BLUE RIDGE HABITAT FOR HUMANITY, INC.

Winchester, Virginia

FINANCIAL REPORT

JUNE 30, 2022

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

To the Officers and Directors
Blue Ridge Habitat for Humanity, Inc.
Winchester, Virginia

Opinion

We have audited the accompanying financial statements of Blue Ridge Habitat for Humanity, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Blue Ridge Habitat for Humanity, Inc. as of June 30, 2022 and 2021, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
October 19, 2022

BLUE RIDGE HABITAT FOR HUMANITY, INC.

Statements of Financial Position
June 30, 2022 and 2021

Assets	**2022**	**2021**
Cash	$ 676,759	$ 774,717
Investments	7,842	7,602
Grants and other receivables	126,534	107,652
ReStore inventory	57,561	66,751
Construction in progress	985,386	835,761
Property held for development	330,088	221,581
Noninterest-bearing mortgage loans	3,172,776	2,989,713
Discount on noninterest-bearing mortgage loans	(1,673,108)	(1,564,517)
Other note receivable	24,243	25,000
Beneficial interest in assets held by the Community Foundation of the Northern Shenandoah Valley	45,075	51,472
Property and equipment, net of accumulated depreciation	1,163,138	1,216,678
Other assets and prepaid expenses	24,922	26,419
Total assets	$ 4,941,216	$ 4,758,829

Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 143,005	$ 33,905
Accrued other expenses	23,726	24,082
Accrued payroll taxes	835	500
Accrued sales taxes	2,985	4,733
Accrued rent	45,590	69,488
Refundable advances	31,720	- -
Homeowner and tenant deposits	10,450	9,104
Notes payable	37,201	167,649
Total liabilities	295,512	309,461
Net Assets		
Without donor restrictions	4,633,565	4,411,390
With donor restrictions	12,139	37,978
Total net assets	4,645,704	4,449,368
Total liabilities and net assets	$ 4,941,216	$ 4,758,829

See Notes to Financial Statements.

BLUE RIDGE HABITAT FOR HUMANITY, INC.

Statements of Activities
For the Years Ended June 30, 2022 and 2021

	2022	**2021**
Changes in net assets without donor restrictions:		
Revenues:		
Contributions of cash and other financial assets	$ 547,601	$ 533,409
Contributions of nonfinancial assets	10,585	157,856
Fundraising, net of special event expenses	305	2,551
ReStore sales, net of operating expenses of $501,249 in 2022 and $485,000 in 2021	204,431	391,503
Transfers to homeowners	765,396	414,917
Construction repair income	34,743	11,008
Rental income	102,318	94,024
Investment return, net	1,227	5,287
Mortgage loan discount amortization	105,273	148,051
Miscellaneous	3,602	1,003
Gain on disposal of assets	260,836	28,265
Net increase (decrease) in beneficial interest in assets held	(6,397)	13,690
Total revenue before releases	2,029,920	1,801,564
Net assets released from restrictions:		
Satisfaction of program restrictions	86,619	51,795
Total revenue without donor restrictions	2,116,539	1,853,359
Expenses:		
Program services	1,670,667	1,055,971
Supporting services:		
Management and general	135,939	164,853
Fundraising	80,258	117,462
Total supporting services	216,197	282,315
Unallocated payments to international organizations:		
SOSI fee	7,500	7,500
Total expenses	1,894,364	1,345,786
Changes in net assets without donor restrictions	222,175	507,573

See Notes to Financial Statements.

BLUE RIDGE HABITAT FOR HUMANITY, INC.

Statements of Activities (continued)
For the Years Ended June 30, 2022 and 2021

	2022		2021
Changes in net assets with donor restrictions:			
Revenues:			
Grants and contributions	60,780		77,800
Net assets released from restrictions:			
Satisfaction of program restrictions	(86,619)		(51,795)
Changes in net assets with donor restrictions	(25,839)	#	26,005
Changes in total net assets	$ 196,336		$ 533,578
Net assets, beginning of year			
Without donor restrictions	$ 4,411,390		$ 3,903,817
With donor restrictions	37,978		11,973
Total net assets, beginning of year	$ 4,449,368		$ 3,915,790
Net assets, end of year			
Without donor restrictions	$ 4,633,565		$ 4,411,390
With donor restrictions	12,139		37,978
Total net assets, end of year	$ 4,645,704		$ 4,449,368

See Notes to Financial Statements.

BLUE RIDGE HABITAT FOR HUMANITY, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2022

		Supporting Services				
	Program Services	Management and General	Fundraising	Subtotal	ReStore Program Costs	Total
Accounting	$ - -	$ 28,400	$ - -	$ 28,400	$ - -	$ 28,400
Advertising	2,268	- -	2,804	5,072	7,676	12,748
Appreciation costs	458	- -	153	611	- -	611
Auto and hauling	5,369	- -	- -	5,369	5,561	10,930
Conferences and meetings	5,929	4,776	27	10,732	600	11,332
Cost of sales	- -	- -	- -	- -	32,847	32,847
Credit card fees	- -	- -	- -	- -	12,065	12,065
Depreciation and amortization	13,399	26,798	13,399	53,596	- -	53,596
Discount on mortgages issued	234,518	- -	- -	234,518	- -	234,518
Dues and licenses	6,654	3,561	- -	10,215	2,244	12,459
Housing construction, rehabilitation and rental maintenance costs	997,766	- -		997,766	- -	997,766
Insurance	17,706	7,706	1,541	26,953	11,872	38,825
Internet and computer expense	8,157	1,437	40	9,634	586	10,220
Miscellaneous	6,673	291	90	7,054	1,830	8,884
Office supplies	4,739	1,347	341	6,427	2,012	8,439
Online selling expenses	- -	73	- -	73	291	364
Payroll and benefit expense	297,676	46,823	48,081	392,580	219,799	612,379
Payroll taxes	20,424	3,029	3,081	26,534	17,896	44,430
Printing and postage	973	- -	4	977	- -	977
Rent expense	20,325	6,775	6,775	33,875	129,065	162,940
Repairs and maintenance	14,634	2,002	1,001	17,637	12,510	30,147
Tithes and contributions	3,710	- -	- -	3,710	- -	3,710
Travel	525	- -	- -	525	575	1,100
Utilities and telephone	8,764	2,921	2,921	14,606	43,820	58,426
Total	$ 1,670,667	$ 135,939	$ 80,258	$ 1,886,864	$ 501,249	$ 2,388,113

See Notes to Financial Statements.

BLUE RIDGE HABITAT FOR HUMANITY, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2021

		Supporting Services				
	Program Services	Management and General	Fundraising	Subtotal	ReStore Program Costs	Total
Accounting	$ - -	$ 24,600	$ - -	$ 24,600	$ - -	$ 24,600
Advertising	684	- -	8,006	8,690	392	9,082
Appreciation costs	327	- -	- -	327	- -	327
Auto and hauling	4,024	- -	- -	4,024	5,166	9,190
Conferences and meetings	340	56	52	448	- -	448
Cost of sales	- -	- -	- -	- -	18,267	18,267
Credit card fees	- -	- -	- -	- -	14,320	14,320
Depreciation and amortization	10,865	21,729	10,865	43,459	- -	43,459
Discount on mortgages issued	229,172	- -	- -	229,172	- -	229,172
Dues and licenses	2,607	8,163	- -	10,770	2,582	13,352
Housing construction, rehabilitation and rental maintenance costs	493,729	- -	- -	493,729	220	493,949
Insurance	9,756	8,173	771	18,700	8,486	27,186
Internet and computer expense	3,855	3,561	160	7,576	1,518	9,094
Miscellaneous	3,708	2,111	60	5,879	832	6,711
Office supplies	1,257	1,886	257	3,400	1,652	5,052
Online selling expenses	2	- -	- -	2	15,133	15,135
Payroll and benefit expense	241,816	56,638	80,862	379,316	203,321	582,637
Payroll taxes	17,631	4,028	5,825	27,484	15,619	43,103
Printing and postage	249	915	16	1,180	- -	1,180
Professional services	1,550	20,885	- -	22,435	85	22,520
Rent expense	19,425	6,475	6,475	32,375	131,765	164,140
Repairs and maintenance	3,443	2,720	1,200	7,363	21,183	28,546
Tithes and contributions	2,666	- -	- -	2,666	- -	2,666
Travel	125	- -	- -	125	759	884
Utilities and telephone	8,740	2,913	2,913	14,566	43,700	58,266
Total	$ 1,055,971	$ 164,853	$ 117,462	$ 1,338,286	$ 485,000	$ 1,823,286

See Notes to Financial Statements.

BLUE RIDGE HABITAT FOR HUMANITY, INC.

Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	$ 196,336	$ 533,578
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Noncash contribution of properties	- -	(140,300)
Noncash contribution of construction costs	(5,304)	(10,713)
Depreciation and amortization	53,596	43,459
Transfers to homeowners, net	449,967	(29,557)
Discount on noninterest-bearing mortgage loans	234,518	229,172
Mortgage loan discount amortization	(125,927)	(148,051)
Gain on disposal of assets	(260,836)	(28,265)
Forgiveness of Paycheck Protection Program note payable	(112,399)	(160,400)
Changes in assets and liabilities:		
(Increase) in grants and other receivables	(18,882)	(107,652)
Decrease in inventory	9,190	16,039
Decrease in other assets and prepaid expenses	1,497	2,460
(Increase) in cost of construction in progress	(806,843)	(442,903)
Increase (decrease) in accounts payable	109,100	(2,038)
(Decrease) increase in accrued other expenses	(356)	19
(Decrease) in accrued taxes	(1,413)	(4,720)
(Decrease) in accrued rent	(23,898)	(12,589)
Increase in homeowner deposits	1,346	1,248
Increase in refundable advances	31,720	- -
Net cash (used in) operating activities	(268,588)	(261,213)

See Notes to Financial Statements.

BLUE RIDGE HABITAT FOR HUMANITY, INC.

Statements of Cash Flows (continued)
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Investing Activities		
Purchase of property and equipment	- -	(22,454)
Purchase of property held for development	(6,163)	- -
Purchase of investments	(240)	(376)
Proceeds from sale of property and equipment	- -	166
Net decrease (increase) in beneficial interest in assets held	6,397	(13,690)
Collection from certificates of deposit	- -	50,200
Mortgage payments received	188,685	144,072
Net cash provided by investing activities	188,679	157,918
Cash Flows from Financing Activities		
Proceeds from notes payable	- -	112,399
Payments on notes payable	(18,049)	- -
Payments on capital lease payable	- -	(959)
Net cash (used in) provided by financing activities	(18,049)	111,440
Change in cash and cash equivalents	(97,958)	8,145
Cash and Cash Equivalents		
Beginning of year	774,717	766,572
End of year	$ 676,759	$ 774,717
Supplemental Disclosures of Noncash Investing and Financing Activities		
Issuance of noninterest-bearing mortgage loans	$ 406,455	$ 397,417
Discount on noninterest-bearing mortgage loans	$ 234,518	$ 229,172
Property and equipment acquired through issuance of note payable	$ - -	$ 55,250
Property received in lieu of foreclosure on mortgage loan	$ 35,464	$ 106,029
Land sold through issuance of note receivable	$ - -	$ 25,000

See Notes to Financial Statements.

Note 1. Summary of Significant Accounting Policies

This summary of significant accounting policies of Blue Ridge Habitat for Humanity, Inc. (the "Organization" or "Habitat") is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for the integrity and objectivity of the financial statements.

Organization

Blue Ridge Habitat for Humanity, Inc. is a nonprofit corporation incorporated in Virginia on June 27, 1996. Habitat 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 International assists with information resources, training, publications, prayer support and in other ways, Habitat is primarily and directly responsible for its own operation. The Organization is supported primarily through donor contributions from various individuals and corporate and religious organizations in the community, and local grant programs. The Organization's service area includes the counties of Clarke, Frederick and Shenandoah, and the City of Winchester. Habitat also operates a ReStore in the City of Winchester to help fund future program costs of the Organization.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles and presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, Not-for-Profit Entities, Presentation of Financial Statements.

COVID-19

Beginning around March 2020, the COVID-19 virus has been declared a global pandemic as it continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

Contributions

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying financial statements.

In-Kind Contributions

Donated materials and equipment are recorded at their estimated values at date of receipt. Donated use of facilities is recorded at the property's fair rental value. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of such services is recorded based on the estimated fair value of services provided and is classified as in-kind contributions revenue and expense charged to programs and supporting services based on the program or support services directly benefited.

Many individuals volunteer their time and perform a variety of activities that support the Organization. The value of these contributed services is not recorded as in-kind contributions as the criteria for recognition was not met under the standards. Therefore, no contributed services for volunteer time has been reflected in the financial statements for the years ended June 30, 2022 and 2021.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and internal investment expenses.

Inventory

Substantially all of the items sold in the Organization's ReStore are donated to the Organization. For year-end reporting, donated inventory items held for resale are recorded as in-kind contributions and valued based on subsequent sales. Throughout the year, donated inventory items are only recorded when the sale transaction occurs, which determines the final realization of value. In-kind construction materials are recorded as inventory at fair market value when the materials are not designated to a particular project and to be used at a future date.

Property Held for Development

Held for development properties consists of lots at cost when purchased or fair market value at the date of gift. The lots are valued at lower of specific acquisition and carrying costs or estimated net value.

Property, Equipment and Depreciation

Effective February 2019, the Organization capitalizes all expenditures in excess of $5,000 at cost when purchased or fair market value at the date of gift. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Deferred Revenue and Refundable Advances

Deferred revenue represents amounts received for rent in advance. Additionally, amounts received prior to June 30 for the benefit of events to be held in the following fiscal year have been included in deferred revenue. There was no deferred revenue at June 30, 2022 or 2021. Refundable advances were $31,720 and $0 as of June 30, 2022 and 2021, respectively, and represent grants received with conditions that have not yet been met.

Estimates

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

Income Taxes

Habitat has received exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code as a charitable organization under a group exemption letter granted to Habitat for Humanity International by the Internal Revenue Service. Only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. The Organization currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded. The Organization follows the provisions of FASB ASC 740-10-25. Under these provisions, the Organization must recognize the effects of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. The Organization does not believe there are any uncertain tax positions and accordingly, no amounts have been recorded in the financial statements.

Cash and Cash Equivalents

The Organization considers investments with a maturity of three months or less to be cash and cash equivalents.

Grants and Other Receivables

Grants receivable consists of amounts due to Habitat for reimbursement of expenses incurred under various grant programs, and were $0 and $52,207 at June 30, 2022 and 2021, respectively. Other receivables of $126,534 and $55,445 at June 30, 2022 and 2021, respectively relate to a receivable for the Employee Retention Credit (ERC). The ERC, originally provided for within the CARES Act, is a refundable tax credit against certain employment taxes based on qualified wages paid to employees.

Transfers to Homeowners

Transfers to homeowners represent sales to individuals which are recorded at the gross mortgage amount plus the down payment received. Noninterest bearing mortgages have been discounted based upon prevailing market rates for low-income housing at the inception of the mortgages. The discount on noninterest bearing mortgage loans for June 30, 2022 and 2021 was 7.49% and 7.23%, respectively. Using a present value basis, this discount will be recognized as mortgage loan discount amortization over the term of the mortgage.

Cash Concentrations

Habitat maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. It has not experienced any losses in such accounts. Habitat believes it is not exposed to any significant credit risk for cash.

Advertising

Habitat expenses the cost of advertising as incurred.

Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-19, “Revenue from Contracts with Customers (Topic 606).” Topic 606 supersedes the revenue recognition requirements in “Revenue Recognition (Topic 605)” and requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization adopted Topic 606 as of July 1, 2019.

The Organization recognizes revenue in accordance with ASC Topic 606. This 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
- Recognize revenue when or as performance obligations are satisfied

Nature of Products and Services

ReStore sales are recorded at a point in time when donated inventory is sold. Transfers to homeowners includes revenue from house sales and is recognized at a point in time at the time of the home's closing. Amortization on noninterest bearing mortgages that have been discounted is recognized using the present value method over the term of the mortgage. Rental income is recognized over time in conjunction with the related lease agreement. Fundraising event income includes both exchange transactions as well as contributions and is recognized at a point in time when the event occurs.

Transaction Price

The transaction price is the amount of consideration to which the Organization expects to be entitled in exchange for transferring goods and services to the customer.

Contract Balances

The Organization records accounts receivable when it has the unconditional right to issue an invoice and receive payment. If consideration is received and revenue has not been recognized, a contract liability (deferred revenue) is recorded. The Organization did not recognize a contract liability as of June 30, 2022 or 2021. The Organization does not recognize revenue in advance of the right to invoice and therefore has not recorded a contract asset as of June 30, 2022 or 2021.

Upcoming Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the Organization for its year ending June 30, 2023. Early adoption is permitted. The Organization is currently evaluating the impact that the adoption of Topic 842 will have on its financial statements.

Note 2. Liquidity and Availability of Funds

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date are as follows:

	2022	2021
Financial assets, at year-end:		
Cash	$ 676,759	$ 774,717
Investments	7,842	7,602
Grants and other receivables	126,534	107,652
Beneficial interest in assets held	45,075	51,472
Other note receivable	24,243	25,000
Noninterest-bearing mortgage loans	3,172,776	2,989,713
Financial assets at year end	4,053,229	3,956,156
Less those unavailable for general expenditure within one year, due to:		
Noninterest bearing mortgage loans and other note receivable with liquidity greater than one year	3,033,608	2,860,054
Beneficial interest in assets held	45,075	51,472
Donor-imposed restrictions	12,139	37,978
Financial assets not available to be used within one year	3,090,822	2,949,504
Financial assets available to meet cash needs for general expenditures within one year	$ 962,407	$ 1,006,652

In February 2019, the Organization adopted a liquidity policy that states a minimum amount of operating funds must be sufficient to maintain ongoing operations and programs for a period of not less than 3 months of average recurring operating expenses. The policy is reviewed every fiscal year at a minimum, or sooner, if warranted and may be changed upon approval from the Board of Directors. The Organization intends for operating funds to be used and replenished on a recurring monthly basis by contributions, ReStore sales, and monthly mortgage receivable payments to meet cash needs for general expenditures. During the years ended June 30, 2022 and 2021, the level of liquidity and reserves was managed within the policy requirements.

Note 3. Construction in Progress

Construction in progress as of June 30, 2022 and 2021, consists of costs to date of houses under construction, including acquisition cost, land and sitework.

Note 4. Noninterest-Bearing Mortgage Loans

Habitat sells homes to low-income families under various terms, including zero to low interest loans, ensuring families have an affordable mortgage payment. These notes are all payable to Habitat over payment terms as determined between each individual participant and Habitat. Generally, these notes carry a term of 15-30 years. At June 30, 2022, Habitat had 45 loans outstanding with a gross value of $3,172,776. At June 30, 2021, Habitat had 45 loans outstanding with a gross value of $2,989,713. Management feels no provision for loan losses is required because Habitat is a secured creditor and the fair market value of the home is in excess of the related mortgage note balances. The following schedule summarizes the payment status of the mortgage loans at June 30, 2022 and 2021:

	2022		2021	
	Number of Loans	Loan Amount	Number of Loans	Loan Amount
Current	30	$ 2,075,567	34	$ 2,097,675
1-30 days past due	9	635,177	4	377,447
31-60 days past due	2	79,918	- -	- -
61-90 days past due	1	35,176	- -	- -
More than 90 days past due	3	346,938	7	514,591
Total	45	$ 3,172,776	45	$ 2,989,713

Note 5. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2022 and 2021, were available for the following purposes:

	2022	2021
Subject to expenditure for a specific purpose:		
Shenandoah repair	$ 2,581	$ 9,811
General repair program	3,591	- -
Clarke County repair	5,967	7,167
Norris Village	- -	21,000
Total assets with donor restrictions	$ 12,139	$ 37,978

During the year ended June 30, 2022 and 2021, $86,619 and $51,795 of net assets were released from donor restrictions by incurring expenses satisfying the donors' restricted purposes or by the occurrence of other events specified by the donors. During the year ended June 30, 2022, amounts released from restriction consisted of $12,230 for the Shenandoah repair program, $11,980 for the Clarke County repair program, $35,409 for the General repair program, and $27,000 for Norris Village. During the year ended June 30, 2021, amounts released from restriction consisted of $10,033 for the Shenandoah repair program, $476 for the Clarke County repair program, and $41,286 for the General repair program.

Note 6. Contributions of Nonfinancial Assets

During the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized within the statements of activities included the following:

	2022	2021
Construction services	$ 5,366	$ 10,738
Land	- -	140,300
Professional services and other	5,219	6,818
	$ 10,585	$ 157,856

The estimated fair value of construction services at date of receipt for the years ended June 30, 2022 and 2021 was $5,366 and $10,738, respectively, and represents the value of the services based on invoiced amounts from the contractor.

The estimated fair value of land for the years ended June 30, 2022 and 2021 was $0 and $140,300, respectively, and is based on the assessed value of the property received.

The estimated fair value of professional services and other for the years ended June 30, 2022 and 2021 was $5,219 and $6,818, respectively, and represents the value of the services determined by the donor.

Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Note 7. Fair Value Measurements

FASB ASC 820-10 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued for Level 3 inputs are based on significant unobservable inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the standards are described as follows:

Level 1 - Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities or other inputs observable for the asset or liability, either directly or indirectly through corroboration with observable market data. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets and liabilities.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

For the fiscal years ended June 30, 2022 and 2021, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Corporate Common Stock

The fair value of corporate stock is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

Insured Cash Deposits

Insured cash deposits are carried at cost, which approximates fair value based on quoted market prices, when available, or market prices provided by recognized broker dealers.

Beneficial Interest in Assets Held

The fair value for the beneficial interest is measured using the fair value of the assets reported by the Community Foundation of the Northern Shenandoah Valley. The Organization considers the measurement of its beneficial interest to be a Level 3 measurement within the fair value measurement hierarchy, because even though the measurement is based on the unadjusted fair value of the beneficial interest held by the Foundation, the investments are not held in accounts owned by Habitat. See Note 9 for reconciliation of Level 3 balances.

The carrying amounts of the Organization's financial instruments not described above arise in the ordinary course of business and approximate fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Organization recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

The following table presents the balance of financial assets measured at fair value on a recurring basis as of June 30, 2022 and 2021:

	2022			
	Balance as of June 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Insured cash deposits	$ 6,943	$ 6,943	$ - -	$ - -
Corporate common stock	899	899	- -	- -
Beneficial interest in assets held by the Community Foundation of the Northern Shenandoah Valley	45,075	- -	- -	45,075
	$ 52,917	$ 7,842	$ - -	$ 45,075

	2021			
	Balance as of June 30, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Insured cash deposits	$ 6,935	$ 6,935	$ - -	$ - -
Corporate common stock	667	667	- -	- -
Beneficial interest in assets held by the Community Foundation of the Northern Shenandoah Valley	51,472	- -	- -	51,472
	$ 59,074	$ 7,602	$ - -	$ 51,472

Note 8. Investments

Investments consist primarily of insured cash deposits and corporate common stock and are reported at fair value as follows:

	2022		
	Cost	Observable Fair Market Value	Unrealized Appreciation
Insured cash deposits	$ 6,943	$ 6,943	$ - -
Corporate common stock	521	899	378
	$ 7,464	$ 7,842	$ 378

	2021		
	Cost	Observable Fair Market Value	Unrealized Appreciation
Insured cash deposits	$ 6,935	$ 6,395	$ - -
Corporate common stock	521	667	146
	$ 7,456	$ 7,062	$ 146

The following schedule summarizes the investment return in the statements of activities for the years ended June 30, 2022 and 2021:

	2022	2021
Interest and dividend income	$ 1,227	$ 5,287

Note 9. Beneficial Interest in Assets Held

During fiscal year 2018, the Organization created an agency endowed fund, the assets of which are not in possession of the Organization but are held by the Community Foundation of the Northern Shenandoah Valley. The Organization has granted the Foundation variance power which gives the Foundation's board of directors the power to use the fund for other purposes in certain circumstances. The fund is subject to the Foundation's investment and spending policies which prohibits the spending rate to exceed 4%. The distribution is based on the rolling 20 quarter, five-year average of the market value of the portfolio. The Organization reports the fair value of the fund as beneficial interest in assets held by the Community Foundation of the Northern Shenandoah Valley and any distributions received as investment income. There were no distributions for the years ended June 30, 2022 and 2021. Changes in the value of the fund are reported as net increase or decrease in beneficial interest in assets held in the statement of activities.

The activity in the beneficial interest is as follows:

	2022	2021
Beginning value	$ 51,472	$ 37,782
Change in value	(6,397)	13,690
Ending value	$ 45,075	$ 51,472

Note 10. Property and Equipment

Property and equipment at June 30, 2022 and 2021, consisted of the following:

	2022	2021	Depreciable Lives
Rental properties	$ 1,189,178	$ 1,189,178	27.5 years
Office equipment, furniture and fixtures	39,297	39,647	5-7 years
Leasehold improvements	52,660	52,660	5-7 years
Vehicles and equipment	148,250	185,474	5-7 years
	1,429,385	1,466,959	
Less accumulated depreciation	266,247	250,281	
Net property and equipment	$ 1,163,138	$ 1,216,678	

Note 11. Notes Payable

On May 8, 2020, Habitat was approved a $160,400 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the United States Small Business Administration (SBA). Habitat received 100% forgiveness of the loan on June 3, 2021. The loan forgiveness has been recorded within grants and contributions on the statement of activities for the year ending June 30, 2021.

On February 19, 2021, Habitat was approved a $112,399 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the United States Small Business Administration. The loan accrues interest at 1%, but payments are deferred until a determination of forgiveness is made by the SBA. If the borrower does not apply for forgiveness within ten months after the last day of the covered period, payments will be due that month. Habitat is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government. The loan was recorded as a note payable on the statement of financial position at June 30, 2021. Habitat received 100% forgiveness of the loan on September 23, 2021. The loan forgiveness has been recorded within grants and contributions on the statement of activities for the year ending June 30, 2022.

On June 9, 2021, Habitat was approved a $55,250 three-year loan from Isuzu Finance of America, Inc for the purchase of a truck. The interest rate on the loan is 1.99% with monthly payments of $1,582 beginning in July 2021, expiring on June 24, 2024. Future maturities of the note payable during the next two fiscal years are: 2023, $18,414 and 2024, $18,787.

Note 12. Retirement Plan

Habitat maintains a Simple IRA plan for full-time employees meeting certain eligibility requirements. In addition to participant salary deferrals, Habitat may make a discretionary matching contribution equal to a uniform percentage. For the years ended June 30, 2022 and 2021, Habitat matched salary deferrals up to 3% of the participant's annual gross compensation. The contributions for the years ended June 30, 2022 and 2021 were $10,498 and $8,516, respectively.

Note 13. Functional Allocation of Expenses and Fundraising Expenses

The costs of providing the various programs, supporting services and fundraising activities have been summarized on a functional basis in the statements of functional expenses. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are compensation and benefits, which are allocated on the basis of estimates of time and effort; and occupancy costs, which are allocated on a square footage basis.

Note 14. ReStore Operations

Habitat operates a ReStore to sell donated construction items. For the years ended June 30, 2022 and 2021, the ReStore generated product sales, net of sales taxes of $705,680 and $876,503, and incurred expenses of $501,249 and $485,000, respectively.

Substantially most of the items sold in the ReStore are donated to the Organization. For year-end reporting, donated inventory items held for resale are recorded as in-kind contributions and valued based on subsequent sales. Throughout the year, donated inventory items are only recorded upon sale and final realization of value. As of June 30, 2022 and 2021, ReStore inventory, was $57,561 and $66,751, respectively.

In December 2016, the Organization entered into a lease agreement under a seven-year operating lease with an escalation clause expiring December 1, 2023. The lease agreement contains a renewal option for three additional three-year terms and may not be terminated before the end of the first lease term. The lease contained a provision to offer the Organization a rent-free period from lease commencement through April 1, 2017. The incentive portion of this four-month period along with the escalation clause is required to be amortized as rent expense over the life of the lease term. As of June 30, 2022 and 2021, the unamortized rent of

$45,590 and $69,488, respectively, is reflected as accrued rent in the accompanying statements of financial position. During fiscal year 2018, Habitat amended the lease agreement for additional space under two separate amendments which resulted in increased monthly rent. Lease payments were $12,850 at July 1, 2019 and increased to $13,950, $15,250 and $15,750 by the end of the fiscal year 2020, 2021 and 2022, respectively. Rent expense allocated to the ReStore for the years ended June 30, 2022 and 2021 was $129,065 and $131,765 respectively.

Note 15. Transactions with Habitat for Humanity International

Habitat annually remits a portion of its undesignated contributions and required annual U.S. Stewardship and Organizational Sustainability Initiative (US-SOSI) fee to Habitat for Humanity International. These funds are used to construct homes in economically depressed areas around the world and fund Habitat for Humanity International's operational costs. For the years ended June 30, 2022 and 2021 Habitat remitted $7,500 each year to Habitat for Humanity International.

Note 16. Commitments and Contingencies

Habitat is contingently liable as guarantor on four mortgages and has agreed to repurchase any of the obligations in the event that the homeowner is delinquent for more than 90 days on any payment. The combined amount of the outstanding mortgage obligations as of June 30, 2022 and 2021 is approximately $156,000 and $161,000, respectively. The mortgages are secured by real estate and the Organization does not believe any significant losses will be absorbed by the Organization.

Note 17. Operating Leases

In addition, as described in Note 14, Habitat leases warehouse space to conduct its ReStore operations. During the year ended June 30, 2018, Habitat renovated a portion of the space to allow for all Habitat employees to be in one location. Rent expense is allocated between the ReStore and affiliate operations.

Rent expense, not allocated to the ReStore, for the years ended June 30, 2022 and 2021 was $33,875 and $32,375, respectively.

The minimum lease payments required under the above operating leases as of June 30, 2022 are as follows:

Years Ending June 30:	
2023	$ 192,500
2024	97,500
Total minimum lease payments	$ 290,000

Note 18. Related Parties

A board member is an employee of a local bank where the Organization maintains several accounts. Another board member is also an employee of a different local bank where the Organization does not have any accounts, but the Organization is looking to sell five of their mortgages and this bank would be purchasing all five mortgages. No agreements have been signed, however, work on this did begin in June 2022.

Note 19. Other Note Receivable

In June 2021, Habitat sold a parcel of land in Winchester, VA for $25,000. Habitat financed the sale through a note receivable. Payments of principal and interest at 2.0% of $104 are due monthly through June 2023 when the remaining balance is due. Future principal payments to be received are $772 and $23,471 for the years ending June 30, 2023 and 2024, respectively.

Note 20. Line of Credit

On September 28, 2021, Habitat obtained an unsecured line of credit with a bank for $150,000. Interest is payable monthly at the Wall Street Journal Prime Rate plus 0.50% with a minimum rate of 4.0% (5.25% at June 30, 2022). The line of credit matures on September 28, 2023. As of June 30, 2022, the balance outstanding was zero.

Note 21. New Accounting Pronouncements

In September 2020, the FASB issued ASU No. 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958), which requires nonprofits to change their financial statement presentation and disclosure of contributed nonfinancial assets, or gifts-in-kind. ASU 2020-07 is effective for the Organization for its year ended June 30, 2022. This guidance is intended to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhanced presentation and disclosure.

This ASU requires that nonfinancial assets are presented as a separate line item in the statement of activities and disclosures include a disaggregation of the amount contributed by category, a description of donor restriction, and valuation techniques for the nonfinancial assets received. No reclassifications were required on the statements of activities for the Organization; the Organization has historically presented nonfinancial assets as a separate line item. The Organization enhanced its disclosures to adhere to the new standard.

Note 22. Subsequent Events

Habitat received both Employee Retention Credit (ERC) payments subsequent to June 30, 2022. The ERC, originally provided for within the CARES Act, is a refundable tax credit against certain employment taxes based on qualified wages paid to employees.

Habitat sold two homes subsequent to year end. The first was sold on August 31, 2022 for $245,000 and the second was sold for $299,500 on October 18, 2022.

Subsequent events were evaluated through October 19, 2022, which is the date the financial statements were available to be issued. The Organization has determined there are no additional subsequent events that require recognition or disclosure.