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**HABITAT FOR HUMANITY  
OF NORTHERN VIRGINIA, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
JUNE 30, 2021 AND 2020**

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

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

**TABLE OF CONTENTS**

**JUNE 30, 2021 AND 2020**

|  | Page |
|--|------|
| Independent Auditors' Report                       | 1    |
| Financial Statements:                              |      |
| Statements of Financial Position                   | 2    |
| Statements of Activities and Changes in Net Assets | 3    |
| Statements of Functional Expenses                  | 4-5  |
| Statements of Cash Flows                           | 6    |
| Notes to Financial Statements                      | 7-19 |



**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, 2021 and 2020, 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, 2021 and 2020, 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  
December 21, 2021

# HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

### ASSETS

|   | June 30,<br>2021    | June 30,<br>2020    |
|---|---------------------|---------------------|
| <b>CURRENT ASSETS:</b>  |                     |                     |
| Cash and cash equivalents   | \$ 1,368,395        | \$ 574,371          |
| Restricted cash   | 304,464             | 253,184             |
| Grants receivable   | -                   | 12,156              |
| Construction in process inventory   | 1,676,580           | 1,621,098           |
| Prepaid expenses  | 39,751              | 48,393              |
| 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 \$36,868 at both June 30, 2021 and 2020 | 102,882             | 127,031             |
| Current portion of discounts on non-interest bearing mortgage loans   | (89,350)            | (101,788)           |
| Other receivables   | 97,525              | 36,652              |
|   | <u>\$ 3,502,247</u> | <u>\$ 2,573,097</u> |
| <b>OTHER ASSETS:</b>  |                     |                     |
| Non-interest bearing mortgage loans, net of current portion   | \$ 2,135,455        | \$ 2,370,295        |
| Discounts on non-interest bearing mortgage loans, net of current portion  | (910,503)           | (1,067,221)         |
| Deposits  | 101,299             | 101,299             |
| Net furniture, fixtures and equipment   | 308,065             | 366,193             |
|   | <u>\$ 5,136,563</u> | <u>\$ 4,343,663</u> |
| <b>TOTAL ASSETS</b>   |                     |                     |
| <b>LIABILITIES AND NET ASSETS</b>   |                     |                     |
| <b>CURRENT LIABILITIES:</b>   |                     |                     |
| Accounts payable and accrued expenses   | \$ 220,053          | \$ 170,923          |
| Line of credit  | 121,316             | 481,316             |
| Current portion of deferred rent  | 76,081              | 45,396              |
| Current portion of notes payable  | 334,288             | 72,716              |
|   | <u>\$ 751,738</u>   | <u>\$ 770,351</u>   |
| <b>OTHER LIABILITIES:</b>   |                     |                     |
| Deferred rent, net of current portion   | 345,885             | 416,099             |
| Notes payable, net of current portion   | 350,259             | 422,722             |
|   | <u>\$ 1,447,882</u> | <u>\$ 1,609,172</u> |
| <b>NET ASSETS:</b>  |                     |                     |
| Without donor restrictions  | \$ 3,417,692        | \$ 2,409,940        |
| With donor restrictions   | 270,989             | 324,551             |
|   | <u>\$ 3,688,681</u> | <u>\$ 2,734,491</u> |
|   | <u>\$ 5,136,563</u> | <u>\$ 4,343,663</u> |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>   |                     |                     |

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, 2021 AND 2020

|  | June 30, 2021                 |                            |              | June 30, 2020                 |                            |              |
|--|-------------------------------|----------------------------|--------------|-------------------------------|----------------------------|--------------|
|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total        | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total        |
| <b>REVENUE AND SUPPORT:</b>            |                               |                            |              |                               |                            |              |
| Contributions and grants               | \$ 852,129                    | \$ 500,587                 | 1,352,716    | \$ 902,208                    | \$ 784,879                 | 1,687,087    |
| Sales to homeowners                    | 422,500                       | -                          | 422,500      | 413,779                       | -                          | 413,779      |
| Mortgage loan discount amortization    | 169,156                       | -                          | 169,156      | 119,113                       | -                          | 119,113      |
| In-kind contributions                  | 96,415                        | -                          | 96,415       | 143,638                       | -                          | 143,638      |
| Special events income, net of expenses | 12,523                        | -                          | 12,523       | -                             | -                          | -            |
| Resale stores income                   | 2,133,573                     | -                          | 2,133,573    | 1,874,439                     | -                          | 1,874,439    |
| Other income                           | 1,311                         | -                          | 1,311        | 49,124                        | -                          | 49,124       |
| Interest income                        | 2,801                         | -                          | 2,801        | 1,553                         | -                          | 1,553        |
| Total                                  | \$ 3,690,408                  | \$ 500,587                 | \$ 4,190,995 | \$ 3,503,854                  | \$ 784,879                 | \$ 4,288,733 |
| Net assets released from restrictions: |                               |                            |              |                               |                            |              |
| Satisfaction of purpose restrictions   | \$ 554,149                    | \$ (554,149)               | \$ -         | \$ 709,544                    | \$ (709,544)               | \$ -         |
| Total Revenue and Support              | \$ 4,244,557                  | \$ (53,562)                | \$ 4,190,995 | \$ 4,213,398                  | \$ 75,335                  | \$ 4,288,733 |
| <b>EXPENSES:</b>                       |                               |                            |              |                               |                            |              |
| Program services                       | \$ 2,699,817                  | \$ -                       | \$ 2,699,817 | \$ 3,921,279                  | \$ -                       | \$ 3,921,279 |
| Management and general                 | 287,709                       | -                          | 287,709      | 437,994                       | -                          | 437,994      |
| Fundraising                            | 249,279                       | -                          | 249,279      | 235,409                       | -                          | 235,409      |
| Total Expenses                         | \$ 3,236,805                  | \$ -                       | \$ 3,236,805 | \$ 4,594,682                  | \$ -                       | \$ 4,594,682 |
| <b>CHANGE IN NET ASSETS</b>            | \$ 1,007,752                  | \$ (53,562)                | \$ 954,190   | \$ (381,284)                  | \$ 75,335                  | \$ (305,949) |
| <b>NET ASSETS, BEGINNING OF YEAR</b>   | 2,409,940                     | 324,551                    | 2,734,491    | 2,791,224                     | 249,216                    | 3,040,440    |
| <b>NET ASSETS, END OF YEAR</b>         | \$ 3,417,692                  | \$ 270,989                 | \$ 3,688,681 | \$ 2,409,940                  | \$ 324,551                 | \$ 2,734,491 |

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, 2021

|                                     | Program<br>Services | Management<br>and General | Fundraising       | Total               |
|-------------------------------------|---------------------|---------------------------|-------------------|---------------------|
| ReStore expenses                    | \$ 1,823,140        | \$ -                      | \$ -              | \$ 1,823,140        |
| Building materials and supplies     | 438,363             | -                         | -                 | 438,363             |
| Salaries                            | 237,658             | 180,616                   | 152,628           | 570,902             |
| Professional fees                   | 27,737              | 42,320                    | 24,220            | 94,277              |
| Payroll taxes and employee benefits | 25,421              | 10,457                    | 20,894            | 56,772              |
| Rent                                | 46,346              | 10,874                    | 9,579             | 66,799              |
| Insurance                           | 14,316              | 6,753                     | 5,283             | 26,352              |
| Miscellaneous                       | 27,100              | -                         | -                 | 27,100              |
| Telephone and computer services     | 4,726               | 16,984                    | 13,769            | 35,479              |
| Interest                            | 19,443              | 3,761                     | -                 | 23,204              |
| Depreciation                        | 10,362              | 2,291                     | 2,017             | 14,670              |
| Printing and mailing                | 2,006               | 1,901                     | 4,794             | 8,701               |
| Utilities and facility maintenance  | 3,027               | 7,509                     | 1,494             | 12,030              |
| Bank charges                        | -                   | 788                       | 12,521            | 13,309              |
| HFHI tithe                          | 7,750               | -                         | -                 | 7,750               |
| Travel                              | 559                 | -                         | -                 | 559                 |
| Repairs and maintenance             | 3,328               | 2,149                     | 1,646             | 7,123               |
| Office supplies and expenses        | 559                 | 990                       | 178               | 1,727               |
| Conferences and meetings            | 140                 | -                         | 189               | 329                 |
| Auto expense                        | 7,701               | -                         | -                 | 7,701               |
| Taxes and licenses                  | 135                 | 316                       | 67                | 518                 |
|                                     | <u>          </u>   | <u>          </u>         | <u>          </u> | <u>          </u>   |
| Total                               | <u>\$ 2,699,817</u> | <u>\$ 287,709</u>         | <u>\$ 249,279</u> | <u>\$ 3,236,805</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<br>Services | Management<br>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 YEARS ENDED JUNE 30, 2021 AND 2020**

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

|   | <u>June 30,</u><br><u>2021</u> | <u>June 30,</u><br><u>2020</u> |
|---|--------------------------------|--------------------------------|
| <b>CASH FLOWS- OPERATING ACTIVITIES:</b>  |                                |                                |
| Change in net assets  | \$ 954,190                     | \$ (305,949)                   |
| Adjustments to reconcile change in net assets<br>to net cash flows- operating activities: |                                |                                |
| Bad debt  | -                              | 87,500                         |
| Depreciation  | 58,128                         | 69,156                         |
| Mortgage loan discount amortization   | (169,156)                      | (119,113)                      |
| New mortgage loans issued, net of discount  | -                              | (183,816)                      |
| Changes in assets and liabilities:  |                                |                                |
| Grant receivables   | 12,156                         | 30,109                         |
| Construction in process inventory   | (55,482)                       | 272,005                        |
| Prepaid expenses  | 8,642                          | 24,303                         |
| Other receivables   | (60,873)                       | (12,014)                       |
| Accounts payable and accrued expenses   | 49,130                         | (69,490)                       |
| Deferred rent   | (39,529)                       | 116,012                        |
| Net Cash Flows- Operating Activities  | <u>\$ 757,206</u>              | <u>\$ (91,297)</u>             |
| <b>CASH FLOWS- INVESTING ACTIVITIES:</b>  |                                |                                |
| Acquisition of furniture, fixtures and equipment  | \$ -                           | \$ (8,458)                     |
| Mortgage principal payments received  | 258,989                        | 178,199                        |
| Net Cash Flows- Investing Activities  | <u>\$ 258,989</u>              | <u>\$ 169,741</u>              |
| <b>CASH FLOWS- FINANCING ACTIVITIES:</b>  |                                |                                |
| Payments on line of credit  | \$ (360,000)                   | \$ -                           |
| Principal payments on notes payable   | (85,891)                       | (42,848)                       |
| Proceeds from notes payable   | 275,000                        | 160,000                        |
| Net Cash Flows- Financing Activities  | <u>\$ (170,891)</u>            | <u>\$ 117,152</u>              |
| <b>NET CHANGE IN CASH,<br/>CASH EQUIVALENTS AND RESTRICTED CASH</b>                       | <b>\$ 845,304</b>              | <b>\$ 195,596</b>              |
| <b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH<br/>BEGINNING OF YEAR</b>                  | <u>827,555</u>                 | <u>631,959</u>                 |
| <b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH<br/>END OF YEAR</b>                        | <u><u>\$ 1,672,859</u></u>     | <u><u>\$ 827,555</u></u>       |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>                                  |                                |                                |
| Interest paid   | \$ 27,748                      | \$ 33,611                      |
| <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, 2021 AND 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 years ended June 30, 2021 and 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. HFHNV has not experienced any historical credit losses on its cash and cash equivalents.

#### **Restricted Cash**

HFHNV maintains restricted cash accounts for PPP loan funds and certain other restricted contributions. These cash accounts are restricted for the purpose of those 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 accounts receivable. All mortgages are due based on the note terms. The estimated allowance for uncollectible mortgage loans was \$36,868 at June 30, 2021 and 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, 2021 AND 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, 2021, one home was completed and sold to a homeowner. 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. HFHNV does not currently hold any net assets with perpetual donor restrictions. Net assets with donor restrictions at June 30, 2021 and 2020 were \$270,989 and \$324,551, respectively.

# HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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

#### Revenue Recognition

Contributions are recognized as revenue when they are received or unconditionally 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.

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 \$8,181 and \$65,105 and various building materials and supplies of \$88,234 and \$78,533 in fiscal years 2021 and 2020, 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 on the date of sale. 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, 2021 AND 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 adopted these provisions in fiscal year 2020. The effect of adopting this pronouncement in fiscal year 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 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.

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 adopted the provisions of ASU 2018-08 applicable to both grants and contributions received and to grants and contributions made in fiscal year 2020. Analysis of various provisions of the standard resulted in no significant change in the way the HFHNV recognized grants and contributions in fiscal year 2020, and therefore no change to the previously issued audited financial statements was required.

In March 2018, the FASB issued ASU No. 2016-02, *Leases*. The main difference between the provisions of ASU No. 2016-02 and previous U.S. GAAP is the recognition of right-of-use assets and lease liabilities by lessees for those leases classified as operating leases under previous U.S. GAAP. ASU No. 2016-02 retains a distinction between finance leases and operating leases, and the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous U.S. GAAP. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election, by class of underlying asset, not to recognize right-of-use assets and lease liabilities. The accounting applied by a lessor is largely unchanged from that applied under previous U.S. GAAP. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. This ASU is effective for all entities, for fiscal years beginning after December 15, 2021. Early adoption is permitted. HFHNV is currently evaluating the impact this standard will have on its financial statements.

# HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

### 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:

|  | June 30,<br>2021    | June 30,<br>2020  |
|--|---------------------|-------------------|
| Cash and cash equivalents  | \$ 1,368,395        | \$ 574,371        |
| Restricted Cash  | <u>304,464</u>      | <u>253,184</u>    |
| Total cash and restricted cash shown in<br>the statement of cash flows | <u>\$ 1,672,859</u> | <u>\$ 827,555</u> |

Amounts included in restricted cash represent amounts for certain 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.

### Note 4. Availability and Liquidity

The following represent HFHNV's financial assets at June 30, 2021:

|   |                     |
|---|---------------------|
| Cash, cash equivalents and restricted cash  | \$ 1,672,859        |
| Current portion of non-interest bearing mortgage loans, net   | 102,882             |
| Other receivables   | <u>97,525</u>       |
| Total financial assets  | \$ 1,873,266        |
| Less amounts not available to be used for general operating:  |                     |
| Net assets with donor restrictions  | (270,989)           |
| Restricted cash   | <u>(304,464)</u>    |
| Financial assets available to meet general and restricted program<br>expenditures over the next twelve months | <u>\$ 1,297,813</u> |

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

|   |                   |
|---|-------------------|
| Cash, cash equivalents and restricted cash  | \$ 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  | \$ 1,003,394      |
| 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<br>expenditures over the next twelve months | <u>\$ 425,659</u> |

# HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

### Note 4. Availability and Liquidity (Concluded)

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, restricted cash may not be available for general expenditure within one year. HFHNV regularly monitors cash projections over the next twelve months.

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

Home purchase mortgage loans and loan discounts activity for fiscal years 2021 and 2020 consist of the following:

| <u>Description</u>                               | <u>Mortgage at<br/>Market<br/>% Rate</u> | <u>0%<br/>Rate Loan<br/>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<br>amortization | (178,199)                                | 119,113                              | (59,086)            |
| Balances at June 30, 2020                        | \$ 2,497,326                             | \$ (1,169,009)                       | \$ 1,328,317        |
| Mortgage principal pay downs and<br>amortization | (258,989)                                | 169,156                              | (89,833)            |
| Balances at June 30, 2021                        | <u>\$ 2,238,337</u>                      | <u>\$ (999,853)</u>                  | <u>\$ 1,238,484</u> |

The discount rates for the new mortgage loans at market percentage rate was 5.0% for the year ended June 30, 2020. There were no new mortgages issued during the year ended June 30, 2021.

HFHNV has at times sold some of its mortgage loans to banks as a means of improving cash flow. The mortgage loan sale contracts usually contain 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 years 2021 or 2020.

### Note 6. Furniture, Fixtures and Equipment

HFHNV held the following furniture, fixtures and equipment as of June 30, 2021 and 2020:

|                                       | <u>June 30,<br/>2021</u> | <u>June 30,<br/>2020</u> |
|---------------------------------------|--------------------------|--------------------------|
| Furniture and equipment               | \$ 119,705               | \$ 119,705               |
| Vehicles                              | 77,588                   | 77,588                   |
| Software                              | 66,771                   | 66,771                   |
| Leasehold Improvements                | 363,636                  | 363,636                  |
| Less, accumulated depreciation        | <u>(319,635)</u>         | <u>(261,508)</u>         |
| Net Furniture, Fixtures and Equipment | <u>\$ 308,065</u>        | <u>\$ 366,193</u>        |

# HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

## NOTES TO FINANCIAL STATEMENTS

### JUNE 30, 2021 AND 2020

#### Note 6. Furniture, Fixtures and Equipment (Concluded)

Total depreciation expense was \$58,128 for the year ended June 30, 2021, of which \$43,458 is attributable to the Restore Program Operations. Total depreciation expense was \$69,156 for the year ended June 30, 2020, of which \$50,337 is attributable to the Restore Program Operations.

#### Note 7. Net Assets with Donor Restrictions

Net assets with donor restrictions and the amount of net assets that were released from restrictions at June 30, 2021 and 2020 were comprised of the following programs/projects:

| <u>Program/Project</u>       | <u>Balance<br/>6/30/20</u> | <u>Grants and<br/>Contributions</u> | <u>Released</u>     | <u>Balance<br/>6/30/21</u> |
|------------------------------|----------------------------|-------------------------------------|---------------------|----------------------------|
| Critical Home Repair         | \$ 5,000                   | \$ 66,017                           | \$ -                | \$ 71,017                  |
| Clayborne                    | -                          | 15,000                              | (15,000)            | -                          |
| Development Proffer          | 133,434                    | -                                   | -                   | 133,434                    |
| Fairfax Presbyterian Church  | -                          | 50,000                              | (50,000)            | -                          |
| Reeves                       | 20,000                     | -                                   | -                   | 20,000                     |
| FY2022 Build Days            | -                          | 5,000                               | -                   | 5,000                      |
| Groveton                     | 66,017                     | 50,000                              | (74,579)            | 41,438                     |
| Capital Campaign             | 100                        | -                                   | -                   | 100                        |
| 30 <sup>th</sup> Anniversary | 25,000                     | -                                   | (25,000)            | -                          |
| COVID-19 Operating Costs     | 75,000                     | 314,570                             | (389,570)           | -                          |
|                              | <u>\$ 324,551</u>          | <u>\$ 500,587</u>                   | <u>\$ (554,149)</u> | <u>\$ 270,989</u>          |

| <u>Program/Project</u>       | <u>Balance<br/>6/30/19</u> | <u>Grants and<br/>Contributions</u> | <u>Released</u>     | <u>Balance<br/>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 8. Line of Credit

HFHNV has a line of credit agreement under which it can borrow up to \$800,000. The line of credit bears interest at the daily LIBOR rate plus 2.85%. The line of credit has been renewed annually and currently set to expire on May 10, 2022. This line is secured by the assets of the Organization. The total outstanding balance on the line of credit was \$121,316 and \$481,316 as of June 30, 2021 and 2020, respectively.

# HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2021 AND 2020**

### Note 9. Notes Payable

Notes payable are comprised of the following at June 30, 2021 and 2020:

|  | <u>2021</u>       | <u>2020</u>       |
|--|-------------------|-------------------|
| In December 2021, HFHNV received a loan from Habitat Mortgage Solutions, LLC for \$275,000. The note bears interest at 3.4%, with quarterly interest payments of \$2,338, loan to be repaid in full by December 31, 2021. Loan is secured by the Groveton Heights property.  | \$ 275,000        | \$ -              |
| In May 2020, HFHNV was approved for its first Payroll Protection Program (PPP) loan for \$253,237. The note bore interest at 1%, to be repaid in full by May 2022. Loan was forgiven in November 2020. 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           | 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, to be repaid fully in December 2027. | <u>259,547</u>    | <u>335,438</u>    |
| Total  | \$ 684,547        | \$ 495,438        |
| Less, current portion  | <u>(334,288)</u>  | <u>(72,716)</u>   |
| Long-term portion  | <u>\$ 350,259</u> | <u>\$ 422,722</u> |

In November 2020, HFHNV received confirmation from their bank that their first PPP loan was forgiven, other than \$10,000, which was not eligible for forgiveness at the time, due to the receipt of a \$10,000 EIDL advance. In February 2021, the EIDL advance portion was also forgiven and HFHNV received a refund for the previous payment which was recognized as contribution revenue.

In February 2021, HFHNV was approved for a second Payroll Protection Program (PPP) loan for \$254,570. The note bears interest at 1%, to be repaid in full by February 2026, and is eligible for forgiveness for certain eligible costs. In December 2021, HFHNV received confirmation from their bank that their second PPP loan was fully forgiven.

In accordance with available guidance from the AICPA, HFHNV accounted for the PPP funds similar to other government grants under FASB ASC 958-605. Due to HFHNV incurring the qualified expenses during the respective fiscal years, HFHNV recognized the amounts of \$254,570 and \$243,237 as contribution revenue during the year-ended June 30, 2021 and 2020, respectively.



# HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

### Note 9. Notes Payable (Concluded)

The scheduled principal maturities of the loans are as follows:

| For the Year Ending<br>June 30, |                   |
|---------------------------------|-------------------|
| 2022                            | \$ 334,288        |
| 2023                            | 68,975            |
| 2024                            | 52,981            |
| 2025                            | 33,416            |
| 2026                            | 34,198            |
| Thereafter                      | <u>160,689</u>    |
| Total Notes Payable             | <u>\$ 684,547</u> |

### Note 10. 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, 2021 or 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 11. SIMPLE IRA

HFHNV contributes to a SIMPLE IRA for each of its employees. HFHNV matches employee contributions up to 3% and employer contributions totaled \$16,325 and \$12,618 for the years ended June 30, 2021 and 2020, respectively.

### Note 12. Leases

#### Restores

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.

# HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

### Note 12. Leases (Concluded)

Total rent expense (including operating expenses and property taxes) under these resale store location leases was \$839,397 and \$853,992 for the years ended June 30, 2021 and 2020, respectively, which is included in Restore expenses on the statements of functional expenses.

#### Office

In fiscal year 2015, HFHNV entered into a 7-year lease agreement for its headquarters location. The lease term began on October 1, 2015. The lease 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.

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.

#### Vehicles

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 was to expire on June 11, 2021. Due to the delay in the production of the replacement vehicle, this lease was temporarily extended until the replacement vehicle is completed.

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 April 2021, HFHNV entered into a 7-year lease agreement for one truck for a ReStore location. Construction of this vehicle was delayed and is not expected until January 2023 when the lease will commence. The monthly rental payment will be \$1,514.

#### Office equipment

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:

|            |    |                  |
|------------|----|------------------|
| 2022       | \$ | 823,978          |
| 2023       |    | 827,049          |
| 2024       |    | 847,434          |
| 2025       |    | 708,443          |
| 2026       |    | 295,637          |
| Thereafter |    | <u>772,338</u>   |
| Total      | \$ | <u>4,274,879</u> |

# HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

### Note 13. Risks and Uncertainties

#### Coronavirus Pandemic

In March 2020, a pandemic of the Coronavirus (COVID-19) was declared by the World Health Organization. For a significant part of fiscal year 2021, future events, revenues and expenses of the Organization were uncertain due to the highly contagious nature of the virus, the requirements for social distancing, limited gathering and restrictions on travel. Construction, ReStore and fundraising operations were adversely affected by the pandemic. Although there has been a return to more normal conditions, this is subject to change again if there are additional COVID-19 surges. 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, 2021, 25% of HFHNV's mortgages were in a delinquency status, six loans were in forbearance, there were 85 missed payments and a principal delinquency of \$28,290. By October 31, 2021, there was a slight decrease in these statistics: 18.8% of HFHNV's were in delinquency status, four loans were in forbearance, there were 81 missed payments and a principal delinquency of \$26,822.

The CARES Act provided up to 18 months of forbearance depending upon when the initial request for forbearance started. Now as forbearance is expiring for most mortgages, options on how to handle these delinquencies are being explored with Virginia Housing, the servicer of all HFHNV mortgages. Each situation is being evaluated separately and at this point, it is unknown if there will be any foreclosures. There was one deferment recapture in October 2021 where HFHNV's monthly mortgage receipts were reduced by \$6,934 in principal payments for a certain mortgage and a second lien was attached.

HFHNV has an estimated allowance for uncollectible mortgage loans of \$38,637 at June 30, 2021 which exceeds the principal delinquency of \$28,290 at this date. Furthermore, the estimated property value of each property far exceeds the outstanding principal balance of each property. In the case that there are any eventual foreclosures, HFHNOVA would easily be able to cover all outstanding balances. Therefore, HFHNOVA believes this allowance for bad debt is sufficient at June 30, 2021.

#### Concentrations of Credit Risks

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 14. Commitments

#### Merger

During fiscal year 2021, HFHNV and Habitat for Humanity Washington DC entered into serious discussions to consider whether merging the two entities would advance the mission of both organizations, providing low-moderate income families a path to homeownership. The anticipated benefits to the merger would be increased 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. In June 2021, the Boards of both HFHNV and HFH Washington DC approved unanimously a resolution to merge. It is anticipated that the merger's legal filing will be completed in fiscal year 2022. Planning for full affiliate integration has begun and is anticipated to be completed in fiscal year 2023.

# HABITAT FOR HUMANITY OF NORTHERN VIRGINIA, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

### Note 14. Commitments (Concluded)

#### Merger (Concluded)

HFHNV incurred \$19,412 and \$0 in consultant and legal fees in anticipation of the merger during the year ended June 30, 2021 and 2020, respectively.

#### Virginia Statewide Community Land Trust

During fiscal year 2021, HFHNV entered into a Memorandum of Understanding for the formation of a Virginia Statewide Community Land Trust (CLT) Working Group with Habitat Virginia, Fauquier Habitat for Humanity, and Habitat for Humanity of Louisa County to create a CLT. Other Habitats and like-minded nonprofit organizations were welcome to join the CLT working group. The CLT was created in April 2021 and will ensure that affordable residential properties remain affordable housing in perpetuity. HFHNV has no commitment to the CLT until a property is transferred into it. At this time, no properties have been transferred.

#### Reeves Farmhouse Project

In fiscal year 2020, HFHNV entered into a non-binding Memorandum of Understanding with L'Arche – Greater Washington (L'Arche) and Home Aid Northern Virginia (HomeAid), two other non-profit organizations. The goal is the construction of a home and community for occupancy by low income individuals with intellectual disabilities (and possibly physical disabilities as well) and their care givers. The property is located in Arlington, Virginia and is currently owned by Arlington County. For nominal consideration, Arlington County would transfer the property to HFHNV through the completion of construction. HFHNV would serve as the project developer and the primary fundraiser in coordination with L'Arche, who will provide a minimum of 30% of total construction costs. After completion of construction and also for nominal consideration, HFHNV would then convey the property to L'Arche. L'Arche would then operate and maintain the property as a group home for people with intellectual disabilities. HFHNV could assist, if requested by L'Arche, in maintenance and/or repair needs of the project through its Critical Home Repair program, a fee for service program for low to moderate homeowners. Due to the effects of the COVID-19 pandemic, this project is currently on hold.

#### Fairfax Presbyterian Church Affordable Housing Project

In fiscal year 2018, HFHNV entered into a non-binding Memorandum of Understanding with Fairfax Presbyterian Church (FPC), Homestretch, Inc. and HomeAid Northern Virginia to develop ten townhouses on a two acre parcel owned by FPC. Eight homes will be reserved for families with incomes from 40% to 80% of the area median income while two homes will be occupied by families transitioning from homelessness to self-sufficiency. HFHNV would be the project's developer and has incurred substantial expense in performing its preliminary underwriting and investigation of the project. As of June 30, 2021, \$143,018 of pre-development costs had been incurred. This includes costs related to a rezoning application submitted and reviewed prior to end of fiscal year 2021. In consideration of HFHNV's substantial investment, FPC has agreed not to enter into any written letter intent or agreement to sell or lease the property to any third party for affordable housing purposes. Grant awards and upcoming reimbursements are helping to offset these pre-development costs.

### Note 15. 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.

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**

**Note 16. Subsequent Events**

HFHNV has evaluated events through December 21, 2021, the date the financial statements were available to be issued, and determined that other than the anticipated merger with Habitat for Humanity Washington DC as discussed in Note 14, and the forgiveness of the second PPP loan discussed in Note 9, there was no event occurring subsequent to June 30, 2021 that would have a material impact on HFHNV's results of operations or financial position.