HARTFORD AREA HABITAT FOR HUMANITY, INC.

June 30, 2017

Consolidated Financial Statements

HARTFORD AREA HABITAT FOR HUMANITY, INC.

Table of Contents

I. CONSOLIDATED FINANCIAL STATEMENTS

Whittlesey
Forward Advising™

Headquarters
280 Trumbull St
24th Floor
Hartford, CT 06103
Tel: 860.522.3111

www.WAdvising.com

One Hamden Center
2319 Whitney Ave, Suite 2A
Hamden, CT 06518
Tel: 203.397.2525

14 Bobala Road #3
Holyoke, MA 01040
Tel: 413.536.3970

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
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 statement of financial position as of June 30, 2017, and the related consolidated statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 consolidated financial position of Hartford Area Habitat for Humanity, Inc. as of June 30, 2017, 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.

Emphasis of Matter, Restated Prior Year's Financial Statements

As described in Note 15, subsequent to the issuance of Hartford Area Habitat for Humanity, Inc.'s 2016 financial statements, we became aware that the 2016 financial statements reflected incorrect long-term debt and net assets. In our original report we issued an unmodified opinion, and our opinion on the restated financial statements remains unmodified.

Report on Summarized Comparative Information

We have previously audited Hartford Area Habitat for Humanity, Inc.'s 2016 financial statements, and our report dated December 2, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Whittlesey & Hadley, P.C.

Hartford, Connecticut
November 9, 2017

HARTFORD AREA HABITAT FOR HUMANITY, INC.

Consolidated Statements of Financial Position

June 30, 2017 and 2016

	2017	Restated 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,292,429	$ 931,934
Restricted cash	219,336	249,226
Grants and other receivables	424,214	1,380,085
Current portion of mortgage notes receivable	772,178	712,665
Inventory	1,299,481	1,419,516
Prepaid expenses	15,150	16,640
Total current assets	4,022,788	4,710,066
Property and equipment:		
Land, building and improvements	460,290	262,090
Furniture, fixtures and equipment	1,089,421	1,054,371
Less: accumulated depreciation	(622,567)	(515,990)
Total property and equipment	927,144	800,471
Other assets:		
Mortgage notes receivable, net of mortgage discount	5,852,367	5,627,508
Other real estate owned	495,164	234,930
Deposits and escrows	2,516	2,516
Deferred assets (net of amortization)	165,350	232,460
Investments in partnerships	3,681,144	3,627,745
Total other assets	10,196,541	9,725,159
Total assets	$ 15,146,473	$ 15,235,696
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	$ 178,918	$ 175,583
Accounts payable and accrued expenses	380,407	277,866
Advance payments and down payments	87,893	157,691
Total current liabilities	647,218	611,140
Long-term debt, net of current portion and CHFA mortgage discount of $84,898 and $99,588, respectively	1,313,364	1,647,607
Long-term debt - other	4,431,620	4,431,620
Total liabilities	6,392,202	6,690,367
Net assets:		
Unrestricted	8,329,855	7,946,975
Temporarily restricted	424,416	598,354
Total net assets	8,754,271	8,545,329
Total liabilities and net assets	$ 15,146,473	$ 15,235,696

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, 2017
(with comparative totals for the year ended June 30, 2016)

	Unrestricted	Temporarily Restricted	2017 Total	Restated 2016 Total
Revenue and other support:				
Property transferred to homeowners	$ 1,535,565	$ -	$ 1,535,565	$ 1,589,813
Contributions	537,036	500,000	1,037,036	1,374,163
Grants	1,171,811	25,086	1,196,897	1,349,379
Imputed interest on mortgage receivables	726,216	-	726,216	391,955
ReStore income	839,902	-	839,902	855,781
Other income	21,024	-	21,024	14,174
Interest income	89,161	-	89,161	89,244
Gain on sale of mortgages	67,334	-	67,334	9,261
Satisfaction of program restrictions	699,024	(699,024)	-	-
Total revenue and other support	5,687,073	(173,938)	5,513,135	5,673,770
Expenses:				
Program services	4,031,088	-	4,031,088	3,880,374
ReStore	781,190	-	781,190	734,916
General and administrative	271,735	-	271,735	245,177
Fundraising	220,180	-	220,180	213,000
Total expenses	5,304,193	-	5,304,193	5,073,467
Change in net assets	382,880	(173,938)	208,942	600,303
Net assets - beginning of year	7,946,975	598,354	8,545,329	7,945,026
Net assets - end of year	$ 8,329,855	$ 424,416	$ 8,754,271	$ 8,545,329

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, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 208,942	$ 600,303
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	106,577	108,125
Amortization	27,043	27,043
Imputed interest on mortgage receivables	(726,216)	(391,955)
Mortgage discount	839,642	961,897
Loss on impairment	400,000	-
CHFA mortgage discount	14,690	(14,971)
(Gain) on sale of mortgage	(67,334)	(9,261)
Changes in assets - (increase)/decrease:		
Inventory	(279,965)	484,160
Prepaid expenses	1,490	(2,110)
Grants and other receivables	955,871	(647,728)
Other real estate owned	(260,234)	(17,717)
Deposits and escrows	-	(2,516)
Changes in liabilities - increase/(decrease):		
Accounts payable and accrued expenses	102,541	93,218
Advance payments and down payments	(69,798)	1,691
Net change in cash from operating activities	1,253,249	1,190,179
Cash flows from investing activities:		
New loans originated	(1,535,565)	(1,762,222)
Loan payments	816,371	561,241
Proceeds from sale of recycled homes	388,730	88,800
Purchase of land, buildings and equipment	(233,250)	(35,231)
Deferred assets	40,067	-
Investments in partnerships	(53,399)	(53,396)
Net change in cash from investing activities	(577,046)	(1,200,808)
Cash flows from financing activities:		
Proceeds from notes payable	43,890	25,064
Payments on notes payable	(389,488)	(149,097)
Net change in cash from financing activities	(345,598)	(124,033)
Change in cash and cash equivalents	330,605	(134,662)
Cash and cash equivalents - beginning of year	1,181,160	1,315,822
Cash and cash equivalents - end of year	$ 1,511,765	$ 1,181,160
Supplementary information		
Interest paid	$ 97,337	$ 86,785

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, 2017
(with comparative totals for the year ended June 30, 2016)

	Program Services	ReStore	Management and General	Fundraising	2017 Total	2016 Total
Cost of homes sold	$ 1,672,493	$ -	$ -	$ -	$ 1,672,493	$ 1,889,675
Other expenses:						
Salaries	427,894	266,483	157,931	151,257	1,003,565	906,295
Payroll taxes and fringe benefits	114,040	45,897	42,078	40,295	242,310	179,949
Other program service costs	134,554	-	-	-	134,554	78,693
Moving and storage	-	133,492	-	-	133,492	111,127
Occupancy expenses	41,852	68,255	11,622	4,647	126,376	133,365
Interest	59,577	14,592	16,549	6,619	97,337	86,785
Office administration	39,412	29,218	10,948	4,379	83,958	95,168
Insurance	20,095	35,629	5,582	2,233	63,539	62,090
Tithe and donations to affiliates	50,127	-	-	-	50,127	42,821
Subcontractors	50,019	-	-	-	50,019	121,805
Utilities and telephone	1,251	38,904	348	139	40,642	40,725
Miscellaneous	-	35,479	-	-	35,479	34,809
Special events	25,354	-	7,043	2,817	35,214	51,791
Advertising	16,624	10,850	4,618	1,846	33,939	46,613
Office repairs and maintenance	17,093	6,879	4,749	1,899	30,620	30,977
Professional fees	22,193	396	6,164	2,466	31,219	27,167
Warranty costs	25,974	-	-	-	25,974	864
Training and staff development	10,204	9,739	3,000	1,141	24,084	13,732
Auto and travel	3,972	10,474	1,102	441	15,989	21,951
Total other expenses	1,060,236	706,287	271,735	220,180	2,258,437	2,086,727
Total expenses before mortgage discount, loss on impairment and depreciation	2,732,729	706,287	271,735	220,180	3,930,931	3,976,402
Mortgage discount	839,642	-	-	-	839,642	961,897
Loss on impairment	400,000	-	-	-	400,000	-
Depreciation/amortization	58,717	74,903	-	-	133,620	135,168
Total expenses	$ 4,031,088	$ 781,190	$ 271,735	$ 220,180	$ 5,304,193	$ 5,073,467

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 HAHFH. 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.

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 Accounting - The financial statements of HAHFH have been prepared on the accrual basis.

Basis of Presentation – Financial statement presentation follows *Financial Statement of Not-for-Profit Organization* topic of the Financial Accounting Standards Board ("ASC"). Under this topic, HAHFH reports information regarding it financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

> 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.
>
> Permanently Restricted Net Assets - Net assets that are subject to the restriction of gifts instruments, requiring in perpetuity that the principal be invested and income only, some of which is restricted for specific purposes, be utilized. HAHFH did not have any permanently restricted net assets at June 30, 2017 and 2016.

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.

Restricted Cash - HAHFH restricts the use of cash which has been set aside for specific housing projects and charitable pursuits.

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

Receivables – Grant and other receivables 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 for the years ended June 30, 2017 and 2016.

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.

Inventory - Inventory on properties constructed for sale is valued 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. HAHFH 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.

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 statement of activities and changes in net assets as investment income or loss.

Contributions - Contributions, including unconditional promises to give, are recognized as revenue in the period 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 that are due in 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.

HAHFH reports gifts of buildings and equipment as unrestricted support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support 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 restricted support. Absent explicit donor stipulations about how long those donated assets must be maintained, HAHFH reports expirations of donor restrictions when the donated or acquired assets are placed in service. HAHFH reclassifies temporarily restricted net assets to unrestricted net assets at that time.

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

In-kind contributions consist of air condition units 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, 2017 and 2016, was $117,702 and $103,625, respectively.

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.

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.

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

Comparative Totals - The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with HAHFH's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Subsequent Events Measurement Date - HAHFH monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for fiscal year 2017 through November 9, 2017, 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:

	2017	2016
Construction in progress and completed units that are unoccupied	$ 574,653	$ 166,983
Land	298,753	763,924
Construction in progress relating to NMTC #1	400	-
Land - NMTC #1	2,211	-
Construction in progress relating to NMTC #2	400	67,126
Land - NMTC #2	423,064	421,483
Total inventory	$ 1,299,481	$ 1,419,516

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, Habitat 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 $495,164 and $234,930 for the years ended June 30, 2017 and 2016, respectively.

NOTE 5 - INVESTMENTS IN PARTNERSHIPS

During November 2011 and April 2012, HAHFH participated in two NMTC programs. The programs provided 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.

The investments are recorded at market value as follows at June 30, 2017 and 2016:

	2017	2016
HFHI-SA NMTC VI, LLC	$ 2,104,188	$ 2,073,945
CCM Community Development XVII, LLC	1,576,956	1,553,800
	$ 3,681,144	$ 3,627,745

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:

	2017	2016
Mortgage notes receivable	$ 12,562,656	$ 12,756,210
Less: unamortized discount on non-interest bearing mortgage notes receivable	(5,938,111)	(6,416,037)
	6,624,545	6,340,173
Less: current portion	(772,178)	(712,665)
	$ 5,852,367	$ 5,627,508

NOTE 6 - MORTGAGE NOTES RECEIVABLE (*CONTINUED*)

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 (7.39% to 8.14%) is $6,624,545 and $6,340,173 at June 30, 2017 and 2016, respectively. The servicing of these mortgages is performed by a bank. The scheduled estimated maturities of these notes are approximately:

Year ended June 30,		
2018	$	772,178
2019		772,178
2020		772,178
2022		772,178
2023		772,178
Thereafter		2,763,655
	$	6,624,545

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. 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, 2017 and 2016, 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 occupancy 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 - LONG-TERM DEBT

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

	Maturity Date	Interest Rate	Outstanding Balance June 30, 2017	Outstanding Balance June 30, 2016
Habitat for Humanity International SHOP/HUD Notes	12/31/2017	0.000%	$ 948	$ 2,820
	12/31/2020	0.000%	859	980
	6/30/2021	0.000%	3,563	3,563
	6/30/2021	0.000%	3,563	3,563
	6/30/2018	0.000%	-	7,506
	6/30/2018	0.000%	4,710	9,390
	12/31/2018	0.000%	960	6,576
	12/31/2019	0.000%	21,096	29,532
	12/31/2020	0.000%	4,376	5,000
	12/31/2020	0.000%	4,742	5,414
	12/31/2020	0.000%	3,282	3,750
	12/31/2020	0.000%	7,658	8,750
	6/30/2020	0.000%	13,132	17,500
	6/30/2020	0.000%	3,750	3,750
	6/30/2020	0.000%	3,563	3,563
	6/30/2020	0.000%	7,125	7,125
	6/30/2020	0.000%	14,750	10,625
	6/30/2020	0.000%	22,640	-
	6/30/2020	0.000%	21,250	-
			141,967	129,407
City of Hartford		0.000%	$ -	$ 175,000
Windsor Federal Savings	2/1/2025	2.875%	$ 415,773	$ 463,479
	6/1/2019	4.080%	19,887	28,113
	1/1/2023	4.000%	25,354	62,853
	8/1/2024	4.000%	23,112	26,108
	2/1/2031	4.000%	54,512	57,721
	4/1/2031	4.000%	108,549	114,860
	12/1/2031	4.000%	54,351	57,550
	4/1/2032	4.000%	125,379	131,935
	7/1/2032	4.000%	131,374	138,296
			958,291	1,080,915
Key Bank	4/24/2027	6.000%	$ 115,060	$ 122,685
Connecticut Housing Finance Authority (CHFA)	2/1/2018	0.000%	2,481	7,645
	4/1/2019	0.000%	4,769	7,661
	10/1/2019	0.000%	4,579	6,715
	11/1/2019	0.000%	4,772	6,885
	6/1/2023	0.000%	12,325	14,261
	12/1/2023	0.000%	20,044	22,969
	8/1/2024	0.000%	14,843	16,735
	10/1/2024	0.000%	13,278	14,901
	5/1/2026	0.000%	19,033	20,854
	12/1/2030	0.000%	31,583	33,338
	11/1/2031	0.000%	37,641	39,549
	8/1/2032	0.000%	41,048	43,020
	10/1/2033	0.000%	43,884	45,742
			250,280	280,275
Toyota Financial Services	6/1/2020	3.900%	$ 26,684	$ 34,908
Total			1,492,282	1,823,190
Less: Current portion			(178,918)	(175,583)
			$ 1,313,364	$ 1,647,607

NOTE 8 - 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 $84,898 and $99,588 at June 30, 2017 and 2016, 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, and the Windsor Federal Savings note for ReStore, are secured by certain pledged mortgage receivable payments.

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

Year ended June 30,		
2018	$	178,918
2019		177,416
2020		171,287
2021		151,719
2022		144,628
Thereafter		668,314
	$	1,492,282

HAHFH received funding through HFHI from HUD to complete new properties. The total of the awards received during the years ending June 30, 2017 and 2016 is approximately $192,000 and $200,000. 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 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 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%. There were no funds received during the years ended June 30, 2017 and 2016.

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 consists of the following at June 30, 2017 and 2016:

	Maturity	Rate	2017	2016
HFHI-SA NMTC VI, LLC	11/15/2027	0.750%	$ 2,551,620	$ 2,551,620
CCM Community Development XVII, LLC	5/5/2028	0.770%	1,880,000	1,880,000
Total			$ 4,431,620	4,431,620

HAHFH received financing from Windsor Federal Savings, the note is secured by a savings account held at Windsor Federal Savings with the approximate balance of $262,500 at the time the note was signed, including any accrued interest on the account and all additional future deposits to the account.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were subject to the following purpose restrictions as June 30:

	2017	2016
Housing construction	$ 406,519	$ 580,457
Education	17,897	17,897
Total temporarily restricted net assets	$ 424,416	$ 598,354

Temporarily restricted net assets were released for the following purpose during the years ended June 30:

	2017	2016
Housing construction	$ 699,024	$ 638,567
Total temporarily restricted net assets released	$ 699,024	$ 638,567

NOTE 10 - 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 allocated between program and support services.

NOTE 11 - PENSION PLAN

HAHFH provides a 401(k) plan for its employees. Eligible participants 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, 2017 and 2016, HAHFH's contributions totaled $13,857 and $9,523, respectively.

NOTE 12 - LEASES

HAHFH leases buildings under various operating lease agreements expiring in various years through September, 2024. Rent expense for the years ended June 30, 2017 and 2016 totaled $78,711 and $82,123, respectively. Minimum future rental payments under operating leases having remaining terms in excess of one year are as follows:

For the years ended June 30:	
2018	$ 74,186
2019	74,186
2020	74,186
2021	44,000
2022	44,000
Thereafter	55,000

NOTE 13 - 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 14 – LOSS ON IMPAIRMENT

HAHFH determined that certain homes under construction (included in inventory) have been impaired. Therefore, HAHFH was required to make a fair value determination. This fair value determination was based on previous sales by HAHFH of homes in the area. HAHFH recorded an impairment adjustment of $400,000 and $-0- during the years ended June 30, 2017 and 2016, respectively, which is reflected in the statement of functional expenses.

NOTE 15 – PRIOR PERIOD ADJUSTMENT

Long-term debt increased and net assets decreased by $175,000 on July 1, 2016 to reflect an amount recorded as a grant but was subsequently determined to be a loan payable. The financials were prepared and are now reported as follows:

	Net Assets	Long Term Debt
Beginning balance previously reported	$ 8,720,329	$ 1,648,190
Adjustment	(175,000)	175,000
Beginning balances now reported	$ 8,545,329	$ 1,823,190