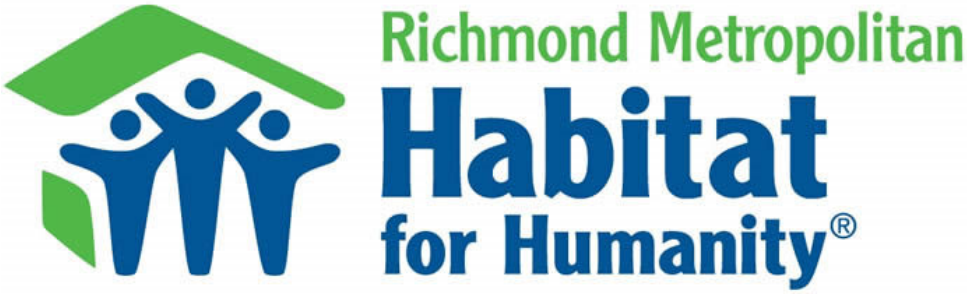

Consolidated Financial Statements

June 30, 2021

Keiter
Your Opportunity Advisors

4401 Dominion Boulevard
Glen Allen, Virginia 23060
Tel: 804.747.0000
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RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

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Keiter
Your Opportunity Advisors

REPORT OF INDEPENDENT ACCOUNTANTS

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

Report on the Consolidated Financial Statements

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, 2021, 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.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Certified Public
Accountants & Consultants
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Opinion

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, 2021 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.

October 18, 2021
Glen Allen, Virginia

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statement of Financial Position
June 30, 2021

Assets	Without Donor Restrictions	With Donor Restrictions	Total
Current assets:			
Cash and cash equivalents	$ 656,377	$ 232,162	$ 888,539
Pledges and grants receivable	83,601	287,769	371,370
Inventory	2,409,675	528,493	2,938,168
Prepaid expenses	510	-	510
Mortgages receivable - current portion	614,036	-	614,036
Other current assets	3,877	-	3,877
Total current assets	3,768,076	1,048,424	4,816,500
Property and equipment, net	2,601,534	-	2,601,534
Other assets:			
Beneficial interest in assets held by The Community Foundation	244,172	31,233	275,405
Escrow funds held by VHDA	104,357	-	104,357
Mortgages receivable - net of current portion and unamortized discount	3,684,756	-	3,684,756
Total other assets	4,033,285	31,233	4,064,518
	$ 10,402,895	$ 1,079,657	$ 11,482,552

See accompanying notes to consolidated financial statements.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statement of Financial Position, Continued
June 30, 2021

Liabilities and Net Assets	Without Donor Restrictions	With Donor Restrictions	Total
Current liabilities:			
Line of credit	$ 750,000	$ -	$ 750,000
Accounts payable	159,023	-	159,023
Notes payable - current portion	88,700	-	88,700
Accrued expenses	144,133	-	144,133
Escrow fund liability	113,503	-	113,503
Total current liabilities	1,255,359	-	1,255,359
Notes payable	2,354,302	-	2,354,302
Total liabilities	3,609,661	-	3,609,661
Net assets:			
Without donor restrictions	6,793,234	-	6,793,234
With donor restrictions	-	1,079,657	1,079,657
Total net assets	6,793,234	1,079,657	7,872,891
	$ 10,402,895	$ 1,079,657	$ 11,482,552

See accompanying notes to consolidated financial statements.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statement of Activities
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Support:			
Contributions:			
Corporations	$ 58,229	$ 65,000	$ 123,229
In-kind	175,919	109,500	285,419
In-kind ReStore	1,805,946	-	1,805,946
Government grants	-	386,447	386,447
Civic groups	196,890	229,045	425,935
Congregations	39,228	-	39,228
Individuals	475,924	67,230	543,154
Other grants	1,644	134,000	135,644
Total support	2,753,780	991,222	3,745,002
Revenue:			
House and lot revenue	1,396,894	-	1,396,894
Interest-mortgage loan discount amortization	749,657	-	749,657
ReStore income	284,868	-	284,868
Other income	391,154	-	391,154
Special events, net	27,450	-	27,450
Investment income, net	67,348	8,831	76,179
Total revenue	2,917,371	8,831	2,926,202
Total support and revenue	5,671,151	1,000,053	6,671,204
Net assets released from restrictions	$ 852,776	$ (852,776)	$ -

See accompanying notes to consolidated financial statements.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statement of Activities, Continued
Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Expenses:			
Program services	$ 4,403,811	$ -	$ 4,403,811
Supporting services:			
General and administrative	487,173	-	487,173
Fundraising	242,890	-	242,890
Total expenses and loss	5,133,874	-	5,133,874
Change in net assets	1,390,053	147,277	1,537,330
Net assets at beginning of year	5,403,181	932,380	6,335,561
Net assets at end of year	$ 6,793,234	$ 1,079,657	$ 7,872,891

See accompanying notes to consolidated financial statements.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services	General and Administrative	Fundraising	Total
Salaries and benefits	$ 1,582,963	$ 230,210	$ 191,948	$ 2,005,121
Building materials, supplies and land	1,622,665	1,064	6,199	1,629,928
Mortgage discounts	334,978	-	-	334,978
Other	160,772	45,195	6,013	211,980
Professional fees	168,746	69,122	30,958	268,826
Interest	97,272	49,794	-	147,066
Supplies and utilities	17,101	6,971	363	24,435
Rent and occupancy	113,777	41,601	300	155,678
Insurance	105,932	19,788	-	125,720
Depreciation	102,245	-	-	102,245
Printing, postage and advertising	3,869	790	4,607	9,266
Repairs and maintenance	84,676	17,315	-	101,991
Travel and conferences	8,815	5,323	2,502	16,640
Total	$ 4,403,811	$ 487,173	$ 242,890	$ 5,133,874

See accompanying notes to consolidated financial statements.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statement of Cash Flows
Year Ended June 30, 2021

Cash flows from operating activities:	
Change in net assets	$ 1,537,330
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	102,245
Forgiveness of Paycheck Protection Program loan	(325,827)
Investment gain, net	(73,905)
Donated inventory	(357,124)
Mortgage loan discount amortization	(749,657)
Net value of mortgages issued	(334,978)
Proceeds from mortgages	1,043,920
Changes in operating assets and liabilities:	
Pledges and grants receivable	(92,519)
Inventory	(663,978)
Prepaid expenses	(302)
Escrow funds held by VHDA	(16,157)
Accounts payable	140,025
Accrued expenses	21,236
Escrow fund liability	16,157
Net cash provided by operating activities	246,466
Cash flows used in investing activities:	
Purchase of property and equipment	(10,579)
Cash flows from financing activities:	
Net activity on line of credit	(150,000)
Payments on notes payable	(74,885)
Net cash used in financing activities	(224,885)
Net change in cash and cash equivalents	11,002
Cash and cash equivalents, beginning of year	877,537
Cash and cash equivalents, end of year	$ 888,539
Supplemental disclosure of cash flow information:	
Cash paid for interest	$ 147,066
Noncash transactions:	
Contribution from member financed through note receivable	$ 33,991

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 (see Note 2). The presentation of a non-controlling interest attributable to the outside investor is not material to the accompanying consolidated financial statements. During 2003, the Organization opened a ReStore operation and during 2018 opened a second ReStore operation. 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 pledged 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 2021.

Grants and pledges receivable were $371,370 as of June 30, 2021. The Organization expects to collect all grants and pledges receivable during fiscal year 2022.

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 state 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 $256,545 that have not been recognized at June 30, 2021 because qualifying expenditures have not yet been incurred.

Revenue Recognition: During 2014, the Financial Accounting Standards Board ("FASB") issued a new standard for revenue recognition, Accounting Standards Update ("ASU") 2014-09, which has been incorporated into FASB guidance as ASC 606. The standard defines a process for evaluating revenue recognition including 1) identify the contract, 2) identify separate performance obligations, 3) determine the transaction price, 4) allocate the transaction price to the performance obligations, and 5) recognize revenue when (or as) the Organization satisfies a performance obligation. One of the key concepts in the standard is that revenue should be recognized when a customer has control over a good or service. The standard also requires an entity to enhance revenue recognition disclosures in the accounting policy note including both quantitative and qualitative information, significant judgments involved in the process, and the amount and timing of remaining performance obligations. The Organization has adopted the standard as of July 1, 2020 under the modified retrospective method. The adoption of this ASU did not have a significant impact on the Organization's consolidated financial statements and no changes were required to previously reported revenues as a result of this adoption.

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."

2. Summary of Significant Accounting Policies, Continued:

Revenue Recognition, Continued:

House and Lot Revenue, Continued: As described in Note 7 and Note 8, 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 ASC 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, 2021 and June 30, 2020.

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.

2. Summary of Significant Accounting Policies, Continued:

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.

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, 2021 $1,048,424 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, 2021 $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. The Organization received donated property, building materials and supplies valued at $134,948 during 2021. 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 $1,805,946 on the consolidated statement of activities. The Organization received pro-bono legal services of $150,471 during 2021. The donated property and services are recorded as contribution revenue and professional fee expense, 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 present 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.

2. Summary of Significant Accounting Policies, Continued:

Functional Allocation of Expenses, Continued: 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.

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 $1,641 for 2021 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, 2021. 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 $293 is included in net assets without donor restrictions on the accompanying consolidated financial statement. During 2021, the outside investor was required to make a contribution in the amount of $33,991, which has been presented as a due from member and offset against HCL's member equity. 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, 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, 2021, 56% of pledges and grants receivable are due from three donors.

2. Summary of Significant Accounting Policies, Continued:

Advertising: Advertising costs are charged to expense as incurred and were $8,868 for 2021.

Subsequent Events: Management has evaluated subsequent events through October 18, 2021, 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. Inventory:

Inventory consists of the following as of June 30, 2021:

Vacant land costs	$ 918,961
ReStore merchandise	247,619
Construction in progress	1,771,588
	$ 2,938,168

4. Property and Equipment:

Property and equipment consists of the following as of June 30, 2021:

Land	$ 631,234
Buildings	2,461,001
Building improvements	68,782
Construction equipment	70,018
Transportation equipment	113,739
Office furniture and fixtures	154,338
Computer equipment and software	38,131
	3,537,243
Less accumulated depreciation	935,709
	$ 2,601,534

5. Liquidity and Availability of Resources:

The following table reflects the Organization's financial assets as of June 30, 2021 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.

Financial assets:	
Cash and cash equivalents	$ 888,539
Pledges and grants receivable	371,370
Mortgage receivable - current portion	614,036
Total financial assets	1,873,945
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	551,164
Financial assets available to meet cash needs for general expenditures within one year	$ 1,322,781

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 6.

6. 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.

6. 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 $275,405 as of June 30, 2021, of which $31,233 is donor restricted.

7. 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" expenses 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 $4,062,517 at June 30, 2021. The discount rates used were 7.23% for 2021.

8. 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.

8. 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 7). 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. There were 2 mortgages to DHCD as of June 30, 2021. For the aforementioned buyers, the above referenced second mortgages are held as third mortgages by the Organization. The Organization holds 148 second, third, and fourth mortgages as of June 30, 2021.

9. 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 $750,000 in borrowings at June 30, 2021. The line of credit is collateralized by 40 mortgages held by the Organization, and accrues interest at a fluctuating rate as defined in the agreement based on the thirty-day London Interbank Offered Rate (LIBOR) plus 2.75% with a floor of 4.00% (4.00% at June 30, 2021). 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 as of June 30, 2021, or obtained waivers for those not met.

10. Notes Payable:

Notes payable consist of the following at June 30, 2021:

Installment note payable to Fulton Bank, collateralized by the assets of the Organization, including interest at 4.83%, interest only payments through March 2019, and monthly installments of $12,069 beginning April 2019, maturing September 2027.	$ 2,051,829
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.	391,173
	2,443,002
Less amounts due within one year	88,700
Long-term notes payable	$ 2,354,302

At June 30, 2021, scheduled maturities on notes payable for future years are as follows:

Year	Amount
2022	$ 88,700
2023	90,696
2024	117,551
2025	122,035
2026	110,774
Thereafter	1,913,246
	$ 2,443,002

10. Notes Payable, Continued:

Effective July 21, 2020, Fulton Bank, N.A. waived the requirement for the Organization to make regular monthly principal and interest payments due on the term loan with an original outstanding loan amount of $2,100,000 from August 1, 2020 through October 1, 2020 (the "Payment Deferral Period"). Immediately after the Payment Deferral Period, the Organization is required to make regular payments in accordance with the provisions above, with the first payment being on November 1, 2020, including all interest accrued but unpaid during the Payment Deferral Period.

In response to the economic instability caused by COVID-19, the "CARES Act" was passed by Congress and signed into law by the President on March 27, 2020. The Paycheck Protection Program was a component of the CARES Act and provided for a loan ("PPP Loan") to provide a direct incentive for employers to keep their employees on the payroll. A PPP Loan is eligible for full or partial forgiveness if the funds are used for qualifying costs including payroll, rent, mortgage interest, or utilities, as further defined in the CARES Act.

The Organization applied for and was approved for a PPP Loan in the amount of $325,827 dated April 24, 2020. The loan accrued interest at 1.0%, but payments were not required to begin for six months after the funding of the PPP Loan. Effective June 5, 2020, the Paycheck Protection Program Flexibility Act ("Flexibility Act") was passed extending the deferral period to the date the Small Business Authority remits the Organization's loan forgiveness amount to the lender, or, if the Organization does not apply for loan forgiveness, 10 months after the end of the Organization's loan forgiveness covered period. The extension of the deferral period under the Flexibility Act applies to all PPP loans. During November 2020, the Organization received full forgiveness of the PPP loan and recorded the forgiveness in the amount of $325,827 as other income in the consolidated statement of activities.

The Organization had an installment note payable to Virginia Housing Development Authority, collateralized by assigned first mortgages receivable, requiring monthly payments of $598, including interest at 3%. The note payable was paid at its scheduled maturity date in April 2021.

The Organization had an installment note payable to Virginia Housing Development Authority, collateralized by assigned first mortgages receivable, requiring monthly payments of $1,027, including interest at 3%. The note payable was paid at its scheduled maturity date in April 2021.

11. Operating Leases:

The Organization leases certain equipment and office space under various operating lease agreements. These lease terms expire over the next four years, and certain leases contain renewal options. The Organization recognizes rent expense on a straight line basis over the life of the related lease. Rental expense was $148,567 for 2021. The future minimum lease payments under the operating leases are $77,849 for 2022, $53,835 for 2023, $45,668 for 2024, $10,619 for 2025.

12. 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 $15,537 for 2021.

13. 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. 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, 2021.

14. 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.

15. 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.

During March 2020, a novel strain of coronavirus (COVID-19) outbreak was declared a pandemic by the World Health Organization. The situation is evolving with various cities and countries around the world responding in different ways to address the outbreak. There are direct and indirect economic effects developing for various industries and individual companies throughout the world. Management will continue to monitor the impact COVID-19 has on the Organization and reflect the effects as appropriate in the Organization's accounting and financial reporting.

16. New Accounting Guidance:

Contributed Services: In September 2020, the FASB issued new guidance related to contributions of non-financial assets received (ASU 2020-07) which amends previous guidance concerning presentation and disclosure of non-financial assets received. Specifically, the amendments require (1) presentation as a separate line item of contributed non-financial assets and (2) disclosure of information about each category of non-financial assets. The new standard will be effective for periods beginning after June 15, 2021 and will require entities to use a retrospective approach to the earliest period presented. The Organization is currently evaluating the reporting and economic implications of the new standard.

Leases: In February 2016, the FASB issued a new accounting standard for leases that will impact both lessees and lessors. The new lease standard will require leases with terms more than 12 months to be recognized on the statement of financial position of lessees by recording a right of use asset with a corresponding obligation to pay rent liability which will be calculated based on the net present value of rental payments. This change is expected to be effective starting with years beginning after December 15, 2021. The Organization is calculating the impact that this pronouncement will have on its financial statements and evaluating the reporting and economic implications.