



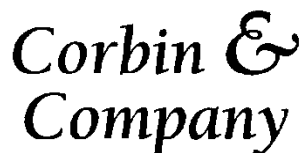
HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3 - 4
Statements of Activities	5 - 6
Statements of Functional Expenses	7 - 8
Statements of Cash Flows	9 - 10
Notes to Financial Statements	11 - 26



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Habitat for Humanity of South Hampton Roads, Inc.
Norfolk, Virginia

Opinion

We have audited the accompanying financial statements of Habitat for Humanity of South Hampton Roads, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of South Hampton Roads, Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Habitat for Humanity of South Hampton Roads, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of Habitat for Humanity of South Hampton Roads, Inc. as of June 30, 2021 were audited by other auditors whose report dated November 23, 2021 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity of South Hampton Roads, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

Carter & Company, P.C.

Chesapeake, Virginia
September 9, 2022

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

ASSETS	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 942,397	\$ 545,900
Restricted cash	70,707	14,778
Investments	292,450	-
Land, construction in progress, and real estate	379,477	338,433
Contributions and grants receivables, current portion	72,423	130,250
Mortgages receivable, current, net	130,136	135,514
Other receivables	20,397	35,379
Escrow advances and deposits	26,006	19,896
Prepaid expenses	34,897	24,233
Total current assets	<u>1,968,890</u>	<u>1,244,383</u>
Property and equipment:		
Land	569,000	569,000
Automobiles and trailers	75,295	75,295
Building and improvements	1,536,098	1,307,643
Equipment, furniture, and fixtures	131,568	130,268
Leasehold improvements	29,194	29,194
	<u>2,341,155</u>	<u>2,111,400</u>
Less accumulated depreciation	676,465	611,886
Total property and equipment	<u>1,664,690</u>	<u>1,499,514</u>
Other assets:		
Mortgages receivable, net of current portion and discounts	2,045,284	2,144,308
Land held as investment property	22,500	267,500
Contributions and grants receivables, net of current portion	-	25,000
Beneficial interest in net assets of the Hampton Roads Community Foundation - Endowment	70,049	64,430
Deposits	1,680	1,680
Total other assets	<u>2,139,513</u>	<u>2,502,918</u>
TOTAL ASSETS	<u>\$ 5,773,093</u>	<u>\$ 5,246,815</u>

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

JUNE 30, 2022 AND 2021

LIABILITIES AND NET ASSETS	<u>2022</u>	<u>2021</u>
Current liabilities:		
Notes payable, current portion	\$ 180,221	\$ 276,199
Accounts payable and accrued expenses	113,571	111,333
Total current liabilities	<u>293,792</u>	<u>387,532</u>
Long-term debt:		
Notes payable, net of current portion and unamortized loan costs	836,220	1,784,641
Total liabilities	<u>1,130,012</u>	<u>2,172,173</u>
Net Assets:		
Without donor restrictions:		
Invested in property and equipment	1,664,690	1,499,514
Board designated for future property acquisitions	145,897	31,866
Undesignated	<u>2,627,237</u>	<u>1,308,804</u>
	4,437,824	2,840,184
With donor restrictions	<u>205,257</u>	<u>234,458</u>
Total net assets	<u>4,643,081</u>	<u>3,074,642</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,773,093</u>	<u>\$ 5,246,815</u>

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	2022 Total
OPERATING ACTIVITIES			
Revenue and public support:			
Contributions	\$ 1,866,536	\$ 80,500	\$ 1,947,036
Grants	425,019	10,000	435,019
In-kind contributions	61,011	-	61,011
Mortgage loan discount amortization, net	255,593	-	255,593
Other income	9,990	-	9,990
ReStore retail sales	1,143,842	-	1,143,842
Sales of completed homes	428,236	-	428,236
Net assets released from restrictions	125,320	(125,320)	-
Total revenue and public support	<u>4,315,547</u>	<u>(34,820)</u>	<u>4,280,727</u>
Functional expenses:			
Program services:			
Housing	1,223,138	-	1,223,138
Family services	73,854	-	73,854
ReStore	980,684	-	980,684
Total program services	<u>2,277,676</u>	<u>-</u>	<u>2,277,676</u>
Supporting services:			
Management and general	169,673	-	169,673
Fundraising	224,559	-	224,559
Total functional expenses	<u>2,671,908</u>	<u>-</u>	<u>2,671,908</u>
Change in net assets from operating activities	<u>1,643,639</u>	<u>(34,820)</u>	<u>1,608,819</u>
NONOPERATING ACTIVITIES			
Change in value of beneficial interest	-	5,619	5,619
Net investment return	(30,976)	-	(30,976)
Loss on disposal of property and equipment	(15,023)	-	(15,023)
Total nonoperating activities	<u>(45,999)</u>	<u>5,619</u>	<u>(40,380)</u>
Change in net assets	1,597,640	(29,201)	1,568,439
Net assets - beginning of year	<u>2,840,184</u>	<u>234,458</u>	<u>3,074,642</u>
Net assets - end of year	<u>\$ 4,437,824</u>	<u>\$ 205,257</u>	<u>\$ 4,643,081</u>

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	2021 Total
OPERATING ACTIVITIES			
Revenue and public support:			
Contributions	\$ 568,453	\$ 230,311	\$ 798,764
Grants	152,034	16,000	168,034
Mortgage loan discount amortization, net	285,786	-	285,786
Other income	10,766	-	10,766
PPP loan forgiveness grant	323,900	-	323,900
ReStore retail sales	989,801	-	989,801
Sales of completed homes	578,745	-	578,745
Net assets released from restrictions	343,581	(343,581)	-
Total revenue and public support	<u>3,253,066</u>	<u>(97,270)</u>	<u>3,155,796</u>
Functional expenses:			
Program services:			
Housing	930,609	-	930,609
Family services	72,201	-	72,201
ReStore	926,703	-	926,703
Total program services	<u>1,929,513</u>	<u>-</u>	<u>1,929,513</u>
Supporting services:			
Management and general	183,138	-	183,138
Fundraising	218,996	-	218,996
Total functional expenses	<u>2,331,647</u>	<u>-</u>	<u>2,331,647</u>
Change in net assets from operating activities	<u>921,419</u>	<u>(97,270)</u>	<u>824,149</u>
NONOPERATING ACTIVITIES			
Change in value of beneficial interest	-	11,209	11,209
Loss on disposal of property and equipment	(2,114)	-	(2,114)
Total nonoperating activities	<u>(2,114)</u>	<u>11,209</u>	<u>9,095</u>
Change in net assets	919,305	(86,061)	833,244
Net assets - beginning of year	<u>1,920,879</u>	<u>320,519</u>	<u>2,241,398</u>
Net assets - end of year	<u>\$ 2,840,184</u>	<u>\$ 234,458</u>	<u>\$ 3,074,642</u>

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Program Services			Supporting Services			2022 Total
	Family		Total Program	Management & General	Fund- raising		
	Housing	Services					
Personnel expenses:							
Salaries and wages	\$ 155,067	\$ 52,125	\$ 442,277	\$ 649,469	\$ 78,347	\$ 114,250	\$ 842,066
Payroll taxes	12,337	2,936	47,134	62,407	5,971	9,749	78,127
Retirement plan	1,797	1,504	1,309	4,610	1,980	1,279	7,869
Other benefits	460	46	1,564	2,070	1,434	1,296	4,800
	<u>169,661</u>	<u>56,611</u>	<u>492,284</u>	<u>718,556</u>	<u>87,732</u>	<u>126,574</u>	<u>932,862</u>
Other expenses:							
Advertising	1,500	-	-	1,500	-	2,545	4,045
Automobile	19,132	-	41,903	61,035	53	-	61,088
Bank fees	-	60	11	71	796	-	867
Construction/product costs	859,721	-	34,199	893,920	130	3,265	897,315
Consulting	48,500	-	24,000	72,500	24,000	67,475	163,975
Depreciation	12,916	1,292	43,913	58,121	5,166	1,291	64,578
Equipment rentals	3,033	-	1,035	4,068	-	-	4,068
Fees, licenses, and taxes	656	978	46,298	47,932	1,831	2,000	51,763
Fundraising	-	-	-	-	-	9,554	9,554
Information technology	3,439	2,575	13,182	19,196	7,808	2,575	29,579
Insurance	25,558	4,098	38,030	67,686	(163)	1,299	68,822
Interest	36,746	209	7,103	44,058	6,284	209	50,551
Office expenses	10,459	5,766	29,931	46,156	11,319	6,504	63,979
Professional fees	11,467	533	5,333	17,333	7,343	534	25,210
Rent and occupancy	3,400	-	111,485	114,885	3,435	-	118,320
Repairs and maintenance	5,606	208	7,155	12,969	11,478	209	24,656
ReStore supplies	-	-	45,439	45,439	-	-	45,439
Travel	3,221	-	141	3,362	-	-	3,362
Utilities	8,123	1,524	39,242	48,889	2,461	525	51,875
Total other expenses	<u>1,053,477</u>	<u>17,243</u>	<u>488,400</u>	<u>1,559,120</u>	<u>81,941</u>	<u>97,985</u>	<u>1,739,046</u>
Total expenses	<u>\$ 1,223,138</u>	<u>\$ 73,854</u>	<u>\$ 980,684</u>	<u>\$ 2,277,676</u>	<u>\$ 169,673</u>	<u>\$ 224,559</u>	<u>\$ 2,671,908</u>

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Services			Supporting Services		2021 Total	
	Family		Total	Management	Fund-		
	Housing	Services	ReStore	Program	& General		raising
Personnel expenses:							
Salaries and wages	\$ 145,870	\$ 52,000	\$ 397,309	\$ 595,179	\$ 62,275	\$ 112,000	\$ 769,454
Payroll taxes	12,199	3,001	40,401	55,601	4,947	9,558	70,106
Retirement plan	1,485	1,560	1,528	4,573	1,192	291	6,056
Other benefits	440	44	1,532	2,016	1,495	1,294	4,805
	<u>159,994</u>	<u>56,605</u>	<u>440,770</u>	<u>657,369</u>	<u>69,909</u>	<u>123,143</u>	<u>850,421</u>
Other expenses:							
Advertising	2,096	-	-	2,096	-	-	2,096
Automobile	10,303	57	53,829	64,189	466	105	64,760
Bad debt	300	-	216	516	-	-	516
Bank fees	32	205	100	337	1,342	2	1,681
Construction/product costs	498,762	-	28,278	527,040	663	59	527,762
Consulting	51,650	1,000	33,898	86,548	31,650	46,925	165,123
Depreciation	-	-	-	-	40,777	-	40,777
Equipment rentals	1,104	-	1,079	2,183	-	-	2,183
Fees, licenses, and taxes	1,080	1,115	50,030	52,225	3,812	4,473	60,510
Fundraising	3,493	-	-	3,493	-	8,521	12,014
Information technology	3,030	2,220	11,582	16,832	6,747	2,220	25,799
Insurance	21,215	5,636	38,172	65,023	7,188	1,200	73,411
Interest	49,846	789	26,819	77,454	3,858	789	82,101
Mortgage discount on mortgages issued	92,913	-	-	92,913	-	-	92,913
Office expenses	10,101	2,621	25,717	38,439	6,942	30,205	75,586
Professional fees	12,083	455	11,745	24,283	1,821	455	26,559
Rent and occupancy	-	-	106,876	106,876	3,435	-	110,311
Repairs and maintenance	2,571	233	22,844	25,648	1,130	233	27,011
ReStore supplies	84	-	35,449	35,533	-	-	35,533
Travel	672	-	1,463	2,135	-	-	2,135
Utilities	9,280	1,265	37,836	48,381	3,398	666	52,445
Total other expenses	<u>770,615</u>	<u>15,596</u>	<u>485,933</u>	<u>1,272,144</u>	<u>113,229</u>	<u>95,853</u>	<u>1,481,226</u>
Total expenses	<u>\$ 930,609</u>	<u>\$ 72,201</u>	<u>\$ 926,703</u>	<u>\$ 1,929,513</u>	<u>\$ 183,138</u>	<u>\$ 218,996</u>	<u>\$ 2,331,647</u>

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,568,439	\$ 833,244
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	64,578	40,777
Loss on disposal of property and equipment	15,023	2,114
Realized and unrealized losses on investments	31,652	-
Amortization of debt issuance costs	5,449	703
Change in value of beneficial interest	(5,619)	(11,209)
Mortgage loan discount amortization	(255,593)	(285,786)
Face value of mortgages issued	-	(157,603)
(Increase) decrease in assets:		
Land, construction in progress, and real estate	(41,044)	(159,439)
Contributions and grants receivable	82,827	(68,450)
Other receivables	14,982	9,140
Escrow advances and deposits	(6,110)	(9,976)
Prepaid expenses	(10,664)	(7,091)
Deposits	-	1,500
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	2,238	46,637
Deferred revenue	-	(183,300)
Net cash from operating activities	<u>1,466,158</u>	<u>51,261</u>
Cash flows from investing activities:		
Purchases of property and equipment	(229,754)	(56,916)
Proceeds from sale of land held as investment	229,977	10,000
Proceeds from sales of investments	14,651	-
Purchase of investments	(338,753)	-
Proceeds from mortgages receivable payments	359,995	533,048
Net cash from investing activities	<u>36,116</u>	<u>486,132</u>
Cash flows from financing activities:		
Principal payments on notes payable	(1,049,848)	(399,938)
Net cash from financing activities	<u>(1,049,848)</u>	<u>(399,938)</u>
Net change in cash, cash equivalents and restricted cash	452,426	137,455
Cash, cash equivalents and restricted cash - beginning of year	<u>560,678</u>	<u>423,223</u>
Cash, cash equivalents and restricted cash - end of year	<u>\$ 1,013,104</u>	<u>\$ 560,678</u>

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2022 AND 2021

CASH, CASH EQUIVALENTS AND RESTRICTED CASH AS PRESENTED ON THE STATEMENT OF FINANCIAL POSITION:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 942,397	\$ 545,900
Restricted cash	70,707	14,778
	<u>\$ 1,013,104</u>	<u>\$ 560,678</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<u>2022</u>	<u>2021</u>
Cash paid during the year for interest	\$ 45,102	\$ 81,398

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

NOTE 1 - NATURE OF ORGANIZATION

Habitat for Humanity of South Hampton Roads, Inc. (the "Organization") was established on August 22, 1988 as a non-stock, not-for-profit corporation under the appropriate sections of the Internal Revenue Code and the laws of the Commonwealth of Virginia. Habitat is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"), a nondenominational Christian non-profit organization. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, the Organization is primarily and directly responsible for its own operations. The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, and operates as a Community Housing Development Organization ("CHDO") under the U.S. Department of Housing and Urban Development ("HUD") regulations, and is entitled to various grant opportunities, both local and federal. The Organization, together with house sponsors, constructs or rehabilitates housing in South Hampton Roads for economically disadvantaged families to acquire at a cost which is lower than the home's fair value. House sponsors are individuals, corporations, churches, or other organizations who volunteer to sponsor a construction project. Costs are minimized by use of volunteer workers and contributed materials, or materials purchased at significant discounts through cooperating suppliers.

The Organization operates retail thrift stores in Virginia Beach and Norfolk selling donated inventory consisting of construction materials, home furnishings, appliances, clothing, and other accessories. Beginning in 2013, the Organization established a new operating model for the thrift stores referred to as the "ReStore". The ReStore model specializes in selling surplus new and used building and home improvement materials, appliances, and furniture to the public. The ReStores receive donated usable material from retail businesses, contractors, individuals, and other organizations. Revenue is recognized by the Organization at the time the goods are sold; therefore, no value for the ReStore inventory is included in these financial statements. Costs associated with the operation of the ReStores are expenses in program expenses for the ReStore in the accompanying statements of activities and changes in net assets. All net proceeds from the operation of the ReStores help support and enhance the Organization's non-profit mission related activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Financial Statement Presentation

The Organization presents its financial statements in accordance with accounting standards generally accepted in the United States of America ("U.S. GAAP") for financial statements of nonprofit organizations. Under these accounting standards, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. In addition, the Organization is required to present statements of functional expenses and of cash flows.

Classification of Net Assets – Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets that are free of donor-imposed stipulations and are fully available to utilize for any program or supporting services. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenditures are reported in the without donor restrictions class of net assets, including expenditures funded by restricted contributions. Expenditures funded by restricted contributions in accordance with donors' stipulations results in the release of such restrictions. The Board of Directors may designate certain amounts to be utilized or invested to meet specific objectives of the Organization.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that may expire with the passage of time or that may be satisfied by actions of the Organization. When donor stipulations expire, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities and changes in net assets as net assets released from donor restrictions. The Organization has net assets with donor restrictions to be held in perpetuity as described in Note 9.

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents and Restricted Cash

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Restricted cash consists of reserves that are restricted for construction or other specific purposes by donors, and are then released from restriction when a donor stipulated purpose restriction is accomplished.

Investments

The Organization's investments are stated at fair value based on quoted or published prices in active markets. Investments consist of fixed income and equity securities. Realized gains and losses on sales of investments, if any, are determined based on the actual cost of the securities sold and are included in the change in net assets. Unrealized gains and losses are also included in the change in net assets. Interest, dividends, fees, and gains and losses on investments are reflected on the statements of activities as net investment return.

Land, Construction in Progress, and Real Estate

Real estate, building materials, and land are recorded at cost if purchased or at the fair value on the date received if acquired through a foreclosure. Donated land and houses are recorded at the tax assessed value on the date of donation. The Organization receives donated services from a substantial number of volunteers and materials related to home construction. The value of these donated services and materials have been recorded based on the increase in fair value of the real estate as determined by an estimate based on historical results for construction in progress or an appraisal at the time of sale. Expenses, including donated services and materials, related to the cost of homes are capitalized as real estate and construction in progress.

Contributions and Grants Receivables and Revenues

Unconditional promises to give and grants receivables are recognized as revenues in the period received and are recorded as increases in net assets without donor restrictions depending on the existence and nature of any donor or grantor restrictions. All contributions and grants received consist solely of non-exchange, non-reciprocal transactions, and contain no donor nor grantor-specified conditions or barriers that would cause contributions or grants to be considered conditional in nature. All contributions and grants receivables as of June 30, 2022 are expected to be collected within one year. Management may record a discount when recording long-term pledges, if considered necessary. No discount was recorded for the years ended June 30, 2022 and 2021.

Donor or grantor-imposed conditions are separate from donor or grantor-imposed restrictions. The Organization records contributions of cash and other assets with donor or grantor-imposed restrictions as grants and contributions with donor restrictions within the statements of activities if they are received with donor stipulations that restrict the use of donated assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as released from restriction. However, donor restricted grants and contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions. All other restricted promises to give that lack specific donor restrictions are recorded as increases in net assets with donor restrictions depending on the nature of the restriction.

Contributions receivable by the Organization are recorded at net realizable value. No allowance for contributions receivable has been provided because management has evaluated the contributions receivable and grants and believes they are fully collectible.

ReStore Inventory

The Organization values donated ReStore inventory in accordance with Accounting Standard Codification ("ASC") 958-605-25-4, *Not-for-Profit Entities – Revenue Recognition*, which states that donated inventory will not be recorded in the financial statements. The Organization believes this is a reasonable approach because many of the donated items are used or are overstock items. Consequently, the value of such donations is not readily determinable until the merchandise is sold. Sales are recorded at the point of sale.

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgages Receivable

Mortgages are offered to all buyers that meet certain criteria. All mortgages are collateralized by the assets mortgaged. No allowance is considered necessary as mortgaged homes will be returned to the Organization should any default and charge off occur.

All non-interest bearing mortgages have been discounted at various rates from 7.38% to 8.48%, based upon the prevailing market rates at the inception of the mortgages. Discounts are amortized using the effective interest method over the lives of the mortgages which range from 144 to 360 months. Amounts reported as mortgages receivable represent the outstanding principal net of unamortized discounts.

In addition to the primary mortgage on each property, homeowners agree to an additional mortgage for the difference between the primary mortgage and the fair value of the real estate as determined by an appraiser. This mortgage is noninterest bearing, requires no monthly payments, and is forgiven in intervals over the life of the loan based on years of continuous ownership. Amounts associated with these additional mortgages are not included in the accompanying financial statements.

A mortgage receivable is deemed past due if principal payments are not received in accordance with the contractual terms stated in the Truth in Lending promissory note. Past due mortgages receivable may only be charged off upon approval by the Board of Directors.

Property and Equipment

Property, plant, and equipment are recorded at cost if purchased, and at fair value on the date received if donated. Expenditures for maintenance and repairs are expensed as incurred while renewals and betterments are capitalized. Generally, assets with a cost greater than \$1,000 are capitalized.

Depreciation has been provided for using straight-line method over the estimated useful lives of the assets. The estimated useful lives of the assets are as follows:

Building and improvements	40 years
Leasehold improvements	15 years
Automobile and trailers	5 years
Equipment, furniture, and fixtures	5 – 7 years

Depreciation expense for the years ended June 30, 2022 and 2021 was \$64,578 and \$40,777, respectively.

Land Held as Investment Property

The Organization is holding various tracts of land that it intends to use either for development or for resale to obtain cash for other home construction initiatives. Land is recorded at cost if purchased, or at the fair value on the date received if donated. Land used for development is charged to construction in progress when construction of a home commences.

Impairment of Long-Lived Assets

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted future cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on discounted cash flows, quoted market values, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified.

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loan Costs

Loan costs related to Virginia Housing Development Authority ("VHDA") notes payable were capitalized during the year ended June 30, 2012 and are being amortized over 10 years by the straight-line method. Additional loan costs related to a TowneBank mortgage were capitalized during the year ended June 30, 2018 and were being amortized over 14 years by the straight-line method, however, the remaining amortization was recorded when the mortgage loan was paid in full during the year ended June 30, 2021. Total amortization expense was \$5,449 and \$703 for the years ended June 30, 2022 and 2021, respectively.

PPP Loan Forgiveness Grant

During the years ended June 30, 2021 and 2020, the Organization received Paycheck Protection Program ("PPP") loans of \$140,600 and \$183,300, respectively, granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). PPP loans are considered conditional contributions, with right of return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain compensation costs and employee headcount, and other qualifying expenses (mortgage interest, rent and utilities) incurred following the receipt of the loan funds to be fully forgiven. The Organization applied for and received full forgiveness of both loans during the year ended June 30, 2021, and recognized the grant revenue on the statement of activities. During the year ended June 30, 2019, the Organization received conditional contributions related to on-going construction projects, for which the barriers were met through the completion of specific construction projects, and the revenue was recognized during the year ended June 30, 2021.

Contributed Goods and Services

The Organization recognizes contributed materials and services at fair value when received. The Organization recognizes contributed services if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contributors. Donated building materials received at a construction site are recorded as in-kind contributions through the increase in the basis of real estate to its fair value. Donations of inventory items held for resale through the ReStores are recognized when sold since the Organization does not have an objective measurement basis for determining fair value. Contributions of noncash goods and services for June 30, 2022 and 2021 amounted to \$61,011 and \$0, respectively, and are included as in-kind contributions on the statements of activities. Amounts reflected in the accompanying financial statements as contributions are offset by like amounts included in expenses or assets.

A substantial number of unpaid volunteers make significant contributions of their time to further the Organizations' activities. The fair value of these volunteer hours has not been determined or recognized as revenue in the statements of activities.

ReStore Retail Sales Revenue

The Organization operates thrift retail stores. The stores provide access to quality building materials, new and used household goods, clothing, furnishings, and other construction materials and are open to the general public. The stores receive donations and purchase items for resale. Sales are recognized at a point in time as they occur.

Sales of Completed Homes

Home sales represent the sale to qualified families of houses built by the Organization. Home sales are recognized at a point in time upon closing.

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be specifically identified to a functional area are allocated directly. Expenses that are common to more than one function are allocated by various statistical means and by the use of management's estimates. Personnel services and other expenses are allocated based on time and effort, full time equivalents, and square footage.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications have no effect on total net assets previously reported.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. Internal Revenue Code Section 513(a) defines an unrelated trade or business of a nonexempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. Currently, the Organization has no obligation for any unrelated business income tax. The Organization believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements; however, any penalties and interest incurred as a result of uncertain tax positions would be recorded in general administration.

Advertising

Advertising costs are expensed as incurred. Advertising costs for the years ended June 30, 2022 and 2021 amounted to \$4,045 and \$2,096, respectively.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing services. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

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

Adopted Accounting Pronouncement

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires presentation of contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. It also requires a disclosure of disaggregated contributions of nonfinancial assets by category that depicts the type of contributed nonfinancial assets. This distinction will increase transparency of contributions recognized. The Organization adopted this accounting standard update as of July 1, 2021.

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, Leases. ASU 2016-02 which is intended to improve financial reporting about leasing transactions. The ASU will require organizations that lease assets to recognize assets and liabilities on the statement of financial position for the rights and obligations created by those leases. ASU 2016-02 will be effective for fiscal years beginning after December 15, 2021. The Organization is currently in the process of evaluating the impact of adopting ASU 2016-02

NOTE 3 - AVAILABILITY AND LIQUIDITY

The following table reflects the Organization's financial assets as of June 30 (which exclude land held for investment, construction in progress, escrow advances and deposits, prepaid expense, and property and equipment) available for general use within one year of the statement of financial position date.

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 942,397	\$ 545,900
Restricted cash	70,707	14,778
Investments	292,450	-
Current portion of contributions and grants receivable	72,423	130,250
Current portion of mortgages receivable, net	130,136	135,514
Other receivables	<u>20,397</u>	<u>35,379</u>
Financial assets at year-end	1,528,510	861,821
Less those funds unavailable for general expenditure within one year due to donor-imposed restrictions	<u>(135,208)</u>	<u>(145,028)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,393,302</u>	<u>\$ 716,793</u>

As a part of the Organization's liquidity management plan, it structures its financial assets to be available as its obligations come due. The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures. Management is of the opinion that sufficient liquidity exists to meet its obligations.

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

NOTE 4 - INVESTMENTS

The Organization holds investments in marketable fixed income and equity exchange traded funds with readily determinable fair values. Unrealized gains and losses are included in net investment return in the accompanying statements of activities. The Organization had no investments as of June 30, 2021. Investments at June 30, 2022 consist of the following:

	2022		Cumulative Unrealized Losses
	Cost	Fair Value	
Marketable securities:			
Equities	\$ 207,846	\$ 180,617	\$ (27,229)
Fixed income	115,451	111,833	(3,618)
	<u>\$ 323,297</u>	<u>\$ 292,450</u>	<u>\$ (30,847)</u>

Net investment return for the year ended June 30, 2022 consists of the following:

	2022		Total
	Without Donor Restrictions	With Donor Restrictions	
Investment income	\$ 1,136	\$ -	\$ 1,136
Realized and unrealized losses, net of gains	(31,652)	-	(31,652)
Investment expenses	(460)	-	(460)
	<u>\$ (30,976)</u>	<u>\$ -</u>	<u>\$ (30,976)</u>

NOTE 5 - LAND, CONSTRUCTION IN PROGRESS AND REAL ESTATE

At June 30, 2022 and 2021, land, construction in progress, and real estate consists of the following:

	2022	2021
206 Maple Street, Suffolk, VA	\$ 215,491	\$ 46,942
217 Diamond Avenue, Chesapeake, VA	163,986	-
1445 Sangaree Circle, Virginia Beach, VA	-	157,848
2422 Randolph Street, Suffolk, VA	-	91,011
210 Cedar Street, Suffolk, VA	-	42,632
Total land, construction in progress and real estate	<u>\$ 379,477</u>	<u>\$ 338,433</u>

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

NOTE 6 - CONTRIBUTIONS AND GRANTS RECEIVABLE

At June 30, 2022 and 2021, contributions and grants receivable consist of the following:

	<u>2022</u>	<u>2021</u>
Contributions and grants receivable in less than of year	\$ 72,423	\$ 130,250
Contributions and grants receivable one to five years	-	25,000
Total contributions and grants receivable	<u>\$ 72,423</u>	<u>\$ 155,250</u>

Management does not deem a discount nor an allowance to be necessary as of June 30, 2022 or 2021.

NOTE 7 - MORTGAGES RECEIVABLE

Mortgages receivable from the sales of properties at June 30, 2022 and 2021, consists of the following:

	<u>2022</u>	<u>2021</u>
Noninterest bearing notes, receivable monthly, due at various times through 2049	\$ 5,382,978	\$ 5,742,973
Less unamortized discounts	<u>(3,207,558)</u>	<u>(3,463,151)</u>
	2,175,420	2,279,822
Less current portion	<u>(130,136)</u>	<u>(135,514)</u>
Total long-term mortgages receivable, net	<u>\$ 2,045,284</u>	<u>\$ 2,144,308</u>

The following table provides an aging analysis of past due mortgage notes receivable as of June 30:

	<u>2022</u>	<u>2021</u>
30 - 59 days past due	\$ 442,327	\$ 218,775
60 - 89 days past due	47,670	13,860
90 days and greater past due	<u>341,151</u>	<u>1,022,798</u>
Total past due	831,148	1,255,433
Current	4,551,830	4,487,540
Total	<u>\$ 5,382,978</u>	<u>\$ 5,742,973</u>

Future maturities of mortgages receivable are as follows:

Years Ending June 30:	Gross	Unamortized	Net
	Principal Payments		Discounts
2023	\$ 320,296	\$ (190,160)	\$ 130,136
2024	317,727	(188,306)	129,421
2025	311,264	(183,985)	127,279
2026	299,395	(177,950)	121,445
2027	294,686	(176,517)	118,169
Thereafter	<u>3,839,610</u>	<u>(2,290,640)</u>	<u>1,548,970</u>
Total	<u>\$ 5,382,978</u>	<u>\$ (3,207,558)</u>	<u>\$ 2,175,420</u>

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

NOTE 7 - MORTGAGES RECEIVABLE (continued)

During the years ended June 30, 2022 and 2021, the Organization sold certain real estate for promissory notes with face values totaling \$0 and \$157,603, respectively. Discounts totaling \$0 and \$92,913 related to these sales were recorded for the years ended June 30, 2022 and 2021, respectively.

NOTE 8 - LAND HELD AS INVESTMENT PROPERTY

At June 30, 2022 and 2021, land held as investment property consists of the following:

	<u>2022</u>	<u>2021</u>
1311 Bolton Street, Norfolk, VA	\$ 22,500	\$ 22,500
Undeveloped lots, Riverwood Estates, Franklin, VA	-	245,000
Total land held as investment property	<u>\$ 22,500</u>	<u>\$ 267,500</u>

NOTE 9 - ENDOWMENT

In accordance with FASB ASC 958-205, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") and Enhanced Disclosures for All Endowment Funds*, provides guidance on the net asset classification of donor restricted funds for a not-for-profit organization that is subject to an enacted version of UPMIFA and also required disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The Organization's endowment consists of donor-restricted funds reported in the statements of financial position as a beneficial interest in net assets of the Hampton Roads Community Foundation ("HRCF"), which represents net cumulative transfers by the Organization to the Hampton Roads Community Foundation, as well as earnings thereon, all of which was restricted by donors and is reported as net assets with donor restrictions at June 30, 2022 and 2021. HRCF holds and invests the funds on behalf of the Organization. HRCF has no variance power over the funds. Distributions from HRCF to the Organization are determined on the basis of the HRCF's spending policies and are intended to fund the housing program at the discretion of the Organization's board.

Interpretation of Relevant Law – The Board of Directors has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Organization classifies as net assets with donor restriction held in perpetuity (a) the original value of gifts required by the donor to be held in perpetuity, (b) the original value of subsequent gifts required by the donor to be held in perpetuity, and (c) accumulations required by the donor to be held in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

NOTE 9 - ENDOWMENT (Continued)

Fund with Deficiencies - From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the original value of the fund. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets, and the Organization cannot spend funds from underwater endowments until the deficiency has been recovered. As of June 30, 2022 and 2021, the Organization did not have any deficiencies.

Endowment net asset composition by type of fund as of June 30, 2022 is as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Donor restricted endowment	\$ -	\$ 70,049	\$ 70,049

Endowment net asset composition by type of fund as of June 30, 2021 is as follows:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Donor restricted endowment	\$ -	\$ 64,430	\$ 64,430

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ -	\$ 64,430	\$ 64,430
Net change in value of beneficial interest	-	5,619	5,619
Endowment net assets, end of year	\$ -	\$ 70,049	\$ 70,049

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ -	\$ 53,221	\$ 53,221
Net change in value of beneficial interest	-	11,209	11,209
Endowment net assets, end of year	\$ -	\$ 64,430	\$ 64,430

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

NOTE 10 - FAIR VALUE MEASUREMENTS

The Organization determines the fair market value of its financial statements based on the fair value hierarchy established in accounting standards which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Accounting standards define fair value as the exchange price that would be received for an asset or liability in the most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Accounting standards describe three levels of inputs that may be used to measure fair value:

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the report date;

Level 2 – Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date, and fair value can be determined through the use of models or other valuation methodologies; and

Level 3 – Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimate and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

Marketable Securities - The Organization considers the fair value measurement of its marketable securities as a Level 1 fair value measurement because the value is based on quoted market price for those securities.

Beneficial Interest - The Organization considers the fair value measurement of its interest in net assets of the Hampton Roads Community Foundation as a Level 3 fair value measurement because the value is based on the underlying value of the net assets of the Hampton Roads Community Foundation, which the Organization considers to be an unobservable input.

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 beneficial interest in assets held at HRCF has been valued, as a practical expedient, at the fair value of the Organization's share of HRCF's investment pool as of June 30, 2022 and 2021. HRCF values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of HRCF, which include private placements and other securities for which prices are not readily available are determined by the management of HRCF and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a readily market existed for these investments.

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 10 - FAIR VALUE MEASUREMENTS (Continued)

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2022 and 2021:

**Fair Value Measurements on a Recurring Basis
as of June 30, 2022**

	Level 1	Level 2	Level 3	Total
Investments - mutual funds:				
Equities	\$ 180,617	\$ -	\$ -	180,617
Fixed income	111,833	-	-	111,833
Total investments	292,450	-	-	292,450
Beneficial interest in assets held by the Hampton Roads Community Foundation	-	-	70,049	70,049
	<u>\$ 292,450</u>	<u>\$ -</u>	<u>\$ 70,049</u>	<u>\$ 362,499</u>

**Fair Value Measurements on a Recurring Basis
as of June 30, 2021**

	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by the Hampton Roads Community Foundation	-	-	64,430	64,430
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,430</u>	<u>\$ 64,430</u>

The table below presents a reconciliation of changes in the Organization's Level 3 fair value measurement for the years ended June 30, 2022 and 2021:

	2022	2021
Level 3 fair value at beginning of year	\$ 64,430	\$ 53,221
Market value adjustment	5,619	11,209
Level 3 fair value at end of year	<u>\$ 70,049</u>	<u>\$ 64,430</u>

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

NOTE 11 - NOTES PAYABLE

Demand - The Organization has a \$300,000 line of credit with TowneBank, The line of credit had no outstanding balance as of June 30, 2022 or 2021. Interest is payable monthly at the prime rate as defined by the agreement, plus 0.25% with a floor rate of 5.00%. For both years ended June 30, 2022 and 2021, the interest rate was 5.00%. The line is secured by a lien against the assets of the Organization.

Notes Payable - VHDA offers a line of credit to Habitat for Humanity of Virginia, Inc., who administers the processing of that fund as loans to affiliates. Those loans are secured by mortgages on the Organization's homes selected by the affiliate. The Organization has borrowed certain amounts from this line of credit which have been recorded as installment notes payable, according to the payment terms agreed to by VHDA, with outstanding balances as outlined below. Notes payable with external lenders and related party lenders at June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Note payable to VHDA through line of credit with Habitat for Humanity Virginia, Inc., monthly payments totaling \$3,719 including interest at 3.00%, maturing in March 2031, secured by certain real estate.	\$ 344,209	\$ 378,968
Note payable to VHDA through line of credit with Habitat for Humanity Virginia, Inc., monthly payments totaling \$3,789 including interest at 3.00%, maturing in December 2027, secured by certain real estate.	233,001	270,856
Note payable to VHDA through line of credit with Habitat for Humanity Virginia, Inc., monthly payments totaling \$2,745 including interest at 3.00%, maturing in April 2030, secured by certain real estate.	200,567	222,720
Note payable to VHDA through line of credit with Habitat for Humanity Virginia, Inc., monthly payments totaling \$4,630 including interest at 3.00%, maturing in October 2024, secured by certain real estate.	117,593	179,584
Note payable to VHDA through line of credit with Habitat for Humanity Virginia, Inc., monthly payments totaling \$2,411 including interest at 3.00%, maturing in November 2026, secured by certain real estate.	102,327	123,310
Note payable to VHDA through line of credit with Habitat for Humanity Virginia, Inc., monthly payments totaling \$1,520 including interest at 3.00%, maturing in June 2023, secured by certain real estate.	15,804	36,596
Note payable to VHDA through line of credit with Habitat for Humanity Virginia, Inc., monthly payments totaling \$1,175 including interest at 3.00%, maturing in September 2023, secured by certain real estate.	3,107	31,586

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

NOTE 11 - NOTES PAYABLE (Continued)

Mortgage note payable to TowneBank, monthly payments of \$8,841 including principal and interest at 4.3% and monthly payments to \$8,339. Paid in full in October 2021.

- 802,237

Note payable to VHDA through line of credit with Habitat for Humanity Virginia, Inc., monthly payments totaling \$1,925 including interest at 3.00%, matured in April 2022.

- 20,599

1,016,608 2,066,456

Less current portion

180,221 276,199

Long-term portion

836,387 1,790,257

Less unamortized loan costs

167 5,616

Total long-term notes payable, net

\$ 836,220 \$ 1,784,641

Future maturities of notes payable are as follows:

Year ended June 30:

2023 \$ 180,221

2024 165,551

2025 139,690

2026 116,319

2027 112,286

Thereafter 302,541

\$ 1,016,608

NOTE 12 - BOARD DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTIONS

Board designated net assets without donor restrictions amounted to \$145,897 and \$31,866 as of June 30, 2022 and 2021, respectively, and are to be used for future land purchases.

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available as of June 30 for the following purposes:

	<u>2022</u>	<u>2021</u>
Contributions and grants receivable restricted for construction	\$ 65,000	\$ 155,250
Cash contributions restricted for energy excellence	50,000	-
Cash contributions restricted for construction	20,208	14,778
Beneficial interest in assets of HRCF held in perpetuity	70,049	64,430
Total net assets with donor restrictions	<u>\$ 205,257</u>	<u>\$ 234,458</u>

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the donor-restricted purposes or by the occurrence of other events specified by donors as follows:

	<u>2022</u>	<u>2021</u>
Construction materials and related expenses	\$ 320	\$ 313,091
Expiration of time restrictions	125,000	30,490
Net assets released from donor restrictions	<u>\$ 125,320</u>	<u>\$ 343,581</u>

NOTE 14 - IN-KIND CONTRIBUTIONS

The Organization receives in-kind contributions of supplies, materials and tools for construction projects and administrative supplies and expenses. Valuation of these items are based upon cash receipts provided by the donor, quoted market prices, or based on values located on publicly available websites. Fundraising supplies and goods are valued based on actual cash receipts provided by the donor or based on values on publicly available websites. Building repair services were valued at quoted market prices of the repair services provided. All donated items and services were utilized by the Organization's programs and supporting services.

In-kind contributions consist of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Construction supplies, materials and tools	\$ 37,195	\$ -
Fundraising supplies and goods	21,550	-
Building repairs	2,158	-
Administrative supplies and expenses	108	-
Total land, construction in progress and real estate	<u>\$ 61,011</u>	<u>\$ -</u>

NOTE 15 - LEASE COMMITMENTS

The Organization leases various properties and equipment through noncancelable operating leases with terms ranging from 2020 to 2023. Rent expense attributed to these leases totaled \$112,950 and \$139,142 for the years ended June 30, 2022 and 2021, respectively. Rent expense for the property leases excludes common area maintenance and donated rent. Minimum future annual rent commitments under these agreements are as follows:

Year ended June 30:	
2023	\$ 91,406
2024	4,908
	<u>\$ 96,314</u>

HABITAT FOR HUMANITY OF SOUTH HAMPTON ROADS, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

NOTE 16 - EMPLOYEE BENEFIT PLAN

Habitat for Humanity of South Hampton Roads, Inc. offers a SIMPLE IRA retirement plan covering all employees who have been employed by the Organization for at least one year and earn a minimum of \$5,000 per year. The Organization matches employee contributions up to a maximum of 3% of the eligible employee's salary. Pension costs, inclusive of administrative costs of the plan totaled \$7,869 and \$6,056 for the years ended June 30, 2022 and 2021, respectively.

NOTE 17 - RELATED PARTY TRANSACTIONS

The Organization regularly receives donations from related parties. Included within contributions was \$1,126,246 and \$112,883 of contributions from related parties for the years ended June 30, 2022 and 2021, respectively.

NOTE 18 - CONCENTRATIONS

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash, temporary cash investments, and receivables. The Organization places its cash and temporary cash investments with high credit quality depositories, and its receivables are due from municipalities primarily located within the Organization's geographic area.

The Organization places its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation covers \$250,000 for substantially all depository accounts. From time to time, the Organization may have amounts on deposit in excess of the insured limits. As of June 30, 2022 and 2021, the Organization had amounts of \$634,641 and \$257,885, respectively, exceeding these insured amounts.

During the years ended June 30, 2022 and 2021, contributions from one related party individual represented 57% and 14% of total contributions, respectively.

Mortgages receivable arise from a concentration of homes built in Norfolk, Virginia Beach, Chesapeake, Portsmouth, and Suffolk, and the County of Isle of Wight, Virginia, the collection of which may be influenced by the general economic conditions of the area.

NOTE 19 - SUBSEQUENT EVENTS

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 9, 2022, the date that the financial statements were available to be issued.