Habitat for Humanity of Coastal Fairfield County, Inc.

Independent Auditors' Report
Financial Statements

December 31, 2020 and 2019

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HABITAT FOR HUMANITY OF COASTAL FAIRFIELD COUNTY, INC.

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December 31, 2020 and 2019

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
Habitat for Humanity of Coastal Fairfield County, Inc.

We have audited the accompanying financial statements of Habitat for Humanity of Coastal Fairfield County, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related 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 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 Habitat for Humanity of Coastal Fairfield County, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Whittlesey PC

Hartford, Connecticut
April 19, 2021

HABITAT FOR HUMANITY OF COASTAL FAIRFIELD COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 898,613	$ 836,136
Restricted cash	251,556	513,482
Grant and other receivables	608,589	166,282
Mortgage notes receivable, current portion	698,911	707,733
Units for resale	225,793	341,483
Construction in progress	1,853,354	1,661,784
Other assets	35,098	26,879
Total current assets	4,571,914	4,253,779
Noncurrent assets:		
Property and equipment, net	93,421	100,276
Deferred assets, net - NMTC	-	69,354
Investments in partnerships	-	1,211,516
Mortgage notes receivable, net of current portion and discount of $6,369,959 and $6,598,514, respectively	5,606,355	5,711,366
Total noncurrent assets	5,699,776	7,092,512
Total assets	$ 10,271,690	$ 11,346,291
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 201,382	$ 246,188
Deferred revenue - HTCC	740,000	320,000
Notes payable, current portion	710,212	192,516
Total current liabilities	1,651,594	758,704
Noncurrent liabilities:		
Notes payable, net of current portion and discount of $675,971 and $679,581, respectively	1,644,713	2,006,736
Long-term debt - other	-	1,674,570
Refundable advance - Paycheck Protection Program	319,245	-
Total noncurrent liabilities	1,963,958	3,681,306
Total liabilities	3,615,552	4,440,010
Net assets:		
Without donor restrictions	6,406,138	6,401,799
With donor restrictions	250,000	504,482
Total net assets	6,656,138	6,906,281
Total liabilities and net assets	$ 10,271,690	$ 11,346,291

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

HABITAT FOR HUMANITY OF COASTAL FAIRFIELD COUNTY, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2020 And 2019

	2020	2019
Changes in net assets without donor restrictions:		
Program support and revenue:		
Contributions	$ 927,385	$ 944,006
Grants	161,189	148,251
Events	135,379	167,099
Sales of completed houses	578,500	1,505,000
Restore income	1,156,314	1,639,078
Bequests	-	9,147
Other income	99,743	139,515
Gain/(loss) on sale of mortgages	95,689	364,828
Total program support and revenue	3,154,199	4,916,924
Expenses:		
Program services		
Community relations	72,573	47,847
Family services	309,317	314,052
Volunteer services	155,383	146,813
ReStore project	1,155,850	1,366,834
Home building, inclusive of $320,178 and $910,410 of discount amortization on mortgage receivable	2,019,766	3,808,428
Total program expenses	3,712,889	5,683,974
Support services		
Fundraising	266,335	249,823
Management and general	370,282	346,975
Total support services	636,617	596,798
Total expenses	4,349,506	6,280,772
Change in net assets without donor restrictions before other revenue/(expenses)	(1,195,307)	(1,363,848)
Other revenue/(expenses):		
Interest income	5,242	26,948
Mortgage discount amortization	548,733	486,238
NMTC gain, net	391,189	289,577
Net assets released from program and time restrictions	254,482	1,201,654
Total other revenue/(expenses)	1,199,646	2,004,417
Change in net assets without donor restrictions	4,339	640,569
Change in net assets with donor restrictions:		
Net assets released from program and time restrictions	(254,482)	(1,201,654)
Change in net assets with donor restrictions	(254,482)	(1,201,654)
Total change in net assets	(250,143)	(561,085)
Net assets, beginning of year	6,906,281	7,467,366
Net assets, end of year	$ 6,656,138	$ 6,906,281

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

HABITAT FOR HUMANITY OF COASTAL FAIRFIELD COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

	Community Relations	Family Services	Volunteer Services	ReStore Project	Home Building	Total Program	Fundraising	Management and General	Total
Costs of houses sold	$ -	$ -	$ -	$ -	$ 751,568	$ 751,568	$ -	$ -	$ 751,568
Other expenses									
Personnel costs	62,460	243,982	106,746	344,000	379,765	1,136,953	178,450	179,503	1,494,906
Rent and related occupancy	-	16,279	3,830	376,416	145,363	541,888	15,896	12,449	570,233
Insurance	-	-	-	-	148,165	148,165	-	36,903	185,068
Sub-contractor labor	-	-	-	143,977	-	143,977	-	1,030	145,007
Payroll taxes	4,358	18,201	20,194	25,898	34,855	103,506	11,389	11,880	126,775
Employee benefits	5,755	13,816	10,225	22,283	24,671	76,750	17,453	30,110	124,313
Discount on notes payable	-	-	-	-	117,221	117,221	-	-	117,221
Supplies and inventory	-	-	-	53,667	8,547	62,214	-	375	62,589
Utilities	-	-	-	33,388	18,892	52,280	-	3,430	55,710
Maintenance and repairs	-	-	-	40,243	1,692	41,935	-	4,415	46,350
Computer expenses	-	692	2,075	634	-	3,401	6,917	29,812	40,130
Professional fees	-	-	8,559	-	-	8,559	-	27,152	35,711
Bank and credit card fees	-	-	-	26,717	-	26,717	-	8,603	35,320
Office supplies	-	1,092	-	18,187	1,932	21,211	1,057	10,064	32,332
Vehicle	-	-	-	26,447	5,450	31,897	-	-	31,897
Interest	-	-	-	-	27,974	27,974	-	-	27,974
Advertising and promotion	-	7,902	1,125	2,456	353	11,836	12,621	-	24,457
Dues and subscriptions	-	3,912	600	4,444	7,986	16,942	2,490	4,049	23,481
Telephone	-	1,571	1,592	7,717	2,823	13,703	2,605	1,700	18,008
Postage and freight	-	692	-	1	63	756	15,427	891	17,074
Fuel/other expenses	-	-	-	9,934	2,406	12,340	-	-	12,340
Real estate owned	-	-	-	-	7,215	7,215	-	-	7,215
Training	-	98	-	365	-	463	793	4,154	5,410
Tithe to national affiliate	-	-	-	-	5,000	5,000	-	-	5,000
Other office expenses	-	1,080	195	825	1,220	3,320	811	635	4,766
Travel, meals, entertainment	-	-	242	301	-	543	426	2,837	3,806
Total expenses before discount amortization on mortgage receivable and depreciation	72,573	309,317	155,383	1,137,900	1,693,161	3,368,334	266,335	369,992	4,004,661
Discount amortization on mortgage receivable	-	-	-	-	320,178	320,178	-	-	320,178
Depreciation/amortization	-	-	-	17,950	6,427	24,377	-	290	24,667
Total expenses	$ 72,573	$ 309,317	$ 155,383	$ 1,155,850	$ 2,019,766	$ 3,712,889	$ 266,335	$ 370,282	$ 4,349,506

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

HABITAT FOR HUMANITY OF COASTAL FAIRFIELD COUNTY, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2019

	Community Relations	Family Services	Volunteer Services	ReStore Project	Home Building	Total Program	Fundraising	Management and General	Total
Costs of houses sold	$ -	$ -	$ -	$ -	$ 1,900,862	$ 1,900,862	$ -	$ -	$ 1,900,862
Other expenses									
Personnel costs	42,476	238,774	100,892	335,496	388,478	1,106,116	166,357	166,814	1,439,287
Rent and related occupancy	-	17,274	4,318	387,266	142,507	551,365	12,955	12,955	577,275
Insurance	-	-	-	-	99,049	99,049	-	27,514	126,563
Sub-contractor labor	-	-	288	295,061	-	295,349	-	585	295,934
Payroll taxes	3,477	17,137	9,278	25,212	44,800	99,904	12,160	13,959	126,023
Employee benefits	1,894	26,279	10,596	22,231	40,022	101,022	21,918	28,672	151,612
Discount on notes payable	-	-	-	-	80,024	80,024	-	-	80,024
Supplies and inventory	-	-	-	43,110	9,106	52,216	38	167	52,421
Utilities	-	-	-	44,644	19,157	63,801	-	4,158	67,959
Maintenance and repairs	-	-	-	52,967	5,096	58,063	58	4,814	62,935
Computer expenses	-	701	2,103	1,188	-	3,992	7,513	25,251	36,756
Professional fees	-	2,015	11,440	-	-	13,455	-	26,563	40,018
Bank and credit card fees	-	-	-	34,956	-	34,956	-	10,818	45,774
Office supplies	-	1,000	476	25,088	1,736	28,300	2,575	8,072	39,447
Vehicle	-	-	-	36,533	4,597	41,130	-	-	41,130
Interest	-	-	-	-	51,774	51,774	-	-	51,774
Advertising and promotion	-	3,591	4,304	7,679	319	15,893	14,930	-	30,823
Dues and subscriptions	-	3,490	625	8,429	5,600	18,144	2,025	5,635	25,804
Telephone	-	1,566	1,365	7,412	3,000	13,343	1,724	1,544	16,611
Postage and freight	-	1,032	-	112	-	1,144	4,504	1,673	7,321
Fuel/other expenses	-	-	-	18,395	4,331	22,726	-	-	22,726
Real estate owned	-	-	-	-	4,326	4,326	-	-	4,326
Training	-	-	90	400	3,000	3,490	-	1,141	4,631
Tithe to national affiliate	-	-	-	-	15,000	15,000	-	-	15,000
Other office expenses	-	1,042	238	975	1,950	4,205	804	755	5,264
Travel, meals, entertainment	-	151	800	996	429	2,376	2,262	5,885	10,523
NMTC affiliate fees	-	-	-	-	10,258	10,258	-	-	10,258
Total expenses before discount amortization on mortgage receivable and depreciation	47,847	314,052	146,813	1,348,150	2,835,421	4,692,283	249,823	346,975	5,289,081
Discount amortization on mortgage receivable	-	-	-	-	910,410	910,410	-	-	910,410
Depreciation/amortization	-	-	-	18,684	62,597	81,281	-	-	81,281
Total expenses	$ 47,847	$ 314,052	$ 146,813	$ 1,366,834	$ 3,808,428	$ 5,683,974	$ 249,823	$ 346,975	$ 6,280,772

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

HABITAT FOR HUMANITY OF COASTAL FAIRFIELD COUNTY, INC.

Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ (250,143)	$ (561,085)
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	24,667	42,020
Net amortization deferred assets	-	39,261
Mortgage discount amortization income	(548,733)	(486,238)
Mortgage discount amortization expense	320,178	910,411
CHFA mortgage discount	3,610	(317,131)
NMTC gain, net	(391,189)	(289,577)
(Increase)/decrease in assets:		
Grant and other receivables	(442,307)	420,722
Units for resale - cash buy backs	(9,710)	(29,960)
Units for resale - sold during the year	125,400	77,748
Construction in progress	(191,570)	370,478
Other assets	(8,219)	(4,148)
Increase/(decrease) in liabilities		
Accounts payable and accrued expenses	(44,806)	(72,602)
Deferred revenue - HTCC	420,000	314,398
Net change in cash from operating activities	(992,822)	414,297
Cash flows from investing activities:		
Purchase of property and equipment	(17,812)	(15,945)
Principal receipts on mortgage receivable	914,767	582,873
New loans originated	(578,500)	(1,505,000)
Investments in partnerships	-	14,013
Net change in cash from investing activities	318,455	(924,059)
Cash flows from financing activities:		
Proceeds from refundable advance - Paycheck Protection Program	319,245	-
Principal payments on notes payable	(307,451)	(152,631)
Proceeds from notes payable	463,124	969,453
Net change in cash from financing activities	474,918	816,822
Change in cash, cash equivalents and restricted cash	(199,449)	307,060
Cash, cash equivalents and restricted cash, beginning of year	1,349,618	1,042,558
Cash, cash equivalents and restricted cash, end of year	$ 1,150,169	$ 1,349,618
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 24,457	$ 30,823
Noncash operating and financing transactions		
Amortization of mortgage notes receivable discount	$ 320,178	$ 910,410

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Habitat for Humanity of Coastal Fairfield County (the "Organization") is a not-for-profit organization that provides home ownership for responsible low-income families through new construction or renovation of existing housing stock. The Organization also operates a not-for-profit retail store, ReStore, which sells discounted used furniture and building supplies. The Organization's programs are supported by contributions, grants, ReStore and receipts of homeowner mortgage repayments. Houses are sold to the homeowners at below cost. The Organization provides a mortgage for 100% of the purchase price, at 0% interest. Repayments on these mortgages contribute to the production of additional housing.

Basis of Accounting
The financial statements of the Organization 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, the Organization 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 the Organization is limited by donor imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Organization.

Restricted Cash
The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position that sum to the total of the same amounts shown in the statements of cash flows:

	2020	2019
Cash and cash equivalents	$ 898,613	$ 836,136
Restricted cash	251,556	513,482
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	$ 1,150,169	$ 1,349,618

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

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of $2,500. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over their estimated useful lives. Estimated lives for financial reporting purposes are as follows:

Building	10 years
Furniture and fixtures	5 - 7 years
Equipment	5 years
Vehicles	5 years

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period.

Revenue and Revenue Recognition

Contributions – The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized.

Donated Materials and Services – Donated materials used in renovation and construction of homes are recorded at estimated fair value at date of receipt. Total donated materials amounted to $87,376 and $101,207 for the years ended December 31, 2020 and 2019, respectively.

A substantial number of volunteers have donated time to the Organization by helping in the construction and renovation of houses or in providing support services. No amounts have been included in the financial statements for donated services because they did not meet the criteria for recognition. Total volunteer hours calculated were approximately 9,500 and 43,000 for the years ended December 31, 2020 and 2019, respectively.

Donated Goods – ReStore inventory consists of donated home furnishings, building supplies, paint and paint supplies, flooring, and other home improvement items. No amounts have been recognized in the accompanying statements of activities for these goods because the criteria for recognition under the Not-for-Profit Entities topic of the FASB Accounting Standards Codification (FASB ASC 958) have not been satisfied.

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

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

The purpose of the ReStore is to raise funds to support the Organization's programs. Accordingly, expenses of operating the ReStore are reported as program expenses in the consolidated statements of functional expenses. The amount of revenue reported from the ReStore includes cash receipts plus the fair market value of donated goods sold, net of the cost of purchased inventory sold. As most revenue earned by the ReStore is from the sale of donated goods, ReStore revenue is classified as support in the consolidated statements of activities and changes in net assets. The total amount of income recognized from ReStore sales on the statements of activities for the years ended December 31, 2020 and 2019, was $1,156,314 and $1,639,078, respectively.

Grants and Contracts – A portion of the Organization's revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statements of financial position. The Organization received cost-reimbursable grants of $740,000 and $320,000 that have not been recognized at December 31, 2020 and 2019, respectively, because qualifying expenditures have not yet been incurred, with an advance payment of $740,000 and $320,000 recognized in the statements of financial position as deferred revenue.

Special Events – The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. The Organization recognizes revenue from ticket sales at the time of admission.

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 the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributable to one or more program and supporting functions of the Organization. Those expenses include rent and related occupancy expenses, personnel costs, employee benefits and computer expenses. Rent and related occupancy expenses are allocated by square footage and then by head count for shared spaces. Personnel costs and certain employee benefits are allocated by estimates of time and effort. Computer expenses are allocated by costs of specific technology utilized.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affects certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Tax Exempt Status

The Organization is exempt from Federal income taxes as a public charity under Internal Revenue Code Section 501(c)(3) and from Connecticut income taxes; therefore, no provision has been made for Federal or State income taxes in the accompanying financial statements.

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 accounts as of December 31, 2020 and 2019.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Subsequent Events Measurement Date
The Organization monitored and evaluated any subsequent events for footnote disclosures or adjustments required in its financial statements for the fiscal year ended December 31, 2020 through April 19, 2021, the date on which financial statements were available to be issued.

NOTE 2 – MORTGAGE NOTES RECEIVABLE

Mortgage notes receivable represent non-interest bearing amounts due from individuals who have purchased homes constructed by the Organization. These amounts are to be paid over terms ranging from twenty to forty years. Mortgage notes receivable consist of the following at December 31,:

	2020	2019
Gross mortgage notes receivable	$ 12,675,225	$ 13,017,613
Unamortized discount on non-interest bearing mortgage receivables	(6,369,959)	(6,598,514)
Net present value	$ 6,305,266	$ 6,419,099

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 was determined using an imputed interest rate ranging between 6.00% and 9.00%. These interest rates are used in the discount calculation and are reviewed on an annual basis. Assumptions are based on ever changing market conditions. The servicing of these mortgages is performed by a third party. The change in the unamortized discount is reflected in income.

Maturities of the mortgage notes receivable over the next five years and thereafter are as follows:

For the years ending December 31,:	
2021	$ 698,911
2022	693,197
2023	688,270
2024	685,412
2025	678,904
Thereafter	9,230,531
	$ 12,675,225

NOTE 3 – INVESTMENTS IN PARTNERSHIPS

During December 2013, the Organization participated in a New Market Tax Credit ("NMTC") program. 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 December 2013, the Organization invested, along with several other Habitat affiliates, in a joint venture named HFH Northeast 1 Leverage Lender, LLC to take advantage of the NMTC financing. The Organization has a 21.36% ownership in this Partnership. As a result, the Organization initially invested $1,211,500 (combination of cash and work-in-process inventory) and was able to secure a 30-year loan in the amount of $1,674,570 payable to the sub-CDE named Citi NMTC Subsidiary CDE XVI, LLC. The loan proceeds are to be used solely for the purpose of constructing and selling qualified housing properties to low income residents.

NOTE 3 – INVESTMENTS IN PARTNERSHIPS *(CONTINUED)*

Commencing May 5, 2014, the loan requires semi-annual interest only payments until November 5, 2020 at 1.03%. Commencing May 5, 2021, semi-annual principal and interest payments are due through the maturity date of December 29, 2043. The loans are secured by substantially all the assets acquired by the Organization from the project's loan proceeds. The loans have a put feature option that is exercisable in May 2020 and January 2021, 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 the Organization, as long as compliance requirements are met. Exercise of this option will effectively allow the Organization to extinguish its outstanding debt owed to the affiliated investment fund.

Exercise of the put option agreements called for the forgiveness of the Organization's outstanding debt owed to the affiliated investment fund, resulting in a benefit of $391,189 and $289,577 to the Organization for the years ending December 31, 2020 and 2019, respectively, as follows:

	2020	2019
Forgiveness of debt	$ 1,674,570	$ 1,952,305
Sale of parternship investments	(1,283,381)	(1,662,728)
NMTC gain, net	$ 391,189	$ 289,577

NOTE 4 – UNITS FOR RESALE

Units for resale are comprised of properties that have been re-acquired by the Organization through either a sale transaction with an existing homeowner or a foreclosure. Properties are foreclosed upon after the homeowner has become seriously delinquent in their loan payments and all reasonable attempts to work with the homeowner have failed. These properties are rehabilitated and sold to a new low-income family, consistent with the Organization's mission. The balance of the real estate owned as of December 31, 2020 and 2019 is $225,793 and $341,483, respectively.

NOTE 5 – CONSTRUCTION IN PROGRESS

Construction in progress represents cumulative amounts expended to date on land, building, and renovation costs on properties to be sold.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31,:

	2020	2019
Building	$ 206,921	$ 194,921
Furniture and fixtures	32,127	32,127
Equipment	66,686	60,873
Vehicles	286,174	286,174
Leaseholds - ReStore	40,451	40,451
	632,359	614,546
Accumulated depreciation	(538,938)	(514,270)
	$ 93,421	$ 100,276

NOTE 7 – DEFERRED ASSETS

Exercise of the put option agreements called for the elimination of the Organization's deferred assets. As of December 31, 2020 and 2019, the deferred assets consisted of $-0- and $69,354, respectively. Amortization expense for the years ended December 31, 2020 and 2019 was $-0- and $39,261, respectively.

NOTE 8 – LINE OF CREDIT

The Organization has a line of credit of $300,000 with Connecticut Community Bank, N.A., with $-0- drawn on December 31, 2020 and 2019. The line of credit is renewable annually, and has an interest rate of prime which was 3.25% and 4.75% at December 31, 2020 and 2019, respectively. The line is secured by all assets of the Organization.

NOTE 9 – NOTES PAYABLE AND LONG-TERM DEBT

The following is a summary of the principal balances of notes payable at December 31, 2020 and 2019:

Payable to	Current interest rate	Maturity date	2020	2019
Citizens Bank	2.00%	November, 2021	$ 500,000	$ 500,000
Isuzu Finance of America, Inc.	6.79%	March, 2022	20,952	36,666
Habitat for Humanity International - Flex Cap	4.75%	December, 2026	341,142	363,299
Mutual Housing Association of Southwestern CT	0.00%	September, 2045	57,143	59,429
Connecticut Housing Finance Authority	0.00%	November, 2041	1,838,758	1,784,482
Key Bank	0.00%	December, 2031	34,228	37,680
Fairfield County Bank Corporation	0.00%	January, 2034	88,773	97,277
Citi NMTC Subsidiary CDE XVI, LLC	1.03%	December, 2043	-	1,674,570
SBA Economic Injury disaster loan	2.75%	June, 2050	149,900	-
Total notes payable, before discount			3,030,896	4,553,403
Discount			(675,971)	(679,581)
Total notes payable, net present value			$ 2,354,925	$ 3,873,822

Aggregate principal payments on the notes payable over the next five years and thereafter are, as follows:

For the years ending December 31,:	
2021	$ 710,212
2022	210,281
2023	207,080
2024	203,197
2025	202,995
Thereafter	1,497,131
	$ 3,030,896

The Citizens Bank note is unsecured. All other notes are secured by various individual properties.

NOTE 9 – NOTES PAYABLE AND LONG-TERM DEBT *(CONTINUED)*

The Organization sold loans issued to homeowners to Key Bank, Fairfield County Bank Corporation and Connecticut Housing Finance Authority (CHFA). These loans were sold with recourse, meaning that the Organization has an obligation to repurchase these loans if certain conditions of the sale are not met. The recourse is in place until the loan has been repaid. As a result of the obligation to repurchase, these transactions were not treated as a sale. The outstanding balance of these loans is included in the mortgages receivable balance on the statements of financial position. The discount on these sold loans is included in the discount balance on the statements of financial position.

The notes payable that were made available through CHFA, Fairfield County Bank Corporation and Key Bank are non-interest bearing notes. As such, 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 6.50%) is $1,162,787 and $1,104,901 at December 31, 2020 and 2019, respectively. The change in the discount on notes payable is reflected in interest expense.

NOTE 10 – RETIREMENT BENEFITS

The Organization has a discretionary contribution retirement plan called “Habitat 401(k) Plan”. Participants must be 21 years old and have one year of eligible service with at least 1,000 hours of service. Participants may make a pre-tax savings contribution to the Plan. The Organization makes a safe harbor non-elective contribution equal to 3% of participants’ compensation. Each year the Organization, at its discretion, may make a matching contribution. For the year ended December 31, 2020 and 2019, the Organization’s contributions were $17,728 and $50,562.

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets of $250,000 and $504,482 as of December 31, 2020 and 2019, respectively were restricted by donors for the purpose of housing construction. Net assets with donor restrictions of $254,482 and $1,201,654 as of December 31, 2020 and 2019, respectively were released from restriction to be used for housing construction.

NOTE 12 – LEASES

The Organization leases office and warehouse space for $10,696 per month with scheduled rent increases and additional common area maintenance (CAM) charges. The amended lease expires in September 2023. The Organization also leases retail space for the ReStore for $22,371 per month, with scheduled rent increases and additional CAM charges. The ReStore lease was amended during 2015, with 10,000 square feet of additional space being added to the lease and used the option to extend through August 2025. Scheduled minimum lease payments over the next five years are as follows:

For the years ending December 31,:	
2021	$ 506,842
2022	514,319
2023	474,739
2024	337,805
2025	227,305
	$ 2,061,010

NOTE 13 – LIQUIDITY AND AVAILABILITY

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows for December 31,:

	2020	2019
Cash and cash equivalents	$ 898,613	$ 836,136
Grants and other receivables	608,589	166,282
Mortgage notes receivable, current portion	698,911	707,733
Financial assets available to meet cash needs for general expenditures within one year	$ 2,206,113	$ 1,710,151

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

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

To help manage unanticipated liquidity needs, the Organization has committed to a line of credit in the amount of $300,000 which it could draw upon. Additionally, the Organization has an existing agreement with the CHFA which allows the Organization to sell its mortgage receivables for cash proceeds. As of December 31, 2020 and 2019, the Organization had $9,126,288 and $8,580,000, respectively, in unpledged, undiscounted mortgage receivables.

NOTE 14 – REFUNDABLE ADVANCE – PAYCHECK PROTECTION PROGRAM

During April 2020, the Organization received approval for a SBA Paycheck Protection Program (PPP) loan in the amount of $319,245. Under the PPP, funds are forgivable if utilized for qualified expenditures according to the program criteria incurred over the eight week or twenty-four week period following the date of funding. In order to qualify for forgiveness, 60% of the funding must be spent on eligible payroll expenses, and up to 40% may be spent on other eligible expenditures, such as rent and utilities. As outlined by the SBA, any unforgiven balance must be repaid over two years at an annual interest rate of 1% with an initial deferment period of ten months from the end of the covered period (interest will accrue). The Organization elected the eight week period and expects the full amount to be forgiven.

NOTE 15 – RISKS AND UNCERTAINTY

In March 2020, the World Health Organization declared the novel coronavirus ("COVID-19") as a pandemic. The COVID-19 pandemic has caused significant disruption to the national and global economy. In 2020 the Organization experienced costs related to the pandemic which have had a minimal impact on operating activities, liquidity and cash flows. While the disruption is currently expected to be temporary, there is uncertainty related to the duration, as a result the related financial impact cannot be reasonably estimated at this time.

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

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