



Financial Statements

June 30, 2013 and 2012

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC.

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REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors
Richmond Metropolitan Habitat for Humanity, Inc.
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying statement of financial position of Richmond Metropolitan Habitat for Humanity (the "Organization"), as of June 30, 2013, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Richmond Metropolitan Habitat for Humanity as of June 30, 2013 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.

Report on Summarized Comparative Information

We have previously audited Richmond Metropolitan Habitat for Humanity's 2012 financial statements, and in our report dated November 30, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, appearing to read "Keiter", with a stylized flourish at the end.

January 7, 2014
Glen Allen, Virginia

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC.

Statement of Financial Position
June 30, 2013 with 2012 Comparative Totals

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Totals</u> 2013	<u>2012</u>
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 424,627	\$ 39,343	\$ 463,970	\$ 546,713
Accounts receivable	78,325	-	78,325	39,493
Pledges and grants receivable	17,250	20,000	37,250	22,500
Inventory	1,816,239	1,590,563	3,406,802	3,177,960
Prepaid expenses	44,645	-	44,645	44,714
Mortgages receivable - current portion	731,344	-	731,344	725,966
Other current assets	<u>28,918</u>	<u>-</u>	<u>28,918</u>	<u>16,052</u>
Total current assets	<u>3,141,348</u>	<u>1,649,906</u>	<u>4,791,254</u>	<u>4,573,398</u>
Property and equipment, net	<u>461,131</u>	<u>-</u>	<u>461,131</u>	<u>481,598</u>
Other assets:				
Land for future development	-	-	-	128,000
Land not suitable for building	24,625	-	24,625	24,625
Escrow funds held by VHDA	69,281	-	69,281	71,004
Mortgages receivable - net of current portion and unamortized discount	<u>4,420,005</u>	<u>-</u>	<u>4,420,005</u>	<u>4,409,962</u>
Total other assets	<u>4,513,911</u>	<u>-</u>	<u>4,513,911</u>	<u>4,633,591</u>
	<u>\$ 8,116,390</u>	<u>\$ 1,649,906</u>	<u>\$ 9,766,296</u>	<u>\$ 9,688,587</u>

See accompanying notes to financial statements.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC.

Statement of Financial Position, Continued
June 30, 2013 with 2012 Comparative Totals

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Totals</u>	
			<u>2013</u>	<u>2012</u>
<u>Liabilities and Net Assets</u>				
Current liabilities:				
Line of credit	\$ 430,000	\$ -	\$ 430,000	\$ 630,000
Accounts payable	67,734	-	67,734	34,374
Notes payable - current portion	193,260	-	193,260	206,871
Accrued expenses	103,505	-	103,505	111,118
Escrow fund liability	<u>106,403</u>	<u>-</u>	<u>106,403</u>	<u>106,506</u>
Total current liabilities	900,902	-	900,902	1,088,869
Notes payable	<u>1,651,522</u>	<u>-</u>	<u>1,651,522</u>	<u>1,809,103</u>
Total liabilities	<u>2,552,424</u>	<u>-</u>	<u>2,552,424</u>	<u>2,897,972</u>
Net assets:				
Unrestricted	5,563,966	-	5,563,966	5,781,087
Temporarily restricted	<u>-</u>	<u>1,649,906</u>	<u>1,649,906</u>	<u>1,009,528</u>
Total net assets	<u>5,563,966</u>	<u>1,649,906</u>	<u>7,213,872</u>	<u>6,790,615</u>
	<u>\$ 8,116,390</u>	<u>\$ 1,649,906</u>	<u>\$ 9,766,296</u>	<u>\$ 9,688,587</u>

See accompanying notes to financial statements.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC.

Statement of Activities
Year Ended June 30, 2013 with 2012 Comparative Totals

	Unrestricted	Temporarily Restricted	Totals	
			2013	2012
Support and revenue				
Support:				
Contributions:				
Corporations	\$ 67,111	\$ 176,725	\$ 243,836	\$ 122,876
In-kind	139,330	1,006,956	1,146,286	548,374
Government grants	-	45,000	45,000	68,687
Civic groups	41,221	45,120	86,341	87,121
Congregations	12,449	47,050	59,499	13,168
Individuals	115,509	-	115,509	65,426
Other grants	12,150	32,550	44,700	65,000
Total support	387,770	1,353,401	1,741,171	970,652
Revenue:				
House revenue	1,326,717	-	1,326,717	1,130,107
Interest-mortgage loan discount amortization	509,765	-	509,765	463,934
ReStore income	690,119	-	690,119	587,925
Other income	182,922	-	182,922	137,280
Special events, net	2,473	-	2,473	13,897
Interest income	101	-	101	121
Total revenue	2,712,097	-	2,712,097	2,333,264
Total support and revenue	3,099,867	1,353,401	4,453,268	3,303,916
Net assets released from restrictions	691,690	(691,690)	-	-
Expenses:				
Program services	3,486,037	-	3,486,037	3,061,407
Supporting services:				
Managerial and general	393,392	-	393,392	473,535
Fundraising	129,249	-	129,249	85,045
Impairment loss	-	21,333	21,333	304,733
Total expenses	4,008,678	21,333	4,030,011	3,924,720
Change in net assets	(217,121)	640,378	423,257	(620,804)
Net assets at beginning of year	5,781,087	1,009,528	6,790,615	7,411,419
Net assets at end of year	\$ 5,563,966	\$ 1,649,906	\$ 7,213,872	\$ 6,790,615

See accompanying notes to financial statements.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC.

Statement of Functional Expenses
Year Ended June 30, 2013 with 2012 Comparative Totals

	Program	General and		Totals	
	Services	Administrative	Fundraising	2013	2012
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Salaries and benefits	\$ 716,668	\$ 274,891	\$ 93,470	\$ 1,085,029	\$ 1,061,936
Building materials, supplies, and land	1,902,475	-	-	1,902,475	1,441,331
Mortgage discounts	338,270	-	-	338,270	447,784
Other	145,246	41,232	9,534	196,012	181,896
Interest	98,126	-	-	98,126	107,697
Office supplies	12,639	2,815	1,029	16,483	12,481
Rent and occupancy	79,521	25,345	7,912	112,778	109,068
Insurance	29,534	26,107	278	55,919	54,971
Depreciation	51,676	31	-	51,707	53,692
Printing, postage and advertising	27,306	1,588	9,327	38,221	30,769
Repairs and maintenance	47,370	15,326	-	62,696	97,518
Travel and conferences	37,206	6,057	7,699	50,962	20,844
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 3,486,037</u>	<u>\$ 393,392</u>	<u>\$ 129,249</u>	<u>\$ 4,008,678</u>	<u>\$ 3,619,987</u>

See accompanying notes to financial statements.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC.

Statement of Cash Flows
Year Ended June 30, 2013 with Comparative Totals for 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 423,257	\$ (620,804)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	51,707	53,692
Donated inventory	(534,756)	(76,174)
Mortgage loan discount amortization	(509,765)	(463,934)
Net value of mortgages issued	(255,499)	(381,695)
Proceeds from mortgages	749,843	789,407
Changes in operating assets and liabilities:		
Accounts receivable	(38,832)	27,482
Pledges and grants receivable	(14,750)	37,500
Inventory	284,581	209,223
Prepaid expenses	69	19,125
Other current assets	(12,866)	(2,785)
Escrow funds held by VHDA	1,723	(6,139)
Land for future development	128,000	282,009
Completed houses available for sale - impairment loss	21,333	22,723
Land not suitable for building	-	(492)
Accounts payable	33,360	(33,616)
Accrued expenses	(7,613)	12,783
Escrow fund liability	<u>(103)</u>	<u>(4,037)</u>
Net cash provided by (used in) operating activities	<u>319,689</u>	<u>(135,732)</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(31,240)</u>	<u>(25,743)</u>
Net cash used in investing activities	<u>(31,240)</u>	<u>(25,743)</u>
Cash flows from financing activities:		
Proceeds from notes payable		1,062,000
Principal payments on capital lease	-	(5,667)
Principal payments on notes payable and line of credit	<u>(371,192)</u>	<u>(479,204)</u>
Net cash (used in) provided by financing activities	<u>(371,192)</u>	<u>577,129</u>

See accompanying notes to financial statements.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC.

Statement of Cash Flows, Continued
Year Ended June 30, 2013 with Comparative Totals for 2012

	<u>2013</u>	<u>2012</u>
Net change in cash and cash equivalents	\$ (82,743)	\$ 415,654
Cash and cash equivalents, beginning of year	<u>546,713</u>	<u>131,059</u>
Cash and cash equivalents, end of year	<u>\$ 463,970</u>	<u>\$ 546,713</u>
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	<u>\$ 98,126</u>	<u>\$ 100,188</u>
Noncash transactions:		
Refinance of note payable	<u>\$ 545,800</u>	<u>\$ -</u>

See accompanying notes to financial statements.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC.

Notes to Financial Statements

1. **Organization and Nature of Activities:**

Richmond Metropolitan Habitat for Humanity, Inc., (the "Organization") is a non-profit, non-stock, tax-exempt corporation dedicated to providing affordable home ownership opportunities to low-income families on a non-discriminatory basis. Incorporated in Virginia in 1986, the Organization is an affiliate of Habitat for Humanity International, Inc. ("HFHI"), a non-denominational Christian non-profit organization. Although Habitat International assists with information resources, training, publications, and in many other ways, the Organization is primarily and directly responsible for its own operations, which are conducted in the metropolitan area of Richmond, Virginia. During 2003, the Organization opened a ReStore operation. The ReStore operates like a thrift store, selling primarily donated goods which diverts usable goods out of the waste stream and raises funds to build additional Habitat homes.

2. **Summary of Significant Accounting Policies:**

Basis of Accounting: The financial statements of the Organization have been prepared using the accrual basis in accordance with accounting principles generally accepted in the United States.

Cash Equivalents: The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts, Pledges, and Grants Receivable: Contributions pledged and grants receivable are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Donor-restricted contributions and grants are reported as increases in temporarily or permanently restricted net assets based upon the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, contributions and grants that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the contribution is recognized.

The Organization uses the allowance method for estimates of uncollectible receivables. The allowance is based on historical collection rates and an analysis of individual receivables. Based on this analysis, there is no provision for uncollectible amounts for 2013 and 2012.

Grants receivable were \$20,000 as of June 30, 2013 and 2012. Pledges receivable were \$17,250 as of June 30, 2013 and \$2,500 as of June 30, 2012.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC.

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Mortgages Receivable: Mortgages receivable consist of non-interest bearing first mortgages which are collateralized by real estate and which have been discounted based upon prevailing market interest rates for low-income housing at the time of issuance. These discounts are amortized and recognized as interest income over the term of the mortgages. Payable in monthly installments, the mortgages have an original maturity of 20 or 30 years, and arose in connection with the Organization's projects in Richmond, Virginia and the surrounding counties.

If a mortgagor fails to pay, the Organization may foreclose on the property to prevent further losses. As the property will either be sold at auction on the open market, or revert back to the Organization, and mortgages are below market value at inception, there is no estimate for loan loss reserve given management's belief that the property will be higher in value than that of the default mortgage.

Inventory: Purchased inventory is carried at cost and is relieved on a specific identification basis. Donated inventory used in home construction is recorded at estimated fair value. For ReSale store operations, contributed inventory is not recorded until it is sold due to the uncertainty of its ultimate value.

Property and Equipment: Property and equipment are stated at cost, or as in the case of donations, at fair market value as of the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets ranging from 3 to 30 years. Expenditures for maintenance and repairs are expensed, while expenditures for major additions and betterments greater than \$1,000 are capitalized. Upon retirement or sale of an asset, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations.

Classes of Net Assets: The financial statements report amounts separately by class of net assets as follows:

Unrestricted amounts are those currently available at the discretion of the Board of Directors for use in the Organization's operations and those resources invested in property and equipment.

Temporarily restricted amounts are those which are stipulated by donors for specific operating purposes or for the acquisition of property or equipment. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At June 30, 2013 and 2012, all temporarily restricted net assets were restricted for the purpose of building and selling homes.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC.

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Classes of Net Assets, Continued:

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Organization to use all or part of the income earned on any related investments for general or specific purposes, in accordance with the conditions of each specific donation. The Organization had no permanently restricted net assets at June 30, 2013 and 2012.

Donated Land, Materials and Services: Donated land, materials and services are included in contributions at fair market value as of the date of donation. The Organization received donated land and houses of \$944,000 during 2013 and \$472,200 during 2012. The Organization received \$80,255 during 2013 and \$74,550 during 2012 of pro-bono legal and construction services. These services are recorded as contribution revenue and professional fee expense, cost of sales, or are included in another appropriate expense account. A substantial number of unpaid volunteers have made significant contributions of their time in the Organization's administrative and operating activities. The value of this contributed time is not reflected in these statements because the criteria for recognition under guidance provided by Financial Accounting Standards Board ("FASB") related to accounting for contributions received and contributions made, had not been satisfied.

Revenue and Cost Recognition: The Organization recognizes revenue from all homebuilding activities at the closing of the sale using the deposit method. During construction, all direct material and labor costs and those indirect costs related to acquisition and construction are capitalized as inventory, and all customer deposits are treated as liabilities. House sale prices to Habitat homeowners are derived based on 0.5% below appraisal value. The costs of the houses are reflected in program services expenses as "building materials, supplies, and land" in the year the mortgage is closed. The sales prices are concurrently reflected in the financial statements as "house revenue."

Income Taxes: The Organization is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

Management has evaluated the effect of guidance surrounding uncertain income tax positions and concluded that the Organization has no significant financial statement exposure to uncertain income tax positions at June 30, 2013 and 2012. The Organization's income tax returns for years since 2010 remain open for examination by tax authorities. The Organization is not currently under audit by any tax jurisdiction.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC.

Notes to Financial Statements, Continued

2. Summary of Significant Accounting Policies, Continued:

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk: Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, and mortgages receivable. At times, cash and cash equivalents balances are in excess of the FDIC insurance limit. Mortgages are collateralized by deeds of trust on the property and are not considered to be at risk.

Advertising: Advertising costs are charged to expense as incurred and were \$25,319 for 2013 and \$24,489 for 2012.

Subsequent Events: Management has evaluated subsequent events through January 7, 2014, the date the financial statements were available to be issued, and has determined there are no subsequent events to be reported in the accompanying financial statements.

3. Inventory:

Inventory consists of the following as of June 30:

	<u>2013</u>	<u>2012</u>
Materials	\$ 71,196	\$ 71,239
Vacant land costs	1,426,010	1,891,396
Construction in progress	660,719	575,722
Houses for rehabilitation	1,037,144	202,594
Completed houses available for sale	<u>211,733</u>	<u>437,009</u>
	<u>\$ 3,406,802</u>	<u>\$ 3,177,960</u>

Based on an analysis of cost and market value, the Organization recorded an impairment loss totaling \$21,333 during 2013 on seven properties and an impairment loss totaling \$304,733 during 2012 on three properties.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC.

Notes to Financial Statements, Continued

4. Property and Equipment:

Property and equipment consists of the following as of June 30:

	2013	2012
Land	\$ 101,000	\$ 101,000
Warehouse building	470,485	470,485
Warehouse improvements	51,733	48,982
Construction equipment	65,940	65,940
Transportation equipment	119,698	100,878
Office furniture and fixtures	44,661	55,961
Computer equipment and software	33,565	84,684
Capital lease equipment	-	23,533
	887,082	951,463
Less accumulated depreciation	425,951	446,332
Less accumulated depreciation capital lease equipment	-	23,533
	\$ 461,131	\$ 481,598

5. First Mortgage Discounts:

The Organization discounts its interest-free mortgages to present value at the date the mortgage is given. As monthly payments are received, this discount is amortized and recognized as interest income. The original discounted amounts are reflected in the financial statements as “mortgage discounts” expenses in the year the mortgage is closed. The monthly amortization of the discount is recorded as “interest-mortgage loan discount amortization” income. Unamortized discounts were \$4,015,655 at June 30, 2013 and \$4,187,150 at June 30, 2012.

6. Subordinate Mortgages:

When the Organization sells houses, at least one non-interest bearing mortgage is extended to the buyer. The first mortgage is given for either the full sales price of the home or an amount below the sales price based on either the 1) total development costs or 2) affordability of the homeowner as determined by RMHFH. A second mortgage, if necessary, is given for the difference between the first mortgage and the sales price. The sales price equals .5% below the completed appraised value. The first mortgage cannot exceed the total development costs; therefore, if the total development costs are below the sales price, the first mortgage would equal the total development costs. A second mortgage would be given for the difference between the first mortgage and the sales price.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC.

Notes to Financial Statements, Continued

6. Subordinate Mortgages, Continued:

Second mortgages are forgivable in annual amounts over $\frac{1}{2}$ the life of the mortgage provided that the homeowner made all payments in full and on time during the 12 months preceding the anniversary of the mortgage. In the event the buyer sells the home prior to the full forgiveness of the second mortgage, the Organization, whose policy is not to recognize the discounted present value of these mortgages at the time they are given, recognizes as current revenue the amount received (see Note 5). During 2010, the Special Warranty Deed was modified so that it now contains a shared appreciation provision whereby the Organization having sold the property at no profit and financed with a no interest loan, has the right to share 50/50 in any appreciation realized within the first five years of homeownership. In the event the buyer sells the home prior to the full forgiveness of the second mortgage or pays off a silent second mortgage, the Organization, whose policy is not to recognize the discounted present value of these mortgages at the time they are given, recognizes as current revenue the amount received.

Certain buyers signed a second mortgage to Department of Housing and Community Development (DHCD), which covered the amount of closing costs paid on the buyers' behalf. These mortgages are forgivable by DHCD over a five-year period. There were 3 mortgages to DHCD and 32 mortgages to other institutions as of June 30, 2013 and 10 mortgages to DHCD and 26 mortgages to other institutions as of June 30, 2012. For the aforementioned buyers, the above referenced second mortgages are held as third mortgages by the Organization.

The Organization holds 208-second and third mortgages with face values totaling \$4,523,048 for as of June 30, 2013 and 220-second and third mortgages with face values totaling \$4,808,564 for as of June 30, 2012.

7. Line of Credit:

The Organization entered into a loan and security agreement with Fulton Bank, N.A. related to a secured line of credit that may be borrowed, repaid and re-borrowed over the term of the line of credit in an amount not to exceed \$750,000. There was an outstanding balance of \$430,000 at June 30, 2013 and \$630,000 at June 30, 2012. The line of credit is collateralized by thirty-one mortgages held by the Organization, and accrues interest at a fluctuating rate as defined in the agreement based on the thirty-day London Interbank Offered Rate (LIBOR) plus 2.75%, but will never fall below 4% (4% at June 30, 2013 and 2012). Principal and all outstanding interest is payable on demand.

The line of credit renews annually unless terminated by either party. Under the provisions of the agreement, the Organization is subject to certain specified financial and operating covenants. The Organization was in compliance with all loan covenants as of June 30, 2013.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC.

Notes to Financial Statements, Continued

8. Notes Payable:

Notes payable consist of the following at June 30:

	2013	2012
Installment note payable to Virginia Housing Development Authority, collateralized by assigned first mortgages receivable, requiring monthly payments of \$2,264, including interest at 3%, maturing October 2017.	\$ 109,998	\$ 133,483
Installment note payable to Virginia Housing Development Authority, collateralized by assigned first mortgages receivable, requiring monthly payments of \$598, including interest at 3%, maturing January 2021.	48,517	53,827
Installment note payable to Virginia Housing Development Authority, collateralized by assigned first mortgages receivable, requiring monthly payments of \$1,027, including interest at 3%, maturing April 2021.	85,786	95,687
Five installment notes payable to Habitat for Humanity International, uncollateralized, requiring monthly payments of \$1,826, at no interest, maturing from July 2012 to July 2017.	53,922	65,370
Installment note payable to Habitat for Humanity International, collateralized by assigned first mortgages receivable, requiring quarterly payments of \$34,195, including interest at 6.5%, maturing December 2019.	-	598,650
Installment note payable to SunTrust Bank, collateralized by 2005 Mitsubishi FE84D, requiring monthly payments of \$364 including interest at 7.10% maturing December 2013.	2,188	6,199
Installment note payable to Ford Credit, collateralized by 2009 Ford F-150, requiring monthly payments of \$335 including interest at 6.99% maturing September 2014.	4,483	8,033

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC.

Notes to Financial Statements, Continued

8. Notes Payable, Continued:

	<u>2013</u>	<u>2012</u>
Installment note payable to Ally/GMAC, collateralized by 2009 GMC Sierra, requiring monthly payments of \$307 including interest at 7.84% maturing May 2015.	\$ 6,484	\$ 9,535
Installment notes payable to Virginia Housing Development Authority, collateralized by assigned first mortgages receivable, requiring monthly payments of \$7,338, including interest at 3%, maturing from December 2026 to June 2027.	987,604	1,045,190
Installment note payable to Habitat for Humanity International, collateralized by assigned first mortgages receivable, requiring quarterly payments of \$22,292, including interest at 3.8%, maturing June 2020.	<u>545,800</u>	<u>-</u>
	1,844,782	2,015,974
Less amounts due within one year	<u>193,260</u>	<u>206,871</u>
Long-term notes payable	<u>\$ 1,651,522</u>	<u>\$ 1,809,103</u>

At June 30, 2013, scheduled maturities on long-term debt for future years are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 193,260
2015	194,122
2016	193,157
2017	195,572
2018	140,876
thereafter	<u>927,795</u>
	<u>\$ 1,844,782</u>

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC.

Notes to Financial Statements, Continued

9. Operating Leases:

The Organization leases certain equipment and office space under various operating lease agreements. These lease terms expire over the next year, and certain leases contain renewal options. The Organization recognizes rent expense on a straight line basis over the life of the related lease. Rental expense was \$51,148 for 2013 and \$50,085 for 2012. The future minimum lease payments under the operating leases are \$58,645 for 2014 and 2015, \$56,471 for 2016, and \$45,786 for 2017.

10. Retirement Plan:

The Organization has an employee retirement plan under Section 403(b) of the Internal Revenue Code. The plan provides for salary reduction contributions by eligible participants, subject to certain limitations, and Organization matching contributions. The Organization made contributions to the plan of \$15,881 for 2013 and \$13,981 for 2012.

11. Land Sales:

The Organization previously acquired two tracts of land with the intention of developing the property. Due to rezoning difficulties encountered, the Organization determined that they would not be able to develop the land. Based on this conclusion, the Organization sought an independent developer to purchase and develop the property.

On October 25, 2004, the Organization entered into an agreement of purchase and sale, whereby the Organization agreed to sell and convey all rights and title to land comprising of 36 individual lots for the amount of \$36,000. Within this agreement is a pledge of cash donations on development. The buyer agreed to make a cash donation to the Organization equal to \$5,000 per lot that becomes "buildable" (meets applicable zoning requirements and is not located in wetlands or a HUD designated flood zone) and approved for use and development by the County of Henrico for single family use. In accordance with this agreement, under certain conditions, the Organization may not receive any donations from the developer.

Also on October 25, 2004, the Organization entered into a second agreement of purchase and sale, whereby the Organization agreed to sell and convey all rights and title to land in the amount of \$75,000. Within this agreement is a pledge of cash donations on development. The buyer agreed to make a cash donation to the Organization equal to \$2,500 per lot that becomes "buildable" (meets applicable zoning requirements and is not located in wetlands or a HUD designated flood zone) and approved for use and development by the County of Henrico for single family use. In accordance with this agreement, under certain conditions, the Organization may not receive any donations from the developer.

None of the land has become "buildable" as of June 30, 2013 and 2012.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC.

Notes to Financial Statements, Continued

12. Commitments:

During October 2009, the Organization entered a contract for infrastructure development for the Pillars at Oakmont project. The Organization paid \$62,635 during 2013 and \$0 during 2012 towards this contract. The project was completed in June 2013 and all commitments have been fulfilled.

**REPORT OF INDEPENDENT ACCOUNTANTS
ON SUPPLEMENTAL INFORMATION**

The Board of Directors
Richmond Metropolitan Habitat for Humanity, Inc.
Richmond, Virginia

We have audited the financial statements of Richmond Metropolitan Habitat for Humanity, Inc. as of June 30, 2013 and 2012 and for the years then ended and our report thereon dated January 7, 2014, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.



January 7, 2014
Glen Allen, Virginia

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC.

Statement of Assets, Liabilities, and Net Assets – Modified Cash Basis
June 30, 2013

<u>Assets</u>	<u>Accrual</u>	<u>Adjustments</u>	<u>Modified Cash</u>
Current assets:			
Cash and cash equivalents	\$ 463,970	\$ -	\$ 463,970
Accounts receivable	78,325	(78,325)	-
Pledges and grants receivable	37,250	(37,250)	-
Inventory	3,406,802	(922,666)	2,484,136
Prepaid expenses	44,645	(44,645)	-
Mortgages receivable - current portion	731,344	(731,344)	-
Other current assets	<u>28,918</u>	<u>-</u>	<u>28,918</u>
Total current assets	<u>4,791,254</u>	<u>(1,814,230)</u>	<u>2,977,024</u>
Property and equipment, net	<u>461,131</u>	<u>-</u>	<u>461,131</u>
Other assets:			
Land for future development	-		
Land not suitable for building	24,625	(24,625)	-
Escrow funds held by VHDA	69,281	-	69,281
Mortgages receivable - net of current portion and unamortized discount	<u>4,420,005</u>	<u>(4,420,005)</u>	<u>-</u>
Total other assets	<u>4,513,911</u>	<u>(4,444,630)</u>	<u>69,281</u>
	<u>\$ 9,766,296</u>	<u>\$ (6,258,860)</u>	<u>\$ 3,507,436</u>

See independent accountants' report on supplemental information.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC.

Statement of Assets, Liabilities, and Net Assets – Modified Cash Basis, Continued
June 30, 2013

	Accrual	Adjustments	Modified Cash
<u>Liabilities and Net Assets</u>			
Current liabilities:			
Line of credit	\$ 430,000	\$ -	\$ 430,000
Accounts payable	67,734	(67,734)	-
Notes payable - current portion	193,260	-	193,260
Accrued expenses	103,505	(103,505)	-
Escrow fund liability	106,403	-	106,403
Total current liabilities	900,902	(171,239)	729,663
Notes payable	1,651,522	-	1,651,522
Total liabilities	2,552,424	(171,239)	2,381,185
Net assets:			
Unrestricted	5,563,966	(5,851,368)	(287,402)
Temporarily restricted	1,649,906	(236,253)	1,413,653
Total net assets	7,213,872	(6,087,621)	1,126,251
	\$ 9,766,296	\$ (6,258,860)	\$ 3,507,436

See independent accountants' report on supplemental information.

RICHMOND METROPOLITAN HABITAT FOR HUMANITY, INC.

Statement of Revenues, Disbursements, and Changes in Net Assets – Modified Cash Basis
Year Ended June 30, 2013

	<u>Accrual</u>	<u>Adjustments</u>	<u>Modified Cash</u>
Support and revenue			
Support:	\$ 1,741,171	\$ (376,050)	\$ 1,365,121
Revenue:			
House revenue	1,326,717	(15,421)	1,311,296
Interest-mortgage loan discount amortization	509,765	-	509,765
ReStore income	690,119	-	690,119
Other income	182,922	-	182,922
Special events, net	2,473	-	2,473
Interest income	101	-	101
Total revenue	<u>2,712,097</u>	<u>(15,421)</u>	<u>2,696,676</u>
Total support and revenue	<u>4,453,268</u>	<u>(391,471)</u>	<u>4,061,797</u>
Expenses:			-
Program services	3,486,037	(42,568)	3,443,469
Supporting services:			
Managerial and general	393,392	11,115	404,507
Fundraising	129,249	5,635	134,884
Impairment loss	21,333	-	21,333
Total expenses	<u>4,030,011</u>	<u>(25,818)</u>	<u>4,004,193</u>
Change in net assets	423,257	(365,653)	57,604
Net assets at beginning of year	<u>6,790,615</u>	<u>(5,721,968)</u>	<u>1,068,647</u>
Net assets at end of year	<u>\$ 7,213,872</u>	<u>\$ (6,087,621)</u>	<u>\$ 1,126,251</u>

See independent accountants' report on supplemental information.