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**HABITAT FOR HUMANITY
OF NORTHERN VIRGINIA, INC.**

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2018 AND 2017

MATTHEWS, CARTER & BOYCE
RESPECT. CONFIDENCE. TRUST.

HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

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JUNE 30, 2018 AND 2017

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Independent Auditors' Report

Board of Directors
Habitat for Humanity of Northern Virginia, Inc.
Arlington, VA

We have audited the accompanying financial statements of Habitat for Humanity of Northern Virginia, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Northern Virginia, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Fairfax, Virginia
January 10, 2019

HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

ASSETS

	June 30, 2018	June 30, 2017
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,603,484	\$ 1,095,202
Construction in process inventory	2,604,681	2,305,169
Prepaid expenses	86,140	54,916
Investment in timeshare, net of allowance of \$16,900	2,000	2,000
Current portion of non-interest bearing mortgage loans, net of allowance of \$38,637 and \$38,637, respectively	133,993	194,098
Current portion of discounts on non-interest bearing mortgage loans	(92,361)	(125,127)
Other receivables	19,081	19,838
Total Current Assets	<u>\$ 4,357,018</u>	<u>\$ 3,546,096</u>
OTHER ASSETS:		
Non-interest bearing mortgage loans, net of current portion	\$ 1,984,031	\$ 2,837,366
Discounts on non-interest bearing mortgage loans, net of current portion	(916,008)	(1,342,485)
Deposits	99,973	80,010
Net furniture, fixtures and equipment	147,929	77,927
TOTAL ASSETS	<u><u>\$ 5,672,943</u></u>	<u><u>\$ 5,198,914</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 718,772	\$ 449,454
Line of credit	386,519	-
Current portion of deferred rent	4,169	424
Current portion of notes payable	71,367	72,428
Total Current Liabilities	<u>\$ 1,180,827</u>	<u>\$ 522,306</u>
OTHER LIABILITIES:		
Deferred rent, net of current portion	266,717	259,042
Notes payable, net of current portion	798,102	916,640
Total Liabilities	<u>\$ 2,245,646</u>	<u>\$ 1,697,988</u>
NET ASSETS:		
Unrestricted	\$ 3,233,643	\$ 3,241,608
Temporarily restricted	193,654	259,318
Total Net Assets	<u>\$ 3,427,297</u>	<u>\$ 3,500,926</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,672,943</u></u>	<u><u>\$ 5,198,914</u></u>

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	June 30, 2018			June 30, 2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT:						
Contributions and grants	\$ 942,353	\$ 235,652	\$ 1,178,005	\$ 998,191	\$ 39,362	\$ 1,037,553
Sales to homeowners	830,842	-	830,842	1,234,222	-	1,234,222
Mortgage loan discount amortization	127,421	-	127,421	188,510	-	188,510
Mortgage loan discount recapture	512,289	-	512,289	639,575	-	639,575
In-kind contributions	74,816	-	74,816	70,880	-	70,880
Special events income, net of expenses	36,767	-	36,767	55,149	-	55,149
Loss on mortgage assignments/sales	(149,436)	-	(149,436)	(215,229)	-	(215,229)
Other income	92,134	-	92,134	198,160	-	198,160
Interest income	2,183	-	2,183	3,951	-	3,951
Total	<u>\$ 2,469,369</u>	<u>\$ 235,652</u>	<u>\$ 2,705,021</u>	<u>\$ 3,173,409</u>	<u>\$ 39,362</u>	<u>\$ 3,212,771</u>
Resale stores income	\$ 1,721,066	\$ -	\$ 1,721,066	\$ 1,656,604	\$ -	\$ 1,656,604
Less direct costs of resale stores	(1,766,214)	-	(1,766,214)	(1,589,106)	-	(1,589,106)
Net resale stores	<u>\$ (45,148)</u>	<u>\$ -</u>	<u>\$ (45,148)</u>	<u>\$ 67,498</u>	<u>\$ -</u>	<u>\$ 67,498</u>
Net assets released from restrictions:						
Satisfaction of purpose restrictions	\$ 301,316	\$ (301,316)	\$ -	\$ -	\$ -	\$ -
Total Revenue and Support	<u>\$ 2,725,537</u>	<u>\$ (65,664)</u>	<u>\$ 2,659,873</u>	<u>\$ 3,240,907</u>	<u>\$ 39,362</u>	<u>\$ 3,280,269</u>
EXPENSES:						
Program services	\$ 2,193,134	\$ -	\$ 2,193,134	\$ 2,858,063	\$ -	\$ 2,858,063
Management and general	239,930	-	239,930	254,332	-	254,332
Fundraising	300,438	-	300,438	259,015	-	259,015
Total Expenses	<u>\$ 2,733,502</u>	<u>\$ -</u>	<u>\$ 2,733,502</u>	<u>\$ 3,371,410</u>	<u>\$ -</u>	<u>\$ 3,371,410</u>
CHANGE IN NET ASSETS	\$ (7,965)	\$ (65,664)	\$ (73,629)	\$ (130,503)	\$ 39,362	\$ (91,141)
NET ASSETS, BEGINNING OF YEAR	3,241,608	259,318	3,500,926	3,372,111	219,956	3,592,067
NET ASSETS, END OF YEAR	<u>\$ 3,233,643</u>	<u>\$ 193,654</u>	<u>\$ 3,427,297</u>	<u>\$ 3,241,608</u>	<u>\$ 259,318</u>	<u>\$ 3,500,926</u>

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Fundraising	Total
Building materials and supplies	\$ 971,596	\$ -	\$ -	\$ 971,596
Mortgage discounts	180,468	-	-	180,468
Salaries	511,238	142,411	205,861	859,510
HFHI tithe	9,250	-	-	9,250
Office supplies and expenses	1,151	3,353	154	4,658
Payroll taxes and employee benefits	110,777	27,385	25,876	164,038
Land acquisition costs	8,690	-	-	8,690
Professional fees	61,564	15,367	777	77,708
Miscellaneous	75,987	20,426	11,222	107,635
Telephone	3,764	411	535	4,710
Printing and mailing	5,716	2,776	16,340	24,832
Depreciation	24,945	2,278	2,742	29,965
Rent	31,784	7,304	4,445	43,533
Taxes and licenses	5,239	78	768	6,085
Repairs and maintenance	5,937	1,629	1,479	9,045
Loan closing costs	24,711	-	-	24,711
Auto expense	12,807	-	-	12,807
Interest	44,788	606	1,349	46,743
Bank charges	427	941	3,664	5,032
Travel	111	3,849	521	4,481
Insurance	101,989	10,938	15,403	128,330
Conferences and meetings	195	178	2,560	2,933
Fundraising costs - other	-	-	6,742	6,742
	<u>\$ 2,193,134</u>	<u>\$ 239,930</u>	<u>\$ 300,438</u>	<u>\$ 2,733,502</u>

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2017

	Program Services	Management and General	Fundraising	Total
Building materials and supplies	\$ 1,290,442	\$ -	\$ -	\$ 1,290,442
Mortgage discounts	574,258	-	-	574,258
Salaries	496,911	171,864	160,590	829,365
HFHI tithe	9,250	-	-	9,250
Office supplies and expenses	1,671	3,128	52	4,851
Payroll taxes and employee benefits	70,779	26,343	23,580	120,702
Land acquisition costs	2,679	-	-	2,679
Professional fees	84,190	15,577	617	100,384
Miscellaneous	87,670	2,464	31,840	121,974
Telephone	3,195	578	463	4,236
Printing and mailing	10,289	4,634	10,703	25,626
Depreciation	15,428	1,890	1,512	18,830
Rent	31,383	6,449	4,361	42,193
Taxes and licenses	391	-	797	1,188
Repairs and maintenance	6,994	1,599	1,398	9,991
Loan closing costs	38,899	-	-	38,899
Auto expense	8,454	-	-	8,454
Interest	43,306	-	-	43,306
Bank charges	3,696	1,111	4,403	9,210
Travel	386	2,185	308	2,879
Insurance	76,015	15,771	12,616	104,402
Conferences and meetings	1,777	739	775	3,291
Fundraising costs - other	-	-	5,000	5,000
	<u>\$ 2,858,063</u>	<u>\$ 254,332</u>	<u>\$ 259,015</u>	<u>\$ 3,371,410</u>
Total	<u>\$ 2,858,063</u>	<u>\$ 254,332</u>	<u>\$ 259,015</u>	<u>\$ 3,371,410</u>

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	June 30, 2018	June 30, 2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (73,629)	\$ (91,141)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	29,965	18,830
Mortgage loan discount amortization	(127,421)	(188,510)
Mortgage loan discount recapture	(512,289)	(639,575)
New mortgage loans issued, net of discount	(119,533)	(379,861)
Loss on mortgage assignments/sales	149,436	215,229
Changes in assets and liabilities:		
Construction in process inventory	(299,512)	(657,069)
Prepaid expenses	(31,224)	(18,823)
Investment in timeshare	-	8,900
Other receivables	757	(1,252)
Deposits	(19,963)	845
Accounts payable and accrued expenses	269,318	267,194
Deferred rent	11,420	24,771
Net Cash Used in Operating Activities	<u>\$ (722,675)</u>	<u>\$ (1,440,462)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of furniture, fixtures and equipment	\$ (99,967)	\$ (29,193)
Mortgage principal payments received	217,425	366,886
Sale of mortgage loans	846,579	856,734
Net Cash Provided by Investing Activities	<u>\$ 964,037</u>	<u>\$ 1,194,427</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	\$ (119,599)	\$ (103,912)
Line of credit activity, net	386,519	(95,735)
Net Cash Provided by (Used) in Financing Activities	<u>\$ 266,920</u>	<u>\$ (199,647)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 508,282	\$ (445,682)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,095,202</u>	<u>1,540,884</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,603,484</u></u>	<u><u>\$ 1,095,202</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	\$ 46,743	\$ 43,306
NON-CASH INVESTING AND FINANCING TRANSACTION:		
Mortgage loans issued, net of discounts for home sales	\$ 119,533	\$ 379,861

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 1. Organization and Summary of Significant Accounting Policies:

Organization

Habitat for Humanity of Northern Virginia, Inc. (HFHNV) is a non-profit organization established in 1990. HFHNV is an affiliate of Habitat for Humanity International, Inc. (HFHI), a non-denominational Christian non-profit organization whose purpose is to create decent, affordable housing for those in need, and to make decent shelter a matter of conscience for people everywhere. Although HFHI assists with information resources, training, publications and prayer support, HFHNV is responsible for its own operations.

Program services include land acquisition, construction, family support, educational ministries and discounts on mortgage originations. The cost of home building is charged to program services when the home is transferred to the homeowner.

NOVA Community Partners (NOVA) was formed in 2018 for charitable purposes such as creating affordable and equitable housing opportunities for low and moderate income families. HFHNV is the sole member of NOVA. NOVA intends to operate as a Community Housing Development Organization (CHDO) after obtaining its tax-exempt status. During the year ended June 30, 2018, NOVA had no operating activity.

Basis of Presentation

HFHNV's financial statements are presented on the accrual basis of accounting. Consequently, revenues are recognized when earned and expenses when incurred.

Cash and Cash Equivalents

For purposes of the statement of cash flows, HFHNV considers all investments purchased with a maturity of less than three months to be cash equivalents.

HFHNV places its cash in financial institutions. At times, cash held in accounts in financial institutions may be in excess of the FDIC insurance limits.

Mortgage Loans and Other Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of the individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. All mortgages are due based on the note terms. The estimated allowance for uncollectible mortgage loans was \$38,637 at June 30, 2018 and 2017.

Beginning in fiscal year 2016, HFHNV started selling selective mortgages originated by HFHNV to local banks. Any gain or loss resulting from such transactions will be recorded when the transaction is settled.

Merchandise Inventory

HFHNV receives donated building materials which it sells in its resale stores. The materials in the resale stores are deemed to be of value only when, and if, sold. In accordance with Accounting Standards Codification 958-605-25-4, *Not-for-Profit Entities – Revenue Recognition*, the donated inventory is not recorded in the financial statements. Proceeds of sales are recorded at the time of sale.

HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 1. Organization and Summary of Significant Accounting Policies (Continued):

Construction in Process Inventory

HFHNV's policy is to carry the direct costs incurred in the construction of homes including building materials, engineer and architect fees as construction in process inventory until the homes are transferred to the homeowners, at which time the costs are recognized as expenses. As a non-profit organization, HFHNV does not attempt to profit from the sale of homes, but rather to have the homeowner purchase the homes at the cost to construct. For the years ended June 30, 2018 and 2017, three and four homes were completed and sold to homeowners, respectively.

Furniture, Fixtures and Equipment and Related Depreciation

Furniture, fixtures and equipment are recorded at cost with a unit capitalization threshold of \$1,000 and are depreciated using the straight-line method over three to seven years with no salvage value. Leasehold improvements are amortized over the remaining lease term. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred.

Classification of Net Assets

Unrestricted net assets represent the portion of expendable funds that are available for support of HFHNV's operations.

Temporarily restricted amounts are specifically restricted by donors or grantors for specific properties or purposes.

Revenue Recognition

HFHNV reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

In-kind contributions other than merchandise inventory are recorded based on their estimated value on the date of receipt. Included in In-kind contributions are donated services requiring specialized skills of \$36,156 and \$51,439 and various building materials and supplies of \$38,660 and \$19,441 in fiscal years 2018 and 2017, respectively. HFHNV's program is furthered through the contribution of time by a significant number of unpaid volunteers. In accordance with generally accepted accounting principles, the value of these volunteer services is not reflected in the accompanying financial statements.

Sales to homeowners of acquired properties are recorded at the contract sales price. Sales to homeowners of constructed properties which are financed through HFHNV are recorded at the gross amount of payments to be received over the lives of the mortgages. Non-interest bearing mortgages have been discounted at various rates based upon prevailing market rates at the inception of the mortgages to account for the time value of money. A discount is an expense in the first year of a mortgage and is recaptured as income as the discounts are amortized. Discounts are amortized using the straight-line method over the lives of the mortgages.

HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 1. Organization and Summary of Significant Accounting Policies (Concluded):

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

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

Note 2. Investment in Timeshare:

HFHNV received a donation of a vacation timeshare for an Orlando, Florida resort. The timeshare has been recorded as a current asset. Management was unable to liquidate in the current fiscal year. The timeshare has been recorded at its estimated market value based on market quotes.

Note 3. Non-Interest Bearing Mortgage Loans Receivable and Discounts:

Home purchase mortgage loans and loan discounts activity for fiscal years 2018 and 2017 consist of the following:

Description	Mortgage at Market % Rate	0% Rate Loan Discount	Net
Balances at June 30, 2016	\$ 3,516,194	\$ (1,721,439)	\$ 1,794,755
Home sale mortgage loans	954,119	(574,258)	379,861
Mortgage loan assignment/sales	(1,071,963)	639,575	(432,388)
Mortgage principal pay downs and amortization	(366,886)	188,510	(178,376)
Balances at June 30, 2017	\$ 3,031,464	\$ (1,467,612)	\$ 1,563,852
Home sale mortgage loans	300,000	(180,467)	119,533
Mortgage loan assignment/sales	(996,015)	512,289	(483,726)
Mortgage principal pay downs and amortization	(217,425)	127,421	(90,004)
Balances at June 30, 2018	<u>\$ 2,118,024</u>	<u>\$ (1,008,369)</u>	<u>\$ 1,109,655</u>

The discount rates for the new mortgage loans at market percentage rates were 7.47% and 7.48% for the years ended June 30, 2018 and 2017, respectively.

During the fiscal year 2018, cash proceeds of \$846,579 were received by HFHNV for the sale of \$996,015 of discounted first-lien mortgages originated by HFHNV. Resulting in a net loss of \$149,436.

During the fiscal year 2017, cash proceeds of \$856,734 were received by HFHNV when Sandy Spring Bank purchased \$1,071,963 of discounted first-lien mortgages originated by HFHNV. Resulting in a net loss of \$215,229.

HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 3. Non-Interest Bearing Mortgage Loans Receivable and Discounts: (Concluded)

The mortgage loan sale contracts contains a repurchase buy back provision in the case of default. It is estimated that the risk of default involved with these mortgage sales is immaterial, and no provision has been recorded for the potential default repayment on the outstanding mortgages sold.

A summary of the HFHNV originated loans sold during fiscal year 2018 and 2017 is as follows:

	June 30, 2018	
	Net Book Value	Gross Face Value
<u>Mortgage Loan Activity</u>		
Principal amount of mortgages sold	\$ 996,015	\$ 996,015
Discount recapture	(512,289)	-
Net book value of mortgages	\$ 483,726	\$ 996,015
Proceeds on assignment/sale	(846,579)	(846,579)
(Gain)/Loss	<u>\$ (362,853)</u>	<u>\$ 149,436</u>

	June 30, 2017	
	Net Book Value	Gross Face Value
<u>Mortgage Loan Activity</u>		
Principal amount of mortgages sold	\$ 1,071,963	\$ 1,071,963
Discount recapture	(639,575)	-
Net book value of mortgages	\$ 432,388	\$ 1,071,963
Proceeds on assignment/sale	(856,734)	(856,734)
(Gain)/Loss	<u>\$ (424,346)</u>	<u>\$ 215,229</u>

Note 4. Furniture, Fixtures and Equipment:

HFHNV held the following furniture, fixtures and equipment as of June 30, 2018 and 2017:

	June 30, 2018	June 30, 2017
Furniture and equipment	\$ 123,821	\$ 77,512
Vehicles	77,588	46,621
Software	66,771	66,771
Leasehold Improvements	22,691	-
Less, accumulated depreciation	<u>(142,942)</u>	<u>(112,977)</u>
Net Furniture, Fixtures and Equipment	<u>\$ 147,929</u>	<u>\$ 77,927</u>

Total depreciation expense was \$29,965 and \$18,830, for the years ended June 30, 2018 and 2017, respectively.

HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 5. Temporarily Restricted Net Assets:

Temporarily restricted net assets and the amount of net assets that were released from restrictions at June 30, 2018 and 2017 were comprised of the following programs/projects:

<u>Program/Project</u>	<u>Balance 6/30/17</u>	<u>Grants and Contributions</u>	<u>Released</u>	<u>Balance 6/30/18</u>
100 TH House	\$ 144,917	\$ 100,000	\$ (244,917)	\$ -
Critical Home Repair	75,039	22,000	(5,899)	91,140
Kenilworth Project	39,362	-	-	39,362
Women Build	-	500	(500)	-
Development Proffer	-	63,152	-	63,152
Alabama	-	15,000	(15,000)	-
Other	-	35,000	(35,000)	-
	<u>\$ 259,318</u>	<u>\$ 235,652</u>	<u>\$ (301,316)</u>	<u>\$ 193,654</u>
<u>Program/Project</u>	<u>Balance 6/30/16</u>	<u>Grants and Contributions</u>	<u>Released</u>	<u>Balance 6/30/17</u>
100 TH House	\$ 144,917	\$ -	\$ -	\$ 144,917
Critical Home Repair	75,039	-	-	75,039
Kenilworth Project	-	39,362	-	39,362
	<u>\$ 219,956</u>	<u>\$ 39,362</u>	<u>\$ -</u>	<u>\$ 259,318</u>

Note 6. Line of Credit:

HFHNV had a line of credit agreement under which it could borrow up to \$800,000, bearing interest at the prime rate plus 1.45%. This line of credit expired in April 2017. In May 2017, HFHNV entered into a new line of credit agreement for borrowings up to \$800,000. This line bears interest at the daily LIBOR rate plus 2.85% and expires on May 10, 2019 when all outstanding principal and accrued interest become due. This line is secured by the assets of the Organization. The total outstanding balance on the line of credit was \$386,519 and \$0 at June 30, 2018 and 2017, respectively.

Note 7. Notes Payable:

Notes payable are comprised of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
In February 1999, HFHNV entered into a note payable agreement for \$120,000 with Arlington County. The note is interest free with annual principal payments of \$6,000. Due to be repaid fully in February 2019.	\$ 12,000	\$ 12,000
HFHNV entered into two notes payable with Virginia Housing Development Authority (VHDA) in November 2008 and December 2012. The notes are payable over 180 months in equal installments including interest at 3%. The notes are secured by an interest in certain mortgage loans held by HFHNV. Due to be repaid fully in December 2027.	457,469	577,068

HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 7. Notes Payable: (Concluded)

	<u>2018</u>	<u>2017</u>
In April 2014, HFHNV received a loan from a bank for \$400,000. The loan is secured by assignment of certain mortgages held by HFHNV. No monthly payments are due, but the loan is due to be repaid fully in October 2019, including interest at 5%, as a result of the loan extension subsequent to year end.	400,000	400,000
Total	\$ 869,469	\$ 989,068
Less, current portion	<u>(71,367)</u>	<u>(72,428)</u>
Long-term portion	<u>\$ 798,102</u>	<u>\$ 916,640</u>

The scheduled principal maturities of the loans at June 30, 2018 are as follows:

For the Year Ending <u>June 30,</u>	
2019	\$ 71,367
2020	461,173
2021	63,033
2022	64,951
2023	66,926
Thereafter	<u>142,019</u>
Total Notes Payable	<u>\$ 869,469</u>

Note 8. Income Taxes:

Under Section 501(c)(3) of the Internal Revenue Code, HFHNV is exempt from the payment of taxes on income other than unrelated business income. No provision for taxes is required for the years ended June 30, 2018 or 2017 as HFHNV had no net unrelated business income.

HFHNV has analyzed its tax positions, and has concluded that no liability should be recorded related to any uncertain tax positions. HFHNV is not aware of any tax positions which it believes will change materially in the next twelve months. If this position changes, HFHNV will assess the impact of any such matters on its financial position and results of operations.

HFHNV files its informational return for Federal reporting purposes. HFHNV is currently not under audit by any income tax jurisdiction.

Note 9. Simple IRA:

HFHNV contributes to a Simple IRA for each of its employees. HFHNV matches employee contributions up to 3% and employer contributions totaled \$26,627 and \$25,119 for the years ended June 30, 2018 and 2017, respectively.

HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 10. Lease Commitments:

In August 2014, a lease was signed for the resale store operation in Alexandria. The lease has an initial monthly base rent of \$16,536 which increases by 3% each August 1st. The lease also requires additional monthly payments of the proportionate share of common area maintenance costs and real estate taxes. The lease expires on November 30, 2024.

In October 2014, a lease was signed for the resale store operation in Chantilly. The lease has an initial monthly base rent of \$16,659 which increases 3% each October 1st. The lease also requires additional monthly payments of the proportional share of common area maintenance costs and real estate taxes. The lease expires on February 28, 2025.

In May 2018, HFHNV entered in a new 10-year lease agreement for a resale store operation in Herndon which commenced on November 1, 2018. The new lease has an initial monthly base rent of \$16,724 which increases by approximately 3% each November 1st. The lease also requires additional monthly payments of proportional share of common areas maintenance costs and real estate taxes. The lease expires on February 28, 2029.

Total rent expense (including operating expenses and property taxes) under these resale store location leases was \$589,428 and \$586,662 for the years ended June 30, 2018 and 2017, respectively, which is included in direct costs of resale stores on the statements of activities and changes in net assets.

In fiscal year 2015, HFHNV entered into a 7-year lease agreement for its headquarters location. The new lease term began on October 1, 2015. The new lease had an initial monthly base rent of \$2,159 which increases 3% every June 1st. This new lease expires on May 31st, 2022. The rent expense for the headquarters space was \$43,533 and \$42,193 for the years ended June 30, 2018 and 2017, respectively.

In order to more accurately reflect the annual lease costs, deferred rent is accrued to provide a constant rent over the life of the leases.

Future commitments under the leases are estimated as follows for the years ended June 30:

2019	\$ 591,807
2020	692,970
2021	714,255
2022	732,466
2023	724,381
Thereafter	<u>2,116,011</u>
Total	<u>\$ 5,571,890</u>

Note 11. Presentation of Prior Year Financial Statements:

Certain accounts and descriptions in the prior year financial statements have been modified for comparative purposes to conform with the presentation of the current year financial statements. These modifications had no effect on the change in net assets for the prior year.

Note 12. Subsequent Events:

HFHNV has evaluated events through January 10, 2019, the date the financial statements were available to be issued, and determined that there was no event occurring subsequent to June 30, 2018 that would have a material impact on HFHNV's results of operations or financial position.