Richmond Metropolitan Habitat for Humanity®

Consolidated Financial Statements

June 30, 2022

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

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, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the 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, 2022, 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. 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 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.

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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 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.

Report on Summarized Comparative Information

We have previously audited the Richmond Metropolitan Habitat for Humanity Inc. and Subsidiary's 2021 consolidated financial statements, and in our report dated October 18, 2021, 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, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Keiter

October 19, 2022
Glen Allen, Virginia

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statement of Financial Position
June 30, 2022 with 2021 Comparative Totals

Assets	Without Donor Restrictions	With Donor Restrictions	Totals 2022	Totals 2021
Current assets:				
Cash and cash equivalents	$ 5,164,696	$ 506,592	$ 5,671,288	$ 888,539
Pledges and grants receivable	54,507	429,661	484,168	371,370
Inventory	2,511,980	332,893	2,844,873	2,938,168
Mortgages receivable - current portion	593,517	-	593,517	614,036
Other current assets	3,920	-	3,920	4,387
Total current assets	8,328,620	1,269,146	9,597,766	4,816,500
Property and equipment, net	2,890,463	-	2,890,463	2,601,534
Other assets:				
Beneficial interest in assets held by The Community Foundation	243,202	31,233	274,435	275,405
Escrow funds held by VHDA	96,412	-	96,412	104,357
Mortgages receivable - net of current portion and unamortized discount	3,677,802	-	3,677,802	3,684,756
Total other assets	4,017,416	31,233	4,048,649	4,064,518
	$ 15,236,499	$ 1,300,379	$ 16,536,878	$ 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, 2022 with 2021 Comparative Totals

Liabilities and Net Assets	Without Donor Restrictions	With Donor Restrictions	Totals 2022	Totals 2021
Current liabilities:				
Line of credit	$ 350,000	$ -	$ 350,000	$ 750,000
Accounts payable	164,454	-	164,454	159,023
Notes payable - current portion	160,659	-	160,659	88,700
Accrued expenses	104,099	-	104,099	144,133
Escrow fund liability	107,983	-	107,983	113,503
Total current liabilities	887,195	-	887,195	1,255,359
Notes payable	2,926,832	-	2,926,832	2,354,302
Total liabilities	3,814,027	-	3,814,027	3,609,661
Net assets:				
Without donor restrictions				
Controlling Interest	11,388,188	-	11,388,188	6,792,941
Non-controlling interest	34,284	-	34,284	293
Total net assets without donor restrictions	11,422,472	-	11,422,472	6,793,234
With donor restrictions	-	1,300,379	1,300,379	1,079,657
Total net assets	11,422,472	1,300,379	12,722,851	7,872,891
	$ 15,236,499	$ 1,300,379	$ 16,536,878	$ 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, 2022 with 2021 Comparative Totals

	Without Donor Restrictions	With Donor Restrictions	Totals 2022	Totals 2021
Support and revenue				
Support:				
Contributions:				
Corporations	$ 92,923	$ 66,000	$ 158,923	$ 123,229
In-kind	1,925,482	29,400	1,954,882	2,091,365
Government grants	-	693,018	693,018	386,447
Civic groups	4,914,449	338,472	5,252,921	425,935
Congregations	42,629	-	42,629	39,228
Individuals	417,839	25,648	443,487	543,154
Other grants	187,050	12,500	199,550	135,644
Total support	7,580,372	1,165,038	8,745,410	3,745,002
Revenue:				
House and lot revenue	2,015,947	-	2,015,947	1,396,894
Interest-mortgage loan discount amortization	511,075	-	511,075	749,657
ReStore income	420,319	-	420,319	284,868
Other income	75,205	-	75,205	391,154
Special events, net	44,609	-	44,609	27,450
Investment income, net	4,433	-	4,433	76,179
Total revenue	3,071,588	-	3,071,588	2,926,202
Total support and revenue	10,651,960	1,165,038	11,816,998	6,671,204
Net assets released from restrictions	$ 944,316	$ (944,316)	$ -	$ -

See accompanying notes to consolidated financial statements.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC. AND SUBSIDIARY

Consolidated Statement of Activities, Continued
Year Ended June 30, 2022 with 2021 Comparative Totals

	Without Donor Restrictions	With Donor Restrictions	2022	2021
Expenses:				
Program services	$ 5,955,772	$ -	$ 5,955,772	$ 4,403,811
Supporting services:				
General and administrative	750,777	-	750,777	487,173
Fundraising	294,773	-	294,773	242,890
Total expenses and loss	7,001,322	-	7,001,322	5,133,874
Change in net assets	4,594,954	220,722	4,815,676	1,537,330
Net assets at beginning of year	6,793,234	1,079,657	7,872,891	6,335,561
Contribution from member	34,284	-	34,284	-
Net assets at end of year	$ 11,422,472	$ 1,300,379	$ 12,722,851	$ 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, 2022 with 2021 Comparative Totals

	Program Services	General and Administrative	Fundraising	Totals 2022	Totals 2021
Salaries and benefits	$ 1,952,788	$ 309,404	$ 243,101	$ 2,505,293	$ 2,005,121
Building materials, supplies and land	2,541,196	520	750	2,542,466	1,629,928
Mortgage discounts	616,245	-	-	616,245	334,978
Other	158,661	70,920	1,957	231,538	211,980
Professional fees	26,303	240,380	42,697	309,380	268,826
Interest	121,490	41,464	-	162,954	147,066
Supplies and utilities	24,486	6,706	858	32,050	24,435
Rent and occupancy	140,762	34,459	600	175,821	155,678
Insurance	114,890	14,689	-	129,579	125,720
Depreciation	105,148	-	-	105,148	102,245
Printing, postage and advertising	10,155	1,349	4,173	15,677	9,266
Repairs and maintenance	125,628	21,176	-	146,804	101,991
Travel and conferences	18,020	9,710	637	28,367	16,640
Total	$ 5,955,772	$ 750,777	$ 294,773	$ 7,001,322	$ 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, 2022 with 2021 Comparative Totals

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ 4,815,676	$ 1,537,330
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	105,148	102,245
Forgiveness of Paycheck Protection Program loan	-	(325,827)
Investment loss (gain), net	970	(73,905)
Donated inventory	(29,400)	(357,124)
Mortgage loan discount amortization	(511,075)	(749,657)
Net value of mortgages issued	(616,245)	(334,978)
Proceeds from mortgages	1,154,793	1,043,920
Changes in operating assets and liabilities:		
Pledges and grants receivable	(112,798)	(92,519)
Inventory	(218,186)	(663,978)
Other current assets	467	(302)
Escrow funds held by VHDA	7,945	(16,157)
Accounts payable	5,431	140,025
Accrued expenses	(40,034)	21,236
Escrow fund liability	(5,520)	16,157
Net cash provided by operating activities	4,557,172	246,466
Cash flows used in investing activities:		
Purchase of property and equipment	(53,196)	(10,579)
Cash flows from financing activities:		
Net activity on line of credit	(400,000)	(150,000)
Proceeds from notes payable	763,436	-
Payments on notes payable	(118,947)	(74,885)
Contribution from member	34,284	-
Net cash provided by (used in) financing activities	278,773	(224,885)
Net change in cash and cash equivalents	4,782,749	11,002
Cash and cash equivalents, beginning of year	888,539	877,537
Cash and cash equivalents, end of year	$ 5,671,288	$ 888,539
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 162,954	$ 147,066
Noncash transactions:		
Contribution from member financed through note receivable	$ -	$ 33,991
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 statements. (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 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 2022 and 2021.

Grants and pledges receivable were $484,168 as of June 30, 2022 and $371,370 as of June 30, 2021. The Organization expects to collect all grants and pledges receivable during fiscal year 2023.

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 $258,641 that have not been recognized at June 30, 2022 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 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, 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.

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, 2022 and 2021, $1,269,146 and $1,048,424, 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, 2022 and 2021, $31,233 of net assets with donor restrictions of this type were held by the Organization.

Donated Land, Materials. Inventories and Services: In September 2020, the FASB issued Accounting Standards Update ("ASU") 2020-07: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which aims to increase transparency of contributed nonfinancial assets, commonly known as gifts in kind, through enhancements to presentation and disclosures. With the new ASU, organizations receiving contributions of nonfinancial assets are now required to present such contributions as a separate line item on the statement of activities. Previously these were allowed to be included in the contributions line item. This ASU also adds additional disclosure requirements for these gifts. The previous disclosure requirements were less detailed and primarily related only to contributed services. The new, more detailed requirements are for contributions of all nonfinancial assets, including both goods and services. These requirements include a disaggregation of the total amount of contributed nonfinancial assets recognized within the statement of activities by category and, for each category, information regarding the valuation methodology and whether the contributed nonfinancial assets were either monetized or used during the reporting period. The Organization has adopted this ASU using the retrospective approach as of July 1, 2020. In-kind contributions are separately stated on the consolidated statements of activities for the years ended June 30, 2022 and 2021.

Donated land, materials, inventories and services are included in contributions at fair market value as of the date of donation. The Organization received donated land, property, building materials and supplies valued at $50,648 during 2022 and $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.

2. Summary of Significant Accounting Policies, Continued:

Donated Land, Materials. Inventories and Services, Continued: Amounts reported as ReStore income have been reduced by the fair value of donated goods reported as in-kind contributions of $1,755,475 during 2022 and $1,805,946 during 2021 on the consolidated statements of activities. The Organization received pro-bono legal services of $148,759 during 2022 and $150,471 during 2021. 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 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. 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 $209 for 2022 and $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, 2022 and 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 $34,284 during 2022 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 was presented as a due from member and offset against HCL's member equity.

2. Summary of Significant Accounting Policies, Continued:

Non-Controlling Interest, Continued: During 2022, the member paid the required contribution and satisfied the outstanding due from member balance. 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, 2022, 57% of pledges and grants receivable are due from three donors. For the year ended June 30, 2021, 56% of pledges and grants receivable are due from three donors.

Advertising: Advertising costs are charged to expense as incurred and were $21,779 for 2022 and $8,868 for 2021.

Subsequent Events: Management has evaluated subsequent events through October 19, 2022, 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:

	2022	2021
Vacant land costs	$ 696,808	$ 918,961
ReStore merchandise	221,238	247,619
Construction in progress	1,926,827	1,771,588
	$ 2,844,873	$ 2,938,168

4. Property and Equipment:

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

	2022	2021
Land	$ 631,234	$ 631,234
Buildings	2,477,819	2,461,001
Building improvements	87,758	68,782
Rental properties	340,881	-
Construction equipment	70,018	70,018
Transportation equipment	113,739	113,739
Office furniture and fixtures	171,741	154,338
Computer equipment and software	38,131	38,131
	3,931,321	3,537,243
Less accumulated depreciation	1,040,858	935,709
	$ 2,890,463	$ 2,601,534

5. Liquidity and Availability of Resources:

The following table reflects the Organization's financial assets as of June 30, 2022 and 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.

	2022	2021
Financial assets:		
Cash and cash equivalents	$ 5,671,288	$ 888,539
Pledges and grants receivable	484,168	371,370
Mortgage receivable - current portion	593,517	614,036
Total financial assets	6,748,973	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	967,486	551,164
Financial assets available to meet cash needs for general expenditures within one year	$ 5,781,487	$ 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 $274,435 as of June 30, 2022, of which $31,233 is donor restricted. 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 $4,167,687 at June 30, 2022 and $4,062,517 at June 30, 2021. The discount rates used were 7.49% for 2022 and 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. For the aforementioned buyers, the above referenced second mortgages are held as third mortgages by the Organization. The Organization holds 110 second, third, and fourth mortgages as of June 30, 2022. The Organization held 75 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 $350,000 and $750,000 in borrowings at June 30, 2022 and 2021, 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% (4.75% at June 30, 2022). Prior to January 2022 the line of credit accrued 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, 2022.

10. Notes Payable:

Effective January 6, 2022, The Organization amended the installment note payable with Fulton Bank and received additional proceeds of $763,436. Prior to January 2022, borrowings under the note required monthly payments of $7,338 including interest at 4.83%.

Notes payable consist of the following at June 30:

	2022	2021
Effective January 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.	$ 2,773,344	$ 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.	314,147	391,173
	3,087,491	2,443,002
Less amounts due within one year	160,659	88,700
Long-term notes payable	$ 2,926,832	$ 2,354,302

At June 30, 2022, scheduled maturities on notes payable for future years are as follows:

Year	Amount
2023	$ 160,659
2024	166,720
2025	173,014
2026	179,553
2027	141,294
Thereafter	2,266,251
	$ 3,087,491

10. Notes Payable, Continued:

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 2021 consolidated statement of activities.

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 $146,976 for 2022 and $148,567 for 2021. The future minimum lease payments under the operating leases are $53,835 for 2023, $45,957 for 2024, and $10,691 for 2025.

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

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 $23,014 for 2022 and $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.

13. 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, 2022.

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.

16. Related Party Transactions:

The Organization received cash contributions from board members and management in the amount of $120,731 for the year ended June 30, 2022. Promises to give from board members and management totaled $114,111 as of June 30, 2022.

17. New Accounting Guidance:

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.

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.