Financial Statements
Year Ended
June 30, 2011

Robert Pierre Johnson Housing Development Corporation of the National Capital Area

DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

Robert Pierre Johnson Housing Development Corporation of the National Capital Area

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Board of Directors
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We have audited the accompanying statement of financial position of ***Robert Pierre Johnson Housing Development Corporation of the National Capital Area*** as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of ***Robert Pierre Johnson Housing Development Corporation of the National Capital Area's*** management. 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ***Robert Pierre Johnson Housing Development Corporation of the National Capital Area's*** internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ***Robert Pierre Johnson Housing Development Corporation of the National Capital Area*** as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Dixon Hughes Goodman LLP

Richmond, Virginia
April 4, 2012

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Robert Pierre Johnson Housing Development
Corporation of the National Capital Area

Statement of Financial Position

June 30, 2011

Assets	
Current assets	
Cash - unrestricted	$ 133,472
Cash - restricted	203,347
Accounts and grants receivable	83,287
Prepaid expenses	29,287
Total current assets	449,393
Property and equipment - net	13,927,570
Other assets	
Restricted deposits and funded reserves	178,256
Due from Fairfield Lynn Limited Partnership	842,772
Loan costs - net	175,689
	$ 15,573,680
Liabilities and Net Assets	
Current liabilities	
Line of credit	$ 477,043
Accounts payable and accrued expenses	247,553
Accrued interest	29,293
Security deposits	122,663
Deferred revenue	94,625
Current portion of long-term debt	167,245
Total current liabilities	1,138,422
Long-term liabilities	
Deferred gain - Fairfield Lynn Limited Partnership	545,187
Long-term debt - less current portion	12,606,187
Total liabilities	14,289,796
Net assets	
Unrestricted	1,242,933
Permanently restricted	40,951
Total net assets	1,283,884
	$ 15,573,680

The accompanying notes are an integral part of these financial statements.

Robert Pierre Johnson Housing Development
Corporation of the National Capital Area

Statement of Activities

Year Ended June 30, 2011

Unrestricted revenue, support and other changes	
Contributions	$ 46,153
Grants	164,245
Rental income	3,046,266
Investment income	843
Realized gain on derivative financial instruments	380,002
Gain on sale of property and equipment	808,090
Total unrestricted revenue, support and other changes	4,445,599
Expenses	
Program services:	
Volunteer home repairs	106,034
Transitional housing	15,033
Rental properties	1,835,332
Development	1,606,588
	3,562,987
Supporting services:	
Management and general	138,089
Fundraising	12,745
Total expenses	3,713,821
Change in unrestricted net assets	731,778
Net assets - beginning of year	552,106
Net assets - end of year	$ 1,283,884

The accompanying notes are an integral part of these financial statements.

Robert Pierre Johnson Housing Development
Corporation of the National Capital Area

Schedule of Functional Expenses

Year Ended June 30, 2011

	Volunteer Home Repairs	Transitional Housing	Rental Properties	Development	Total Program Services	Management and General	Fundraising	Total
Expenses								
Salaries - officers and directors	$ 17,625	$ 18	$ 67,960	$ 24,073	$ 109,676	$ 11,295	$ 74	$ 121,045
Other salaries	43,747	45	168,689	59,755	272,236	28,036	184	300,456
Payroll taxes	4,865	6	21,021	7,236	33,128	763	-	33,891
403(b) contributions	48	-	206	71	325	8	-	333
Other fringe benefits	8,223	10	35,387	12,193	55,813	1,239	52	57,104
Rent	3,300	1	35,031	1,415	39,747	6,794	4	46,545
Communications	1,911	2	11,030	4,646	17,589	12,608	8	30,205
Supplies	639	1	5,657	905	7,202	4,193	55	11,450
Postage and delivery	147	-	674	222	1,043	967	6	2,016
Printing and copying	154	-	707	203	1,064	976	263	2,303
Meetings, events and training	1,916	-	4,480	424	6,820	2,038	11,708	20,566
Travel	1,760	8	14,400	5,973	22,141	1,027	36	23,204
Insurance	1,086	637	-	17,982	19,705	8,240	304	28,249
Dues and subscriptions	2,024	-	91	32	2,147	155	-	2,302
Utilities	-	1,178	193,728	220,485	415,391	-	-	415,391
Equipment lease	935	1	4,084	1,278	6,298	6,135	4	12,437
Depreciation and amortization	410	-	416,163	474,008	890,581	2,690	2	893,273
Interest	-	1,043	394,549	489,427	885,019	-	-	885,019
Taxes and licenses	255	-	32,374	51,444	84,073	1,671	1	85,745
Repairs and maintenance	282	3,661	292,435	194,063	490,441	865	1	491,307
Condominium fees	-	5,378	6,549	-	11,927	-	-	11,927
Advertising	77	-	298	106	481	507	-	988
Legal and professional fees	9,775	3,044	129,756	37,416	179,991	47,873	43	227,907
Materials	6,854	-	-	-	6,854	-	-	6,854
Miscellaneous	1	-	63	3,231	3,295	9	-	3,304
Total expenses	$ 106,034	$ 15,033	$ 1,835,332	$ 1,606,588	$ 3,562,987	$ 138,089	$ 12,745	$ 3,713,821

Robert Pierre Johnson Housing Development Corporation of the National Capital Area

Statement of Cash Flows

Year Ended June 30, 2011

Cash flows from operating activities	
Change in net assets	$ 731,778
Adjustments to reconcile to net cash from operating activities:	
Depreciation and amortization	893,273
Realized gain on derivative financial instruments	(380,002)
Gain on sale of property and equipment	(808,090)
Change in:	
Accounts and grants receivable	71,058
Prepaid expenses	(22,846)
Restricted deposits and funded reserves	80,861
Due from Fairfield Lynn Limited Partnership	(22,288)
Accounts payable and accrued expenses	(56,125)
Accrued interest	(60,528)
Security deposits	(45,178)
Deferred revenue	(106,397)
Net cash from operating activities	275,516
Cash flows from investing activities	
Purchase of property and equipment	(395,013)
Cash flows from financing activities	
Principal payments on notes payable	(259,885)
Net change in cash	(379,382)
Cash - beginning of year	716,201
Cash - end of year	$ 336,819
Schedule of cash	
Cash - unrestricted	$ 133,472
Cash - restricted	203,347
Cash - end of year	$ 336,819
Supplemental disclosure of cash flow information	
Cash paid for interest	$ 945,547
Disposal of property and equipment in sale	$ 23,983,995
Assumption of notes payable in sale	$ 24,745,660

The accompanying notes are an integral part of these financial statements

1. Organization and Nature of Activities

Robert Pierre Johnson Housing Development Corporation of the National Capital Area (Organization) is a not-for-profit organization which was incorporated under the laws of the Commonwealth of Virginia on January 26, 1978. The Organization's Section 501(c)(3) status was approved by the Internal Revenue Service on April 15, 1980 The Organization was formed for the purpose of furthering charitable and educational activities within the meaning of Section 501(c)(3) of the Internal Revenue Service Code.

The Organization provides housing for low-income individuals and families, pursuant to applicable sections of the National Housing Act, as amended, the housing acts of Virginia, the District of Columbia, or Maryland, or such other financing programs which may, from time to time, be enacted, or in such other manner that the Board may direct. The low-income housing will be housing for the poor, the elderly, or the handicapped, and helps to minimize community deterioration and neighborhood tensions by attempting to eliminate prejudice and discrimination.

2. Summary of Significant Accounting Policies

Accounting Method

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America; revenue and gains are recognized when earned, and expenses and losses are recognized when incurred. The significant account policies are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

The financial statements report amounts separately by classes of net assets.

Unrestricted amounts are those currently available at the discretion of the Organization's Board of Directors for use in 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 and 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. The Organization had no temporarily restricted net assets at June 30, 2011.

Permanently restricted amounts are those restricted to investments in perpetuity, the income from which is expendable in accordance with the conditions of each specific donation.

All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to other legal restrictions.

Cash Equivalents

The Organization considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of investments and cash and cash equivalents. The Organization places its investments and its cash and cash equivalents balances in quality financial institutions and diversified its portfolio among entities, thereby limiting the amount of credit exposure to any one entity. At June 30, 2011, there were no deposits in excess of the federally insured limit.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services.

Public Support and Revenue

Contributions are generally available for unrestricted use unless specifically restricted by the donor. Restricted contributions whose restrictions are met in the same year are recorded as unrestricted revenue. Support received under grants from various sources is recorded as support when the related direct costs are incurred. Grants receivable represent amounts due for expenditures incurred prior to year-end.

Rental income is recognized for apartment rentals as they accrue. Lease terms are generally one year or less. Advance receipts of rental income are deferred and classified as liabilities until earned.

Revenue from a property sale is recognized when the property is sold.

Impairment of Long-Lived Assets

Long-lived assets and certain intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Organization reviews applicable intangible assets and long-lived assets on a periodic basis. When events or changes in circumstances indicate an asset may not be recoverable, the Organization estimates the future cash flows expected to result from the use of the asset. If the sum of the expected undiscounted cash flows is less than the carrying value of the asset, an impairment loss is recognized. The impairment loss is recognized by measuring the difference between the carrying value of the asset group and the fair value of the asset group. The Organization’s estimates of fair values are based on the best information available and require the use of estimates, judgments and projections as considered necessary. The actual results may vary significantly. There were no impairment losses during the year ended June 30, 2011.

Property and Equipment

Property and equipment are stated at cost and depreciated by straight line and accelerated methods over estimated useful lives which range as follows:

Buildings and improvements	5 - 40 years
Furniture and equipment	3 - 5 years

Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property and equipment are sold or otherwise disposed, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in current year's operations.

Loan Costs

Loan costs totaling $259,872, representing the cost of acquiring financing for property purchases, are capitalized and amortized over the lives of the respective loans using the straight-line method, which approximates the effective interest method. Accumulated amortization was $84,183 as of June 30, 2011.

Derivative Financial Instruments

The Organization makes limited use of derivative instruments for the purpose of managing interest rate risks. Interest rate swap agreements are used to convert the Organization's variable rate long-term debt to a fixed rate. The differentials paid or received on these agreements are accrued and recognized as adjustments to interest expense; gains and losses are reflected separately in the statement of activities.

Estimates

The preparation of financial statements in accordance 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, liabilities, revenues, and expenses and disclosure of contingent assets and liabilities for the reported periods. Actual results could differ from those estimates and assumptions.

Advertising Costs

The Organization expenses advertising costs as they are incurred. Advertising expense was $988 for 2011.

Income Taxes

The Organization is a nonprofit charitable organization as defined by Internal Revenue Code Section 501(c)(3) and is not subject to federal or state income taxes on its charitable activities. The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2011. Fiscal years ending on or after June 30, 2008 remain subject to examination by federal and state tax authorities.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 4, 2012, the date the financial statements were available to be issued.

3. Restricted Cash, Deposits and Funded Reserves

The Organization received a restricted advance from the Northern Virginia Regional Commission in the 2009 fiscal year to subsidize the rents of eight families with persons with AIDS under the Housing Opportunities for Persons with AIDS (HOPWA) program. Those funds are earned monthly as the subsidy necessary is applied to make up the difference between what a tenant can afford at 30% of income and the amount of the rent. The unused portion of the funds is included in restricted cash and deferred revenue on the statement of financial position. The unused portion at June 30, 2011 was $80,684.

Also included in restricted cash are security deposits of $122,663.

As part of the lending agreements with Virginia Housing Development Authority (VHDA) and a bank, the Organization is required to make monthly escrow deposits for replacement of project assets and payment of property taxes and insurance, and is restricted as to the use of the funds. At June 30, 2011, the escrow balance was $178,256.

4. Property and Equipment

Major classes of property and equipment consisted of the following at December 31 2011:

Land	$ 4,454,285
Buildings and improvements	11,877,514
Furniture and equipment	195,957
	16,527,756
Less – accumulated depreciation	(2,600,186)
	$ 13,927,570

5. Notes Payable

Notes payable as of June 30, 2011 are summarized as follows and collateralized by the listed property:

Arbelo

The Organization was obligated to a bank under a deed of trust for the amount of $2,500,000. The mortgage required monthly payments of interest only and bore interest at a variable rate of 2.5% above the three-year Treasury security rate thereafter. The loan originated in June 2008 in the amount of $2,500,000, and the mortgage was to mature in 2011. Upon origination, the Organization and the bank executed an interest rate swap contract, converting the variable rate to a fixed rate of 6.63% for the three-year loan term. During 2011, a realized gain of $99,633 was recognized on the termination of the swap contract as a result of the assumption of the loan per details below.

The Organization was also obligated to the City of Alexandria under a deed of trust for the amount of $3,533,438. The mortgage originated in November 2009, and was a residual receipts loan carrying a 2% interest rate. Payments to include principal and interest were due only when residual rental receipts existed after paying all property-related expenses, but beginning no later than October 1, 2022.

On June 27, 2011, the property was purchased back by the Alexandria Housing Development Corporation, a nonprofit controlled by the City of Alexandria, by an assumption of the loans above. See Note 11 for more details.

Bath Street

The Organization has an obligation to Fairfax County under the Community Development Block Grant (CDBG) program in the amount of $447,134. No payments are required and no interest will accrue. The obligation originated in October 2007, and becomes due only upon sale of the property or upon the use of the property for a purpose other than for affordable rental.

The Organization has an additional obligation to Fairfax County under the HOME loan program in the amount of $224,250. The obligation originated in January 2008, and requires no payments and no interest will accrue. The obligation becomes due only upon sale of the property or upon the use of the property for a purpose other than for affordable rental.

Belvoir Plaza

The Organization was obligated to a bank for the amount of $738,655. The mortgage required monthly payments of $7,221 and bore interest at 8.375%. The loan originated on March 27, 1996 in the amount of $950,000. The mortgage matured in 2011.

The Organization was also obligated to VHDA under an additional mortgage on the property for the amount of $638,567. The mortgage bore interest at 3.5% and required monthly payments of $5,147. The original amount of the loan was $984,054 and the loan was to mature in August 2011.

On April 30, 2011, the property was assumed by the partnership that held a repurchase option and all underlying debt was assumed. The property was then leased back to the Organization, which continues to operate the property as affordable housing. See Notes 8 and 11 for more details.

Courthouse

The Organization is obligated to VHDA for the amount of $522,697. This mortgage bears interest at a rate of 7.81% and requires monthly payments of $4,692. The original amount of the loan was $618,000. The loan originated in August 2005, and the loan matures in 2027.

The Organization is also obligated to the Virginia Department of Housing and Community Development under a deed of trust for the amount of $546,423. The mortgage bears interest at a rate of 0.35948% and requires the payment of interest only that began in September 2009. The loan originated in September 2007 for the amount of $695,448, and the mortgage is forgiven at the rate of 1/14 each year for 14 years.

The Organization is obligated to Arlington County under a deed of trust for the amount of $792,100. The mortgage bears interest at the rate of 2% per year and is payable from residual receipts. Payments to include principal and interest are due only when residual rental receipts exist after paying all property-related expenses, but shall begin no later than September 30, 2038. Management has determined that the likelihood of meeting these conditions is remote, consequently, interest expense of $16,774 for 2011 and accrued interest of $63,380 as of June 30, 2011 is not accrued in the accompanying financial statements.

DeQuincey Drive

The Organization is obligated to VHDA for the amount of $387,819. The mortgage requires monthly payments of $2,331 including interest at a rate of 3.5%. The loan originated in April 2007, in the amount of $435,700. The mortgage matures in 2032.

The Organization has an obligation to Fairfax County in the amount of $200,000. The obligation originated in April 2006, and no payments are required and no interest will accrue. The obligation becomes due only upon sale of the property or upon the use of the property for a purpose other than for affordable rental.

Fourth Street

The Organization is obligated to VHDA for the amount of $588,087. This mortgage bears interest at a rate of 4.5% and requires monthly payments of $4,023. The original amount of the loan was $615,500. The loan originated in August 2006, and the loan matures in 2046.

The Organization is also obligated to VHDA for the amount of $464,490. This mortgage bears interest at a rate of 3.5% and requires monthly payments of $2,066. The original amount of the loan was $500,000. The loan originated in August 2006, and the loan matures in 2041.

The Organization is obligated to Arlington County under a deed of trust for the amount of $890,000. The mortgage originated in August 2006, and bears interest at the rate of 2% per year and is payable from residual receipts. Payments to include principal and interest are due only when residual rental receipts exist after paying all property-related expenses, but shall begin no later than September 30, 2036. Management has determined that the likelihood of meeting these conditions is remote, consequently, interest expense of $19,209 for 2011 and accrued interest of $89,635 as of June 30, 2011 is not accrued in the accompanying financial statements.

Garfield Gardens

The Organization has two obligations to Arlington County in the amounts of $928,323 and $401,861. The obligations bear no interest and require payments from residual receipts only. The obligations originated in December 2007 and mature in 2038.

The Organization is obligated to a bank under a deed of trust for the amount of $821,218. The mortgage requires monthly interest only payments and bears interest at a rate of 3.5%. The loan originated in September 2009 and matures in July of 2012. VHDA has extended a written financing commitment to provide funding upon maturity.

Georgian Way

The Organization is obligated to VHDA in the amount of $438,293. The mortgage requires monthly payments of $2,895 including principal and interest, at a rate of 5.6%. The loan originated in June 2009 and matures in 2039.

Glendale Terrace & Biscayne

The Organization is obligated to VHDA for the amount of $648,651. This mortgage bears interest at a rate of 4.5% and requires monthly payments of $4,189. The original amount of the loan was $750,000. The loan originated in November 2005, and the loan matures in 2030.

The Organization also has an obligation to Fairfax County in the amount of $40,000. The obligation originated in March 2004, and no payments are required, and no interest will accrue. The obligation becomes due only upon sale of the property or upon the use of the property for a purpose other than for affordable rental.

The Organization has an additional obligation to Fairfax County in the amount of $189,095. The obligation originated in October 2004, and no payments are required, and no interest will accrue. The obligation becomes due only upon sale of the property or upon the use of the property for a purpose other than for affordable rental.

Hagel Circle

The Organization is obligated to VHDA for the amount of $143,508. This mortgage bears interest at a rate of 4.5% and requires monthly payments of $840. The original amount of the loan was $158,000. The loan originated in March 2006, and the loan matures in 2036.

The Organization has an additional obligation to Fairfax County in the amount of $40,000. The obligation originated in April 2004, and no payments are required and no interest will accrue. The obligation becomes due only upon sale of the property or upon the use of the property for a purpose other than for affordable rental.

Lacy Court

The Organization was obligated to a bank under a deed of trust for the amount of $3,500,000. The mortgage required monthly payments of interest only and bore interest at a variable rate of 2.35% above the London Interbank Offered Rate (LIBOR) rate. The loan originated in July 2008 and was to mature in 2011. Upon origination, the Organization and the bank executed an interest rate swap contract, converting the variable rate to a fixed rate of 6.63% for the three-year loan term. During 2011, a realized gain of $139,487 was recognized on the termination of the swap contract as a result of the assumption of the loan per details below.

The Organization was also obligated to the City of Alexandria in the amount of $7,100,000. The mortgage originated in August 2006 and bore interest at the rate of 2% per year and was payable from residual receipts. Payments to include principal and interest were due only when residual rental receipts existed after paying all property-related expenses, but beginning no later than 2022.

On June 27, 2011, the property was purchased back by the Alexandria Housing Development Corporation, a nonprofit controlled by the City of Alexandria, by an assumption of the loans above. See Note 11 for more details.

Longview Terrace

The Organization was obligated to a bank under a deed of trust for the amount of $3,535,000. The mortgage required monthly payments of interest only at a variable rate of 2.35% above LIBOR. The loan originated in July 2008 and was to mature in 2011. Upon origination, the Organization and the bank executed an interest rate swap contract, converting the variable rate to a fixed rate of 6.63% for the three-year loan term. During 2011, a realized gain of $140,882 was recognized on the termination of the swap contract as a result of the assumption of the loan per details below.

The Organization was also obligated to the City of Alexandria in the amount of $3,200,000. The mortgage originated in July 2007, and bore interest at the rate of 2% per year and was payable from residual receipts. Payments to include principal and interest were due only when residual rental receipts existed after paying all property-related expenses, but beginning no later than September 30, 2038.

On June 27, 2011, the property was purchased back by the Alexandria Housing Development Corporation, a nonprofit controlled by the City of Alexandria, by an assumption of the loans above. See Note 11 for more details.

Manzanita Place

The Organization was obligated to Fairfax County in the amount of $49,917. This obligation originated in September 1999 as other housing funds and was recorded as income, and therefore not reflected as debt in the financial statements, and requires no payments, and bears no interest. The obligation became due upon the sale of the property which occurred on December 21, 2010.

Martha Street

The Organization is obligated to a bank for the amount of $98,630. The mortgage requires monthly principal and interest payments of $1,352 and bears interest at 5.88%. The loan originated in the amount of $112,564 and matures in 2018.

The Organization has an additional obligation to Fairfax County in the amount of $224,250. The obligation originated in April 2008, and no payments are required and no interest will accrue. The obligation becomes due only upon sale of the property or upon the use of the property for a purpose other than for affordable rental.

Montgomery Street

The Organization is obligated to VHDA under a deed of trust for the amount of $210,782. The mortgage requires monthly principal and interest payments of $1,088 and bears interest at 3.25%. The original loan originated in April 2004 in the amount was $250,000, and matures in May 2034.

The Organization is obligated to the Virginia Department of Housing and Community Development under a deed of trust for the amount of $290,000. No interest or principal payments are due on the mortgage which originated in April 2004, and will be forgiven in 2019.

Mount Vernon Gardens

The Organization is obligated to VHDA for the amount of $1,126,086. This mortgage bears interest at 6.2%. Monthly payments of $8,289 are required and the mortgage matures in 2031. The original amount of the loan was $1,262,000.

An obligation exists to Fairfax County in the amount of $222,315. This obligation originated in March 1993 as CDBG and other housing funds and was recorded as income, and therefore not reflected as debt in the financial statements, and requires no payments and bears no interest. The obligation becomes due only upon sale of the property or upon the use of the property for a purpose other than for affordable rental.

The Organization has an additional obligation to the Department of Housing and Community Development (DHCD) for $650,000. The obligation originated in March 1993 as HOME funds and was recorded as income, and therefore not reflected as debt in the financial statements. Beginning in 2009, 1/5 of the obligation is forgiven each year through 2014. No payments are due and no interest will accrue.

Orrington Court

The Organization is obligated to VHDA for the amount of $496,972. This mortgage bears interest at a rate of 6.18% and requires monthly payments of $3,606. The original amount of the loan was $550,000. The loan originated in March 2006 and the loan matures in 2031.

The Organization is also obligated to VHDA under an additional mortgage on the property in the amount of $382,086. The mortgage bears interest at 3% and requires monthly payments of $2,458 until August 2012. Beginning August 2012, no payments are required and 1/15 of the loan balance will be forgiven each year as long as the property is used in accordance with the deed of trust. The original amount of the loan was $429,618.

An obligation also exists to Fairfax County in the amount of $501,460. This obligation originated in January 1997 as CDBG and HOME funds and was recorded as income, and therefore not reflected as debt in the financial statements, and requires no payments and bears no interest. The obligation becomes due only upon sale of the property or upon the use of the property for a purpose other than for affordable rental.

Rocky Forge Court

The Organization is obligated to VHDA for the amount of $178,930. This mortgage bears interest at a rate of 4.5% and requires monthly payments of $998. The original amount of the loan was $197,000. The loan originated in March 2006 and the loan matures in 2036.

The Organization has an additional obligation to Fairfax County in the amount of $40,000. The obligation originated in April 2004, and no payments are required, and no interest will accrue. The obligation becomes due only upon sale of the property or upon the use of the property for a purpose other than for affordable rental.

Sonora Place

An obligation exists to Fairfax County in the amount of $47,307. This obligation originated in September 1999 as CDBG funds and was recorded as income, and therefore not reflected as debt in the financial statements, and requires no payments and bears no interest. The obligation becomes due only upon sale of the property or upon the use of the property for a purpose other than for affordable rental.

The Organization has an additional obligation to the Fairfax County in the amount of $25,000. The obligation originated in June 2005, and requires no payments and bears no interest. The obligation and an additional equity share in the property, as defined by the deed of trust and promissory note, become due only upon sale of the property or upon the use of the property for a purpose other than for affordable rental.

Third Street

The Organization is obligated to VHDA for the amount of $333,079. This mortgage bears interest at a rate of 3.5% and requires monthly payments of $1,852. The original amount of the loan was $343,000. The loan originated in December 2008, and the loan matures in 2049.

The Organization has an obligation to Arlington County in the amount of $536,000. The obligation originated in December 2006, and no payments are required, and no interest will accrue. The obligation becomes due only upon sale of the property or upon the use of the property for a purpose other than for affordable rental.

Village Way

The Organization is obligated to VHDA for the amount of $105,068. This mortgage bears interest at a rate of 3.5% and requires monthly payments of $626. The original amount of the loan was $125,000. The loan originated in September 2005, and the loan matures in 2030.

Westhampton Drive

An obligation exists to a local government agency in the amount of $62,650. This obligation originated in January 1991 as other housing funds and was recorded as income, and therefore not reflected as debt in the financial statements, and requires no payments and bears no interest. The obligation becomes due only upon sale of the property or upon the use of the property for a purpose other than for affordable rental.

Unsecured Debt

The Organization is obligated to various churches in the amount of $12,600. The loans are due on demand, bear no interest and require no payments until due.

Principal Maturities

Estimated principal payments of notes payable for future years ending June 30 are as follows:

2012	$ 167,245
2013	1,341,097
2014	164,015
2015	172,274
2016	181,012
Thereafter	10,747,789
	$ 12,773,432

Total interest expense incurred on all loans during 2011 was $885,019.

6. Line of Credit

The Organization maintains a line of credit with a bank in the amount of $1,000,000 which is collateralized by the Westhampton Drive property. The line of credit charges interest at LIBOR plus 2.5% (3.75% at June 30, 2011) on the outstanding principal balance and quarterly payments of interest are required. The outstanding balance on the line of credit was $477,043, at June 30, 2011, and was set to expire September 2011 but has been extended through July 2012.

7. Permanently Restricted Net Assets

Contributions to the Revolving Housing Loan Fund are restricted by the donors to provide a funding source for temporary, short-term financing for affordable housing projects. Upon repayment of the outstanding loans, the funds continue to be used to make additional loans. Accordingly, this fund is classified as permanently restricted.

8. Leases

The Organization leases office space under a three year lease agreement through June 2012. The monthly lease payment is $1,100 and is included in rent expense in the statement of functional expenses. As discussed in Note 5, upon the sale of the Belvoir Plaza property, the Organization entered into a lease to maintain use of the property. The lease commenced in May 2011 and extends to March 2014. The monthly lease payment is $15,500 and is included in rent expense in the statement of functional expenses.

Estimated future minimum lease payments required under the long-term operating lease for future years ending June 30, are as follows:

2012	$ 199,200
2013	186,000
2014	139,500
	$ 524,700

9. Pension Plan

Effective January 1, 1994, the Organization adopted a Section 403(b) Employer Contributory Tax Deferred Annuity Plan (the Plan) that is available for all permanent employees. The Plan provides for an annual contribution of up to five percent (5%) of each employee's salary. Employees are permitted to make voluntary contributions to the Plan. The Company may or may not match the employee contributions. The Company made contributions to the plan during 2011 of $333.

10. Fairfield Lynn Limited Partnership

Fairfield Lynn Associates, L.L.C., a wholly-owned subsidiary of the Organization, is the general partner in Fairfield Lynn Limited Partnership. (Partnership), holding a 0.009% equity interest. The Partnership owns the Fairfield Lynn D. Apartments (Property) consisting of 80 units, including low-income family units, located in two apartment projects in Front Royal, Virginia. The investment in the Partnership is nominal and therefore is not consolidated in these financial statements.

On April 27, 2007, the Organization transferred ownership of the apartments and the related debt financing to the Partnership. The Partnership reimbursed the Organization for property related expenses in the amount of $233,789 and paid an additional $396,587 as part of the terms of the transfer. The Partnership also executed a note payable to the Organization in the amount of $572,081 as additional compensation, which is included in the amounts Due from Fairfield Lynn Limited Partnership in the accompanying statement of financial position and collateralized by the property. The note bears interest at a rate of 4.81%. Both principal and interest are payable from net cash flow and therefore interest is not accrued. The book value of the transferred property and debt was $2,969,092 and $2,648,213, respectively, at the time of transfer.

During 2009, the Partnership executed an additional note payable to the Organization in the amount of $249,626. The note bears interest at a rate of 2.5% above LIBOR. Both principal and interest are payable from net cash flow and therefore interest is not accrued. The balance as of June 30, 2010 was $243,626. The accompanying statement of financial position also includes $27,065 in Due from Fairfield Limited Partnership representing reimbursable costs incurred on behalf of the Partnership, and management fees charged to the Partnership.

Because the Organization will have ongoing involvement in the management and administering of the Partnership assets, and because of the contingencies that exist to maintain the Property as affordable housing included in the Partnership agreement, the gain on the sale of the Property is not recognized, in accordance with accounting principles generally accepted in the United States of America, and is included in deferred revenue in the accompanying statement of financial position.

11. Significant Events

On June 27, 2011, the Organization executed a purchase and sale agreement with the Alexandria Housing Development Corporation (AHDC), a nonprofit controlled by the City of Alexandria, for properties Arbelo, Lacy Court, and Longview Terrace for the assumption of the loans associated with each project. These loans totaled $23,368,441 on the date of the assumption. The Organization recognized a gain on the sale for the amount of depreciation taken from origination through the sale date as none of the associated loans were paid down. The Organization could not secure tax credits and therefore the properties were purchased back by AHDC. The Organization was released from the related notes payable as discussed in Note 5 upon assumption by AHDC.

In addition, on April 30, 2011, Belvoir Plaza was purchased by the partnership that held a repurchase option and all underlying debt was paid. The property was then leased back to the Organization, which continues to operate the property as affordable housing. The Organization recognized a loss on the sale as the net book value of the assets related to this property exceeded the associated loans by $555,147.

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