GREATER FREDERICKSBURG HABITAT FOR HUMANITY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2021

PBMares

ASSURANCE, TAX & ADVISORY SERVICES

GREATER FREDERICKSBURG HABITAT FOR HUMANITY, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Greater Fredericksburg Habitat for Humanity, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Greater Fredericksburg Habitat for Humanity, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2021 and 2020, the related statements of activities, 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.

Auditor's 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor’s 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 auditor considers internal control relevant to the Organization’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 Organization’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 positions of Greater Fredericksburg Habitat for Humanity, 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.

PBMares, LLP

Fredericksburg, Virginia
January 20, 2022

FINANCIAL STATEMENTS

GREATER FREDERICKSBURG HABITAT FOR HUMANITY, INC.

STATEMENTS OF FINANCIAL POSITION
Years Ended June 30, 2021 and 2020

	2021	2020
ASSETS		
Current Assets		
Cash	$ 409,575	$ 635,316
Accounts receivable	2,482	1,514
Mortgage loans receivable - current portion	47,139	47,139
Inventory	7,953	60,748
Other current assets	708	708
Grants receivable	-	3,546
Total current assets	467,857	748,971
Property and Equipment		
Leasehold improvements	220,744	220,744
Vehicles	72,992	72,992
Furniture, fixtures, and equipment	61,713	38,293
	355,449	332,029
Less: accumulated depreciation	(169,565)	(142,196)
Property and equipment, net	185,884	189,833
Non-Current Assets		
Mortgage loans receivable, net of current portion less discount	328,440	346,051
Land and land engineering costs	470,080	341,150
Construction in progress	662,844	556,997
Property for resale	43,310	43,310
Other assets	14,688	14,688
Total other assets	1,519,362	1,302,196
Total assets	$ 2,173,103	$ 2,241,000
LIABILITIES AND NET ASSETS		
Current Liabilities		
Notes payable - current portion	$ 137,086	$ 378,369
Accounts payable	211,257	69,947
Accrued liabilities	55,437	35,523
Deferred straight-line rent - current portion	10,925	21,662
Down payments	-	500
Total current liabilities	414,705	506,001
Non-Current Liabilities		
Notes payable, net of current portion	51,904	163,162
Deferred straight-line rent, net of current portion	112,637	80,238
Total long-term liabilities	164,541	243,400
Net Assets		
Without donor restrictions	1,586,357	1,449,099
With donor restrictions	7,500	42,500
Total net assets	1,593,857	1,491,599
Total liabilities and net assets	$ 2,173,103	$ 2,241,000

GREATER FREDERICKSBURG HABITAT FOR HUMANITY, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenue, Gains, and Other Support			
Contributions	$ 106,024	$ -	$ 106,024
Endowments and grants	166,475	330,810	497,285
In-kind contributions	4,269	-	4,269
Interest income	51	-	51
Mortgage discount amortization	25,032	-	25,032
Other income	598	-	598
Special events	4,578	-	4,578
ReStore sales income	1,007,936	-	1,007,936
Sale of completed homes	328,229	-	328,229
Unrealized loss on investments	-	-	-
Realized gain on investments	-	-	-
Loss on disposoal of property, plant, and equipment	(367)	-	(367)
Satisfaction of donor restrictions	365,810	(365,810)	-
Total revenue, gains and other support	2,008,635	(35,000)	1,973,635
Expenses			
Program services	1,562,722	-	1,562,722
Management and general	160,805	-	160,805
Fundraising	147,850	-	147,850
Total expenses	1,871,377	-	1,871,377
Change in net assets	137,258	(35,000)	102,258
Net Assets, beginning of year	1,449,099	42,500	1,491,599
Net Assets, end of year	$ 1,586,357	$ 7,500	$ 1,593,857

GREATER FREDERICKSBURG HABITAT FOR HUMANITY, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenue, Gains, and Other Support			
Contributions	$ 85,419	$ -	$ 85,419
Endowments and grants	88,131	455,991	544,122
In-kind contributions	30,652	-	30,652
Interest income	812	-	812
Mortgage discount amortization	27,123	-	27,123
Other income	635	-	635
Special events	2,400	-	2,400
ReStore sales income	888,072	-	888,072
Sale of completed homes	190,000	-	190,000
Unrealized loss on investments	(3)	-	(3)
Realized gain on investments	13	-	13
Loss on disposoal of property, plant, and equipment	-	-	-
Satisfaction of donor restrictions	413,491	(413,491)	-
Total revenue, gains and other support	1,726,745	42,500	1,769,245
Expenses			
Program services	1,114,559	-	1,114,559
Management and general	175,816	-	175,816
Fundraising	189,289	-	189,289
Total expenses	1,479,664	-	1,479,664
Change in net assets	247,081	42,500	289,581
Net Assets, beginning of year	1,202,018	-	1,202,018
Net Assets, end of year	$ 1,449,099	$ 42,500	$ 1,491,599

GREATER FREDERICKSBURG HABITAT FOR HUMANITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

		Supporting Services		
	Program Services	Management and General	Fund-Raising	Total Expenses June 30, 2021
Advertising and Marketing	$ -	$ -	$ 2,325	$ 2,325
Bad Debt Expense	-	1,514	-	1,514
Bank and Merchant Fees	15,208	1,295	-	16,503
Construction	364,278	-	-	364,278
Depreciation and Amortization	29,802	-	-	29,802
Donations and Tithes	-	11,000	10,000	21,000
Dues, subscription, and publications	7,428	-	7,754	15,182
Facility	256,348	31,925	31,925	320,198
Food, travel, seminars, and training	3,297	-	408	3,705
Fundraising Expenses	-	-	500	500
General Liability Insurance	-	11,517	-	11,517
Homebuyer Service and Administrative Costs	6,121	-	-	6,121
Human Resource Expenses	-	468	-	468
Interest Expense	-	3,778	-	3,778
Merchandise for Resale	34,128	-	-	34,128
Miscellaneous Expenses	5,133	-	-	5,133
Organization and Professional Fees	35,215	363	-	35,578
Payroll Taxes and Benefits	100,150	12,518	12,518	125,186
Postage	42	40	219	301
Salaries and Benefits Expense	657,607	82,201	82,201	822,009
Supplies and Equipment	18,653	-	-	18,653
Taxes and Licenses	-	4,186	-	4,186
Vehicle Expense	29,312	-	-	29,312
	$ 1,562,722	$ 160,805	$ 147,850	$ 1,871,377

GREATER FREDERICKSBURG HABITAT FOR HUMANITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

		Supporting Services		
	Program Services	Management and General	Fund-Raising	Total Expenses June 30, 2020
Advertising and Marketing	$ 256	$ -	$ 3,394	$ 3,650
Bad Debt Expense	18,653	-	-	18,653
Bank and Merchant Fees	13,683	962	20	14,665
Construction	155,735	-	-	155,735
Depreciation and Amortization	31,414	-	-	31,414
Donations and Tithes	-	4,000	-	4,000
Dues, subscription, and publications	12,670	-	1,339	14,009
Facility	240,802	16,114	36,113	293,029
Food, travel, seminars, and training	9,942	-	-	9,942
Fundraising Expenses	-	-	113	113
General Liability Insurance	21,356	986	987	23,329
Homebuyer Service and Administrative Costs	1,209	-	-	1,209
Human Resource Expenses	265	-	-	265
Interest Expense	2,258	2,578	-	4,836
Merchandise for Resale	29	-	-	29
Miscellaneous Expenses	2,963	24	36	3,023
Organization and Professional Fees	22,956	4,175	-	27,131
Payroll Taxes and Benefits	84,652	18,670	18,859	122,181
Postage	262	-	334	596
Salaries and Benefits Expense	461,966	126,167	126,167	714,300
Supplies and Equipment	10,464	1,737	1,927	14,128
Taxes and Licenses	3,654	403	-	4,057
Vehicle Expense	19,370	-	-	19,370
	$ 1,114,559	$ 175,816	$ 189,289	1,479,664

GREATER FREDERICKSBURG HABITAT FOR HUMANITY, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	$ 102,258	$ 289,581
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	29,802	31,414
Loss on sale of property, plant, and equipment	367	-
Mortgage loan discount amortization	(25,032)	(27,123)
Payroll protection program loan forgiveness	(155,000)	-
Changes in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(968)	2,756
Grants receivable	3,546	52,079
Inventory	52,795	(19,610)
Assets held by others	-	18,476
Land and land engineering costs	(128,930)	(113,850)
Construction in progress	(105,847)	(263,436)
Increase (decrease) in:		
Down payments	(500)	500
Accounts payable	141,310	(2,496)
Accrued expenses	19,914	11,722
Deferred straight-line rent	21,662	23,927
Net cash provided by (used in) operating activities	(44,623)	3,940
Cash Flows from Investing Activities		
Payments received on mortgage loans receivable	42,643	49,829
Purchase of property and equipment	(26,220)	-
Net cash provided by investing activities	16,423	49,829
Cash Flows from Financing Activities		
Proceeds from long-term borrowings	-	268,850
Principal payments on long-term borrowings	(197,541)	(24,112)
Net cash provided by (used in) financing activities	(197,541)	244,738
Net change in cash and cash equivalents	(225,741)	298,507
Cash and Cash Equivalents:		
Beginning	635,316	336,809
Ending	$ 409,575	$ 635,316
Supplementary Disclosure of Cash Flow Information		
Cash paid for interest	$ 3,778	$ 5,769

Note 1. Nature of Organization and Significant Accounting Policies

Greater Fredericksburg Habitat for Humanity, Inc. (the Organization) (a nonprofit corporation) was incorporated on October 12, 1994. The Organization is an affiliate of Habitat for Humanity International, Inc. (Habitat International), a nondenominational Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. Although Habitat for Humanity International assists with information resources, training, publications, and prayer support and in other ways, the Organization is primarily and directly responsible for its own operations. Greater Fredericksburg Habitat for Humanity, Inc. operates primarily in the city of Fredericksburg, Virginia and the surrounding counties of Spotsylvania, Stafford, and King George.

The Organization operates a Habitat ReStore retail location that sells surplus new and used building and home improvement materials to the general public. ReStore provides additional funding for the Organization as well as inexpensive building materials to the public.

A summary of the Organization's significant accounting policies follows:

Basis of accounting: The Organization prepares its financial statements on the accrual basis of accounting, according to the policies of Habitat International and accounting principles generally accepted in the United States of America (U.S. GAAP). Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when the obligation is incurred.

Cash and cash equivalents: All highly liquid investments with a maturity date of three months or less are considered to be cash equivalents.

Revenue recognition: Effective July 1, 2020, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), and all related amendments using the modified retrospective method. There was no material impact to the results of operations or financial position upon adoption and no adjustments were required to equity. The new standard provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when or as performance obligations are satisfied.

The Organization is involved in the acquisition, development, rehabilitation, construction, and sale of single-family residential homes as well as owning and operating a retail store consisting of mostly donated items. Revenue from these activities is recognized at a point in time upon transfer of property or merchandise.

The Organization utilizes the portfolio approach and groups contracts with similar characteristics into either home sale or ReStore sale contracts.

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

Home sale revenue: New home construction sales to homeowners are financed by the Organization and are recorded when the title is transferred to the customer, which is when the performance obligation is satisfied. Neighborhood Stabilization Program (NSP) home sales are financed by a variety of sources including the Organization, the Virginia Department of Housing and Community Development (DHCD), and other grant sources as directed by the NSP program. Upon a sale of NSP program homes, the Organization is required to return a percentage of program receipts to the NSP program. The Organization estimates this liability/refund and reports such as an outstanding obligation. The opening balance of NSP liability as of July 1, 2019 was $175,000. The value of the first mortgage on the home is reported as revenue at the date of transfer to the homeowner with the corresponding sales price discount and mortgage loan discount reported as operating expenses. The opening balance of mortgage loans receivable as of July 1, 2019 was $415,896.

ReStore sale revenue: ReStore sales revenue is recognized upon delivery of the good to the customer at the time of the sale, which is when the performance obligation is satisfied. The Organization generally does not accept returns or exchanges for items sold in the ReStore. Payments for merchandise sales are due at the point of sale.

The Organization offers one year limited warranties on homes sold. These warranties allow the homeowner to request the Organization make eligible repairs to the home. These are assurance type warranties and are not considered performance obligations under Topic 606. Accrued warranty expense of $2,000 and $-0- for the years ended June 30, 2021 and 2020 is recorded in accrued liabilities on the statement of financial position. The Organization does not offer warranties on ReStore store sales.

Support: The Organization follows FASB ASU 2018-08 – *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made.* This ASU requires that an entity determine whether a revenue source is an exchange transaction covered under ASU 2014-09 or a contribution covered under ASU 2018-08. If it is determined to be a contribution, the next step is to determine if it is a conditional or unconditional contribution which affects the timing of the revenue recognized. Unconditional contributions are recognized immediately and classified as either net assets with donor restrictions or net assets without donor restrictions. Conditional contributions received are accounted for as a liability or are unrecognized initially, until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with restrictions or net assets without restrictions.

Contributions of donated noncash assets and in-kind contributions are recorded at their estimated fair value on the date of the contribution. The in-kind contributions received by the Organization are primarily construction materials.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, of volunteers who have made significant contributions of their time to the Organization's program and supporting services. The value of this contributed time is not reflected in these financial statements because the criteria for recognition has not been satisfied.

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

Net assets: Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> *Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
>
> *Net assets with donor restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Mortgages receivable: Mortgages receivable consist of non-interest bearing mortgages secured by real estate and payable in monthly installments. The maturities of the mortgages range from 15 to 30 years. These mortgages have been discounted at prevailing rates for similar mortgages. The mortgage discount rates range from 7.5% to 8.3%; for the years ended June 30, 2021 and 2020, respectively, as determined by Habitat International.

Receivables are stated at the amount management expects to collect as of year-end. Management estimates that no material losses will be sustained relating to the collectability of mortgages. As such, no allowance for loan losses or adjustments to the balance of mortgages receivable has been recorded, based on current facts and circumstances.

Grants and accounts receivable: Grants and accounts receivable are considered to be fully collectible and accordingly no allowance for doubtful accounts is required. If amounts become uncollectible, they are charged to operations when that determination is made. Bad debt expense for the years ended June 30, 2021 and 2020 was $1,514 and $18,653, respectively.

Inventory: ReStore inventory items are primarily donated by the public; the Organization's policy is not to recognize the value of these donated inventory items, as there is a major uncertainty about the reliability of their values. The value of these items is not reasonably determined until they are sold.

Property and equipment: Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the following estimated useful lives:

Leasehold improvements	20 years
Vehicles	5 years
Furniture and fixtures	3 – 7 years

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

Functional allocation of expenses: The costs of providing the Organization's programs and support services have been summarized on a functional basis in the statement of activities and functional expenses. Directly identifiable expenses are allocated to program services, management and general, or fundraising. Expenses related to more than one function are charged to program services, management and general, and fundraising classifications based on estimates made by management. Allocations are based on departmental staffing levels and other methodologies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Program services include construction and discounts on mortgage originations as well as providing affordable home furnishings and home improvement materials in the ReStore. The cost of home building is capitalized as construction in progress and charged to program services when the house is sold. Program services include the cost of all homes completed and sold during the fiscal year and expenses related to the operation of the ReStore.

During the year ended June 30, 2021, the Organization was in the process of rehabilitating eight homes, two of which were sold during the fiscal year. The expenses incurred related to the six homes in construction remain on the balance sheet as construction in process since they have not yet been sold.

Income taxes: The Organization is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC). Unrelated business income that is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes.

FASB Accounting Standards Codification (ASC) 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Organization's management has evaluated the impact of this guidance to its financial statements. The Organization's income tax returns are subject to examination by taxing authorities, generally for a period of three years from the date the returns are filed.

Estimates and assumptions: 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Recent accounting pronouncements: In February 2016, the FASB issued ASU 2016-02*, Leases* (Topic 842), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similarly to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The new standard is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Organization is currently evaluating the impact of the adoption of the new standard on its financial statements.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* Not-for-profits will be required to provide additional information on the contributions of nonfinancial assets they receive under a new accounting standard issued. Contributed nonfinancial assets can include fixed assets such as land, buildings and equipment; the use of fixed assets or utilities; material and supplies, such as food, clothing or pharmaceuticals; intangible assets; and recognized contributed services. The new ASU requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also requires a not-for-profit to disclose contributed nonfinancial assets recognized within the statement of activities, disaggregated by category that depicts the type of nonfinancial assets. For each category of contributed nonfinancial assets recognized, the standard requires a not-for-profit to disclose qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If they were utilized, a description of the programs or other activities in which those assets were used is required. The not-for-profit's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets must also be disclosed as well as a description of any donor-imposed restrictions associated with the contributed nonfinancial assets. The FASB is requiring the standard to be applied retrospectively. The amendments take effect for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. Early adoption is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

Reclassifications: Certain amounts in the June 30, 2020 financial statements have been reclassified to conform to the current year presentation. The reclassifications had no impact on net assets or changes in net assets for the year ended June 30, 2021.

Subsequent events: Subsequent events have been evaluated through January 20, 2022, which was the date the financial statements were available to be issued. Subsequent events are disclosed in Note 9.

Note 2. Liquidity

The following reflects the Organization's financial assets at June 30, 2021, reduced by amounts that are not available for general use because of donor-imposed restrictions within one year of the statement of financial position date.

Cash	$	409,575
Accounts receivable		2,482
Mortgage loans receivable - current portion		47,139
Financial assets available to meet cash needs for general expenditures within one year	$	459,196

Current assets available for expenditure within one year consist mainly of cash. The Organization relies on grants and contributions throughout the year to fund its operations. In addition to relying on grants and contributions, the Organization also uses debt financing to fund its program expenses.

Note 3. Transactions with Related Parties

The Organization annually remits a portion of its contributions to Habitat International. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2021 and 2020, the Organization contributed $21,000 and $18,000, respectively, to Habitat International. In addition to yearly tithes, Habitat International incurs and pays expenses on the Organization's behalf throughout the normal course of business. The Organization remitted payments of $299 and $4,131 for the years ended June 30, 2021 and 2020, respectively.

The Organization received $12,500 in grant funding from Habitat International, all with donor restrictions, during the year ended June 30, 2021. In addition the Organization recognized $157,802 and $99,952 from Habitat International related to grants whose conditions had been met during the years ended June 30, 2021 and 2020, respectively. Remaining amounts available under conditional grants are described in Note 7. Habitat International also receives donations on behalf of the Organization and remits these donations regularly throughout the year.

The Organization and Habitat for Humanity Virginia (Habitat Virginia) reimburse one another for small expenditures they incur and pay on the other entity's behalf throughout the normal course of operations. The Organization remitted payments to Habitat Virginia of $-0- and $23,702 for the years ended June 30, 2021 and 2020, respectively. There were no payments received from Habitat Virginia for the years ended June 30, 2021 and 2020. Habitat Virginia also manages the Neighborhood Stabilization Program discussed in Note 1. Accounts payable to Habitat Virginia at June 30, 2021 was $124,793 to reimburse the NSP program for the purchase of a home that was sold. Amounts payable to Habitat Virginia for annual dues were $-0- and $1,000 for the years ended June 30, 2021 and 2020, respectively.

Note 4. Mortgage Loans Receivable

When the Organization transfers ownership of a home to a family, multiple mortgages are created. The terms of the first mortgage vary depending on the type and amount of the mortgage and the family's ability to pay. First mortgages are interest free or have low interest rates and have terms ranging from 15 to 33 years. Monthly payments range from $141 to $493. The Organization does not record an allowance for bad debts for these mortgages because each mortgage is fully secured by collateral.

First mortgages are valued in the financial statements net of a discount. The discount is computed using the rate established by Habitat International at the time of the mortgage origination. Habitat International sets the rates by averaging the monthly discount rates published by the IRS for buildings placed into service for that year. The discount is amortized over the life of the mortgage.

Non-interest bearing mortgage loans receivable consisted of the following at June 30:

	2021	2020
Mortgages receivable	**$ 884,828**	$ 927,471
Discount	**(509,249)**	(534,281)
	375,579	393,190
Mortgage loans receivable - current portion	**47,139**	47,139
Mortgages receivable, net of current portion less discount	**$ 328,440**	$ 346,051

The above referenced mortgage loans receivable have scheduled maturities as follows

Years Ending June 30,	Amount
2022	$ 47,139
2023	47,139
2024	44,620
2025	43,499
2026	43,092
Thereafter	659,339
	$ 884,828

Note 4. Mortgage Loans Receivable (Continued)

In connection with each mortgage, there is an agreement with the Organization and DHCD to perfect a second deed of trust. In the event of default on the first mortgage or sale of real estate, the other mortgage becomes due on demand. If the mortgage is with the Organization, the second deed of trust is forgiven by the Organization using the straight-line method over the life of the loan. If the home sale is through DHCD, the second deed of trust is forgiven at the completion of 15 years of ownership. If the home is sold prior to 15 years of ownership, the entire forgiven amount is due at the time of the sale. These mortgages are not recorded in the financial statements because collection is uncertain and no estimate is available for future payments. If the homeowner transfers, sells, or assigns their title or interest in the property, the second mortgage becomes due on demand and the Organization records a gain equal to the balance determined to be reasonably assured of collection. Realized gains on second mortgages were $-0- for the years ended June 30, 2021 and 2020.

Note 5. Long-Term Liabilities

Long-term liabilities consist of the following at June 30:

	2021	2020
Note payable to the Neighborhood Stabilization Program for a house to be rehabilitated, bearing no interest, due at the time the home is sold to an individual or family, secured by one property located at Plantation Forest Drive, Spotsylvania, Virginia.	**$ 113,850**	$ 113,850
Four notes payable to Virginia Housing Development Authority, bearing interest at 3%, due in monthly installments ranging from $173 to $408, with maturities ranging from November 2020 to January 2027, collateralized by mortgage receivables that have been pledged by the Organization.	**52,993**	65,585
Note payable to BB&T, bearing interest at 5.94%, due in monthly installments of $967, beginning September 2018, maturing September 2023, collateralized by a vehicle.	**22,147**	32,096
Note payable to the Neighborhood Stabilization Program for a house to be rehabilitated, bearing no interest, due at the time the home is sold to an individual or family, secured by one property located at Taverneer Drive, Spotsylvania, Virginia.	**-**	175,000
Note payable to Virginia Partners Bank for a Payroll Protection Program (PPP) loan, bearing interest at 1%, due in monthly installments of $8,725, beginning November 2020, maturing April 2022.	**-**	155,000
	188,990	541,531
Portion due within one year	**137,086**	378,369
Long-term debt, net of current portion	**$ 51,904**	$ 163,162

Note 5. Long-Term Liabilities (Continued)

In November 2020 the Organization received notice that all conditions necessary for forgives of the PPP loan had been met and recognized the full amount as grant revenue on the statement of activities.

Aggregate maturities on the notes payable for the next five years are as follows:

Years Ending June 30,	Amount
2021	
2022	$ 137,086
2023	22,336
2024	9,385
2025	8,928
2026	8,327
Thereafter	2,928
	$ 188,990

Note 6. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

	2021	2020
Purpose Restricted		
Construction or rehabilitation of home	**$ 7,500**	$ -
NSP grants for home purchases	**-**	42,500
	$ 7,500	$ 42,500

Net assets were received and released from donor restrictions, through satisfaction of the following purpose restrictions, during the years ended June 30, 2021 and 2020 as follows:

	2021	2020
Net assets received and released with donor restrictions		
Construction or rehabilitation of home	**$ 318,310**	$ 405,291
NSP grants for home purchases	**42,500**	8,200
Mortgage support	**5,000**	-
	$ 365,810	$ 413,491

Note 7. Conditional Promises to Give

The Organization received the following conditional promises to give that are not recognized as assets in the statements of financial position as of June 30, 2021 and 2020:

	2021	2020
Grant agreements for construction or rehabilitation of homes from the Virginia Department of Housing and Community Development (DHCD) conditioned upon expenditure of the funds and submission for reimbursement.	**$ 49,992**	$ 200,000
Grant agreement for the Capacity Build Program from Habitat for Humanity International conditioned upon expenditure of the funds and submission for reimbursement.	**11,071**	43,873
Grant agreement for the Habitat and Thrivent Faith Builds 2021 project from Habitat for Humanity International for construction or rehabilitation of 1 sponsored house; conditioned upon obtaining a certificate of occupancy and timely submission of certain deliverables.	**7,500**	-
Grant agreement for the Habitat and Thrivent Faith Builds 2020 project from Habitat for Humanity International for construction or rehabilitation of 1 sponsored house; conditioned upon obtaining a certificate of occupancy and timely submission of certain deliverables.	**-**	112,500
	$ 68,563	$ 356,373

Note 8. Operating Lease Commitment

The Organization leases its office and retail store facilities in Fredericksburg, Virginia from Cosner Corner South, LLC and the ReStore from Poor House, LLC. The lease terms are for five (5) years and the Organization has four (4) options to extend the term for an additional five (5) years each. The base rent payments are $3,800 per month for the office space and $10,200 per month for the retail store, with 2% annual increases.

The Organization rents additional warehouse space for $1,700 per month, with 2% annual increases. The Organization is also responsible for real estate taxes, insurance and common area maintenance which will be billed separately by the landlord.

Note 8. Operating Lease Commitment (Continued)

The minimum required lease payments for the office space and retail store are as follows:

Years Ending June 30,	Amount
2022	$ 197,328
2023	201,274
2024	205,300
2025	208,279
2026	187,647
Therafter	2,083,699
	$ 3,083,527

Note 9. Subsequent Events

Subsequent to year end, on July 29, 2021, the Organization sold a home that was included in construction in progress on the statement of financial position at June 30, 2021. Total construction in progress at June 30, 2021 relating to this home was $201,548. The home sale resulted in $212,200 in revenue.