HARTFORD AREA HABITAT FOR HUMANITY, INC.

Independent Auditors' Report

Financial Statements

June 30, 2019

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HARTFORD AREA HABITAT FOR HUMANITY, INC.

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June 30, 2019 and 2018

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 financial statements of Hartford Area Habitat for Humanity, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and the related statements of activities, functional expenses and cash flows 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 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, 2019, 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.

Report on Summarized Comparative Information

We have previously audited the Hartford Area Habitat for Humanity, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 4, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Whittlesey PC

Hartford, Connecticut
November 8, 2019

HARTFORD AREA HABITAT FOR HUMANITY, INC.

Statements of Financial Position

June 30, 2019 and 2018

		2019		2018
ASSETS				
Current assets:				
Cash and cash equivalents	$	1,451,738	$	1,069,610
Restricted cash		2,189		268,830
Grants and other receivables		133,196		453,093
Current portion of mortgage notes receivable		750,546		851,596
Inventory		1,005,654		355,399
Prepaid expenses		29,873		18,364
Total current assets		3,373,196		3,016,892
Property and equipment:				
Land, building and improvements		479,365		479,365
Furniture, fixtures and equipment		1,102,091		1,092,546
Less: accumulated depreciation		(848,569)		(737,069)
Total property and equipment		732,887		834,842
Other assets:				
Mortgage notes receivable, net of mortgage discount		5,935,767		6,052,454
Other real estate owned		145,177		242,656
Deposits and escrows		2,516		2,516
Deferred assets (net of amortization)		-		98,241
Investments in partnerships		-		3,734,538
Total other assets		6,083,460		10,130,405
Total assets		10,189,543		13,982,139
LIABILITIES AND NET ASSETS				
Current liabilities:				
Current portion of long-term debt		150,469		166,218
Accounts payable and accrued expenses		258,049		218,030
Advance payments and down payments		24,995		39,678
Total current liabilities		433,513		423,926
Long-term debt, net of current portion and CHFA mortgage discount of $51,940 and $72,095, respectively		1,005,455		1,174,357
Long-term debt - other		-		4,431,620
Total liabilities		1,438,968		6,029,903
Net assets:				
Without donor restrictions		8,519,424		7,545,185
With donor restrictions		231,151		407,051
Total net assets		8,750,575		7,952,236
Total liabilities and net assets	$	10,189,543	$	13,982,139

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

HARTFORD AREA HABITAT FOR HUMANITY, INC.

Statement of Activities

For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Property transferred to homeowners	$ 873,288	$ -	$ 873,288
Contributions	1,300,445	486,495	1,786,940
Grants	80,250	-	80,250
Imputed interest on mortgage receivables	437,063	-	437,063
ReStore income	1,013,016	-	1,013,016
Other income	17,811	-	17,811
Interest income	3,525	-	3,525
Gain on sale of mortgages	122,387	-	122,387
Satisfaction of program restrictions	662,395	(662,395)	-
Total revenue and other support	4,510,180	(175,900)	4,334,280
Expenses:			
Program services			
Affordable housing program	2,901,515	-	2,901,515
ReStore	859,823	-	859,823
Total program services	3,761,338	-	3,761,338
General and administrative	141,965	-	141,965
Fundraising	355,794	-	355,794
Total expenses	4,259,097	-	4,259,097
Change in net assets from operations	251,083	(175,900)	75,183
Other change in net assets:			
NMTC benefit	723,156	-	723,156
Change in net assets	974,239	(175,900)	798,339
Net assets - beginning of year	7,545,185	407,051	7,952,236
Net assets - end of year	$ 8,519,424	$ 231,151	$ 8,750,575

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

HARTFORD AREA HABITAT FOR HUMANITY, INC.

Statement of Activities

For the Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Property transferred to homeowners	$ 1,821,192	$ -	$ 1,821,192
Contributions	394,767	1,374,920	1,769,687
Grants	812,614	-	812,614
Imputed interest on mortgage receivables	437,471	-	437,471
ReStore income	931,837	-	931,837
Other income	14,305	-	14,305
Interest income	89,011	-	89,011
Satisfaction of program restrictions	1,392,285	(1,392,285)	-
Total revenue and other support	5,893,482	(17,365)	5,876,117
Expenses:			
Program services			
Affordable housing program	5,007,825	-	5,007,825
ReStore	830,161	-	830,161
Total program services	5,837,986	-	5,837,986
Management and general	273,812	-	273,812
Fundraising	256,486	-	256,486
Total expenses	6,368,284	-	6,368,284
Change in net assets	(474,802)	(17,365)	(492,167)
Net assets - beginning of year	8,019,987	424,416	8,444,403
Net assets - end of year	$ 7,545,185	$ 407,051	$ 7,952,236

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

HARTFORD AREA HABITAT FOR HUMANITY, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2019 (With Comparative June 30, 2018 Totals)

	Program Services						
	Affordable Housing Program	ReStore	Total Program Services	General and Administrative	Fundraising	2019 Total	2018 Total
Cost of homes sold	$ 1,162,030	$ -	$ 1,162,030	$ -	$ -	$ 1,162,030	$ 2,784,779
Other expenses:							
Salaries	559,212	307,866	867,078	64,291	157,298	1,088,667	1,037,951
Payroll taxes and fringe benefits	149,858	83,376	233,234	9,158	39,712	282,103	279,645
Other program service costs	82,692	-	82,692	2,578	-	85,270	77,958
Moving and storage	-	137,172	137,172	-	-	137,172	133,236
Occupancy expenses	23,943	99,451	123,394	5,986	767	130,147	119,351
Interest	54,656	9,638	64,294	8,288	-	72,582	89,142
Office administration	80,227	23,195	103,422	15,452	1,981	120,855	87,943
Insurance	30,709	11,751	42,460	413	1,559	44,432	59,370
Tithe and donations to affiliates	41,740	-	41,740	7,079	-	48,819	39,317
Subcontractors	-	-	-	-	-	-	2,000
Utilities and telephone	18,199	34,563	52,762	-	-	52,762	47,661
Miscellaneous	7,308	48,086	55,394	3,215	45,248	103,857	125,112
Special events	-	-	-	-	73,759	73,759	59,707
Advertising	200	8,349	8,549	-	31,919	40,467	43,487
Office repairs and maintenance	22,548	13,264	35,812	-	-	35,812	45,984
Professional fees	16,683	-	16,683	22,500	-	39,183	28,764
Warranty costs	37,984	-	37,984	-	-	37,984	19,725
Training and staff development	14,585	5,005	19,590	1,872	1,580	23,043	12,047
Bad debt expense	20,025	-	20,025	-	-	20,025	51,458
Auto and travel	16,599	2,127	18,726	548	1,386	20,660	27,873
Total other expenses	1,177,170	783,841	1,961,011	141,379	355,208	2,457,598	2,387,731
Total expenses before mortgage discount, loss on impairment and depreciation	2,339,200	783,841	3,123,041	141,379	355,208	3,619,628	5,172,510
Mortgage discount	415,230	-	415,230	-	-	415,230	941,180
Loss on impairment	39,175	-	39,175	-	-	39,175	113,048
Depreciation/amortization	107,910	75,982	183,892	586	586	185,064	141,546
			-				
Total expenses	$ 2,901,515	$ 859,823	$ 3,761,338	$ 141,965	$ 355,794	$ 4,259,097	$ 6,368,284

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

HARTFORD AREA HABITAT FOR HUMANITY, INC.

Statements of Cash Flows

For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 798,339	$ (492,167)
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	111,499	114,503
Amortization	73,565	27,043
NMTC benefit	(723,156)	-
Loss on impairment	39,175	113,048
CHFA mortgage discount	20,155	12,803
Changes in assets - (increase)/decrease:		
Inventory	(689,430)	831,034
Prepaid expenses	(11,509)	(3,214)
Grants and other receivables	319,897	(28,879)
Other real estate owned	97,479	252,508
Changes in liabilities - increase/(decrease):		
Accounts payable and accrued expenses	40,019	(162,378)
Advance payments and down payments	(14,683)	(48,215)
Net change in cash from operating activities	61,350	616,086
Cash flows from investing activities:		
New loans originated	(292,470)	(1,545,059)
Loan payments	300,088	408,187
Proceeds from sale of recycled homes	196,949	547,500
Purchase of land, buildings and equipment	9,545	(22,200)
Deferred assets	24,676	40,065
Investments in partnerships	-	(53,394)
Net change in cash from investing activities	238,788	(624,901)
Cash flows from financing activities:		
Proceeds from notes payable	15,140	52,723
Payments on notes payable	(199,791)	(217,233)
Net change in cash from financing activities	(184,651)	(164,510)
Change in cash and cash equivalents	115,487	(173,325)
Cash and cash equivalents - beginning of year	1,338,440	1,511,765
Cash and cash equivalents - end of year	$ 1,453,927	$ 1,338,440
Supplementary information:		
Interest paid	$ 72,582	$ 89,142
Noncash investing activity:		
Mortgage discount	$ 415,230	$ 941,180
Imputed interest on mortgage receivables	(437,063)	(437,471)
Total noncash investing activity	$ (21,833)	$ 503,709

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

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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 Statements of Not-for-Profit Organizations* topic of the Financial Accounting Standards Board Codification ("ASC"). Under this topic, HAHFH reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

> *Net assets without donor restrictions* – These net assets are defined as assets that are free of donor-imposed restrictions and include all investment income and appreciation not subject to 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 HAHFH is limited by donor imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of HAHFH.

Summarized Comparative Financial Information - 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with HAHFH'S financial statements for the year ended June 30, 2018, from which the summarized information was derived.

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)*

Cash and Cash Equivalents - Cash and cash equivalents include cash and all highly liquid instruments with an original maturity of three months or less. 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.

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, 2019 and 2018.

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 statements of activities as investment income or loss. Refer to Note 6, *Investment in Partnerships*, for disclosure related to the dissolution of the NMTC programs during 2019.

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 statements of activities for these services because the criteria for recognition of such volunteer efforts under the Not-for-Profit Entities topic of the FASB Accounting Standards Codification (FASB ASC 958) have not been satisfied.

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.

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

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 net assets with donor restrictions to net assets without donor restrictions at that time.

In-kind Contributions - In-kind contributions consist of discounts on services provided by various contractors. The total amount of in-kind contributions recognized in contributions on the statements of activities for the years ended June 30, 2019 and 2018, was $68,699 and $129,283, respectively.

ReStore Income – HAHFH sells donated inventory through its ReStore location in Bloomfield, CT. The total amount of income recognized from ReStore sales on the statements of activities for the years ended June 30, 2019 and 2018, was $859,823 and $830,161, 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.

Recently Adopted Accounting Standards - For the year ended June 30, 2019, HAHFH adopted the Financial Accounting Standard Board's Accounting Standards Update (ASU) No. 2016-14 – Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This updated addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return among not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets, are now reported as net assets with donor restrictions.

Subsequent Events Measurement Date - HAHFH monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for the year end June 30, 2019 through November 8, 2019, 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,:

	2019	2018
Construction in progress and completed units that are unoccupied	$ 767,851	$ 219,339
Land	210,075	14,714
Construction in progress relating to NMTC #1	-	95,553
Land - NMTC #1	-	2,211
ReStore purchased inventory	27,728	23,582
Total inventory	$ 1,005,654	$ 355,399

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, HAHFH 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 $145,177 and $242,656 for the years ended June 30, 2019 and 2018, respectively.

NOTE 5 - LIQUIDITY

HAHFH’s financial assets available to meet general expenditures within one year of June 30, 2019 are as follows:

Financial assets at June 30, 2019:	
Cash and cash equivalents	$ 1,451,738
Grants and other receivables	133,196
Mortgage notes receivable, current portion	750,546
	2,335,480
Less amounts not available to be used within one year:	
Net assets with donor restrictions	231,151
Financial assets available to meet cash needs for general expenditures within one year	$ 2,104,329

HAHFH 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 HAHFH.

NOTE 6 - 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 were to be used solely for the purpose of constructing and selling qualified housing properties to low income residents. The loan required semi-annual interest only payments until November 15, 2019 at 0.75%.

Commencing November 15, 2019, semi-annual principal payments were 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 were to be used solely for the purpose of constructing and selling qualified housing properties to low income residents.

The loan required 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 were secured by substantially all the assets acquired by HAHFH from the projects loan proceeds. The loans had put option features that were exercised on November 15, 2018, and May 29, 2019, respectively. Under the terms of the put option agreements, the joint venture purchased 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.

Exercise of the put option agreements called for the forgiveness of HAHFH's outstanding debt owed to the affiliated investment fund, resulting in a benefit of $723,156 to HAHFH for the year ending June 30, 2019, as follows:

Forgiveness of debt	$ 4,431,620
Sale of parternship investments	(3,708,464)
NMTC benefit, net	$ 723,156

NOTE 7 - MORTGAGE NOTES RECEIVABLE

Mortgage notes receivable represent 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:

	2019	2018
Mortgage notes receivable	$ 13,204,262	$ 13,711,794
Less: unamortized discount on non-interest bearing mortgage notes receivable	(6,517,949)	(6,807,744)
	6,686,313	6,904,050
Less: current portion of mortgage notes receivable	(750,546)	(851,596)
	$ 5,935,767	$ 6,052,454

NOTE 7 - 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 8.48%) is $6,686,313 and $6,904,050 at June 30, 2019 and 2018, respectively. The servicing of these mortgages is performed by a bank. The scheduled estimated maturities of these notes are approximately:

Year ended June 30,		
2020	$	750,546
2021		750,546
2022		750,546
2023		718,201
2024		691,135
Thereafter		3,025,339
	$	6,686,313

HAHFH sells homes based on its predetermined cost, which is reviewed annually by HFHI, 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, 2019 and 2018, respectively.

NOTE 8 - DEPOSITS

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

NOTE 9 - LONG-TERM DEBT

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

	Maturity Date	Interest Rate	Outstanding Balance 2019	2018
Habitat for Humanity International				
SHOP/HUD Notes	12/31/2019	0.000%	$ 4,224	$ 12,660
	6/30/2020	0.000%	4,396	8,764
	12/31/2020	0.000%	1,880	3,128
	12/31/2020	0.000%	2,054	3,398
	12/31/2020	0.000%	1,410	2,346
	12/31/2020	0.000%	3,290	5,474
	12/31/2020	0.000%	380	620
	6/30/2021	0.000%	1,787	2,675
	6/30/2021	0.000%	1,787	2,675
	6/30/2021	0.000%	1,787	2,675
	12/31/2021	0.000%	2,346	3,282
	12/31/2021	0.000%	4,461	6,237
	12/31/2021	0.000%	13,294	18,598
	12/31/2022	0.000%	12,908	14,749
	6/30/2023	0.000%	26,250	26,250
	6/30/2024	0.000%	7,333	7,333
	6/30/2024	0.000%	3,667	3,667
	6/30/2024	0.000%	7,333	723
	6/30/2025	0.000%	6,625	-
	6/30/2025	0.000%	8,515	-
			$ 115,727	$ 125,254
Windsor Federal Savings	6/1/2019	4.080%	$ -	$ 9,750
	1/1/2023	4.000%	16,689	21,108
	8/1/2024	4.000%	17,228	20,229
	2/1/2025	2.875%	316,089	369,981
	2/1/2031	4.000%	48,211	51,424
	4/1/2031	4.000%	96,158	102,477
	12/1/2031	4.000%	48,073	51,274
	4/1/2032	4.000%	112,505	119,070
	7/1/2032	4.000%	117,780	124,712
			$ 772,733	$ 870,025
Key Bank	4/24/2027	6.000%	$ 96,846	$ 106,231

NOTE 9 - LONG-TERM DEBT *(CONTINUED)*

Connecticut Housing Finance Authority	4/1/2019	0.000%	$ -	$ 1,956
(CHFA)	10/1/2019	0.000%	316	2,501
	6/1/2023	0.000%	8,461	10,441
	12/1/2023	0.000%	14,208	17,200
	8/1/2024	0.000%	11,069	13,003
	10/1/2024	0.000%	10,039	11,699
	5/1/2026	0.000%	-	17,261
	12/1/2030	0.000%	15,398	29,876
	11/1/2031	0.000%	33,835	35,786
	8/1/2032	0.000%	37,112	39,130
	10/1/2033	0.000%	40,180	42,079
			$ 170,618	$ 220,932
Toyota Financial Services	6/1/2020	3.900%	$ -	$ 18,133
Total long-term debt			$ 1,155,924	$ 1,340,575
Less: Current portion of long-term debt			(150,469)	(166,218)
Total loan-term debt, net of current portion			$ 1,005,455	$ 1,174,357

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 $51,940 and $72,095 at June 30, 2019 and 2018, respectively.

The Windsor Federal Savings note due June 1, 2019 was 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 for the year ended June 30,:

2020	$ 150,469
2021	150,813
2022	150,717
2023	145,718
2024	139,973
Thereafter	418,234
	$ 1,155,924

HAHFH received funding through HFHI from HUD to complete new properties. The total of the awards received during the years ending June 30, 2019 and 2018 is approximately $65,250 and $61,000. These awards are considered 75% grants and 25% noninterest bearing loans to be repaid to HFHI over a four-year period.

HAHFH participated in two separate NMTC programs, and had 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. On November 15, 2018, and May 29, 2019, the promissory notes associated with these programs were forgiven, as disclosed in Note 6, which resulted in an increase to net assets without donor restrictions of $723,156 for the year ended June 30, 2019.

NOTE 9 - LONG-TERM DEBT *(CONTINUED)*

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 10 - NET ASSETS WITH DONOR RESTRICTIONS

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

	2019	2018
Housing construction	$ 213,254	$ 389,154
Education	17,897	17,897
Total net assets with donor restrictions	$ 231,151	$ 407,051

Net assets with donor restrictions of $662,395 and $1,392,285 were released for housing construction during the years ended June 30, 2019 and 2018, respectively.

NOTE 11 - PENSION PLAN

HAHFH provides a 401(k) plan for its employees. Eligible participants can elect to contribute salary deferrals up to the IRS maximum. HAHFH will match 100% of the employee's contribution up to 4% (2% in 2018) of the employee's compensation at the plan year end. For the years ended June 30, 2019 and 2018, HAHFH's contributions totaled $25,607 and $11,739, 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, 2019 and 2018 totaled $109,952 and $77,086, respectively. Minimum future rental payments under operating leases having remaining terms in excess of one year are as follows:

For the years ending June 30,:	
2020	$ 74,186
2021	44,000
2022	44,000
2023	44,000
2024	11,000

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 other real estate owned 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 $39,175 and $113,048 during the years ended June 30, 2019 and 2018, respectively, which is reflected in the statements of activities.

Headquarters
280 Trumbull Street, 24th Floor
Hartford, CT 06103
860.522.3111

One Hamden Center
2319 Whitney Avenue, Suite 2A
Hamden, CT 06518
203.397.2525

14 Bobala Road, 3rd Floor
Holyoke, MA 01040
413.536.3970

WAdvising.com

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