

**HABITAT FOR HUMANITY NORTH CENTRAL  
CONNECTICUT, INC.**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2025**



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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the accompanying financial statements of Habitat for Humanity North Central Connecticut, Inc., which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity North Central Connecticut, Inc., as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

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

**HABITAT FOR HUMANITY NORTH CENTRAL CONNECTICUT, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2025**

***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 GAAS 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 GAAS, we:

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

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



**CliftonLarsonAllen LLP**

West Hartford, Connecticut  
October 31, 2025

**HABITAT FOR HUMANITY NORTH CENTRAL CONNECTICUT, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2025**

	<u>2025</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and Cash Equivalents	\$ 625,843
Accounts Receivable	93,153
Grants Receivable	118,039
Current Portion of Mortgage Notes Receivable	505,545
Allowance for Credit Losses	(119,312)
Inventory	4,961,583
Prepaid Expenses	94,904
Total Current Assets	<u>6,279,755</u>
<b>PROPERTY AND EQUIPMENT</b>	
Land, Building, and Improvements	569,391
Furniture, Fixtures, and Equipment	1,044,690
Total	<u>1,614,081</u>
Less: Accumulated Depreciation	<u>1,151,413</u>
Property and Equipment, Net	462,668
<b>OTHER ASSETS</b>	
Mortgage Notes Receivable, Net	2,865,164
Operating Right-of-Use Asset	980,360
Security Deposits	6,000
Total Other Assets	<u>3,851,524</u>
Total Assets	<u><u>\$ 10,593,947</u></u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Current Portion of Long-Term Debt	\$ 66,958
Accounts Payable and Accrued Expenses	520,980
Current Portion of Operating Lease Liabilities	161,718
Total Current Liabilities	<u>749,656</u>
<b>LONG-TERM LIABILITIES</b>	
Long-Term Debt, Net of Current Portion	424,575
Long-Term Portion of Operating Lease Liabilities	729,951
Total Long-Term Liabilities	<u>1,154,526</u>
Total Liabilities	1,904,182
<b>NET ASSETS</b>	
Without Donor Restrictions	8,561,675
With Donor Restrictions	128,090
Total Net Assets	<u>8,689,765</u>
Total Liabilities and Net Assets	<u><u>\$ 10,593,947</u></u>

See accompanying Notes to Financial Statements.

**HABITAT FOR HUMANITY NORTH CENTRAL CONNECTICUT, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2025**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND OTHER SUPPORT</b>			
Property Transferred to Homeowners	\$ 1,077,348	\$ -	\$ 1,077,348
Grants	611,754	-	611,754
Contributions	1,473,376	128,090	1,601,466
In-Kind Gifts - Donated Inventory	1,168,507	-	1,168,507
Imputed Interest on Mortgage Receivables	334,178	-	334,178
ReStore Income	1,320,016	-	1,320,016
Other Income	93,683	-	93,683
Interest Income	4,054	-	4,054
Loss on Disposal of Property and Equipment	(12,798)	-	(12,798)
Gain on Sale of Mortgages	81,386	-	81,386
Net Assets Released from Restrictions	114,783	(114,783)	-
Total Revenue, Support, and Gains	<u>6,266,287</u>	<u>13,307</u>	<u>6,279,594</u>
<b>EXPENSES</b>			
Program Services:			
Affordable Housing Program	3,151,719	-	3,151,719
ReStore	<u>2,726,470</u>	<u>-</u>	<u>2,726,470</u>
Total Program Services	5,878,189	-	5,878,189
General and Administrative	231,805	-	231,805
Fundraising	<u>447,305</u>	<u>-</u>	<u>447,305</u>
Total Expenses	<u>6,557,299</u>	<u>-</u>	<u>6,557,299</u>
<b>CHANGE IN NET ASSETS</b>	(291,012)	13,307	(277,705)
Net Assets - Beginning of Year	<u>8,852,687</u>	<u>114,783</u>	<u>8,967,470</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 8,561,675</u></u>	<u><u>\$ 128,090</u></u>	<u><u>\$ 8,689,765</u></u>

See accompanying Notes to Financial Statements.

**HABITAT FOR HUMANITY NORTH CENTRAL CONNECTICUT, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2025**

	Program Services		Total Program Services	General and Administrative	Fundraising	Total Expenses
	Affordable Housing Program	ReStore				
Cost of Homes and Goods Sold	\$ 1,488,491	\$ 1,320,016	\$ 2,808,507	\$ -	\$ -	\$ 2,808,507
Other Expenses:						
Salaries	808,038	502,724	1,310,762	91,645	125,017	1,527,424
Payroll Taxes and Fringe Benefits	237,755	180,447	418,202	34,298	37,478	489,978
Occupancy Expenses	95,538	231,111	326,649	17,390	2,644	346,683
Special Events	3,271	162	3,433	4,572	194,100	202,105
Moving and Storage	-	287,793	287,793	-	-	287,793
Professional Fees	98,444	8,163	106,607	31,023	25,646	163,276
Office Administration	73,847	24,136	97,983	7,922	7,261	113,166
Miscellaneous	32,848	1,782	34,630	5,621	2,862	43,113
Insurance	49,010	26,273	75,283	12,231	9,021	96,535
Bank and Credit Card Fees	16,338	53,356	69,694	9,694	1,395	80,783
Utilities and Telephone	15,967	28,374	44,341	395	-	44,736
Auto and Travel	19,330	7,103	26,433	3,723	870	31,026
Advertising	7,018	1,862	8,880	2,635	40,148	51,663
Other Program Service Costs	8,275	-	8,275	-	-	8,275
Tithe and Donations to Affiliates	80,709	-	80,709	-	16	80,725
Warranty Costs	96,916	-	96,916	-	-	96,916
Interest	6,899	-	6,899	2,957	-	9,856
Training and Staff Development	6,677	2,386	9,063	1,351	847	11,261
Total Other Expenses	<u>1,656,880</u>	<u>1,355,672</u>	<u>3,012,552</u>	<u>225,457</u>	<u>447,305</u>	<u>3,685,314</u>
Total Expenses Before Provision for Mortgage Notes Receivable Losses Mortgage Discount and Depreciation/Amortization	3,145,371	2,675,688	5,821,059	225,457	447,305	6,493,821
Depreciation/Amortization	<u>6,348</u>	<u>50,782</u>	<u>57,130</u>	<u>6,348</u>	<u>-</u>	<u>63,478</u>
Total Expenses	<u>\$ 3,151,719</u>	<u>\$ 2,726,470</u>	<u>\$ 5,878,189</u>	<u>\$ 231,805</u>	<u>\$ 447,305</u>	<u>\$ 6,557,299</u>

See accompanying Notes to Financial Statements.

**HABITAT FOR HUMANITY NORTH CENTRAL CONNECTICUT, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2025**

	<u>2025</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in Net Assets	\$ (277,705)
Adjustments to Reconcile Change in Net Assets to	
Net Cash Used by Operating Activities:	
Depreciation and Amortization	63,478
Mortgage Discount	(334,178)
Loss on Disposal of Property and Equipment	12,798
Changes in Operating Assets and Liabilities:	
Accounts Receivable	11,196
Grants Receivable	324,492
Inventory	(1,182,072)
Prepaid Expenses	(44,055)
Right of Use Asset	3,188
Accounts Payable and Accrued Expenses	254,475
Net Cash Used by Operating Activities	<u>(1,168,383)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Loan Payments	1,411,257
Proceeds from Sale of Mortgages	-
Purchases of Land, Buildings, and Equipment	(45,532)
Net Cash Provided by Investing Activities	<u>1,365,725</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Payments on Note payable	(29,150)
Net Cash Used by Financing Activities	<u>(29,150)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	168,192
Cash and Cash Equivalents - Beginning of Year	<u>457,651</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 625,843</u></u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>	
Cash Paid for Interest	<u><u>\$ 9,856</u></u>

See accompanying Notes to Financial Statements.



**HABITAT FOR HUMANITY NORTH CENTRAL CONNECTICUT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1    PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Habitat for Humanity North Central Connecticut, Inc. (the Organization), a nonprofit organization, nonstock corporation organized under Connecticut law in 1988, is located in Hartford, Connecticut. The Organization, affiliated with Habitat for Humanity International (HFHI) based in Americus, Georgia, builds homes for low-income individuals in the Hartford and Tolland area. Purchasers, who have been approved and selected by the Organization, volunteer their labor in partnership with the Organization to build the house. The house is then sold to the individual at a predetermined cost which is reviewed annually by the Organization. Upon sale, the Organization takes back a noninterest-bearing mortgage for approximately 99% of the sales price. These mortgages are usually long term, ranging from 20 to 30 years.

**Basis of Accounting and Presentation**

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, the Organization reports information regarding its financial position and activities according to the following 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 the Organization is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Organization. Other net assets with donor restrictions may be perpetual in nature. There are no net assets with restrictions in perpetuity as of June 30, 2025.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

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

**HABITAT FOR HUMANITY NORTH CENTRAL CONNECTICUT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1    PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable**

Accounts receivable arising from regular operations are stated net of an allowance for credit losses. Allowances are set based on assessments by management as to the collectability of individual accounts. There was no allowance for credit losses as of June 30, 2025.

**Mortgages Receivable**

Mortgages receivable balances represent the amount charged to the homeowners for Habitat houses built and are to be paid back over an established and mutually agreed period of time. These mortgages are typically paid back on a monthly basis. At the same time the first mortgage is signed, a second lien mortgage is executed by the homeowner, reflecting the difference between the purchase price and the fair market value of the house. This second mortgage, also known as a "silent mortgage," is a legal document executed for protection against homeowners who may sell their house for a profit before the mortgage is paid off and to protect the homeowner by preventing predatory lenders from paying off the first mortgage and saddling the homeowners with an onerous new mortgage.

The Organization's mortgages are noninterest-bearing and have been discounted to present value based upon prevailing market rates for low-income housing at the inception of the mortgages. Habitat For Humanity International, Inc. (HFHI) develops a discount rate once a year on June 30. The difference between the face amount of the mortgage and its present value is accounted for as a discount that is recorded on the statement of financial position as a contra account to Mortgages Receivable and amortized over the life of the mortgage using the straight-line method. The effect of discounting on the financial statements results in Mortgages Receivable being reduced by the discount amount as the expense is increased. HFHI recommends that mortgage discounts be charged as a program services expense to a Mortgage Discount Expense account and each year a ratable amount of the discount be amortized to a Mortgage Discount Amortization revenue account. For practical purposes, delinquent or prepaid mortgage payments are not adjusted in the annual amortization. However, mortgage payoffs or foreclosures do result in the remaining Unamortized Discount balance being closed and recorded to a Mortgage Discount Revenue account.

The Organization's policy for determining when mortgages are past due or delinquent is based on how recently payments have been received. Mortgages are considered past due 15 days after the due date.

**HABITAT FOR HUMANITY NORTH CENTRAL CONNECTICUT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Mortgages Receivable (Continued)**

The opening and closing balances of the Organization's contract receivables, which are recognized within accounts receivable and mortgage notes receivable on the statements of financial position are as follows:

	Contract Balances	
	Accounts Receivable	Mortgage Notes Receivable
Opening (July 1, 2024)	\$ 104,349	\$ 4,447,788
Closing (June 30, 2025)	93,153	3,370,709
(Decrease)	<u>\$ (11,196)</u>	<u>\$ (1,077,079)</u>

**Allowance for Credit Losses on Mortgages**

Effective, July 1, 2023, the allowance for credit losses on mortgages is a valuation account that is deducted from the amortized cost basis of mortgages to present the net amount expected to be collected. The allowance for credit losses on mortgages is adjusted through the provision for credit losses to the amount of amortized cost basis not expected to be collected at the balance sheet date. Mortgage losses are charged off against the allowance for credit losses on mortgages when the Organization determines the mortgage balance to be uncollectible. Cash received on previously charged off amounts is recorded as a recovery to the allowance for credit losses on mortgages.

The measurement of expected credit losses encompasses information about historical events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Qualitative adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, current information and events, probable that the Organization will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreements, or delinquencies.

The allowance for credit losses on mortgages estimate incorporates a reasonable and supportable economic forecast through the use of historical losses adjusted for current factors.

**HABITAT FOR HUMANITY NORTH CENTRAL CONNECTICUT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1    PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Allowance for Credit Losses on Mortgages (Continued)**

The Organization only has one portfolio segment. The risk characteristics of this segment are as follows:

The degree of risk in 1-4 family lending depends primarily on the note amount in relation to collateral value, the interest rate and the borrower's ability to repay in an orderly fashion. These notes generally possess a lower inherent risk of loss than other real estate portfolio segments. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these notes. Weak economic trends indicate that the borrowers' capacity to repay their obligations may be deteriorating.

Although management believes the allowance to be adequate, ultimate losses may vary from its estimates. On a yearly basis, the Organization reviews the adequacy of the allowance, including consideration of the relevant risks in the portfolio, current economic conditions and other factors. If management determines that changes are warranted based on those reviews, the allowance is adjusted. Prior to the adoption of ASC 326, the Organization used an incurred loss model to measure an allowance for loan losses.

**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 5 to 39 years. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000.

**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.

Conditional government grants and contracts not recognized in the financial statements as receivables or revenues as of June 30, 2025 totaled \$367,271. Government grants and contracts are conditioned on incurring qualified program expenses.

**HABITAT FOR HUMANITY NORTH CENTRAL CONNECTICUT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1    PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue and Revenue Recognition (Continued)**

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, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

The Organization 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 FASB ASC 958, have not been satisfied.

Property Transferred to Homeowners

Homes are sold to buyers that meet the Organization's qualification guidelines. The resulting mortgage are noninterest-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 statements of activities are presented net of the applicable discount. The Organization recognizes the income from sales to homeowners on the completed contract method when home closings occur.

ReStore Income

The Organization sells donated inventory through its two ReStore locations in Bloomfield and Vernon, Connecticut. Donations to its ReStores are made by contractors and other businesses, organizations and individuals that have surplus or discontinued merchandise.

The purpose of the ReStores are to raise funds to support the Organization programs. Accordingly, expenses of operating ReStores are reported as program expenses in the statements of functional expenses. The amount of revenue reported from the ReStores 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 ReStores are from the sale of donated goods, the ReStores revenue are classified as support in the statements of activities.

**HABITAT FOR HUMANITY NORTH CENTRAL CONNECTICUT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1    PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue and Revenue Recognition (Continued)**

**Revenue Recognition**

Sales of inventory through its Restores 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 Restores is recognized when control is transferred to the customer, in an amount that reflects the consideration the Organization receives in exchange for its Restore inventory. Customers may return certain items purchased from the Restores within a number of days. Restore sales are recognized net of expected returns, which are estimated using historical patterns. The Restores do 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 the Organization.

**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**

The Organization is a nonprofit organization as described under Section 501(c)(3) of the Internal Revenue Code (IRC) and is not subject to federal or state income taxes. Therefore, no expense has been recognized for income taxes in the accompanying financial statements. In addition, the Organization qualifies for the charitable contribution deduction as provided in Section 170 of the IRC.

**Leases**

The Organization determines if an arrangement is a lease at inception. Lease right-of-use (ROU) assets represent the Organization's right to use an underlying asset for the lease term and operating lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Lease ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Organization's leases do not provide an implicit rate, the Organization uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has lease agreements with lease and nonlease components, which are generally accounted for separately.

**HABITAT FOR HUMANITY NORTH CENTRAL CONNECTICUT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1    PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent Events**

The Organization has evaluated subsequent events through October 31, 2025, the date the financial statements were available to be issued.

**NOTE 2    INVENTORY**

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

	<u>2025</u>
Construction in Progress and Completed Units that are Unoccupied	\$ 4,752,462
Land	157,214
ReStore Purchased Inventory	51,907
Total Inventory	<u>\$ 4,961,583</u>

**NOTE 3    LIQUIDITY**

The Organization's financial assets available to meet general expenditures within one year of June 30, 2025 are as follows:

	<u>2025</u>
Financial Assets:	
Cash and Cash Equivalents	\$ 625,843
Accounts Receivable	93,153
Grants Receivable	118,039
Mortgage Notes Receivable, Current Portion	505,545
Total Financial Assets	<u>1,342,580</u>
Less Amounts Not Available to be Used Within One Year:	
Net Assets With Donor Restrictions	<u>128,090</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 1,214,490</u>

The Organization 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 the Organization.

**HABITAT FOR HUMANITY NORTH CENTRAL CONNECTICUT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 4 MORTGAGE NOTES RECEIVABLE**

Mortgage notes receivable represent noninterest-bearing amounts due from individuals who have purchased homes constructed by the Organization. These amounts are to be paid over terms ranging from 20 to 30 years as follows:

	<u>2025</u>
Mortgage Notes Receivable	\$ 7,756,961
Less: Unamortized Discount on Noninterest-Bearing Mortgage Notes Receivable	<u>(4,266,940)</u>
Subtotal	3,490,021
Less: Allowance for Credit Losses	(119,312)
Less: Current Portion of Mortgage Notes Receivable	<u>(505,545)</u>
Total	<u><u>\$ 2,865,164</u></u>

Since the above mortgage notes are noninterest-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 (7.23% to 8.48%)) is \$3,490,021 at June 30, 2025. The servicing of these mortgages is performed by a bank. The scheduled estimated maturities of these notes are approximately:

<u>Year Ending June 30.</u>	<u>Amount</u>
2026	\$ 505,545
2027	504,198
2028	504,189
2029	504,189
2030	504,189
Thereafter	967,711
Total	<u><u>\$ 3,490,021</u></u>

The following tables show an aging analysis of loan portfolio by time past due as of June 30:

	<u>2025</u>
<u>Past Due Loans</u>	
Current	\$ 4,636,191
15-29 Days Past Due	1,504,838
30-59 Days Past Due	770,401
60-89 Days Past Due	358,462
>90 Days Past Due	487,069
Total	<u><u>\$ 7,756,961</u></u>



**HABITAT FOR HUMANITY NORTH CENTRAL CONNECTICUT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 4 MORTGAGE NOTES RECEIVABLE (CONTINUED)**

The Organization sells homes based on its predetermined cost, which is reviewed annually by HFHI, and concurrently, the Organization 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, 2025.

**NOTE 5 LONG-TERM DEBT**

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

	Outstanding Balance
	2025
SHOP/HUD Notes with stated rates of 0% payable through June 2029	\$ 27,999
Windsor Federal Savings Notes with stated rates of 4% payable through July 1, 2032.	239,225
Connecticut Housing Finance Authority (CHFA) Notes payable with stated rate of 0% payable through August 2034.	114,692
U.S. Small Business Administration (SBA) note payable with interest of 2.75% through May 16, 2050	126,552
SBA Economic Injury Disaster Loan Advance with stated rate of 2.75% payable through 2050	10,000
Total Long-Term Debt	518,468
Less: Mortgage Discount on Loans	(26,935)
Less: Current Portion of Long-Term Debt	(66,958)
Total Loan-Term Debt, Net of Current Portion and Discounts	\$ 424,575

As the above CHFA notes are noninterest-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 \$114,692 at June 30, 2025.

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

**HABITAT FOR HUMANITY NORTH CENTRAL CONNECTICUT, INC.**  
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**NOTE 5 LONG-TERM DEBT (CONTINUED)**

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	\$ 66,958
2027	65,969
2028	62,574
2029	63,628
2030	56,488
Thereafter	202,851
Total	<u>\$ 518,468</u>

**NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were subject to the following purpose restrictions as of June 30, 2025:

	<u>2025</u>
Subject to Expenditure for Specified Purpose:	
Housing Construction	\$ 128,090
Total Net Assets With Donor Restrictions	<u>\$ 128,090</u>

Net assets with donor restrictions of \$114,783 were released for housing construction during the year ended June 30, 2025.

**NOTE 7 IN-KIND DONATIONS**

The Organization received donated goods and materials of \$1,168,507 for ReStore for the year ended June 30, 2025. The Organization processes these in-kind contributions to determine if they can be accepted as merchandise available for sale in its ReStores. The Organization recognizes the value of donated merchandise available for sale in its ReStores using an estimated fair market value. These donated goods and materials are utilized by the Organization's programs. There were no donor-imposed restrictions related to these in-kind contributions.

**NOTE 8 PENSION PLAN**

The Organization provides a 401(k) plan for its employees. Eligible participants can elect to contribute salary deferrals up to the IRS maximum. The Organization will match 100% of the employee's contribution up to 4% of the employee's compensation at the plan year-end. For the year ended June 30, 2025, the Organization's contributions totaled \$427,88.

**HABITAT FOR HUMANITY NORTH CENTRAL CONNECTICUT, INC.**  
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**NOTE 9 LEASES**

The Organization leases buildings under various operating lease agreements expiring in various years through 2031. Rent expense for the year ended June 30, 2025 totaled \$263,757.

The following table provides quantitative information concerning the Organization's leases.

	<u>2025</u>
Lease Costs	
Operating Lease Costs	\$ 225,116
Total Lease Costs	<u>\$ 225,116</u>
Other Information:	
Operating Cash Flows from Operating Leases	\$ 221,930
Weighted-Average Remaining Lease Term -	
Operating Leases	5.3 Years
Weighted-Average Discount Rate - Operating Leases	3.84%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2025, is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2026	\$ 192,731
2027	192,252
2028	194,720
2029	178,928
2030	89,879
Thereafter	<u>139,547</u>
Total Future Undiscounted Lease Payments	988,057
Less: Discount	<u>(96,388)</u>
Total Lease Liability	<u>\$ 891,669</u>

**NOTE 10 COMMITMENTS AND CONTINGENCIES**

The Organization 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 the Organization.

