HARTFORD AREA HABITAT FOR HUMANITY, INC.

June 30, 2013 and 2012

HARTFORD AREA HABITAT FOR HUMANITY, INC.

Table of Contents

I. CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Hartford Area Habitat for Humanity, Inc.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Hartford Area Habitat for Humanity, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hartford Area Habitat for Humanity, Inc. as of June 30, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated December 18, 2013, on our consideration Hartford Area Habitat for Humanity, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Hartford Area Habitat for Humanity, Inc.'s internal control over financial reporting and compliance.

Whittlesey & Hadley, P.C.

December 18, 2013

HARTFORD AREA HABITAT FOR HUMANITY, INC.

Consolidated Statements of Financial Position

June 30, 2013 and 2012

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,689,505	$ 656,769
Restricted cash	232,665	1,597,080
Grants receivable	347,523	424,396
Other receivables	7,939	74,282
Current portion of mortgage notes receivable	530,758	503,519
Inventory	2,866,005	1,933,682
Prepaid expenses	10,734	18,709
Total current assets	5,685,129	5,208,437
Property and equipment:		
Land and building	189,008	185,707
Furniture, fixtures and equipment	297,086	282,420
Less: accumulated depreciation	(298,375)	(275,262)
Total property and equipment	187,719	192,865
Other assets:		
Mortgage notes receivable, net of mortgage discount of $4,879,842 and $4,652,474, respectively	4,307,820	4,049,445
Other real estate owned	86,553	86,553
Deposits and escrows	48,332	59,033
Deferred assets (net of amortization)	433,787	500,895
Investments in partnerships	3,467,556	3,366,717
Total other assets	8,344,048	8,062,643
Total assets	$ 14,216,896	$ 13,463,945
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	$ 165,688	$ 191,346
Accounts payable and accrued expenses	86,088	112,052
Advance payments and downpayments	270,523	312,937
Total current liabilities	522,299	616,335
Long-term debt, net of current portion and CHFA mortgage discount of $153,606 and $174,228, respectively	1,277,053	1,408,480
Long-term debt - other	4,431,620	4,431,620
Total liabilities	6,230,972	6,456,435
Net assets:		
Unrestricted	7,147,057	6,113,314
Temporarily restricted	838,867	894,196
	7,985,924	7,007,510
Total liabilities and net assets	$ 14,216,896	$ 13,463,945

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

HARTFORD AREA HABITAT FOR HUMANITY, INC.

Consolidated Statement of Activities and Changes in Net Assets

For the year ended June 30, 2013
(with comparative totals for 2012)

	Unrestricted	Temporarily Restricted	2013 Total	2012 Total
Revenue and other support:				
Property transferred to homeowners	$ 1,000,000	$ -	$ 1,000,000	$ 745,793
Contributions	1,357,446	708,860	2,066,306	2,018,877
Grants	989,669	-	989,669	1,011,126
Imputed interest on mortgage receivables	340,654	-	340,654	372,912
Other income	47,865	-	47,865	54,572
Interest income	137,276	-	137,276	2,152
Satisfaction of program restrictions	764,189	(764,189)	-	-
Total revenue and other support	4,637,099	(55,329)	4,581,770	4,205,432
Expenses:				
Program services	3,196,526	-	3,196,526	2,173,740
General and administrative	275,169	-	275,169	247,114
Fundraising	131,661	-	131,661	141,081
Total expenses	3,603,356	-	3,603,356	2,561,935
Change in net assets	1,033,743	(55,329)	978,414	1,643,497
Net assets - beginning of year	6,113,314	894,196	7,007,510	5,364,013
Net assets - end of year	$ 7,147,057	$ 838,867	$ 7,985,924	$7,007,510

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

HARTFORD AREA HABITAT FOR HUMANITY, INC.

Consolidated Statements of Cash Flows

For the years ended June 30, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	$ 978,414	$ 1,643,497
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	23,763	22,966
Amortization	67,108	31,648
Gain on disposal of equipment	(650)	-
Mortgage notes receivable discount	227,368	(10,829)
CHFA mortgage discount	20,662	22,348
Changes in assets - (increase)/decrease:		
Inventory	(1,173,423)	(927,182)
Prepaid expenses	7,975	(17,303)
Grants receivable	76,873	(139,105)
Other receivables	66,343	8,380
Other real estate owned	-	108,154
Deposits and escrows	10,701	(5,091)
Changes in liabilities - increase/(decrease):		
Accounts payable and accrued expenses	(25,964)	(5,675)
Advance payments and downpayments	(42,414)	298,187
Net cash provided by operating activities	236,756	1,029,995
Cash flows from investing activities:		
New loans originated	(1,000,000)	(937,912)
Loan payments	487,018	863,245
Purchase of equipment	(17,967)	(9,151)
Deferred assets	-	(532,544)
Investments in partnerships	140,261	(3,607,817)
Net cash used in investing activities	(390,688)	(4,224,179)
Cash flows from financing activities:		
Proceeds from notes payable	37,500	4,491,206
Payments on notes payable	(215,247)	(205,911)
Net cash used in financing activities	(177,747)	4,285,295
Increase/(decrease) in cash and cash equivalents	(331,679)	1,091,111
Cash and cash equivalents - beginning of year	2,253,849	1,162,738
Cash and cash equivalents - end of year	$ 1,922,170	$ 2,253,849
Supplementary information		
Interest paid	$ 101,073	$ 87,184
Noncash investing activity:		
Mortgage discount	$ 568,022	$ 461,053

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

Hartford Area Habitat for Humanity, Inc.

Consolidated Statement of Functional Expenses

For the year ended June 30, 2013
(with comparative totals for 2012)

	Program Services	Management and General	Fundraising	2013 Total	2012 Total
Cost of homes sold	$ 1,541,115	$ -	$ -	$ 1,541,115	737,495
Other expenses:					
Auto and travel	10,231	2,842	1,137	14,211	9,698
Advertising	12,128	3,369	1,348	16,844	14,288
Development	-	-	120	120	1,500
Salaries	460,155	131,867	47,084	639,104	662,313
Payroll taxes and fringe benefits	118,896	33,027	13,211	165,133	150,384
Insurance	28,203	7,834	3,134	39,171	25,655
Miscellaneous	3,084	857	343	4,283	5,585
Office repairs and maintenance	6,882	1,912	765	9,558	4,700
Office administration	49,117	13,644	5,457	68,218	56,510
Other program service costs	52,983	14,717	5,887	73,587	46,980
Professional fees	123,836	34,399	13,760	171,995	116,991
Occupancy expenses	14,491	4,025	1,610	20,127	8,278
Tithe and donations to affiliates	43,356	-	-	43,356	45,177
Training and staff development	1,045	290	116	1,452	613
Utilities and telephone	22,215	6,171	2,468	30,854	25,422
Warranty costs	14,247	-	-	14,247	890
Special events	-	-	27,137	27,137	46,605
Interest	72,773	20,215	8,086	101,073	87,184
Total other expenses	1,033,640	275,169	131,661	1,440,470	1,308,773
Total expenses before mortgage discount and depreciation	2,574,755	275,169	131,661	2,981,585	2,046,268
Mortgage discount	568,022	-	-	568,022	461,053
Depreciation/amortization	53,749	-	-	53,749	54,614
Total expenses	$ 3,196,526	$ 275,169	$ 131,661	$ 3,603,356	$2,561,935

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

NOTE 1 - ORGANIZATION ACTIVITY

Hartford Area Habitat for Humanity, Inc. ("HAHFH"), a non-profit organization, non-stock corporation organized under Connecticut law in 1988, is located in Hartford, Connecticut. HAHFH, 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 HAHFH, volunteer their labor in partnership with HAHFH to build the house. The house is then sold to the individual at a predetermined cost which is reviewed annually by the Affiliate. Upon sale, HAHFH 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.

HAHFH formed 181 South Marshall Street, LLC in January 2012, as an intermediary for expanding the South Marshall Street project. The consolidated financial statements include the accounts of HAHFH and 181 South Marshall Street, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Hartford Area Habitat for Humanity, Inc. is presented to assist in understanding HAHFH's financial statements. The financial statements and accompanying notes are representations of HAHFH'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 Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of HAHFH and changes therein are classified and reported as follows:

> Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations. HAHFH treats all support that is restricted by the donor as unrestricted support when the receipt of the support and the expiration of the restriction occur in the same period.
>
> Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, with actions of HAHFH and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions - Contributions, including unconditional promises to give, are recorded as received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give, due in the subsequent years, are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Donated Materials and Services - Donated property, including building materials, is recorded as a contribution at a discounted retail value when received. HAHFH receives donated services from a variety of unpaid volunteers who assist in building the houses. No amounts have been recognized in the accompanying statement 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.

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

In-kind contributions consist of tools donated by The Stanley Works and then sold in the Stanley Store, furnaces donated by Carrier Corporation, and discounts on services provided by various contractors. The total amount of in-kind contributions recognized for the years ended June 30, 2013 and 2012, was $65,463 and $88,266, respectively. The Stanley Store was closed during the year ended June 30, 2013.

Inventories - Inventories on properties constructed for sale are valued using specific identification.

Tax Status - HAHFH 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, HAHFH qualifies for the charitable contribution deduction as provided in Section 170 of the Internal Revenue Code. HAHFH implemented the accounting guidance for uncertainty in income taxes. Tax positions initially need to be recognized in the financial statements when it is more-likely-than-not that the position will be sustained upon examination by the tax authorities. As of June 30, 2013 and 2012, HAHFH has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Management believes that it has appropriate support for income tax positions taken in its tax returns. Currently, HAHFH's federal tax informational returns for 2009-2011 remain open to inspection by the Internal Revenue Service, with the 2012 tax return to be filed in 2013.

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. HAHFH follows the practice of capitalizing all expenditures for property and equipment in excess of $1,000.

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.

Cash and Cash Equivalents - HAHFH considers cash on deposit with financial institutions, money market funds, and other investments with an original maturity of three months or less to be cash equivalents. HAHFH maintains its cash in bank accounts, which, at times, may exceed federally insured limits. HAHFH has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Other Real Estate Owned - Other real estate owned is carried at the lower of fair value or recorded investment in the loan.

Investments in Partnerships - HAHFH invested, along with several other Habitat affiliates, in two separate joint ventures named HFHI-SA Leverage IX, LLC and CCML Leverage I, LLC to take advantage of new market tax credit ("NMTC") financing. The investments in the joint ventures are recorded at fair market value using the cost approach. Any changes in market value are reported in the consolidated statements of activities as investment income or loss.

Subsequent Events Measurement Date - HAHFH monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for fiscal year 2013 through December 18, 2013, the date on which the financial statements were available to be issued.

Reclassifications - Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 3 - INVENTORIES

At June 30, 2013 and 2012, respectively, the residential units in inventory consisted of the following:

	2013	2012
Construction in progress and completed units that are unoccupied	$ 129,434	$ 62,740
Land	383,508	230,360
Construction in progress relating to NMTC #1	105,153	779,910
Land - NMTC #1	10,750	61,210
Construction in progress relating to NMTC #2	1,725,193	455,420
Land - NMTC #2	511,967	102,942
Total inventory	$ 2,866,005	$ 1,692,582

NOTE 4 - OTHER REAL ESTATE OWNED

Other real estate owned is comprised of loans in the process of foreclosure. The balance of the first mortgages of these loans as of June 30, 2013 and 2012, is $86,553 and $86,553, respectively. 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.

NOTE 5 – INVESTMENTS IN PARTNERSHIPS

During November 2011 and April 2012, HAHFH participated in two NMTC programs. The programs provide funds to eligible organizations for investment in qualified low-income community investments. Program compliance requirements include creation of a promissory note and investment in a qualified community development entity ("CDE or sub-CDE"). Tax credit recapture is required if compliance requirements are not met over a seven-year period. In November 2011, HAHFH invested, along with several other Habitat affiliates, in a joint venture named HFHI-SA Leverage IX, LLC to take advantage of the NMTC financing. As a result, HAHFH initially invested $1,931,719 (combination of cash and work-in-process inventory) and was able to secure a 16-year loan in the amount of $2,551,620 payable to the sub-CDE named HFHI-SA NMTC VI, LLC. The loan proceeds are to be used solely for the purpose of constructing and selling qualified housing properties to low income residents. The loan requires semi-annual interest only payments until November 15, 2019 at 0.75%. Commencing November 15, 2019, semi-annual principal payments are due through the maturity date of November 13, 2027. In April 2012, HAHFH invested, along with several other Habitat affiliates, in a joint venture named CCML Leverage I, LLC to take advantage of the NMTC financing. As a result, HAHFH initially invested $1,448,867 (combination of cash and work-in-process inventory) and was able to secure a 16-year loan in the amount of $1,880,000 payable to the sub-CDE named CCM Community Development XVII, LLC. The loan proceeds are to be used solely for the purpose of constructing and selling qualified housing properties to low income residents. The loan requires semi-annual interest only payments until May 5, 2020 at 0.77%. Commencing May 5, 2020, semi-annual principal payments are due through the maturity date of April 11, 2028. The loans are secured by substantially all the assets acquired by HAHFH from the projects loan proceeds. The loans have a put feature option that is exercisable in November 2019 and May 2020, respectively. Under the terms of the put option agreement, the joint venture is expected to purchase the ownership interest of the affiliated investment fund that is the upstream effective owner of the sub-CDE, and holder of the promissory note due from HAHFH, as long as compliance requirements are met. Exercise of this option will effectively allow HAHFH to extinguish its outstanding debt owed to the affiliated investment fund.

NOTE 5 – INVESTMENTS IN PARTNERSHIPS (*CONTINUED*)

The investments are recorded at market value as follows as of June 30, 2013 and 2012:

	2013	2012
HFHI-SA NMTC VI, LLC	$ 1,983,213	$ 1,918,615
CCM Community Development XVII, LLC	1,484,343	1,448,102
	$ 3,467,556	$ 3,366,717

NOTE 6 - MORTGAGE NOTES RECEIVABLE

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

	2013	2012
Mortgage notes receivable	$ 9,718,420	$ 9,205,438
Less: unamortized discount on non-interest bearing mortgage notes receivable	(4,879,842)	(4,652,474)
	4,838,578	4,552,964
Less: current portion	(530,758)	(503,519)
	$ 4,307,820	$ 4,049,445

Since the above referred 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 7.69% to 8.48%) is $4,838,578 and $4,552,964 at June 30, 2013 and 2012, respectively. The servicing of these mortgages is performed by a bank. The scheduled maturities of these notes are as follows:

Year ended June 30,	
2014	$ 530,758
2015	530,758
2016	530,758
2017	530,758
2018	530,758
Thereafter	7,064,630
	$ 9,718,420

HAHFH sells homes based on its predetermined cost, which is reviewed annually by the Affiliate, and concurrently, HAHFH 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. The balance of these second and third mortgages is $3,421,700 and $3,709,828 as of June 30, 2013 and 2012, respectively. It is anticipated that none of these mortgages will be required to be repaid. As a result, these mortgages have not been recorded as of June 30, 2013 and 2012, respectively.

NOTE 7 - DEPOSITS AND ESCROWS

Deposits consist of down payments on home purchases and escrows consist of loan payments on AAR Program Notes paid in advance. 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 mortgage payments will be considered rent to HAHFH according to a use and occupancy agreement. HAHFH borrows funds from HFHI's Accelerated Asset Recovery (AAR) Program. As a condition of the program, HFHI reduces the amount of funds lent to HAHFH by one scheduled loan payment.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2013 and 2012, respectively, temporarily restricted net assets were subject to the following purpose restrictions:

	2013	2012
Housing construction	$ 821,970	$ 878,049
Education	16,897	16,147
Total temporarily restricted net assets	$ 838,867	$ 894,196

NOTE 9 - FUNCTIONAL EXPENSES

Expenses are charged to programs based on direct expense incurred. Any program expenses not directly chargeable are allocated to programs based on direct program employee wages to total employee wages. The expenses are broken down between program and support services.

NOTE 10 - PENSION PLAN

HAHFH provides a 401(k) plan for its employees. The eligible participant can contribute up to 20% of their total compensation up to the IRS maximum. HAHFH contributes an amount equal to 2% of cash salary and will match 100% of the employee's contribution up to 2% of the employee's compensation at the plan year end. For the years ended June 30, 2013 and 2012, HAHFH's contributions totaled $13,793 and $10,857, respectively. Beginning in fiscal year 2011, the employer match was terminated.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

HAHFH 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 HAHFH.

NOTE 12 - LONG-TERM DEBT

As of June 30, 2013 and 2012, long-term debt consisted of the following:

	Maturity Date	Interest Rate	Outstanding Balance June 30, 2013	Outstanding Balance June 30, 2012
Habitat for Humanity International SHOP/HUD Notes	1/1/2012	0.000%	$ -	$ 1,713
	1/1/2013	0.000%	2,212	6,580
	7/1/2013	0.000%	-	773
	7/1/2015	0.000%	6,256	8,752
	7/1/2015	0.000%	5,628	7,500
	7/1/2016	0.000%	18,959	21,388
	7/1/2017	0.000%	29,994	29,994
	7/1/2017	0.000%	37,500	30,000
			100,549	106,700
AAR Program	3/1/2013	3.890%	-	26,486
	12/1/2014	4.000%	64,939	108,994
			64,939	135,480
Windsor Federal Savings	6/1/2019	6.000%	52,663	60,449
	1/1/2023	4.000%	85,239	92,847
	8/1/2024	4.000%	33,573	36,127
	2/1/2031	4.000%	65,720	68,456
	4/1/2031	4.000%	130,591	135,970
	12/1/2031	4.000%	65,521	68,246
	4/1/2032	4.000%	148,279	153,864
	7/1/2032	4.000%	155,510	161,410
			737,096	777,369
First Niagara	4/24/2027	6.000%	145,497	152,011
Connecticut Housing Finance Authority (CHFA)	12/1/2012	0.000%	-	2,133
	10/1/2013	0.000%	777	3,020
	6/1/2014	0.000%	2,385	4,642
	11/1/2014	0.000%	3,642	6,109
	2/1/2018	0.000%	21,005	24,904
	4/1/2019	0.000%	15,152	17,334
	10/1/2019	0.000%	12,316	13,887
	11/1/2019	0.000%	12,387	13,983
	6/1/2023	0.000%	19,297	20,812
	10/1/2023	0.000%	30,597	32,804
	8/1/2024	0.000%	21,715	23,150
	9/1/2024	0.000%	28,719	30,577
	10/1/2024	0.000%	19,199	20,427
	5/1/2026	0.000%	25,653	27,059
	12/1/2030	0.000%	38,054	39,376
	11/1/2031	0.000%	44,659	46,102
	7/1/2032	0.000%	48,358	49,496
	10/1/2034	0.000%	50,745	52,451
			394,660	428,266
Total			1,442,741	1,599,826
Less: Current portion			(165,688)	(191,346)
			$ 1,277,053	$ 1,408,480

NOTE 12 - LONG-TERM DEBT *(CONTINUED)*

As the above referred 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 $153,606 and $174,228 at June 30, 2013 and 2012, respectively.

The Windsor Federal Savings note due June 1, 2019 is secured by the building. All other notes, except for the Habitat for Humanity International SHOP/HUD notes, are secured by certain pledged mortgage receivable payments.

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

Year ended June 30,	
2014	$ 165,688
2015	140,407
2016	120,771
2017	110,074
2018	104,713
Thereafter	801,088
	$ 1,442,741

HAHFH received funding through HFHI from HUD to complete new properties. The total of the awards received during the period ending June 30, 2013 and 2012, is $112,500 and $239,976. These awards are considered 75% grants and 25% noninterest bearing loans to be repaid to HFHI over a four-year period.

HAHFH received funding through Habitat for Humanity International (HFHI) from Accelerated Asset Recovery Program (AAR). Under the AAR program, affiliates pledge mortgages in exchange for a lump sum payment equal to approximately the sum of seven years worth of payments on the mortgages. Over the next seven years, the actual monthly payments from the pledged mortgages are then used to repay the money advanced to the affiliate. The affiliate must also pay interest on this amount at interest rates between 3.25% and 4.00%. The total of the funds received during the period ending June 30, 2013 and 2012 is $0 and $0, respectively.

HAHFH is participating in two separate NMTC programs, and has taken on long term debt with HFHI-SA Leverage IX, LLC and CCM Community Development VXII, LLC, the qualified community development entities for each program. The long term debt associated with these projects consisted of the following as of June 30, 2013:

	Maturity	Rate	Balance
HFHI-SA NMTC VI, LLC	11/15/2027	0.750%	$ 2,551,620
CCM Community Development XVII, LLC	5/5/2028	0.770%	1,880,000
Total			$ 4,431,620

II. REPORTS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

WHITTLESEY & HADLEY, P.C.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Hartford Area Habitat for Humanity, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Hartford Area Habitat for Humanity, Inc., which comprise the statement of financial position as of June 30, 2013 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued a report thereon dated December 18, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of financial statements, we considered Hartford Area Habitat for Humanity, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hartford Area Habitat for Humanity, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Hartford Area Habitat for Humanity, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hartford Area Habitat for Humanity, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Hartford Area Habitat for Humanity, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hartford Area Habitat for Humanity, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Whittlesey & Hadley, P.C.

December 18, 2013

III. REPORTS IN ACCORDANCE WITH OMB CIRCULAR A-133

WHITTLESEY & HADLEY, P.C.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors of
Hartford Area Habitat for Humanity, Inc.

Report on Compliance for Each Major Federal Program

We have audited Hartford Area Habitat for Humanity, Inc.'s compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Hartford Area Habitat for Humanity, Inc.'s major federal programs for the year ended June 30, 2013. Hartford Area Habitat for Humanity, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Hartford Area Habitat for Humanity, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hartford Area Habitat for Humanity, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hartford Area Habitat for Humanity, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Hartford Area Habitat for Humanity, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of Hartford Area Habitat for Humanity, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hartford Area Habitat for Humanity, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hartford Area Habitat for Humanity, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Whittlesey & Hadley, P.C.

December 18, 2013

HARTFORD AREA HABITAT FOR HUMANITY, INC.

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2013

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development		
Home Investment Partnerships Program	14.239	$ 726,480
Community Development Block Grants/Entitlement Grants	14.218	183,750
Self-Help Homeownership Opportunity Program - (SHOP) Pass-through from HFHI	14.247	79,439
Total Federal Awards		$ 989,669

See accompanying notes to schedule of expenditures of federal awards.

Hartford Area Habitat for Humanity, Inc.

Notes to Schedule of Expenditures of Federal Awards

For the year ended June 30, 2013

NOTE 1 – BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Hartford Area Habitat for Humanity, Inc. under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Hartford Area Habitat for Humanity, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Hartford Area Habitat for Humanity, Inc..

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Schedule of Federal Findings and Questioned Costs

For the year ended June 30, 2013

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	*Unmodified*	
Internal control over financial reporting:		
Material weakness(es) identified?	____ yes	X no
Significant deficiency(ies) identified?	____ yes	X none reported
Noncompliance material to the financial statements noted?	____ yes	X no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	____ yes	X no
Significant deficiency(ies) identified?	____ yes	X none reported
Type of auditor's reports issued on compliance for major programs:	*Unmodified*	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	____ yes	X no

Identification of Major Programs

Federal Grantor/Pass-Through Grantor Program Title	CFDA #	Amount
U.S. Department of Housing and Urban Development		
Home Investment Partnerships Program	14.239	$ 726,480

Dollar threshold used to distinguish between type A and type B programs:		$ 300,000
Auditee qualified as a low risk auditee?	X yes	____ no

II. Financial Statement Findings:

No matters were reported.

III. Federal Awards Findings and Questioned Costs:

No matters were reported.