



**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2022  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021)**

**HABITAT FOR HUMANITY OF WASHINGTON, D.C.  
AND NORTHERN VIRGINIA, INC.**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
**Habitat for Humanity of Washington, D.C. and Northern Virginia, Inc.**

### *Opinion*

We have audited the financial statements of Habitat for Humanity of Washington, D.C. and Northern Virginia, Inc. (Habitat DC-NOVA), which comprise the statement of financial position as of June 30, 2022, and the related 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 accompanying financial statements present fairly, in all material respects, the financial position of Habitat DC-NOVA as of June 30, 2022, 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.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Habitat DC-NOVA 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 Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat DC-NOVA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 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 GAAS, we:

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

### **Other Matter**

#### ***Report on Summarized Comparative Information***

We have previously audited Habitat DC-NOVA's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 7, 2022. 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 financial statements from which it has been derived.

*Marcum LLP*

Washington, DC  
June 14, 2023

**HABITAT FOR HUMANITY OF WASHINGTON, D.C.  
AND NORTHERN VIRGINIA, INC.**

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2022**

**(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)**

	2022	2021
<b>Assets</b>		
Current assets		
Cash and cash equivalents – unrestricted	\$ 4,759,759	\$ 256,449
Cash and cash equivalents – restricted	2,535,247	1,267,159
Accounts receivable and other current assets	415,764	99,946
Grants and pledges receivable	175,108	192,619
Mortgages receivable, current portion	385,480	283,065
Accrued interest on note receivable	216,093	178,609
Donated inventory	106,687	--
Construction in progress	<u>3,591,189</u>	<u>3,860,615</u>
Total Current Assets	12,185,327	6,138,462
Mortgages receivable, net of current portion	3,238,626	2,166,281
Note receivable	593,000	593,000
Property and equipment, net	328,111	16,287
Investment in joint venture	<u>419,523</u>	<u>318,796</u>
<b>Total Assets</b>	<u>\$ 16,764,587</u>	<u>\$ 9,232,826</u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 417,462	\$ 130,608
Line of credit	1,390,350	1,270,000
Deposits and escrows payable	211,358	232,490
Other current liabilities	16,761	2,789
Deferred rent	72,843	--
Notes payable, current portion	<u>774,259</u>	<u>982,013</u>
Total Current Liabilities	2,883,033	2,617,900
Deferred rent, net of current portion	279,798	--
Notes payable, net of current portion	<u>5,246,015</u>	<u>5,450,177</u>
<b>Total Liabilities</b>	<u>8,408,846</u>	<u>8,068,077</u>
Net Assets		
Net assets without donor restrictions	8,090,928	684,549
Net assets with donor restrictions	<u>264,813</u>	<u>480,200</u>
<b>Total Net Assets</b>	<u>8,355,741</u>	<u>1,164,749</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 16,764,587</u>	<u>\$ 9,232,826</u>

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

**HABITAT FOR HUMANITY OF WASHINGTON, D.C.  
AND NORTHERN VIRGINIA, INC.**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2022**

**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)**

	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenue and Support</b>				
Sale of homes	\$ 2,500,890	\$ --	\$ 2,500,890	\$ 2,797,858
ReStore income	1,013,813	--	1,013,813	--
Home repair programs	199,160	--	199,160	63,015
Contributions	4,277,402	--	4,277,402	774,323
Grants	303,856	74,750	378,606	467,778
Special events, net	344,316	--	344,316	--
Donated services	200,442	--	200,442	268,005
Other income	52,315	--	52,315	149,469
Net assets released from restrictions:				
Satisfaction of program restrictions	<u>505,199</u>	<u>(505,199)</u>	<u>--</u>	<u>--</u>
<b>Total Revenue and Support</b>	<u>9,397,393</u>	<u>(430,449)</u>	<u>8,966,944</u>	<u>4,520,448</u>
<b>Expenses</b>				
Program Services:				
Construction	3,051,669	--	3,051,669	3,829,951
Non construction	<u>1,613,196</u>	<u>--</u>	<u>1,613,196</u>	<u>509,668</u>
Total Program Services	4,664,865	--	4,664,865	4,339,619
Supporting Services:				
Fundraising	335,646	--	335,646	463,292
General and administrative	<u>956,733</u>	<u>--</u>	<u>956,733</u>	<u>598,703</u>
Total Supporting Services	<u>1,292,379</u>	<u>--</u>	<u>1,292,379</u>	<u>1,061,995</u>
<b>Total Expenses</b>	<u>5,957,244</u>	<u>--</u>	<u>5,957,244</u>	<u>5,401,614</u>
<b>Change in Net Assets from Operations</b>	3,440,149	(430,449)	3,009,700	(881,166)
Loan forgiveness	213,777	--	213,777	229,100
Excess of liabilities assumed over assets acquired in acquisition of HFHNV	<u>3,752,453</u>	<u>215,062</u>	<u>3,967,515</u>	<u>--</u>
<b>Change in Net Assets</b>	7,406,379	(215,387)	7,190,992	(652,066)
<b>Net Assets – Beginning</b>	<u>684,549</u>	<u>480,200</u>	<u>1,164,749</u>	<u>1,816,815</u>
<b>Net Assets – Ending</b>	<u>\$ 8,090,928</u>	<u>\$ 264,813</u>	<u>\$ 8,355,741</u>	<u>\$ 1,164,749</u>

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

**HABITAT FOR HUMANITY OF WASHINGTON, D.C.  
AND NORTHERN VIRGINIA, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED JUNE 30, 2022  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)**

	2022							2021 Total
	Program Services			Supporting Services				
	Construction	Non Construction	Total	Fundraising	General and Administrative	Total	Total	
Cost of home sales – construction costs	\$ 2,040,838	\$ 439,283	\$ 2,480,121	\$ --	\$ --	\$ --	\$ 2,480,121	\$ 2,760,613
Salaries and employee benefits	549,021	557,304	1,106,325	225,728	254,775	480,503	1,586,828	1,226,797
Office and warehouse rent	157,711	366,848	524,559	19,280	48,545	67,825	592,384	146,791
Professional fees	52,383	57,336	109,719	21,445	362,533	383,978	493,697	357,259
Contract services	68,633	76,175	144,808	144	94,445	94,589	239,397	407,282
Office	23,348	61,747	85,095	16,642	70,818	87,460	172,555	207,208
Interest	33,868	2,239	36,107	35,222	71,251	106,473	142,580	137,873
Amortization of debt issuance costs	102,116	--	102,116	--	--	--	102,116	75,959
Insurance	15,094	20,834	35,928	7,721	17,373	25,094	61,022	40,255
Bad debt	--	--	--	--	27,500	27,500	27,500	--
Depreciation and amortization	6,140	16,472	22,612	1,628	3,175	4,803	27,415	11,376
Tithe to HFHI and other affiliates	--	13,375	13,375	--	--	--	13,375	15,000
Dues, subscription, printing and publications	625	1,190	1,815	5,910	3,442	9,352	11,167	9,935
Travel and meetings	1,892	393	2,285	1,926	2,876	4,802	7,087	5,266
<b>Total Expenses</b>	<b>\$ 3,051,669</b>	<b>\$ 1,613,196</b>	<b>\$ 4,664,865</b>	<b>\$ 335,646</b>	<b>\$ 956,733</b>	<b>\$ 1,292,379</b>	<b>\$ 5,957,244</b>	<b>\$ 5,401,614</b>

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

**HABITAT FOR HUMANITY OF WASHINGTON, D.C.  
AND NORTHERN VIRGINIA, INC.**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED JUNE 30, 2022**

**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)**

	2022	2021
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 7,190,992	\$ (652,066)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Paycheck Protection Program loan forgiveness	(213,777)	(229,100)
Amortization of discount on mortgages receivable	(211,131)	(162,693)
Depreciation and amortization	27,415	11,376
Equity in earnings of joint venture	(100,727)	(40,633)
Property and equipment contributed by HFHNV	(274,826)	--
Mortgage receivable contributed by HFHNV	(1,399,492)	--
Amortization of debt issuance costs	102,116	75,959
In-kind re-sale contributions- donated goods	(942,770)	--
In-kind re-sale distributions- donated goods	906,836	--
Changes in assets and liabilities:		--
Accounts receivable and other current assets	(315,818)	11,062
Accrued interest on mortgages receivable	(37,484)	(36,328)
Grants and pledges receivable	17,511	(37,619)
Mortgages receivable	676,563	358,579
Construction in progress	269,426	1,920,474
Accounts payable and accrued expenses	286,854	(84,092)
Deposits and escrows payable	(21,132)	11,754
Other current liabilities	13,972	1,632
Deferred rent	352,641	--
Total Adjustments	(863,823)	1,800,371
<b>Net Cash Provided by Operating Activities</b>	<u>6,327,169</u>	<u>1,148,305</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	(64,413)	--
<b>Net Cash Used in Investing Activities</b>	<u>(64,413)</u>	<u>--</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from line-of-credit	(120,350)	275,000
Payments on line-of-credit	--	(50,000)
Proceeds from issuance of notes payable	339,878	501,116
Principal payments on notes payable	(710,886)	(790,854)
<b>Net Cash Used in Financing Activities</b>	<u>(491,358)</u>	<u>(64,738)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<u>5,771,398</u>	<u>1,083,567</u>
<b>Cash and Cash Equivalents – Beginning</b>	<u>1,523,608</u>	<u>440,041</u>
<b>Cash and Cash Equivalents – Ending</b>	<u>\$ 7,295,006</u>	<u>\$ 1,523,608</u>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid during the year for interest	<u>\$ 142,580</u>	<u>\$ 137,873</u>
Cash and cash equivalents, unrestricted	\$ 4,759,759	\$ 256,449
Cash and cash equivalents, restricted	<u>2,535,247</u>	<u>1,267,159</u>
<b>Total</b>	<u>\$ 7,295,006</u>	<u>\$ 1,523,608</u>
<b>Supplemental Cash Flow Information</b>		
Noncash financing activities		
Paycheck Protection Program loan forgiveness	<u>\$ 213,777</u>	<u>\$ 229,100</u>

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



**HABITAT FOR HUMANITY OF WASHINGTON, D.C.  
AND NORTHERN VIRGINIA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2022**

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***ORGANIZATION***

Habitat for Humanity of Washington, D.C., Inc. (HFH WDC) was incorporated in 1990 in the District of Columbia as a non-profit organization. HFH WDC is committed to eliminating poverty housing and homelessness in the nation's capital by building affordable, energy and resource-efficient homes for people in need.

HFH WDC sells all the homes it builds to eligible low to moderate income (LMI) households and may finance the home purchase by offering zero-interest mortgages, or assist the prospective homebuyer families in obtaining conventional mortgage financing. Prospective homebuyers make a \$500 down payment and contribute 300 hours of sweat equity towards the construction of their future home. Mortgage payments on HFH WDC originated loans are reinvested in a revolving fund to finance further construction and the acquisition of additional properties and building materials. In essence, HFH WDC is a developer, a construction company, a mortgage company, and a social service agency. Providing decent, affordable housing in the nation's capital requires several partners and generous funding from corporations, foundations, local government agencies, and individuals.

HFH WDC is affiliated with, but is not controlled by, Habitat for Humanity International, Inc. (the international affiliate), which is headquartered in Americus, GA. The international affiliate conducts projects worldwide and is a resource center for local affiliates such as HFH WDC. HFH WDC pays an annual tithe to the international affiliate and a sustainability fee of \$25,000.

Habitat for Humanity of Northern Virginia, Inc. (HFHNV) was incorporated in 1990. HFHNV is a not-for-profit organization exempt from federal income tax under IRC section 501(c)(3). On January 10, 2022, an acquisition of HFHNV was approved by both organizations' Board of Directors. Legal filings were submitted on February 28, 2022. The acquisition became effective March 1, 2022 and the legal name of the entity became Habitat for Humanity of Washington, D.C. and Northern Virginia, Inc. (Habitat DC-NOVA). The acquisition will increase construction, the expansion of the home repair and weatherization programs, stabilization of cash flow, eventual ReStore expansion, access to new capital sources and greater regional visibility.

***INCOME TAXES***

Habitat DC-NOVA is exempt from payment of income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC) and is classified as other than a private foundation within the meaning of Section 509(a)(1) of the IRC.

**HABITAT FOR HUMANITY OF WASHINGTON, D.C.  
AND NORTHERN VIRGINIA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2022**

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***BASIS OF ACCOUNTING***

The accompanying financial statements have been prepared on the accrual basis of accounting. Revenue is recognized when earned and expense when incurred.

***CASH AND CASH EQUIVALENTS***

Habitat DC-NOVA classifies all highly liquid investments with original maturities of less than 90 days as cash equivalents. Cash and cash equivalents include demand deposits and money market funds. Restricted cash includes a loan reserve established for payment of the servicing fee in compliance with the notes payable agreements.

***ACCOUNTS RECEIVABLE***

Accounts receivable primarily consist of 1) miscellaneous receivables such as refunds due from vendors; 2) ReStore sales receivable and 3) amounts due in relation to home sales. Habitat DC-NOVA's management periodically reviews the status of all balances for collectability. Management determines the allowance for doubtful accounts by reviewing all outstanding receivables for possible uncollectibility. Accounts are charged to the allowance account when deemed uncollectible. Accounts receivable balances were deemed to be collectible.

***GRANTS AND PLEDGES RECEIVABLE***

Grants and pledges receivable consist of unconditional promises to give to Habitat DC-NOVA. Unconditional promises to give are recorded at their present net realizable value. For those due in more than one year, fair value is estimated by discounting estimated future cash flows at rates approximating the current rate for risk-free returns. Management determines the allowance for doubtful grants and pledges by reviewing all outstanding pledges for possible uncollectibility. Pledges are charged to the allowance account when deemed uncollectible.

***DONATED INVENTORY***

Donated inventory consists of ReStore (thrift store) inventory. ReStore inventory is carried at fair value and estimated using historical turnover in lieu of a physical count.

**HABITAT FOR HUMANITY OF WASHINGTON, D.C.  
AND NORTHERN VIRGINIA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2022**

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***PROPERTY AND EQUIPMENT AND RELATED DEPRECIATION AND AMORTIZATION***

Acquisitions of property and equipment greater than \$2,500 and with estimated useful life greater than one year and all expenditures for repairs, maintenance and betterments that materially prolong the useful lives of assets are capitalized. Donated property is valued at fair value at the date of the gift. Depreciation is calculated using the straight-line method over the following estimated useful lives of the assets: furniture and equipment – 3 to 5 years; software – 5 years; and vehicles – 3 to 7 years. Amortization of leasehold improvements is calculated using the straight-line method over the lesser of the remaining term of the office lease or the estimated useful life of the improvements.

***IMPAIRMENT OF LONG-LIVED ASSETS***

Habitat DC-NOVA reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There were no impairment losses recognized for the year ended June 30, 2022.

***HOME SALES AND COST OF HOME SALES***

When home sales occur, the revenue is recorded and the related previously capitalized construction in progress is recognized as cost of home sales expense in the year of the sale. In general, home sales revenue is lower than cost of home sales expense and, therefore, Habitat DC-NOVA subsidizes this difference through grants and contributions. Home sales revenue also includes the proceeds from the sale of homes if a home buyer has a mortgage with Habitat DC-NOVA. Cost of home sales consists mostly of capitalized home construction costs, including certain costs related to the sale of homes.

***REVENUE RECOGNITION***

Unconditional contributions and grants are recognized when promised to or received by Habitat DC-NOVA. Unconditional contributions and grants are recorded as with or without donor restrictions depending upon the existence and/or nature of any donor restrictions. Specifically, unconditional gifts of cash for the acquisition of long-lived assets are recorded as with donor restrictions and unconditional promises to give are recorded as with donor restrictions due to implied time restrictions. Within net assets with donor restrictions, amounts are reclassified to net assets without donor restrictions when the time restrictions expire or when the purpose restrictions are met.

**HABITAT FOR HUMANITY OF WASHINGTON, D.C.  
AND NORTHERN VIRGINIA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2022**

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***DONATED SERVICES***

Nonfinancial contributions (gifts-in-kind) are recognized as both support and revenue and expenses in the accompanying statement of activities at the estimated fair value at the date of donation. Donated services are recognized if the services received create or enhance nonfinancial assets, or if the services require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

***CLASSIFICATION OF NET ASSETS***

Habitat DC-NOVA's net assets are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for any purpose in performing the primary objectives of Habitat DC-NOVA at the discretion of Habitat DC-NOVA's management and the Board of Directors.
- Net assets with donor restrictions represent funds that are specifically restricted by donors for use in various programs and/or for a specific period of time. These donor restrictions can be temporary in nature in that they will be met by actions of Habitat DC-NOVA or by the passage of time.

***FUNCTIONAL ALLOCATION OF EXPENSES***

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Expenses directly attributed to a specific functional area of Habitat DC-NOVA are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas, such as salaries and employee benefits, rent and depreciation and amortization, have been allocated among the various functional areas based on direct salaries.

***USE OF ESTIMATES***

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

**HABITAT FOR HUMANITY OF WASHINGTON, D.C.  
AND NORTHERN VIRGINIA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2022**

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**NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***NEW ACCOUNTING PRONOUNCEMENTS***

In September 2020, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. ASU 2020-07 requires not-for-profits (NFPs) to present contributed nonfinancial assets as a separate line item in the statement of activities and provide additional disclosures about contributions of nonfinancial assets. The adoption of the standard did not result in a material change to the financial statements.

**NOTE 2 – HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC. ACQUISITION**

As of March 1, 2022, amount recognized for each major class of assets, liabilities, and each class of net assets as of the acquisition date are summarized as follows:

Assets:	
Cash and cash equivalent	\$ 1,803,257
Restricted cash	253,367
Construction in process inventory	1,088,490
Other receivable	14,416
Prepaid expenses and other assets	55,566
Mortgage receivable, net	1,399,492
Property and equipment, net	274,826
Security deposit	<u>101,299</u>
Total Assets	<u>4,990,713</u>
Liabilities:	
Accounts payable and accrued expenses	280,138
Deferred rent	372,505
Deposits	<u>370,555</u>
Total Liabilities	<u>1,023,198</u>
<b>Amount in Excess of Liabilities Assumed Over Assets</b>	<b><u>\$ 3,967,515</u></b>

**HABITAT FOR HUMANITY OF WASHINGTON, D.C.  
AND NORTHERN VIRGINIA, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2022**

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**NOTE 3 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consisted of the following at June 30, 2022:

Cash – undesignated	\$ 4,759,759
Cash – restricted for New Market Tax Credit (NMTC) programs	2,273,889
Certificates of deposit – required balance of line of credit	<u>261,358</u>
<b>Total Cash and Cash Equivalents</b>	<b><u>\$ 7,295,006</u></b>

**NOTE 4 – MORTGAGES RECEIVABLE**

Mortgages receivable consists of non-interest bearing promissory notes ranging in amounts from \$5,000 to \$317,000. Habitat DC-NOVA outsources the administration, servicing and collection of its mortgage receivables to a third-party service organization. Monthly mortgage payments range from \$42 to \$903, and maturities range from 2022 to 2069. The discount on mortgages receivable is determined using imputed interest rates (discount rates range from 6% to 9%). Amortization of the discount totaled \$211,131 for the year ended June 30, 2022. Management believes that the mortgages receivable are fully collectible.

Net mortgages receivable consisted of the following at June 30, 2022:

Mortgages receivable, current	\$ 385,480
Mortgages receivable, non-current	<u>5,154,216</u>
Mortgages receivable	5,539,696
Less: Allowance for uncollectible mortgages	(36,868)
Less: Unamortized discount to net present value	<u>(1,878,722)</u>
<b>Net Present Value of Mortgage Receivable</b>	<b><u>\$ 3,624,106</u></b>

In previous years, Habitat DC-NOVA entered into an agreement in which it used non-interest-bearing mortgage receivable as security to obtain an operating loan. The details of this loan is shown in Note 8. The mortgage receivable used as security remains as assets in the statement of financial position with a corresponding liability in the form of secured obligations. The terms and payment schedules of the secured obligations are coincident with those of the underlying mortgage receivable. At June 30, 2022, the book value of these secured obligations, was \$733,663.

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**NOTE 4 – MORTGAGES RECEIVABLE (CONTINUED)**

Collections of payments on mortgages receivable are expected to be as follows:

<u>For the Year Ending June 30,</u>	
2023	\$ 385,480
2024	407,244
2025	359,263
2026	348,562
2027	369,642
Thereafter	<u>3,669,505</u>
	<u>\$ 5,539,696</u>

**NOTE 5 – CONSTRUCTION IN PROGRESS AND PROPERTY AND EQUIPMENT**

***CONSTRUCTION IN PROGRESS***

Costs associated with the acquisition, development and construction of a project are capitalized. Such costs may include (1) pre-acquisition costs such as land acquisition or improvement; (2) infrastructure development or construction costs such as equipment rental, construction materials, or subcontractors; and (3) other costs such as interest, insurance, or construction benefits. While construction projects may span several years, most of the individual units included in a project within construction in progress are expected to be completed and sold in future years.

Construction in progress consisted of the following at June 30, 2022:

55 <sup>th</sup> Place	\$ 1,324,799
Groveton main	1,019,002
Skyland Terrace	880,762
Fairfax Presbyterian Church	281,996
Others	<u>84,630</u>
	<u>\$ 3,591,189</u>

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**NOTE 5 – CONSTRUCTION IN PROGRESS AND PROPERTY AND EQUIPMENT (CONTINUED)**

***PROPERTY AND EQUIPMENT***

Property and equipment consisted of the following at June 30, 2022:

Leasehold improvements	\$ 409,364
Furniture and equipment	241,112
Software	127,941
Vehicles	<u>77,589</u>
Less: Accumulated Depreciation and Amortization	<u>(527,895)</u>
<b>Property and Equipment, Net</b>	<b><u>\$ 328,111</u></b>

Depreciation and amortization expense was \$27,415 for the year ended June 30, 2022.

**NOTE 6 – INVESTMENT IN JOINT VENTURE**

Habitat DC-NOVA participates in New Markets Tax Credit (NMTC) programs. NMTC programs were originally established as part of the Community Renewal Tax Relief Act of 2000 and the law covering NMTC programs was most recently extended until December 2019. The goal of NMTC programs is to spur revitalization efforts of low-income and impoverished communities across the United States and its Territories by providing tax credit incentives to investors in certified community development entities. The tax credit for investors equals 39% of the investment, and investors receive the tax credit over a seven-year period. A community development entity (CDE) is required to participate and has the primary mission of providing financing for revitalization projects in low-income communities. NMTC financing allows organizations to receive low-interest loans or investment capital from CDEs, primarily financial institutions, which will allow their investors to receive tax credits. As a result of participation in NMTC programs, Habitat DC-NOVA obtained the low-interest loans described in Note 8.

***MANNITAT LEVERAGE LENDER, LLC (MANNITAT)***

During the year ended June 30, 2017, Habitat DC-NOVA and Manna, Inc. formed Mannitat Leverage Lender, LLC (Mannitat). As part of the agreement, Habitat DC-NOVA contributed cash of \$500 such that Habitat DC-NOVA owns 50% of Mannitat. Because Habitat DC-NOVA does not have effective control over Mannitat, management determined that consolidated financial statements including both Habitat DC-NOVA and Mannitat are not required to be presented, which is in accordance with GAAP. Habitat DC-NOVA recorded its investment in Mannitat using the equity method.



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**NOTE 6 – INVESTMENT IN JOINT VENTURE (CONTINUED)**

***MANNITAT LEVERAGE LENDER, LLC (MANNITAT) (CONTINUED)***

Investment in joint venture consisted of the following as of and for the year ended June 30, 2022:

Investment in joint venture, beginning of year	\$ 318,796
Equity in earnings of Mannitat	<u>100,727</u>
<b>Investment in Joint Venture, End of Year</b>	<b><u>\$ 419,523</u></b>

**NOTE 7 – NOTE RECEIVABLE**

In conjunction with the New Markets Tax Credits (NMTC) loans described in Note 8, Habitat DC-NOVA provided cash of \$593,000 to Mannitat in return for a promissory note in the same amount. The promissory note matures in June 2025 when the balance will be payable in full. The note receivable accrues interest at an annual rate of 6.13%. In accordance with the terms of the promissory note, no principal payments are due until maturity and only monthly interest payments of \$3,027 have been accrued. As a result, accrued interest on the note receivable totaled \$216,093 at June 30, 2022.

**NOTE 8 – NOTES PAYABLE**

Habitat DC-NOVA has financed the acquisition or construction of various housing properties through several notes payable from various lenders such as financial institutions, the international affiliate, and local government.

***NEW MARKETS TAX CREDITS (NMTC) LOANS***

Habitat DC-NOVA had four NMTC loans totaling \$6,000,000 from Jubilee Manna Sub-CDE I, LLC, which is a certified community development entity. The loan proceeds were to be used solely for the purpose of constructing and selling qualified housing properties to low income residents. In accordance with the original terms of the loans, monthly payments of principal and interest were required for the first seven years. During the year ended June 30, 2018, Habitat DC-NOVA paid the outstanding balance due on two of the four NMTC loans (Note A and Note B). In addition, Habitat DC-NOVA amended the terms of the remaining two loans (Note C and Note D). For Note C, payments of interest only are required until June 15, 2025 and for Note D, payments of interest only are required until August 15, 2023. Interest on the loans accrues at an annual rate of 5.13%. Habitat DC-NOVA was in compliance with the financial loan covenants of the NMTC loans.

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**NOTE 8 – NOTES PAYABLE (CONTINUED)**

***NEW MARKETS TAX CREDITS (NMTC) LOANS (CONTINUED)***

The following table summarizes the maturity dates and outstanding balances due at June 30, 2022 for the two NMTC loans in accordance with the terms of the loans:

Note C (June 30, 2025)	\$ 2,648,350
Note D (July 13, 2046)	<u>1,260,924</u>
	<u>\$ 3,909,274</u>

Debt issuance costs, net of accumulated amortization, totaled \$98,727 at June 30, 2022, and have been presented as a reduction of notes payable.

***PENTAGON FEDERAL CREDIT UNION (PEN FED)***

Habitat DC-NOVA has an acquisition loan from Pen Fed with a maximum draw of \$1,302,720 which is secured by the related acquired properties. The loan was used for the acquisition of properties. Advances under the acquisition loan accrue interest at a variable rate equal to the Wall Street Journal prime rate plus 1% and monthly interest only payments are required until September 2025, the maturity date of the loan. The interest rate at June 30, 2022 was 4.25%. The outstanding balance due on the Pen Fed loan was \$880,100 at June 30, 2022.

***INTERNATIONAL AFFILIATE***

Habitat DC-NOVA had two loans from the international affiliate (one loan accrued interest at an annual rate of 4.75% and the other loan was a zero-interest loan). The maturity dates of the two loans were December 31, 2024 and September 30, 2025, respectively and both of the loans were secured by mortgages receivable. On June 8, 2018, the loans were refinanced, and Habitat DC-NOVA obtained a new loan totaling \$1,054,861 which matures June 8, 2028. In accordance with the terms of the refinanced loan, interest accrues at 4.75% for the first 5 years and then 4.5% for the remaining 5 years. In accordance with the terms of the refinanced loan, Habitat DC-NOVA is required to prepay at least \$300,000 of the principal balance due on the note within 24 months of closing, unless the international affiliate agrees to release Habitat DC-NOVA from the pre-payment requirement. In September 2020, the loan was amended to remove this requirement. In addition to this amendment, in July 2020, the payment schedule was amended, resulting in Habitat DC-NOVA receiving a refund of \$22,937, which will be due at a later date. Habitat DC-NOVA was in compliance with the international affiliate loan financial covenants at June 30, 2022. The outstanding balance due on the international affiliate loans was \$733,663 at June 30, 2022.

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**NOTE 8 – NOTES PAYABLE (CONTINUED)**

***PAYROLL PROTECTION PROGRAM LOAN***

In March 2021, Habitat DC-NOVA entered into a Small Business Administration (SBA) loan with its financial institution under the Payroll Protection Program (PPP) for the amount of \$213,777. The loan was scheduled to mature in March 2026, with a fixed interest rate of 1% per annum. Monthly payments of principal and interest were scheduled to commence in September 2021 and continue through the maturity date. The loan amount, or some portion thereof, was eligible for forgiveness pursuant to the grant provisions of the PPP. During the year ending June 30, 2022, Habitat DC-NOVA met the conditions for forgiveness and received notification of forgiveness of the full amount of the debt as of September 16, 2022.

***ECONOMIC INJURY DISASTER LOAN – HFH WDC***

In June 2020, Habitat DC-NOVA entered into a SBA loan with its financial institution under the Economic Injury Disaster Loan program funding for the amount of \$150,000, which came with a \$10,000 grant. The balance of principal and interest will be payable for thirty (30) years from the date of the Promissory Note with a fixed interest rate of 2.75% per annum. Installment payments, including principal and interest will begin twelve (12) months from the date of the Promissory Note. The outstanding balance due on the loan was \$146,504 at June 30, 2022.

***VIRGINIA HOUSING DEVELOPMENT AUTHORITY LOANS***

Habitat DC-NOVA entered into two notes payable with Virginia Housing Development Authority (VHDA) in November 2008 and December 2012, respectively. The notes are payable over 180 months in equal installments including interest at 3%. The notes are to be repaid fully in December 2027. The outstanding balance due on the VHDA loans was \$200,733 at June 30, 2022.

***ECONOMIC INJURY DISASTER LOAN – HFHNV***

On May 21, 2020, Habitat DC-NOVA entered into an Economic Injury Disaster Loan (EIDL) with the SBA in the amount of \$150,000 for financial liquidity purposes after the onset of COVID-19. The loan matures in May 2050, with a fixed interest rate of 2.75% per annum. Consecutive monthly payments of principal and interest will commence in July 2022. The outstanding balance due on the EIDL loan was \$150,000 at June 30, 2022.

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**NOTE 8 – NOTES PAYABLE (CONTINUED)**

***ECONOMIC INJURY DISASTER LOAN – HFH WDC***

Notes payable, grouped by lender, consisted of the following at June 30, 2022:

New Markets Tax Credits (NMTC) loans	\$ 3,909,274
Pentagon Federal Credit Union	880,100
International Affiliate	733,663
Economic Injury Disaster loan – HFH WDC	146,504
Economic Injury Disaster loan – HFHNV	150,000
Virginia Housing Development Authority loans	<u>200,733</u>
 Total	 <u>\$ 6,020,274</u>

Future maturities of notes payable are as follows:

Year Ending June 30,

2023	\$ 160,950
2024	152,083
2025	2,786,571
2026	1,023,900
2027	149,608
Thereafter	<u>1,747,163</u>
	<u>\$ 6,020,275</u>

**NOTE 9 – LINE-OF-CREDIT**

Habitat DC-NOVA has a \$1,500,000 line-of-credit available from Sandy Spring Bank which terminated in December 2022. Under the line-of-credit, Habitat DC-NOVA is required to maintain a \$250,000 certificate of deposit as partial collateral for the outstanding balance. As described in the terms of the line-of-credit agreement, certain other assets of Habitat DC-NOVA have also been identified as collateral. As of June 30, 2022, the interest rate was 5.5%. Drawdowns on the line-of-credit totaled \$120,350 during the year ended June 30, 2022. The balance due on the line-of-credit was \$1,390,350 at June 30, 2022.

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**NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS**

As of June 30, 2022, Habitat DC-NOVA’s net assets with donor restrictions were restricted for specific purposes or time periods as follows:

Subject to expenditure for specified purpose:

Development Proffer	\$ 133,434
Critical Home Repairs	61,528
Vans and Related Repairs	35,000
Reeves Farmhouse	20,000
Fairfax Presbyterian Church project	10,000
Time restricted	<u>4,851</u>
<b>Total Net Assets With Donor Restrictions</b>	<b><u>\$ 264,813</u></b>

**NOTE 11 – DONATED GOODS AND SERVICES**

***RECORDED AMOUNTS***

Donated services are recognized as contributions and expense in accordance with generally accepted accounting principles, if the services (a) create or enhance non-financial assets; or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Habitat DC-NOVA. Donated services consisted of legal services of \$200,442 for the year ended June 30, 2022. There were no donor-imposed restrictions associated with the contributed services. Donated professional services are recorded at the estimated fair value, with corresponding expense recorded in general and administrative in the accompanying statement of activities. The estimated fair value is valued based on rates for similar services.

Habitat DC-NOVA receives support in the form of in-kind donations of building materials and household items. It operates ReStores in three locations in order to liquidate these items. These contributions are valued at the amount of cash received for the items less all costs associated with their sale. The in-kind contributions are recorded as revenue once their fair market values can be determined (i.e. when the items are sold). There were no donor-imposed restrictions associated with the donated goods and services.

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**NOTE 11 – DONATED GOODS AND SERVICES (CONTINUED)**

*UNRECORDED AMOUNTS*

Habitat DC-NOVA relies on contributions of both time and expertise from its pool of volunteers who donate thousands of hours of service, the total value of which cannot be easily calculated or estimated, yet these volunteers contribute significantly to the work, impact, and success of Habitat DC-NOVA. These volunteer services have not been reflected in the accompanying financial statements because the volunteer services provided do not meet the criteria necessary for recognition under generally accepted accounting principles.

**NOTE 12 – RETIREMENT PLAN**

Habitat DC-NOVA sponsors a defined contribution 401(k) plan for participants who meet age and length of service requirements. The Plan allows for elective deferrals which may be limited by the Internal Revenue Code. Habitat DC-NOVA contributes a matching amount to the Plan which is equal to participant salary deferrals. Habitat DC-NOVA's contributions to the Plan totaled \$37,826 for the year ended June 30, 2022.

Habitat DC-NOVA closed down a Simple IRA plan as a result of the merger with Habitat for Humanity of Northern Virginia, Inc. All employees were offered a chance to enroll in the new 401(k) plan. Habitat DC-NOVA contributions to the SIMPLE IRA before it was inactivated total \$7,014.

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

*CONCENTRATION OF CREDIT RISK*

Habitat DC-NOVA maintains its cash and cash equivalents with certain commercial financial institutions, which aggregate balances may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of June 30, 2022, Habitat DC-NOVA had approximately \$7,453,000 of demand deposits, which exceeded the maximum limit insured by the FDIC by approximately \$6,347,000. Habitat DC-NOVA monitors the creditworthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents.

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**NOTE 13 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

***OPERATING LEASES***

Habitat DC-NOVA leases office space at 2115 Ward Court under an operating lease which expired December 2019. HFH extended the term of the lease for another five years, commencing on January 1, 2020, with a monthly rate of \$8,465. Habitat DC-NOVA also leases warehouse space which expired January 2021 but has continued on a month-to-month basis. Monthly base is \$3,825 and requires escalation of 3% each year. Habitat DC-NOVA also has a 7-year lease agreement with annual 3% escalation for its Northern Virginia location. The lease expires on May 31, 2025.

Habitat DC-NOVA has various leases for its resale stores with lease expiration ranges November 2024 and February 2029.

Future minimum for the operating lease payments are as follows:

Year Ending June 30,

2023	\$ 863,674
2024	834,683
2025	645,407
2026	237,899
2027	244,204
Thereafter	<u>464,546</u>
	<u>\$ 3,290,413</u>

Rent expense relating to the operating leases for office space and warehouse space totaled \$867,929 for the year ended June 30, 2022.

***CONSTRUCTION CONTRACTS***

Habitat DC-NOVA has committed to several construction contracts relating to various home building projects. The estimated combined total commitment under the construction contracts totaled \$1,509,456. In relation to these construction contracts, Habitat DC-NOVA has already paid and, therefore, had recorded construction in progress totaling \$904,188 at June 30, 2022. Therefore, the remaining unpaid commitment on the construction contracts approximates \$605,267 at June 30, 2022.

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**NOTE 14 – AVAILABILITY OF RESOURCES AND LIQUIDITY**

Habitat DC-NOVA regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. Habitat DC-NOVA’s financial assets available within one year of the statement of financial position date for general expenditures at June 30, 2022, were as follows:

Cash and cash equivalents – not restricted	\$ 4,759,759
Accounts receivable	111,938
Grants and pledges receivable	175,108
Mortgages receivable, current portion	<u>385,480</u>
 Total Financial Assets Available Within One Year	 5,432,285
 Less: Amounts unavailable for general expenditures within one year due to donors’ restrictions	  <u>(264,813)</u>
 <b>Financial Assets Available to Meet General Expenditures Within One Year</b>	  <u><b>\$ 5,167,472</b></u>

Habitat DC-NOVA has various sources of liquidity at its disposal, including cash and cash equivalents, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of Habitat DC-NOVA throughout the year. This is done through monitoring and reviewing Habitat DC-NOVA’s cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of Habitat DC-NOVA’s cash flow related to Habitat DC-NOVA’s various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. To help manage unanticipated liquidity needs, Habitat DC-NOVA has a committed line of credit of \$1,500,000, of which approximately \$109,000 was unused and available to draw upon as of June 30, 2022. Habitat DC-NOVA’s used line of credit is secured by Habitat DC-NOVA’s certificates of deposit and property.

**NOTE 15 – INCOME TAXES**

Under Section 501(c)(3) of the IRC, Habitat DC-NOVA is exempt from the payment of taxes on income other than net unrelated business income. Habitat DC-NOVA reviews and assesses all activities annually to identify any changes in the scope of the activities and revenue sources and the tax treatment thereof to identify any uncertainty in income taxes. For the year ended June 30, 2022, no provision for income taxes was made, as Habitat DC-



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**NOTE 15 – INCOME TAXES (CONTINUED)**

NOVA had no net unrelated business income and did not identify any uncertainty in income taxes requiring recognition or disclosure in these financial statements. Habitat DC-NOVA's tax returns are subject to possible examination by the taxing authorities. For federal purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns. There are currently no examinations pending or in progress regarding Habitat DC-NOVA's tax returns. It is Habitat DC-NOVA's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense.

**NOTE 16 – RECLASSIFICATION**

Certain 2021 amounts have been reclassified to conform with the 2022 financial statements presentation.

**NOTE 17 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through June 14, 2023, which is the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.