	-	2,751,489	2,926,832
Operating lease liabilities	280,291	-	280,291	-
Total liabilities	3,837,300	-	3,837,300	3,814,027
Net assets:				
Without donor restrictions				
Controlling Interest	10,677,439	-	10,677,439	11,388,188
Non-controlling interest	34,284	-	34,284	34,284
Total net assets without donor restrictions	10,711,723	-	10,711,723	11,422,472
With donor restrictions	-	1,456,378	1,456,378	1,300,379
Total net assets	10,711,723	1,456,378	12,168,101	12,722,851
	$ 14,549,023	$ 1,456,378	$ 16,005,401	$ 16,536,878

See accompanying notes to consolidated financial statements.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statement of Activities
Year Ended June 30, 2023 with 2022 Comparative Totals

	Without Donor Restrictions	With Donor Restrictions	Totals 2023	Totals 2022
Support and revenue				
Support:				
Contributions:				
Corporations	$ 64,646	$ 95,000	$ 159,646	$ 158,923
In-kind	1,889,616	64,600	1,954,216	1,954,882
Government grants	-	1,662,536	1,662,536	693,018
Civic groups	221,582	437,289	658,871	5,252,921
Congregations	24,545	-	24,545	42,629
Individuals	388,445	100	388,545	443,487
Other grants	33,809	202,500	236,309	199,550
Total support	2,622,643	2,462,025	5,084,668	8,745,410
Revenue:				
House and lot revenue	1,462,425	-	1,462,425	2,015,947
Interest-mortgage loan discount amortization	344,689	-	344,689	511,075
ReStore income	535,316	-	535,316	420,319
Other income	100,870	-	100,870	75,205
Special events, net	42,908	-	42,908	44,609
Investment income, net	99,327	-	99,327	4,433
Total revenue	2,585,535	-	2,585,535	3,071,588
Total support and revenue	5,208,178	2,462,025	7,670,203	11,816,998
Net assets released from restrictions	$ 2,306,026	$ (2,306,026)	$ -	$ -

See accompanying notes to consolidated financial statements.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statement of Activities, Continued
Year Ended June 30, 2023 with 2022 Comparative Totals

	Without Donor Restrictions	With Donor Restrictions	Totals 2023	Totals 2022
Expenses:				
Program services	$ 6,938,197	$ -	$ 6,938,197	$ 5,955,772
Supporting services:				
General and administrative	822,393	-	822,393	750,777
Fundraising	464,363	-	464,363	294,773
Total expenses	8,224,953	-	8,224,953	7,001,322
Change in net assets	(710,749)	155,999	(554,750)	4,815,676
Net assets at beginning of year	11,422,472	1,300,379	12,722,851	7,872,891
Contribution from member	-	-	-	34,284
Net assets at end of year	$ 10,711,723	$ 1,456,378	$ 12,168,101	$ 12,722,851

See accompanying notes to consolidated financial statements.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses
Year Ended June 30, 2023 with 2022 Comparative Totals

	Program Services	General and Administrative	Fundraising	Totals 2023	Totals 2022
Salaries and benefits	$ 2,236,364	$ 349,709	$ 288,053	$ 2,874,126	$ 2,505,293
Building materials, supplies and land	2,941,838	360	-	2,942,198	2,542,466
Mortgage discounts	904,317	-	-	904,317	616,245
Other	197,567	44,538	3,859	245,964	231,538
Professional fees	12,623	277,283	163,696	453,602	309,380
Interest	102,000	43,721	-	145,721	162,954
Supplies and utilities	20,417	8,274	361	29,052	32,050
Rent and occupancy	150,875	43,190	850	194,915	175,821
Insurance	107,141	26,992	-	134,133	129,579
Depreciation	114,454	-	-	114,454	105,148
Printing, postage and advertising	4,176	1,258	3,696	9,130	15,677
Repairs and maintenance	116,401	14,992	-	131,393	146,804
Travel and conferences	30,024	12,076	3,848	45,948	28,367
Total	$ 6,938,197	$ 822,393	$ 464,363	$ 8,224,953	$ 7,001,322

See accompanying notes to consolidated financial statements.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statement of Cash Flows
Year Ended June 30, 2023 with 2022 Comparative Totals

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ (554,750)	$ 4,815,676
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	114,454	105,148
Investment loss, net	3,869	970
Donated inventory	(64,600)	(29,400)
Mortgage loan discount amortization	(344,689)	(511,075)
Net value of mortgages issued	(904,317)	(616,245)
Proceeds from mortgages	912,471	1,154,793
Changes in operating assets and liabilities:		
Pledges and grants receivable	(54,431)	(112,798)
Inventory	(462,353)	(218,186)
Other current assets	(4,552)	467
Operating lease assets and liabilities, net	13,018	-
Escrow funds held by VHDA	(13,743)	7,945
Accounts payable	52,455	5,431
Accrued expenses	12,672	(40,034)
Escrow fund liability	6,963	(5,520)
Net cash (used in) provided by operating activities	(1,287,533)	4,557,172
Cash flows from investing activities:		
Purchase of property and equipment	(86,505)	(53,196)
Purchase of investments	(2,889,000)	-
Net cash used in investing activities	(2,975,505)	(53,196)
Cash flows from financing activities:		
Net activity on line of credit	(300,256)	(400,000)
Proceeds from notes payable	-	763,436
Payments on notes payable	(169,282)	(118,947)
Contribution from member	-	34,284
Net cash (used in) provided by financing activities	(469,538)	278,773
Net change in cash and cash equivalents	(4,732,576)	4,782,749
Cash and cash equivalents, beginning of year	5,671,288	888,539
Cash and cash equivalents, end of year	$ 938,712	$ 5,671,288

See accompanying notes to consolidated financial statements.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statement of Cash Flows, Continued
Year Ended June 30, 2023 with 2022 Comparative Totals

	2023	2022
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 145,721	$ 162,954
Noncash transactions:		
Operating lease assets obtained in exchange for lease liabilities	$ 502,494	$ -
Transfer of rental properties from inventory to property and equipment	$ -	$ 340,881

See accompanying notes to consolidated financial statements.

1. Organization and Nature of Activities:

Richmond Metropolitan Habitat for Humanity, Inc., ("Habitat") is a non-profit, non-stock, tax-exempt corporation dedicated to providing affordable home ownership opportunities to low-income families on a non-discriminatory basis. Incorporated in Virginia in 1986, Habitat is an affiliate of Habitat for Humanity International, Inc. ("HFHI"), a non-denominational Christian non-profit organization. Although HFHI assists with information resources, training, publications, and in many other ways, Habitat is primarily and directly responsible for its own operations, which are conducted in the metropolitan area of Richmond, Virginia. The consolidated financial statements include the accounts and transactions of Habitat and its wholly-owned subsidiary, Habitat Commonwealth, LLC ("HCL"), (collectively, the "Organization"). HCL was established in February 2019 to own and manage real estate. During 2020, HCL admitted an outside investor and presents the investor's ownership as a non-controlling interest within the consolidated financial statement (see Note 2). The Organization has two ReStore operations. The ReStores operate like a thrift store, selling primarily donated goods, which diverts usable goods out of the waste stream and raises funds to build additional Habitat homes.

2. Summary of Significant Accounting Policies:

Basis of Accounting: The consolidated financial statements of the Organization have been prepared using the accrual basis in accordance with accounting principles generally accepted in the United States. All significant intercompany transactions and balances have been eliminated in consolidation.

Cash and Cash Equivalents: The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts, Pledges, and Grants Receivable: Contributions, pledges, and grants receivable are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Donor-restricted contributions and grants are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

The Organization uses the allowance method for estimates of uncollectible receivables. The allowance is based on historical collection rates and an analysis of individual receivables. Based on this analysis, there is no provision for uncollectible amounts for 2023 and 2022.

Grants and pledges receivable were $538,599 as of June 30, 2023 and $484,168 as of June 30, 2022. The Organization expects to collect all 2023 grants and pledges receivable during fiscal year 2024.

2. Summary of Significant Accounting Policies, Continued:

Contributions: The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barriers and a right of return - are not recognized until the conditions on which they depend have been met.

A portion of the Organization's revenue is derived from cost-reimbursable government contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. The Organization received cost-reimbursable grants of $339,643 that have not been recognized at June 30, 2023 because qualifying expenditures have not yet been incurred.

Revenue Recognition: The Organization recognizes revenue from exchange transactions in accordance with Financial Accounting Standards Board ("FASB") guidance contained in Revenue from Contracts with Customers (Topic 606).

The Organization recognizes a majority of its revenue, including ReStore revenue, at a point in time upon the transfer of control of products or services to its customers. Economic factors may impact the nature, amount, and timing of revenue recognition.

House and Lot Revenue: The Organization recognizes revenue from all homebuilding activities at the closing of the sale using the deposit method. During construction, all direct material and labor costs and those indirect costs related to acquisition and construction are capitalized as inventory, and all customer deposits are treated as liabilities. House sale prices to Habitat homeowners (partner families) are derived based on 0.5% below appraisal value. The costs of the houses are reflected in program services expenses as "building materials, supplies, and land" in the year the mortgage is closed. The sales prices are concurrently reflected in the consolidated financial statements as "house and lot revenue."

As described in Note 8 and Note 9, when the Organization sells houses, at least one non-interest bearing mortgage is extended to the buyer. The Organization has determined these transactions meet the criteria of a significant financing component under Topic 606 and a mortgage receivable is recorded at its net present value at the time of sale.

A contract asset is the Organization's right to consideration in exchange for goods or services the Organization has transferred to a customer. Contract liabilities represent consideration received from a customer before the Organization has transferred a good or service to the customer. There were no contract assets or contract liabilities as of June 30, 2023, 2022 and 2021.

2. Summary of Significant Accounting Policies, Continued:

Mortgages Receivable: Mortgages receivable consist of non-interest bearing first mortgages which are collateralized by real estate and which have been discounted based upon prevailing market interest rates for low-income housing at the time of issuance. These discounts are amortized and recognized as interest income over the term of the mortgages. Payable in monthly installments, the mortgages have an original maturity of 15 to 30 years, and arose in connection with the Organization's projects in Richmond, Virginia and the surrounding counties.

If a mortgagor fails to pay, the Organization may foreclose on the property to prevent further losses. As the property will either be sold at auction on the open market, or revert back to the Organization, and mortgages are below market value at inceptions, there is no estimate for loan loss reserve given management’s belief that the property will be higher in value than that of the default mortgage.

Inventory: Purchased inventory is carried at cost and is relieved on a specific identification basis. Donated inventory used in home construction is recorded at estimated net realizable value. For ReStore operations, contributed inventory is recorded at the estimated fair value based on a computation using ReStore sales and inventory turnover rates.

Property and Equipment: Property and equipment are stated at cost, or as in the case of donations, at fair market value as of the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets ranging from 3 to 30 years. Expenditures for maintenance and repairs are expensed, while expenditures for major additions and betterments greater than $1,000 are capitalized. Upon retirement or sale of an asset, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations.

Leases: In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes ASC 840 and creates a new topic, ASC 842. ASC 842 requires lessees to recognize a right-of-use asset and a lease liability on the consolidated statement of financial position for substantially all leases with a term of 12 months or greater. Leases are classified as either finance or operating, with classification affecting expense recognition in the Organization’s operations.

The lease liabilities are initially measured at the present value of future lease payments, measured on a discounted basis, as of the lease commencement date or the adoption date, whichever is later. The right-of-use assets are initially measured at the value of the lease liability, adjusted for initial direct lease costs, lease incentives, and prepaid or deferred rent. The Organization elected to use the risk-free discount rate for any leases for which the rate implicit in the lease was not readily determinable. The right-of-use assets and lease liabilities are calculated to include options to extend or terminate the lease when the Organization determines that it is reasonably certain it will exercise those options. In making those determinations, the Organization considers various existing economic and market factors, business strategies as well as the nature, length, and terms of the lease agreements.

2. Summary of Significant Accounting Policies, Continued:

Leases, Continued: At July 1, 2022, the Organization adopted the provisions of ASC 842, using the modified retrospective adoption method. In addition, the Company utilized the simplified transition option available in ASC 842, which allows entities to continue to apply the legacy guidance in ASC 840, including its disclosure requirements, in the comparative periods presented in the year of adoption.

Upon adoption of ASC 842, the Organization elected the transitional package of practical expedients that allow an entity to not reassess (1) whether any expired or existing contracts contain a lease, (2) the lease classification of any expired or existing lease, and (3) initial direct costs for any existing lease, and the use of hindsight in determining the lease term. In addition, the Company elected to not record a lease liability and corresponding right of use asset for leases with terms of 12 months or less, and to account for lease and non-lease components as a single lease component.

The adoption of ASC 842 resulted in the recognition of operating lease right of use assets of $502,494 and operating lease liabilities of $502,494 as of July 1, 2022. The standard did not materially impact the Organization’s operations and cash flows.

Investments: Investments include certificates of deposit, which are valued at face value, plus accrued interest as reported by the issuing institution. Investments are exposed to various risks, such as interest rate, market, and credit.

Classes of Net Assets: The consolidated financial statements report amounts separately by class of net assets as follows:

> Net assets without donor restrictions are those currently available at the discretion of the Board of Directors for use in the Organization's operations and those resources invested in property and equipment.

2. Summary of Significant Accounting Policies, Continued:

Classes of Net Assets, Continued: Net assets with donor restrictions include those which are stipulated by donors for specific operating purposes or for the acquisition of property or equipment. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. At June 30, 2023 and 2022, $1,425,145 and $1,269,146, respectively, of net assets with donor restrictions were restricted for the purpose of building, selling, and repairing homes. Net assets with donor restrictions also include funds subject to donor–imposed stipulations that they be maintained permanently by the Organization to use all or part of the income earned on any related investments for general or specific purposes, in accordance with the conditions of each specific donation. At June 30, 2023 and 2022, $31,233 of net assets with donor restrictions of this type were held by the Organization.

Donated Land, Materials, Inventories and Services: Donated land, materials, inventories and services are included in contributions at fair market value as of the date of donation using appraisals or current market prices. All donated land, materials, inventories and services are able to be used by the Organization as determined by the board of directors and management. The Organization received donated land, property, building materials and supplies valued at $95,539 during 2023 and $50,648 during 2022. Donated inventories consist of donated merchandise, the fair value of which is recorded at the time of donation; however, this merchandise also requires program related expenses and processing costs before it reaches its point of sale.

Amounts reported as ReStore income have been reduced by the fair value of donated goods reported as in-kind contributions of $1,693,181 during 2023 and $1,755,475 during 2022 on the consolidated statements of activities. The Organization received pro-bono legal services of $165,496 during 2023 and $148,759 during 2022. The donated property and services are recorded as in-kind revenue and professional fee expense, inventory, cost of sales, or are included in another appropriate expense account. A substantial number of unpaid volunteers have made significant contributions of their time in the Organization's administrative and operating activities. The value of this contributed time is not reflected in these consolidated financial statements because the criteria for recognition under guidance provided by the FASB related to accounting for contributions received and contributions made, has not been satisfied.

Functional Allocation of Expenses: The consolidated statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. A portion of general and administrative costs that benefit multiple functional areas have been allocated across programs and management and general based on time and effort incurred.

2. Summary of Significant Accounting Policies, Continued:

Income Taxes: Habitat is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Habitat received a refund for unrelated business income tax of $0 for 2023 and $209 for 2022 related to rental activities.

HCL began as a single member LLC and has elected to be taxed as a partnership. In April 2020, HCL raised capital from an outside investor who then received historic rehabilitation credits and a 1% membership interest in HCL. In lieu of corporate income taxes, the members of the partnership are taxed on their proportionate share of the HCL's taxable income or loss. Accordingly, no provision or liability for income taxes has been included in the accompanying consolidated financial statements. For income tax purposes, HCL operates on a calendar year.

Management has evaluated the effect of guidance surrounding uncertain income tax positions and concluded that the Organization has no significant financial statement exposure to uncertain income tax positions at June 30, 2023 and 2022. The Organization is not currently under audit by any tax jurisdiction.

Non-Controlling Interest: In connection with the investor admitted to HCL, contributed capital of $34,284 as of June 30, 2023 and 2022 is included in net assets without donor restrictions on the accompanying consolidated financial statement.

In accordance with the operating agreement, the outside investor will receive a share of historic rehabilitation credits, however will not be allocated any share of income or loss generated by HCL.

Estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk: Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, certificates of deposit, and mortgages receivable. At times, cash and cash equivalents balances are in excess of the FDIC insurance limit. Mortgages are collateralized by deeds of trust on the property and are not considered to be at risk. For the year ended June 30, 2023, 64% of pledges and grants receivable are due from three donors. For the year ended June 30, 2022, 57% of pledges and grants receivable are due from three donors.

Advertising: Advertising costs are charged to expense as incurred and were $21,371 for 2023 and 21,779 for 2022.

2. Summary of Significant Accounting Policies, Continued:

Subsequent Events: Management has evaluated subsequent events through December 12, 2023, the date the consolidated financial statements were available to be issued, and has determined that there are no subsequent events to be reported in the accompanying consolidated financial statements.

3. Fair Value Measurements:

The FASB has issued guidance for measurement and disclosure of fair value and establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal and most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The levels of the hierarchy are defined as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology are quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.

Level 3 Inputs to the valuation methodology are unobservable for the instrument and significant to the fair value measurement. The Organization did not have any Level 3 assets or liabilities at June 30, 2023 and 2022. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for investments carried or disclosed at fair value:

Certificates of deposit: Valued at face value and accrued interest.

Investments in certificates of deposit measured at fair value on a recurring basis measured using Level 2 inputs amounted to $2,883,217 as of June 30, 2023.

Investments in certificates of deposit are subject to restrictions on the frequency of redemptions without penalty. Redemption restrictions on certificates of deposit lapse by April 2024.

4. Inventory:

Inventory consists of the following as of June 30:

	2023	2022
Vacant land costs	$ 812,148	$ 696,808
ReStore merchandise	213,387	221,238
Construction in progress	2,346,291	1,926,827
	$ 3,371,826	$ 2,844,873

5. Property and Equipment:

Property and equipment consists of the following as of June 30:

	2023	2022
Land	$ 631,234	$ 631,234
Buildings	2,498,933	2,477,819
Building improvements	98,218	87,758
Rental properties	340,881	340,881
Construction equipment	70,018	70,018
Transportation equipment	162,806	113,739
Office furniture and fixtures	177,604	171,741
Computer equipment and software	38,131	38,131
	4,017,825	3,931,321
Less accumulated depreciation	1,155,311	1,040,858
	$ 2,862,514	$ 2,890,463

Depreciation expense was $114,454 for 2023 and $105,148 for 2022.

6. Liquidity and Availability of Resources:

The following table reflects the Organization's financial assets as of June 30, 2023 and 2022 reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when restricted by a donor for a time or purpose or when the governing board has set aside the funds for a specific purpose.

	2023	2022
Financial assets:		
Cash and cash equivalents	$ 938,712	$ 5,671,288
Pledges and grants receivable	538,599	484,168
Mortgage receivable - current portion	586,179	593,517
Investments	2,883,217	-
Total financial assets	4,946,707	6,748,973
Less those unavailable for general expenditure within one year due to:		
Donor imposed restrictions on funds to only be used for specific purposes or programs	1,111,385	967,486
Financial assets available to meet cash needs for general expenditures within one year	$ 3,835,322	$ 5,781,487

The Organization has a policy to structure its financial assets as its general expenditures, liabilities, and other obligations come due. The Organization also has investments held at The Community Foundation for a greater Richmond ("The Community Foundation") in the Richmond Metropolitan Habitat for Humanity Endowment, which could be used if certain conditions are met as described in Note 7.

7. Beneficial Interest in Assets Held by The Community Foundation:

During 2014 and 2019, respectively, the Organization with the help of The Community Foundation established the Richmond Metropolitan Habitat for Humanity Endowment with funds designated without donor restrictions and the Richmond Metropolitan Habitat for Humanity-Jane V. Helfrich Endowment (collectively, the "Endowments") with funds designated as with donor restrictions. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

7. Beneficial Interest in Assets Held by The Community Foundation, Continued:

The Endowments are administered by The Community Foundation and are subject to certain terms and conditions regarding withdrawals of income and access to principal. Spendable income is not to exceed 5% of the average endowment balance over the past twelve quarters and is unrestricted and spent as the Board of Directors deems appropriate. The Organization may not access the principal balance of the Endowments unless there is an affirmative vote of the of three-fourths of the board of directors and the following conditions are met: (i) the distribution is for the purpose of acquiring or renovating a capital asset; (ii) the Organization is faced with an unexpected financial need that is not likely to recur and the distribution will enable the Organization to meet those needs; or (iii) the distribution is believed to be in the best interest of the community. The Community Foundation’s Board of Governors has full authority and discretion as to the investment of the assets, as well as certain variance power as defined in the agreement.

The funds for the Endowments were received in June 2014, June 2019, and July 2019 and are included in beneficial interest in assets held by The Community Foundation on the accompanying consolidated statement of financial position. The Endowments had a balance of $276,349 as of June 30, 2023, of which $31,233 is donor restricted. The Endowments had a balance of $274,435 as of June 30, 2022, of which $31,233 is donor restricted.

8. First Mortgage Discounts:

The Organization discounts its interest-free mortgages to present value at the date the mortgage is given. As monthly payments are received, this discount is amortized and recognized as interest income. The original discounted amounts are reflected in the consolidated financial statements as “mortgage discounts” expense in the year the mortgage is closed.

The monthly amortization of the discount is recorded as “interest-mortgage loan discount amortization” income. Unamortized discounts were $4,727,314 at June 30, 2023 and $4,167,687 at June 30, 2022. The discount rates used were 7.85% for 2023 and 7.49% for 2022.

9. Subordinate Mortgages:

When the Organization sells houses, at least one non-interest bearing mortgage is extended to the buyer. The first mortgage is given for either the full sales price of the home or an amount below the sales price based on either the 1) total development costs or 2) affordability of the homeowner as determined by the Organization. A second mortgage, if necessary, is given for the difference between the first mortgage and the sales price. The first mortgage cannot exceed the total development costs; therefore, if the total development costs are below the sales price, the first mortgage would equal the total development costs. A second mortgage would be given for the difference between the first mortgage and the sales price.

9. Subordinate Mortgages, Continued:

Second mortgages are forgivable in annual amounts over the life of the mortgage provided that the homeowner made all payments in full and on time during the 12 months preceding the anniversary of the mortgage. In the event the buyer sells the home prior to the full forgiveness of the second mortgage, the Organization, whose policy is not to recognize the discounted present value of these mortgages at the time they are given, recognizes as current revenue the amount received (see Note 8). During 2010, the Special Warranty Deed was modified so that it contains a shared appreciation provision whereby the Organization having sold the property at no profit and financed with a no interest loan, has the right to share 50/50 in any appreciation realized within the first five years of homeownership. In the event the buyer sells the home prior to the full forgiveness of the second mortgage or pays off a silent second mortgage, the Organization, whose policy is not to recognize the discounted present value of these mortgages at the time they are given, recognizes as current revenue the amount received.

Certain buyers signed a second mortgage to Department of Housing and Community Development ("DHCD"), which covered the amount of closing costs paid on the buyers' behalf. These mortgages are forgivable by DHCD over a five-year period. For the aforementioned buyers, the above referenced second mortgages are held as third mortgages by the Organization. The Organization holds 146 second, third, and fourth mortgages as of June 30, 2023. The Organization holds 110 second, third, and fourth mortgages as of June 30, 2022.

10. Line of Credit:

The Organization entered into a loan and security agreement with Fulton Bank, N.A. related to a secured line of credit in an amount not to exceed $900,000. There were $49,744 and $350,000 in borrowings at June 30, 2023 and 2022, respectively. The line of credit is collateralized by 40 mortgages held by the Organization. Effective January 6, 2022, the line of credit agreement was amended with interest accruing at the Prime Rate plus 0.00% with a floor of 4.00% (8.25% and 4.75% at June 30, 2023 and 2022, respectively). Principal and all outstanding interest is payable on demand.

The line of credit renews annually unless terminated by either party. Under the provisions of the agreement, the Organization is subject to certain specified financial and operating covenants. The Organization has met the covenants or obtained a waiver as of June 30, 2023.

11. Notes Payable:

Notes payable consist of the following at June 30:

	2023	2022
Installment note payable to Fulton Bank, collateralized by the assets of the Organization, including interest at 4.22% and monthly installments of $17,356 beginning February 2022 and a final payment of $1,755,182 due February 1, 2032.	$ 2,681,337	$ 2,773,344
Installment notes payable to Virginia Housing Development Authority, collateralized by assigned first mortgages receivable, requiring monthly payments of $7,338, including interest at 3%, maturing from December 2026 to June 2027.	236,872	314,147
	2,918,209	3,087,491
Less amounts due within one year	166,720	160,659
Long-term notes payable	$ 2,751,489	$ 2,926,832

At June 30, 2023, scheduled maturities on notes payable for future years are as follows:

Year	Amount
2024	$ 166,720
2025	173,014
2026	179,553
2027	131,621
2028	114,877
Thereafter	2,152,424
	$ 2,918,209

12. Operating Leases:

The Organization leases certain equipment and office space under various operating lease agreements. These lease terms expire at various times between May 2026 and June 2028. The Organization recognizes lease expense on a straight line basis over the life of the related lease. Lease expense was $176,129 for 2023 and $146,976 for 2022.

12. Operating Leases, Continued:

Future minimum lease payments at June 30, 2023, are as follows:

Year Ending	Amount
2024	$ 139,962
2025	93,692
2026	87,627
2027	72,428
2028	57,277
Total lease payments	450,986
Less amount representing interest	(30,265)
Total operating lease liabilities	$ 420,721

The weighted average remaining lease terms and discount rates at June 30, 2023 are 4.2 years and 3.24%, respectively.

During 2022, the Organization began leasing residential homes to certain qualifying individuals with lease terms of 12 months or less. Lease income was $25,376 for 2023 and $12,750 for 2022 and is included in other income on the consolidated statement of activities.

13. Retirement Plan:

The Organization has an employee retirement plan under Section 403(b) of the Internal Revenue Code. The plan provides for salary reduction contributions by eligible participants, subject to certain limitations, and Organization matching contributions. The Organization made contributions to the plan of $29,417 for 2023 and $23,014 for 2022.

14. Land Sales:

On October 25, 2004, the Organization entered into an agreement of purchase and sale, whereby the Organization agreed to sell and convey all rights and title to land comprising of 36 individual lots for the amount of $36,000. Within this agreement is a pledge of cash donations on development. The buyer agreed to make a cash donation to the Organization equal to $5,000 per lot that becomes “buildable” (meets applicable zoning requirements and is not located in wetlands or a HUD designated flood zone) and approved for use and development by the County of Henrico for single family use. In accordance with this agreement, under certain conditions, the Organization may not receive any donations from the developer.

14. Land Sales, Continued:

Also on October 25, 2004, the Organization entered into a second agreement of purchase and sale, whereby the Organization agreed to sell and convey all rights and title to land in the amount of $75,000. Within this agreement is a pledge of cash donations on development.

The buyer agreed to make a cash donation to the Organization equal to $2,500 per lot that becomes “buildable” (meets applicable zoning requirements and is not located in wetlands or a HUD designated flood zone) and approved for use and development by the County of Henrico for single family use. In accordance with this agreement, under certain conditions, the Organization may not receive any donations from the developer.

None of the land has become “buildable” as of June 30, 2023.

15. Indemnification:

The Organization has certain obligations to indemnify its current and former officers and directors for certain events or occurrences while the officer or director is, or was, serving, at the Organization’s request in such capacities. The maximum liability under these obligations is limited by the Code of Virginia, and the Organization’s insurance policies also serve to further limit its exposure. The Organization is not aware of any such obligations.

16. Commitments and Contingencies:

From time to time the Organization is involved in litigation that it considers to be in the normal course of business. The Organization is not presently involved in any legal proceedings which management expects individually or in the aggregate to have a material adverse effect on its financial condition, results of operations or cash flows.

17. Related Party Transactions:

The Organization received cash contributions from board members and management in the amount of $25,995 for the year ended June 30, 2023. Promises to give from board members and management totaled $109,111 as of June 30, 2023.

18. New Accounting Pronouncements:

Credit Losses: The FASB issued new guidance over credit losses, which replaces the current incurred loss model used to measure impairment losses with an expected loss model for trade and other receivables. The new standard will become effective for not-for- profit entities for fiscal years beginning after December 15, 2022, with early adoption permitted.

SUPPLEMENTAL INFORMATION

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity	Federal Expenditures
U.S. Department of Housing and Urban Development:			
CDBG - Residential Rehabilitation	14.218	County of Chesterfield	$ 374,073
CDBG - Residential Rehabilitation	14.218	City of Richmond	52,727
CDBG - Residential Rehabilitation	14.218	County of Henrico	136,817
Total expenditures under Federal Assistance Listing Number 14.218 - CDBG - Entitlement Grants Cluster			563,617
Residential Rehabilitation	14.239	City of Richmond	456,409
Total U.S. Department of Housing and Urban Development			$ 1,020,026

See accompanying notes to Schedule of Expenditures of Federal Awards.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Note A – Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Richmond Metropolitan Habitat for Humanity, Inc. and Subsidiary (the "Organization"). The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of Richmond Metropolitan Habitat for Humanity, Inc. and Subsidiary, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Richmond Metropolitan Habitat for Humanity, Inc. and Subsidiary.

Note B – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C – Indirect Cost Rate

Richmond Metropolitan Habitat for Humanity, Inc. and Subsidiary has elected to not use the 10% de minimis indirect cost rate.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Richmond Metropolitan Habitat for Humanity, Inc. and Subsidiary
Richmond, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Richmond Metropolitan Habitat for Humanity, Inc. and Subsidiary (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 12, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Keiter

December 12, 2023
Glen Allen, Virginia

Keiter
Your Opportunity Advisors

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Richmond Metropolitan Habitat for Humanity, Inc. and Subsidiary
Richmond, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Richmond Metropolitan Habitat for Humanity, Inc. and Subsidiary (the "Organization") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2023. The Organization's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Keiter

December 12, 2023
Glen Allen, Virginia

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

A. SUMMARY OF AUDIT RESULTS

(1) The auditors' report expresses an unmodified opinion on the consolidated financial statements of Richmond Metropolitan Habitat for Humanity, Inc. and Subsidiary.

(2) No material weaknesses in internal control over financial reporting were disclosed during the audit.

(3) No noncompliance which is material to the consolidated financial statements was disclosed by the audit.

(4) No material weaknesses or significant deficiencies relating to the audit of the major federal award programs were disclosed by the audit.

(5) The auditors' report on compliance for the major federal award programs for Richmond Metropolitan Habitat for Humanity, Inc. and Subsidiary expresses an unmodified opinion.

(6) No audit findings were disclosed by the audit.

(7) The program tested as a major program included:

U.S. Department of Housing and Urban Development:
COVID-19 - Community Development Block Grant, Federal Assistance Listing No. 14.218

(8) The threshold used for distinguishing between Type A and B programs was $750,000.

(9) Richmond Metropolitan Habitat for Humanity, Inc. and Subsidiary, did not qualify as a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Corrective Action Plan
Year Ended June 30, 2023

Not Applicable