

**Habitat for Humanity North Central Connecticut, Inc.**

Independent Auditors' Report

Financial Statements

June 30, 2022 and 2021



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# Habitat for Humanity North Central Connecticut, Inc.

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June 30, 2022 and 2021

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## Independent Auditors' Report

To the Board of Directors of  
Habitat for Humanity North Central Connecticut, Inc.

### ***Opinion***

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditors' 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 auditors' 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 the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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



Hartford, Connecticut  
December 13, 2022

# Habitat for Humanity North Central Connecticut, Inc.

## Statements of Financial Position

June 30, 2022 and 2021

	2022	2021
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,471,841	\$ 1,450,438
Accounts receivable	47,774	117,676
Current portion of mortgage notes receivable	652,483	678,627
Inventory	1,059,152	463,719
Prepaid expenses	119,264	42,379
Total current assets	3,350,514	2,752,839
Property and equipment:		
Land, building and improvements	516,265	516,265
Furniture, fixtures and equipment	1,308,341	1,224,079
Less: accumulated depreciation	(1,183,847)	(1,071,971)
Net property and equipment	640,759	668,373
Other assets:		
Mortgage notes receivable, net	5,282,472	5,315,887
Other real estate owned	141,352	437,852
Security deposits	12,800	9,316
Total other assets	5,436,624	5,763,055
Total assets	9,427,897	9,184,267
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Current portion of long-term debt	77,856	80,624
Accounts payable and accrued expenses	370,933	155,245
Advance payments and down payments	-	23,021
Total current liabilities	448,789	258,890
Long-term debt, net of current portion	595,385	668,495
Total liabilities	1,044,174	927,385
Net assets:		
Without donor restrictions	8,365,826	8,146,883
With donor restrictions	17,897	109,999
Total net assets	8,383,723	8,256,882
Total liabilities and net assets	\$ 9,427,897	\$ 9,184,267

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

# Habitat for Humanity North Central Connecticut, Inc.

## Statement of Activities

For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and other support:</b>			
Property transferred to homeowners	\$ 1,838,776	\$ -	\$ 1,838,776
Grants	438,682	-	438,682
Contributions	1,677,606	33,334	1,710,940
Imputed interest on mortgage receivables	337,299	-	337,299
ReStore income	1,222,196	-	1,222,196
Other income	750	-	750
Interest income	539	-	539
Gain on sale of mortgages	438,336	-	438,336
Satisfaction of program restrictions	125,436	(125,436)	-
Total revenue and other support	<u>6,079,620</u>	<u>(92,102)</u>	<u>5,987,518</u>
<b>Expenses:</b>			
Program services			
Affordable housing program	4,222,813	-	4,222,813
ReStore	1,138,642	-	1,138,642
Total program services	<u>5,361,455</u>	<u>-</u>	<u>5,361,455</u>
General and administrative	187,647	-	187,647
Fundraising	311,575	-	311,575
Total expenses	<u>5,860,677</u>	<u>-</u>	<u>5,860,677</u>
Change in net assets	218,943	(92,102)	126,841
Net assets - beginning of year	<u>8,146,883</u>	<u>109,999</u>	<u>8,256,882</u>
Net assets - end of year	<u>\$ 8,365,826</u>	<u>\$ 17,897</u>	<u>\$ 8,383,723</u>

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

# Habitat for Humanity North Central Connecticut, Inc.

## Statement of Activities

For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and other support:</b>			
Property transferred to homeowners	\$ 1,624,019	\$ -	\$ 1,624,019
Grants	60,617	-	60,617
Contributions	1,125,562	67,936	1,193,498
Imputed interest on mortgage receivables	379,513	-	379,513
ReStore income	1,041,251	-	1,041,251
Other income	3,116	-	3,116
Interest income	855	-	855
Gain on sale of mortgages	301,706	-	301,706
Paycheck Protection Program	263,032	-	263,032
Satisfaction of program restrictions	110,449	(110,449)	-
Total revenue and other support	4,910,120	(42,513)	4,867,607
<b>Expenses:</b>			
Program services			
Affordable housing program	3,913,196	-	3,913,196
ReStore	856,306	-	856,306
Total program services	4,769,502	-	4,769,502
General and administrative	168,562	-	168,562
Fundraising	305,449	-	305,449
Total expenses	5,243,513	-	5,243,513
Change in net assets	(333,393)	(42,513)	(375,906)
Net assets - beginning of year	8,480,276	152,512	8,632,788
Net assets - end of year	\$ 8,146,883	\$ 109,999	\$ 8,256,882

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

# Habitat for Humanity North Central Connecticut, Inc.

## Statement of Functional Expenses

For the Year Ended June 30, 2022

	Program Services		Total Program Services	General and Administrative	Fundraising	Total
	Affordable					
	Housing Program	ReStore				
Cost of homes and goods sold	\$ 1,719,469	\$ 140,942	\$ 1,860,411	\$ -	\$ -	\$ 1,860,411
Other expenses:						
Salaries	605,052	395,037	1,000,089	90,182	190,390	1,280,661
Payroll taxes and fringe benefits	164,352	134,463	298,815	16,692	31,043	346,550
Occupancy expenses	138,480	130,985	269,465	10,186	1,756	281,407
Moving and storage	-	162,465	162,465	-	-	162,465
Professional fees	100,582	2,800	103,382	21,968	23,566	148,916
Office administration	102,027	20,083	122,110	13,696	2,749	138,555
Advertising	31,356	3,671	35,027	3,892	26,308	65,227
Insurance	41,831	15,797	57,628	1,033	2,912	61,573
Bank and credit card fees	18,805	21,518	40,323	6,363	1,097	47,783
Tithe and donations to affiliates	38,926	-	38,926	-	-	38,926
Utilities and telephone	13,773	24,942	38,715	-	-	38,715
Special events	2,127	-	2,127	1,528	27,503	31,158
Auto and travel	10,369	7,313	17,682	1,474	357	19,513
Interest	14,409	-	14,409	4,442	-	18,851
Other program service costs	18,064	-	18,064	-	-	18,064
Warranty costs	10,749	-	10,749	-	-	10,749
Miscellaneous	2,182	-	2,182	6,188	980	9,350
Training and staff development	2,889	386	3,275	249	845	4,369
Bad debt expense	-	-	-	-	2,069	2,069
Total other expenses	<u>1,315,973</u>	<u>919,460</u>	<u>2,235,433</u>	<u>177,893</u>	<u>311,575</u>	<u>2,724,901</u>
Total expenses before mortgage discount and depreciation/amortization	<u>3,035,442</u>	<u>1,060,402</u>	<u>4,095,844</u>	<u>177,893</u>	<u>311,575</u>	<u>4,585,312</u>
Mortgage discount	1,163,489	-	1,163,489	-	-	1,163,489
Depreciation/amortization	<u>23,882</u>	<u>78,240</u>	<u>102,122</u>	<u>9,754</u>	<u>-</u>	<u>111,876</u>
Total expenses	<u>\$ 4,222,813</u>	<u>\$ 1,138,642</u>	<u>\$ 5,361,455</u>	<u>\$ 187,647</u>	<u>\$ 311,575</u>	<u>\$ 5,860,677</u>

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



# Habitat for Humanity North Central Connecticut, Inc.

## Statement of Functional Expenses

For the Year Ended June 30, 2021

	Program Services		Total Program Services	General and Administrative	Fundraising	Total
	Affordable Housing Program	ReStore				
Cost of homes and goods sold	\$ 1,683,277	\$ 97,918	\$ 1,781,195	\$ -	\$ -	\$ 1,781,195
Other expenses:						
Salaries	604,002	316,227	920,229	78,817	190,417	1,189,463
Payroll taxes and fringe benefits	183,610	101,341	284,951	15,205	44,704	344,860
Occupancy expenses	30,107	102,911	133,018	7,500	781	141,299
Moving and storage	-	140,396	140,396	-	-	140,396
Professional fees	2,340	-	2,340	24,014	80	26,434
Office administration	63,376	16,703	80,078	13,669	645	94,392
Advertising	264	5,082	5,345	-	48,244	53,589
Insurance	39,569	15,228	54,797	593	1,890	57,280
Bank and credit card fees	15,994	18,546	34,540	5,223	544	40,307
Tithe and donations to affiliates	33,428	-	33,428	-	-	33,428
Utilities and telephone	14,168	22,589	36,757	-	-	36,757
Special events	-	-	-	-	17,028	17,028
Auto and travel	7,974	2,884	10,858	46	59	10,963
Interest	29,428	-	29,428	8,772	-	38,200
Other program service costs	78,505	-	78,505	-	-	78,505
Warranty costs	825	-	825	-	-	825
Miscellaneous	27,248	-	27,248	6,188	980	34,416
Training and staff development	40	-	40	4	77	121
Bad debt expense	6,350	-	6,350	-	-	6,350
Office repairs and maintenance	17,252	16,482	33,734	6	-	33,740
Total other expenses	1,154,479	758,388	1,912,867	160,037	305,449	2,378,353
Total expenses before mortgage discount, loss on impairment, and depreciation/amortization	2,837,756	856,306	3,694,062	160,037	305,449	4,159,548
Mortgage discount	924,956	-	924,956	-	-	924,956
Loss on impairment	44,337	-	44,337	-	-	44,337
Depreciation/amortization	106,147	-	106,147	8,525	-	114,672
Total expenses	\$ 3,913,196	\$ 856,306	\$ 4,769,502	\$ 168,562	\$ 305,449	\$ 5,243,513

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

# Habitat for Humanity North Central Connecticut, Inc.

## Statements of Cash Flows

For the Years Ended June 30, 2022 and 2021

	2022	2021
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 126,841	\$ (375,906)
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation and amortization	111,876	114,672
Loss on impairment	-	44,337
Mortgage discount	(6,682)	(12,017)
Changes in assets - (increase)/decrease:		
Accounts receivable	69,902	(68,879)
Inventory	(595,433)	488,399
Prepaid expenses	(76,885)	(19,785)
Changes in liabilities - increase/(decrease):		
Accounts payable and accrued expenses	215,688	(95,498)
Advance payments and down payments	(23,021)	(24,658)
Refundable advance - Paycheck Protection Program	-	(263,032)
Net change in cash from operating activities	(177,714)	(212,367)
<b>Cash flows from investing activities:</b>		
New loans originated	(1,363,094)	(751,064)
Loan payments	530,756	311,346
Proceeds from sale of mortgages	726,571	724,075
Change in other real estate owned	296,500	(375,738)
Purchases of land, buildings and equipment	84,262	62,684
Net change in cash from investing activities	274,995	(28,697)
<b>Cash flows from financing activities:</b>		
Proceeds from notes payable	10,000	19,293
Payments on notes payable	(85,878)	(195,802)
Net change in cash from financing activities	(75,878)	(176,509)
Change in cash and cash equivalents	21,403	(417,573)
Cash and cash equivalents - beginning of year	1,450,438	1,868,011
Cash and cash equivalents - end of year	\$ 1,471,841	\$ 1,450,438
Supplementary information:		
Interest paid	\$ 18,851	\$ 38,200
Noncash investing activity:		
Mortgage discount	\$ 1,163,489	\$ 924,956
Imputed interest on mortgage receivables	(337,299)	(379,513)
Total noncash investing activity	\$ 826,190	\$ 545,443

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

# Habitat for Humanity North Central Connecticut, Inc.

## Notes to the Financial Statements

June 30, 2022 and 2021

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### NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Habitat for Humanity North Central Connecticut, Inc. (“HFHNCC”), a non-profit organization, non-stock corporation organized under Connecticut law in 1988, is located in Hartford, Connecticut. HFHNCC, affiliated with Habitat for Humanity International (“HFHI”) based in Americus, Georgia, builds homes for low-income individuals in the Hartford area. Purchasers, who have been approved and selected by HFHNCC, volunteer their labor in partnership with HFHNCC to build the house. The house is then sold to the individual at a predetermined cost which is reviewed annually by the HFHNCC. Upon sale, HFHNCC takes back a non-interest bearing mortgage for approximately 99% of the sales price. These mortgages are usually long term, ranging from twenty to thirty years.

During the year ended June 30, 2022, HFHNCC received approval to extend its territory into Tolland County. HFHNCC changed its name from Hartford Area Habitat for Humanity, Inc. to Habitat for Humanity North Central Connecticut, Inc.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of HFHNCC is presented to assist in understanding HFHNCC’s financial statements. The financial statements and accompanying notes are representations of HFHNCC’s management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

*Basis of Accounting* - The financial statements of HFHNCC have been prepared on the accrual basis.

*Basis of Presentation* - Financial statement presentation follows *Financial Statements of Not-for-Profit Organizations* topic of the Financial Accounting Standards Board Codification (“ASC”). Under this topic, HFHNCC reports information regarding its financial position and activities according to two classes of net assets:

*Net assets without donor restrictions* – These net assets are defined as assets that are free of donor-imposed restrictions.

*Net assets with donor restrictions* – These net assets include contributions, unconditional promises to give and other inflows of assets whose use by HFHNCC is limited by donor imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of HFHNCC. Other net assets with donor restrictions may be perpetual in nature.

*Cash and Cash Equivalents* - Cash equivalents include all highly liquid instruments with an original maturity of three months or less. HFHNCC maintains its cash in bank accounts which, at times, may exceed federally insured limits. HFHNCC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

*Accounts Receivable* - Arising from regular operations are stated net of an allowance for doubtful accounts. Allowances are set based on assessments by management as to the collectability of individual accounts. There was no allowance for doubtful account as of June 30, 2022 and 2021.

*Mortgages Receivable* - Mortgages receivable consist of non-interest bearing loans which are secured by the real estate and payable in monthly installments over the life of the mortgage.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory - Inventory on properties constructed for sale is valued at lower of cost or market using specific identification.

Property and Equipment - All acquisitions or donations of property and equipment are recorded at cost or their fair market value at the date of the gift. Depreciation is provided for over the estimated useful lives of the assets on a straight-line basis. The respective estimated useful lives are five to thirty-nine years. HFHNCC follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000.

Other Real Estate Owned - Other real estate owned is carried at the lower of fair value or acquisition cost.

### Revenue and Revenue Recognition

Contributions - Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases to net assets with donor restrictions. When a donor 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 net assets released from restrictions. Conditional contributions – that is, those with a measurable performance or other barrier and a right of return – are not recognized as revenue until the conditions on which they depend are substantially met.

Donated Materials, Services and Property and Equipment - Donations of building materials and property and equipment are recorded as in-kind contributions at their estimated fair value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent explicit donor stipulations about how long those donated assets must be maintained, HFHNCC reports expirations of donor restrictions when the donated or acquired assets are placed in service. HFHNCC reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

HFHNCC receives donated services from a variety of unpaid volunteers who assist in building the houses. No amounts have been recognized in the accompanying statements of activities for these services because the criteria for recognition of such volunteer efforts under the Not-for-Profit Entities topic of the FASB Accounting Standards Codification (FASB ASC 958) have not been satisfied.

Property transferred to Homeowners - Homes are sold to buyers that meet HFHNCC's qualification guidelines. The resulting mortgage are non-interest bearing and have been discounted based upon prevailing market rates for low-income housing at the inception of the mortgages. The property transferred to homeowners in the statement of activities and changes in net assets are presented net of the applicable discount. HFHNCC recognizes the income from sales to homeowners on the completed contract method when home closings occur.

ReStore Income - HFHNCC sells donated inventory through its ReStore location in Bloomfield, CT. Donations to its ReStore are made by contractors and other businesses, organizations and individuals that have surplus or discontinued merchandise.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The purpose of the ReStore is to raise funds to support HFHNCC programs. Accordingly, expenses of operating the ReStore are reported as program expenses in the consolidated statements of functional expenses. The amount of revenue reported from the ReStore includes cash receipts plus the fair market value of donated goods sold, net of the cost of purchased inventory sold. As most revenue earned by the ReStore is from the sale of donated goods, ReStore revenue is classified as support in the consolidated statements of activities and changes in net assets.

*Revenue Recognition* - Sales of inventory through its Restore and sales of homes to homeowners represent the majority of revenues. Revenues are recognized when performance obligations are satisfied at a point in time. Revenue from the Restore is recognized when control is transferred to the customer, in an amount that reflects the consideration HFHNCC receives in exchange for its Restore inventory. Customers may return certain items purchased from the Restore within a number of days. Restore sales are recognized net of expected returns, which are estimated using historical patterns. The Restore does not have any financing components as payment is received at the point of sale. Revenue from sales to homeowners is recognized on the completed contract method when home closings occur, net of the applicable mortgage discount. Homeowners cannot return homes purchased from HFHNCC.

*Functional Expenses* - The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited. The financial statements report certain categories of expenses that are attributable to one or more supporting functions of the Organization. Personnel costs, including fringe benefits, have been allocated among the programs and supporting services benefited based on time and effort. All other expenses have been allocated by costs of specific functions served.

*Tax Status* - HFHNCC is a not-for-profit organization as described under Section 501(c)(3) of the Internal Revenue Code and is not subject to federal or state income taxes. In addition, HFHNCC qualifies for the charitable contribution deduction as provided in Section 170 of the Internal Revenue Code.

*Use of Estimates* - The preparation of financial statements in conformity with generally accepted accounting principles 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.

*Adoption of New Accounting Pronouncement* - FASB Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, requires not-for-profits to present contributed nonfinancial assets as a separate line item in the statement activities and provide additional disclosures about contributions of nonfinancial assets. Contributed nonfinancial assets, commonly referred to as gifts-in-kind, include fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. HFHNCC implemented ASU 2020-07 on July 1, 2021 using a full retrospective method of application. The adoption of ASU 2020-07 resulted in changes to the presentation and disclosure of contributed nonfinancial assets.

*Subsequent Events Measurement Date* - HFHNCC monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for the year end June 30, 2022 through December 13, 2022, the date on which the financial statements were available to be issued.

### NOTE 3 - INVENTORY

The residential units in inventory consist of the following as of June 30,:

	<u>2022</u>	<u>2021</u>
Construction in progress and completed units that are unoccupied	\$ 696,690	\$ 333,133
Land	334,679	80,669
ReStore purchased inventory	27,783	49,917
Total inventory	<u>\$ 1,059,152</u>	<u>\$ 463,719</u>

### NOTE 4 - OTHER REAL ESTATE OWNED

Other real estate owned is comprised of foreclosed and first right of refusal (“FROF”) homes. Properties are foreclosed upon after the homeowner has become seriously delinquent in their loan payments and all attempts to work with the homeowner have failed. For the FROF homes, HFHNCC maintains a FROF to repurchase any Habitat home that is proposed to be sold by a Habitat homeowner during the term of the mortgage. Other real estate owned totaled \$141,352 and \$437,852 as of June 30, 2022 and 2021, respectively.

### NOTE 5 - LIQUIDITY

HFHNCC’s financial assets available to meet general expenditures within one year of June 30, 2022 and 2021 are as follows, respectively:

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash and cash equivalents	\$ 1,471,841	\$ 1,450,438
Accounts receivable	47,774	117,676
Mortgage notes receivable, current portion	652,483	678,627
	<u>2,172,098</u>	<u>2,246,741</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	17,897	109,999
	<u>17,897</u>	<u>109,999</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,154,201</u>	<u>\$ 2,136,742</u>

HFHNCC manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability;
- Maintaining adequate liquid assets; and
- Maintaining sufficient reserves to provide reasonable assurance that long term commitments and obligations will continue to be met, ensuring the sustainability of HFHNCC.

## NOTE 6 - MORTGAGE NOTES RECEIVABLE

Mortgage notes receivable represent non-interest bearing amounts due from individuals who have purchased homes constructed by HFHNCC. These amounts are to be paid over terms ranging from twenty to thirty years as follows:

	<u>2022</u>	<u>2021</u>
Mortgage notes receivable	\$ 11,589,313	\$ 11,645,972
Less: unamortized discount on non-interest bearing mortgage notes receivable	<u>(5,654,358)</u>	<u>(5,651,458)</u>
	5,934,955	5,994,514
Less: current portion of mortgage notes receivable	<u>(652,483)</u>	<u>(678,627)</u>
	<u>\$ 5,282,472</u>	<u>\$ 5,315,887</u>

Since the above mortgage notes are non-interest bearing, the net present value of each of these notes is less than face value. The net present value of these notes (at an imputed interest rate ranging from 7.15% to 8.48%) is \$5,934,955 and \$5,994,514 at June 30, 2022 and 2021, respectively. The servicing of these mortgages is performed by a bank. The scheduled estimated maturities of these notes are approximately:

<u>For the years ending June 30,</u>	
2023	\$ 652,483
2024	650,392
2025	641,909
2026	635,246
2027	626,880
Thereafter	<u>2,728,045</u>
	<u>\$ 5,934,955</u>

HFHNCC sells homes based on its predetermined cost, which is reviewed annually by HFHI, and concurrently, HFHNCC also holds a second and third mortgage on the difference between the fair market value and the selling price. The purpose of the second and third mortgage is to insure that the purchaser retains possession of the property for a given period of time and does not sell to personally benefit from the difference between the purchased price and the fair market value. The second and third mortgages are forgiven ratably between six and thirty years after the purchase of the homes. If the homeowner sells prior to the time period of the second and/or third mortgage being ratably forgiven, the balance of the mortgage will be repaid from the sales price. It is anticipated that none of these mortgages will be required to be repaid. As a result, these mortgages have not been recorded in the financial statements as of June 30, 2022 and 2021, respectively.

## NOTE 7 - ADVANCE PAYMENTS AND DOWN PAYMENTS

Advanced payments and down payments consist of advanced payments from homeowners for property tax remittances and down payments on home purchases. Down payments represent funds received from families before they move in as a commitment to purchase a house. In the event a family decides not to purchase the home, the down payment will be returned to the individuals and the occupancy payments will be considered rent to HFHNCC according to a use and occupancy agreement.

## NOTE 8 - LONG-TERM DEBT

During May 2020, HFHNCC received approval for a U.S. Small Business Administration (“SBA”) COVID-19 Economic Injury Disaster Loan (“EIDL”) of \$150,000 and EIDL Emergency Advance of \$10,000. Repayment terms are 30 years at an interest rate of 2.75%. Interest on the SBA loan was \$2,500 and \$3,170 during the years ended June 30, 2022 and 2021, respectively. Organizations who receive an EIDL Emergency Advance in addition to a Paycheck Protection Program (“PPP”) loan will have the amount of EIDL Emergency Advance subtracted from the loan forgiveness of their PPP loan.

Long-term debt consists of the following as of June 30,:

	Maturity Date	Interest Rate	Outstanding Balance	
			2022	2021
Habitat for Humanity International	6/30/2021	0.000%	\$ -	\$ 381
SHOP/HUD Notes	6/30/2021	0.000%	-	381
	6/30/2021	0.000%	-	381
	12/31/2021	0.000%	-	864
	12/31/2021	0.000%	-	1,649
	12/31/2021	0.000%	-	4,896
	12/31/2022	0.000%	3,391	7,075
	6/30/2023	0.000%	9,324	15,876
	6/30/2024	0.000%	5,797	5,813
	6/30/2024	0.000%	2,907	2,907
	6/30/2024	0.000%	3,989	5,813
	6/30/2025	0.000%	7,930	6,625
	6/30/2025	0.000%	8,514	8,514
	1/1/2026	0.000%	7,018	8,878
	1/1/2027	0.000%	9,029	10,415
				<u>\$ 57,898</u>
Windsor Federal Savings	2/1/2031	4.000%	33,290	37,021
	4/1/2031	4.000%	76,342	83,313
	12/1/2031	4.000%	37,553	41,104
	4/1/2032	4.000%	91,918	99,160
	7/1/2032	4.000%	96,042	103,689
			<u>\$ 335,145</u>	<u>\$ 364,287</u>



**NOTE 8 - LONG-TERM DEBT (CONTINUED)**

Connecticut Housing Finance Authority (CHFA)	6/1/2023	5.000%	\$ 2,349	\$ 4,821
	12/1/2023	5.000%	5,063	8,860
	8/1/2024	5.000%	5,332	7,888
	10/1/2024	5.000%	5,185	7,407
	12/1/2030	5.000%	10,627	13,327
	8/1/2032	5.000%	39,339	43,287
	6/1/2033	5.000%	45,113	49,094
	8/1/2034	5.000%	40,803	46,433
			<u>\$ 153,811</u>	<u>\$ 181,117</u>
SBA	5/16/2050	2.75%	\$ 149,628	\$ 153,170
Total long-term debt			\$ 696,482	\$ 779,042
Plus: Economic Injury Disaster Loan funds			10,000	10,000
Less: Mortgage discount on loans debt			(33,241)	(39,923)
			<u>(77,856)</u>	<u>(80,624)</u>
Total loan-term debt, net of current portion and discounts			<u>\$ 595,385</u>	<u>\$ 668,495</u>

As the above CHFA notes are non-interest bearing, and are for the purpose of providing the funds needed for home construction, the net present value of each of these notes is less than face value. The net present value of these notes (at an imputed interest rate of 5.00%) is \$153,811 and \$181,117 at June 30, 2022 and 2021.

All notes, except for the Habitat for Humanity International SHOP/HUD, SBA and NMAC notes, are secured by certain pledged mortgage receivable payments.

The expected maturities of long-term debt are as follows:

	<u>For the years ending June 30,</u>	
	2023	\$ 77,856
	2024	67,119
	2025	56,943
	2026	53,408
	2027	51,529
	Thereafter	389,627
		<u>\$ 696,482</u>

HFHNCC received funding through HFHI from HUD to complete new properties. The total of the awards received during the years ended June 30, 2022 and 2021 is \$-0- and \$19,293. These awards are considered 75% grants and 25% noninterest bearing loans to be repaid to HFHI over a four-year period.

## NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were subject to the following purpose restrictions as of June 30,:

	<u>2022</u>	<u>2021</u>
Housing construction	\$ 10,800	\$ 92,102
Education	17,897	17,897
Total net assets with donor restrictions	<u>\$ 28,697</u>	<u>\$ 109,999</u>

Net assets with donor restrictions of \$125,436 and \$110,449 were released for housing construction during the years ended June 30, 2022 and 2021, respectively.

## NOTE 10 - IN KIND DONATIONS

For the years ended June 30, 2022 and 2021, the Organization received in-kind contributions of ,services, facilities and other supplies totaling \$20,544 and \$68,071, respectively. Contributed goods and services recognized comprise services, facilities and other supplies values and are reported at the estimated fair value based on current rates for similar goods and services.

## NOTE 11 - PENSION PLAN

HFHNCC provides a 401(k) plan for its employees. Eligible participants can elect to contribute salary deferrals up to the IRS maximum. HFHNCC will match 100% of the employee's contribution up to 4% of the employee's compensation at the plan year end. For the years ended June 30, 2022 and 2021, HFHNCC's contributions totaled \$36,906 and \$37,772, respectively.

## NOTE 12 - LEASES

HFHNCC leases buildings under various operating lease agreements expiring in various years through September, 2030. Rent expense for the years ended June 30, 2022 and 2021 totaled \$217,859 and \$120,677, respectively. Minimum future rental payments under operating leases having remaining terms in excess of one year are as follows:

<u>For the years ending June 30,:</u>	
2023	\$ 151,078
2024	121,292
2025	98,794
2026	81,037
2027	83,468
Thereafter	359,674
	<u>\$ 535,668</u>

## NOTE 13 - COMMITMENTS AND CONTINGENCIES

HFHNCC is from time to time subject to legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position of HFHNCC.

## NOTE 14 - LOSS ON IMPAIRMENT

As of June 30, 2021, HFHNCC determined that certain other real estate owned has been impaired. Therefore, HFHNCC was required to make a fair value determination. This fair value determination was based on previous sales by HFHNCC of homes in the area. HFHNCC recorded an impairment adjustment of \$44,337 during the year ended June 30, 2021, which is reflected in the statements of activities. There was no loss on impairment during the year ended June 30, 2022.

#### **NOTE 15 - RISKS AND UNCERTAINTIES**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a pandemic. COVID-19 has caused significant disruption in the national and global economy. HFHNCC’s operating activities, liquidity and cash flows may be affected by this global pandemic. While the disruption is currently expected to be temporary, there is uncertainty related to the duration. Therefore, while HFHNCC expects this matter to impact the organization, the related financial impact cannot be reasonably estimated at this time.

#### **NOTE 16 - REFUNDABLE ADVANCE – PAYCHECK PROTECTION PROGRAM**

During April 2020, HFHNCC received approval for a Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) loan in the amount of \$263,032. Under the PPP, funds are forgivable if utilized for qualified expenditures according to the program criteria incurred over the eight week to twenty-four week period following the date of funding. In order to qualify for forgiveness, at least 60% of the funding must be spent on eligible payroll expenses, and up to 40% may be spent on other eligible expenditures, such as rent and utilities. As outlined by the SBA, any unforgiven balance must be repaid over two years at an annual interest rate of 1% with an initial deferment period of ten months from the end of the covered period (interest will accrue). On May 21, 2021, HFHNCC obtained full forgiveness from the SBA and recognized the full amount as revenue for the year ended June 30, 2021.

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