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**HABITAT FOR HUMANITY  
OF NORTHERN VIRGINIA, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
JUNE 30, 2020**

**MATTHEWS, CARTER & BOYCE**  
RESPECT. CONFIDENCE. TRUST.

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

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**JUNE 30, 2020**

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## Independent Auditors' Report

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

We have audited the accompanying financial statements of Habitat for Humanity of Northern Virginia, Inc., which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Fairfax, Virginia  
January 11, 2021

# HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

## STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

### ASSETS

	June 30, 2020
<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	\$ 574,371
Restricted cash	253,184
Grant receivables	12,156
Construction in process inventory	1,621,098
Prepaid expenses	48,393
Investment in timeshare, net of allowance of \$16,900	2,000
Current portion of non-interest bearing mortgage loans, net of allowance of \$36,868	127,031
Current portion of discounts on non-interest bearing mortgage loans	(101,788)
Other receivables	36,652
Total Current Assets	<u>\$ 2,573,097</u>
<b>OTHER ASSETS:</b>	
Non-interest bearing mortgage loans, net of current portion	\$ 2,370,295
Discounts on non-interest bearing mortgage loans, net of current portion	(1,067,221)
Deposits	101,299
Net furniture, fixtures and equipment	366,193
<b>TOTAL ASSETS</b>	<u><u>\$ 4,343,663</u></u>

### LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES:</b>	
Accounts payable and accrued expenses	\$ 170,923
Line of credit	481,316
Current portion of deferred rent	45,396
Current portion of notes payable	72,716
Total Current Liabilities	<u>\$ 770,351</u>
<b>OTHER LIABILITIES:</b>	
Deferred rent, net of current portion	416,099
Notes payable, net of current portion	422,722
Total Liabilities	<u>\$ 1,609,172</u>
<b>NET ASSETS:</b>	
Without donor restrictions	\$ 2,409,940
With donor restrictions	324,551
Total Net Assets	<u>\$ 2,734,491</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 4,343,663</u></u>

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

HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2020

	June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT:</b>			
Contributions and grants	\$ 902,208	\$ 784,879	\$ 1,687,087
Sales to homeowners	413,779	-	413,779
Mortgage loan discount amortization	119,113	-	119,113
In-kind contributions	143,638	-	143,638
Resale stores income	1,874,439	-	1,874,439
Other income	49,124	-	49,124
Interest income	1,553	-	1,553
Total	<u>\$ 3,503,854</u>	<u>\$ 784,879</u>	<u>\$ 4,288,733</u>
Net assets released from restrictions:			
Satisfaction of purpose restrictions	\$ 709,544	\$ (709,544)	\$ -
Total Revenue and Support	<u>\$ 4,213,398</u>	<u>\$ 75,335</u>	<u>\$ 4,288,733</u>
<b>EXPENSES:</b>			
Program services	\$ 3,921,279	\$ -	\$ 3,921,279
Management and general	437,994	-	437,994
Fundraising	235,409	-	235,409
Total Expenses	<u>\$ 4,594,682</u>	<u>\$ -</u>	<u>\$ 4,594,682</u>
<b>CHANGE IN NET ASSETS</b>	\$ (381,284)	\$ 75,335	\$ (305,949)
<b>NET ASSETS, BEGINNING OF YEAR</b>	2,791,224	249,216	3,040,440
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,409,940</u>	<u>\$ 324,551</u>	<u>\$ 2,734,491</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, 2020

	Program Services	Management and General	Fundraising	Total
ReStore expenses	\$ 2,153,429	\$ -	\$ -	\$ 2,153,429
Building materials and supplies	889,177	-	-	889,177
Salaries	355,455	229,643	125,374	710,472
Mortgage discounts	221,240	-	-	221,240
Professional fees	63,232	35,019	27,951	126,202
Payroll taxes and employee benefits	63,081	27,726	17,256	108,063
Bad debt expense	-	87,500	-	87,500
Rent	48,504	8,259	7,433	64,196
Insurance	29,153	11,912	10,197	51,262
Miscellaneous	28,998	5,416	11,735	46,149
Telephone and computer services	7,035	15,070	9,836	31,941
Interest	24,922	1,389	-	26,311
Depreciation	13,384	2,872	2,563	18,819
Printing and mailing	2,831	1,509	10,850	15,190
Utilities and facility maintenance	3,247	5,809	1,169	10,225
Bank charges	-	1,276	8,595	9,871
HFHI tithe	9,250	-	-	9,250
Travel	3,484	499	636	4,619
Repairs and maintenance	2,102	1,412	746	4,260
Office supplies and expenses	707	2,493	204	3,404
Conferences and meetings	535	125	805	1,465
Auto expense	1,349	-	-	1,349
Taxes and licenses	164	65	59	288
	<u>\$ 3,921,279</u>	<u>\$ 437,994</u>	<u>\$ 235,409</u>	<u>\$ 4,594,682</u>
Total	<u>\$ 3,921,279</u>	<u>\$ 437,994</u>	<u>\$ 235,409</u>	<u>\$ 4,594,682</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 YEAR ENDED JUNE 30, 2020

INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH

	June 30, 2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in net assets	\$ (305,949)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Bad debt	87,500
Depreciation	69,156
Mortgage loan discount amortization	(119,113)
New mortgage loans issued, net of discount	(183,816)
Changes in assets and liabilities:	
Construction in process inventory	272,005
Prepaid expenses	24,303
Grant receivables	30,109
Other receivables	(12,014)
Accounts payable and accrued expenses	(69,490)
Deferred rent	116,012
Net Cash Used in Operating Activities	<u>\$ (91,297)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Acquisition of furniture, fixtures and equipment	\$ (8,458)
Mortgage principal payments received	178,199
Net Cash Provided by Investing Activities	<u>\$ 169,741</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Principal payments on notes payable	\$ (42,848)
Advances of notes payable	160,000
Net Cash Provided by in Financing Activities	<u>\$ 117,152</u>
<b>NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	<b>\$ 195,596</b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH BEGINNING OF YEAR</b>	<u>631,959</u>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH END OF YEAR</b>	<u><u>\$ 827,555</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>	
Interest paid	\$ 42,570
<b>NON-CASH INVESTING AND FINANCING TRANSACTION:</b>	
Mortgage loans issued, net of discounts for home sales	\$ 183,816

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

# HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

### 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 and non-proselytizing 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, 2020, 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.

#### **Restricted Cash**

HFHNV maintains restricted cash accounts for PPP loan funds and other restricted contributions. These cash accounts are restricted for the purpose of the funds.

#### **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 receivables. All mortgages are due based on the note terms. The estimated allowance for uncollectible mortgage loans was \$36,868 at June 30, 2020.

HFHNV may sell selective mortgages originated by HFHNV to local banks. Any gain or loss resulting from such transactions will be recorded when the transaction is settled.



# HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

#### 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.

#### 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 year ended June 30, 2020, two homes were completed and sold to homeowners.

#### 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

Net assets of HFHNV and changes therein are classified and reported as follows:

**Net assets without donor restrictions** – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of HFHNV's management and the Board of Directors.

**Net assets with donor restrictions** – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of HFHNV or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions at June 30, 2020 was \$324,551.

#### Revenue Recognition

Contributions are recognized as revenue when they are unconditionally received or pledged. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets.

# HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

#### Revenue Recognition (Concluded)

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 \$65,105 and various building materials and supplies of \$78,533 in fiscal year 2020. 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.

#### Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses, which includes program, general and administrative and fundraising categories. Accordingly, certain costs have been allocated to the functional area which benefits from those costs. Program costs are expenses incurred to advance HFHNV's mission of building and renovating affordable homes to create homeownership opportunities. These costs can include expenses related to construction (excluding construction in process in inventory costs), critical home repair, weatherization, ReStore operations, family selection, homeowner support, community education, mortgage origination and servicing, volunteers, advocacy, and covenants with Habitat for Humanity International (HFHI). General and administrative costs relate to administering day-to-day activities such as accounting, human resources, insurance and audit services. Fundraising costs support the pursuit of contributions and grants and include costs such as salaries of individuals involved in the fundraising process, publicizing and conducting fundraising campaigns and maintaining donor lists.

#### 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.

# HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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

#### Recent Accounting Pronouncements

In August 2016, FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments*. This guidance is intended to reduce the diversity in practice in how certain transactions are classified in the statement of cash flows. In addition, in November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*. This ASU provides additional guidance related to transfers between cash and restricted cash and how entities present, in their statements of cash flows, the cash receipts and cash payments that directly affect the restricted cash accounts. HFHNV has adopted these provisions in the accompanying financial statements. The effect of this pronouncement to the net cash used in operating activities for the year ended June 30, 2020 was not material.

FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. HFHNV has adopted Topic 606 in fiscal year 2020. Analysis of the various provisions of this standard resulted in no significant changes in the way the HFHNV recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. HFHNV has adopted the provisions of ASU 2018-08 applicable to both grants and contributions received and to grants and contributions made in the accompanying financial statements. Analysis of various provisions of the standard resulted in no significant change in the way the HFHNV recognized grants and contributions in 2020, and therefore no change to the previously issued audited financial statements was required.

### Note 2. Cash, Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows:

Cash and cash equivalents	\$ 574,371
Restricted Cash	<u>253,184</u>
Total cash and restricted cash shown in the statement of cash flows	<u>\$ 827,555</u>

Amounts included in restricted cash represent amounts for PPP loan funds and other purpose-restricted contributions.

### Note 3. Investment in Timeshare:

HFHNV received a donation in a prior year of a vacation timeshare for an Orlando, Florida resort. The timeshare has been recorded as a current asset. Management has been unable to liquidate the timeshare. The timeshare has been recorded at its estimated fair value based on management's best estimate derived from market value of comparable investments.

# HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2020**

**Note 4. Availability and Liquidity:**

The following represent HFHNV's financial assets at June 30, 2020:

Cash and cash equivalents	\$ 827,555
Current portion of non-interest bearing mortgage loans, net	127,031
Grant receivables	12,156
Other receivables	<u>36,652</u>
 Total financial assets	 \$ <u>1,003,394</u>
 Less amounts not available to be used for general operating:	
Net assets with donor restrictions	(324,551)
Restricted cash	<u>(253,184)</u>
 Financial assets available to meet general and restricted program expenditures over the next twelve months	 \$ <u>425,659</u>

During the normal course of operations, HFHNV will receive contributions, proceeds from house sales, and ReStore sales which will be available to spend on general expenditures. Because a donor's restriction requires resources to be used in a particular manner or in a future period HFHNV must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. HFHNV will regularly monitor cash projections over the next twelve months with the understanding that positive cash flow is desired.

**Note 5. Non-Interest Bearing Mortgage Loans Receivable and Discounts:**

Home purchase mortgage loans and loan discounts activity for fiscal year 2020 consist of the following:

<u>Description</u>	<u>Mortgage at Market % Rate</u>	<u>0% Rate Loan Discount</u>	<u>Net</u>
Balances at June 30, 2019	\$ 2,270,469	\$ (1,066,882)	\$ 1,203,587
Home sale mortgage loans	405,056	(221,240)	183,816
Mortgage principal pay downs and amortization	<u>(178,199)</u>	<u>119,113</u>	<u>(59,086)</u>
Balances at June 30, 2020	<u>\$ 2,497,326</u>	<u>\$ (1,169,009)</u>	<u>\$ 1,328,317</u>

The discount rates for the new mortgage loans at market percentage rate was 5.0% for the year ended June 30, 2020.

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.

There were no mortgage loan sales during the fiscal year 2020.

# HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

### Note 6. Risks and Uncertainties:

In March 2020, a pandemic of the Coronavirus (COVID-19) was declared by the World Health Organization. Future events, revenues and expenses of the Organization are uncertain due to the highly contagious nature of the virus, the requirements for social distancing, limited gathering and restrictions on travel. In addition, both domestic and international equity markets have experienced significant fluctuations since March 2020. The ultimate impact of the COVID-19 pandemic on the amount and likelihood of loss is unknown and depends on future developments. In this challenging environment, management has been aggressive in seeking new sources of funding, including federal emergency grants and loans, controlling costs and deferring payments when possible.

At June 30, 2020, 26.3% of HFHNV's mortgages were in a delinquency status. While the number of delinquent mortgages has remained constant since year-end, the delinquency amount and number of missed payments, have increased by 98%, from approximately \$20,000 to \$40,000 and from 25 to 47, respectively at the end of November 2020. At the audit report date, December 2020's delinquency figures were not available yet.. Virginia Housing services all of HFHNV's mortgages. Seven of the ten delinquent accounts are in full forbearance currently. The CARES Act provides homeowners with six months forbearance and borrowers can request an additional six month extension. Habitat affiliates can further extend if necessary and would need to inform Virginia Housing. At this point, it is unknown if there will be any foreclosures or uncollectible amounts. HFHNV has an estimated allowance for uncollectible mortgage loans of \$38,637 at June 30, 2020 and will continue to monitor the situation to see if an increase in the allowance is warranted.

Financial instruments that potentially subject HFHNV to significant concentrations of credit risk consist of cash accounts. HFHNV maintains these cash accounts with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC). HFHNV has not experienced any credit losses on its cash deposit to date, in relation to FDIC insurance limits. Management believes that the risk of any credit loss is minimal.

### Note 7. Furniture, Fixtures and Equipment:

HFHNV held the following furniture, fixtures and equipment as of June 30, 2020:

	June 30, 2020
Furniture and equipment	\$ 119,705
Vehicles	77,589
Software	66,771
Leasehold Improvements	363,636
Less, accumulated depreciation	<u>(261,508)</u>
Net Furniture, Fixtures and Equipment	<u>\$ 366,193</u>

Total depreciation expense was \$69,156 for the year ended June 30, 2020, of which \$50,337 is attributable to the Restore Program Operations.

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2020**

**Note 8. Net Assets with Donor Restrictions:**

Net assets with donor restrictions and the amount of net assets that were released from restrictions at June 30, 2020 were comprised of the following programs/projects:

<u>Program/Project</u>	<u>Balance 6/30/19</u>	<u>Grants and Contributions</u>	<u>Released</u>	<u>Balance 6/30/20</u>
Critical Home Repair	\$ 76,724	\$ 29,865	\$ (101,589)	\$ 5,000
Development Proffer	131,492	1,942	-	133,434
Reeves	20,000	-	-	20,000
FY2020 Build Days	21,000	-	(21,000)	-
Donora	-	150,000	(150,000)	-
Frye	-	64,735	(64,735)	-
99 <sup>th</sup> Family	-	20,000	(20,000)	-
Groveton	-	175,000	(108,983)	66,017
Capital Campaign	-	100	-	100
30 <sup>th</sup> Anniversary	-	25,000	-	25,000
COVID-19 Operating Costs	-	318,237	(243,237)	75,000
	<u>\$ 249,216</u>	<u>\$ 784,879</u>	<u>\$ (709,544)</u>	<u>\$ 324,551</u>

**Note 9. Line of Credit:**

HFHNV has a line of credit agreement under which it could borrow up to \$800,000. The line of credit bears interest at the daily LIBOR rate plus 2.85% and was set to expire on May 10, 2019. On April 9, 2019 the line of credit was extended to May 10, 2021. This line is secured by the assets of the Organization. The total outstanding balance on the line of credit was \$481,316 at June 30, 2020.

# HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

### Note 10. Notes Payable:

Notes payable are comprised of the following at June 30, 2020:

In May 2020, HFHNV was approved for a Payroll Protection Program (PPP) loan for \$253,237. The note bears interest at 1%, to be repaid in full by May 2022, and is eligible for loan forgiveness for certain eligible costs. See note below.

\$ 10,000

In May 2020, HFHNV received an EIDL loan from the SBA for \$150,000 which bears interest at a rate of 2.75% and matures in May 2050, with monthly payments of \$641 payable starting 12 months after the date of the note. The loan is secured by assets held by HFHNV.

150,000

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.

335,438

Total	\$ 495,438
Less, current portion	<u>(72,716)</u>
Long-term portion	<u>\$ 422,722</u>

Subsequent to year-end, HFHNV received confirmation from their bank that their PPP loan was fully forgiven, other than \$10,000, which was not eligible for forgiveness due to the receipt of a \$10,000 EIDL advance. In accordance with available guidance from the AICPA, HFHNV accounted for the funds similar to other government grants under FASB ASC 958-605. Due to HFHNV incurring the qualified expenses during fiscal year 2020 and forgiveness being subsequently obtained, HFHNV recognized the forgiven amount of \$243,237 as contribution revenue during the year-ended June 30, 2020.

The scheduled principal maturities of the loans are as follows:

For the Year Ending  
June 30,

2021	\$ 72,716
2022	72,205
2023	74,057
2024	55,521
2025	33,416
Thereafter	<u>187,523</u>
Total Notes Payable	<u>\$ 495,438</u>

# HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

### Note 11. 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 year ended June 30, 2020 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 12. Simple IRA:

HFHNV contributes to a Simple IRA for each of its employees. HFHNV matches employee contributions up to 3% and employer contributions totaled \$12,618 for the year ended June 30, 2020.

### Note 13. 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 1<sup>st</sup>. 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 1<sup>st</sup>. 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 1<sup>st</sup>. 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 \$690,767 for the year ended June 30, 2020.

In fiscal year 2015, HFHNV entered into a 7-year lease agreement for its headquarters location. The lease term began on October 1, 2015 and had an initial monthly base rent of \$2,159 which increases 3% every June 1<sup>st</sup>. This lease was to set expire on May 31, 2022, but was amended in 2020 to extend the term to May 31, 2025. The rent expense for the headquarters space was \$24,378 for the year ended June 30, 2020.



# HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

### Note 13. Lease Commitments (Concluded):

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

In June 2014, HFHNV entered into a 7-year lease agreement for a truck for the ReStore locations. The lease has monthly rental payments of \$1,429 and expires on June 11, 2021.

In fiscal year 2019, HFHNV entered into a 7-year lease agreement for three trucks for the ReStore locations. Each truck has a monthly rental payment of \$1,319. The lease expires in 2026.

In December 2018, HFHNV entered into a 5-year operating lease agreement for office copiers at the HFHNV headquarters office and the Alexandria and Chantilly ReStore locations. The lease has monthly payments of \$241 and expires on December 5, 2023.

In April 2019, HFHNV entered into a 5-year operating lease agreement for an office copier at the Herndon ReStore location. The lease has monthly payments of \$45 and expires on April 16, 2024.

Due to COVID-19, HFHNV was able to negotiate various rent deferral periods or rent forgiveness clauses which resulted in amended lease payment schedules.

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

2021	\$	793,090
2022		796,195
2023		813,013
2024		833,035
2025		692,891
Thereafter		<u>986,219</u>
Total	\$	<u>4,914,443</u>

### Note 14. Subsequent Events:

HFHNV has evaluated events through January 11, 2021, the date the financial statements were available to be issued, and determined that there was no event occurring subsequent to June 30, 2020 that would have a material impact on HFHNV's results of operations or financial position.