HABITAT FOR HUMANITY OF COASTAL FAIRFIELD COUNTY, INC.

INDEPENDENT AUDITORS' REPORT
FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Habitat for Humanity of Coastal Fairfield County, Inc.

Opinion

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, 2024 and 2023, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Coastal Fairfield County, Inc., as of December 31, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Habitat for Humanity of Coastal Fairfield County, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Whittlesey PC

Hartford, Connecticut
May 19, 2025

HABITAT FOR HUMANITY OF COASTAL FAIRFIELD COUNTY, INC.

Statements of Financial Position

December 31, 2024 and 2023

	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,590,281	$ 6,246,021
Restricted cash	504,958	580,501
Grants and other receivables	-	2,789
Mortgage notes receivable, current portion	778,668	751,992
ReStore inventory	112,389	109,319
Units for resale and held for development	3,357,275	3,099,051
Operating lease right-of-use asset	-	3,755,508
Other assets	86,151	53,715
Total current assets	9,429,722	14,598,896
Noncurrent assets:		
Property and equipment, net	6,613,976	258,932
Mortgage notes receivable, net of current portion and discount of $6,629,461 and $6,570,430, respectively	6,064,554	5,910,961
Total noncurrent assets	12,678,530	6,169,893
Total assets	$ 22,108,252	$ 20,768,789
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 308,112	$ 240,023
Line of credit	130,000	-
Deferred revenue - HTCC	1,200,000	1,000,000
Operating lease liabilities - current portion	-	447,572
Notes payable, current portion	255,181	695,004
Mortgage note payable, current portion	67,728	-
Total current liabilities	1,961,021	2,382,599
Noncurrent liabilities:		
Notes payable, net of current portion and discount of $850,745 and $454,046, respectively	2,218,894	1,250,170
Mortgage note payable, net of current portion	4,207,272	-
Operating lease liabilities - long-term portion	-	3,459,498
Total noncurrent liabilities	6,426,166	4,709,668
Total liabilities	8,387,187	7,092,267
Net assets:		
Without donor restrictions	13,584,125	13,426,522
With donor restrictions	136,940	250,000
Total net assets	13,721,065	13,676,522
Total liabilities and net assets	$ 22,108,252	$ 20,768,789

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, 2024 and 2023

	2024	2023
Changes in net assets without donor restrictions:		
Program support and revenue:		
ReStore income	$ 2,005,610	$ 2,064,089
Contributions	1,604,962	1,169,874
Sales of completed houses	1,060,000	584,000
Grants	300,000	312,862
Events	221,398	232,932
In-kind contributions	26,053	61,200
Other income	43,297	20,252
Total program support and revenue	5,261,320	4,445,209
Expenses:		
Program services		
Community relations	59,124	68,452
Family services	442,153	334,175
Volunteer services	151,285	132,905
ReStore project	1,572,614	1,625,558
Home building, inclusive of $637,950 and $338,161 of discount amortization on mortgage notes receivable	3,439,080	2,169,646
Total program expenses	5,664,256	4,330,736
Support services		
Fundraising	377,414	348,708
Management and general	802,163	704,050
Total support services	1,179,577	1,052,758
Total expenses	6,843,833	5,383,494
Change in net assets without donor restrictions before other revenue/(expenses)	(1,582,513)	(938,285)
Other revenue/(expenses):		
Employee Retention Credit	-	565,868
Interest income	267,331	295,830
Discount on mortgage notes receivable	578,919	485,408
Gain on below market loans	455,881	-
Gain on termination of lease	187,985	-
Net assets released from program and time restrictions	250,000	-
Total other revenue/(expenses)	1,740,116	1,347,106
Change in net assets without donor restrictions	157,603	408,821
Change in net assets with donor restrictions:		
Contributions	136,940	-
Net assets released from program and time restrictions	(250,000)	-
Change in net assets with donor restrictions	(113,060)	-
Change in net assets	44,543	408,821
Net assets, beginning of year	13,676,522	13,267,701
Net assets, end of year	$ 13,721,065	$ 13,676,522

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, 2024

	Community Relations	Family Services	Volunteer Services	ReStore Project	Home Building	Total Program	Fundraising	Management and General	Total
Costs of houses sold	$ -	$ -	$ -	$ -	$ 1,520,574	$ 1,520,574	$ -	$ -	$ 1,520,574
Other expenses									
Personnel costs	54,180	323,203	106,292	364,084	553,693	1,401,452	250,116	459,285	2,110,853
Rent and related occupancy	-	8,015	8,015	441,504	128,245	585,779	8,015	8,016	601,810
Payroll taxes	-	23,083	12,113	35,213	144,189	214,598	17,389	40,214	272,201
Sub-contractor labor	-	-	-	242,976	1,700	244,676	-	16,752	261,428
Small tools and supplies	-	-	-	221,680	30,892	252,572	-	-	252,572
Employee benefits	764	43,944	4,097	19,692	59,487	127,984	36,926	72,344	237,254
Insurance	2,405	9,622	2,405	18,112	57,168	89,711	7,216	7,216	104,143
Bank and credit card fees	-	-	-	62,597	-	62,597	-	13,020	75,617
Advertising and promotion	-	13,086	9,120	1,505	356	24,067	32,284	19,028	75,379
Professional fees	-	600	-	-	-	600	-	70,850	71,450
Utilities	-	-	-	39,074	16,167	55,241	-	14,710	69,951
Discount on notes payable	-	-	-	-	69,238	69,238	-	-	69,238
Maintenance and repairs	324	1,328	324	42,541	5,589	50,106	971	18,113	69,190
Computer expenses	1,158	5,091	1,617	8,109	12,038	28,013	7,555	16,725	52,293
Office supplies	-	3,322	715	13,865	10,115	28,017	3,203	16,466	47,686
Interest	-	-	-	-	43,713	43,713	-	-	43,713
Vehicle	-	-	-	17,637	14,772	32,409	-	-	32,409
Telephone	-	2,448	2,430	7,832	3,249	15,959	2,956	6,418	25,333
Dues and subscriptions	-	1,971	-	618	13,943	16,532	1,475	4,298	22,305
Fuel/other expenses	-	-	-	12,890	6,481	19,371	-	-	19,371
Travel, meals, entertainment	-	1,112	238	145	1,595	3,090	1,128	14,007	18,225
Real estate owned	-	-	-	-	16,230	16,230	-	-	16,230
Tithe to national affiliate	-	-	-	-	15,000	15,000	-	-	15,000
Other office expenses	293	1,604	293	1,346	3,339	6,875	880	881	8,636
Postage and freight	-	98	-	53	179	330	3,674	193	4,197
Training	-	-	-	-	80	80	-	-	80
Total expenses before discount amortization on mortgage notes payable and depreciation	59,124	438,527	147,659	1,551,473	2,728,031	4,924,814	373,788	798,536	6,097,138
Discount amortization on mortgage notes payable	-	-	-	-	637,950	637,950	-	-	637,950
Depreciation	-	3,626	3,626	21,141	73,099	101,492	3,626	3,627	108,745
Total expenses	$ 59,124	$ 442,153	$ 151,285	$ 1,572,614	$ 3,439,080	$ 5,664,256	$ 377,414	$ 802,163	$ 6,843,833

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, 2023

	Community Relations	Family Services	Volunteer Services	ReStore Project	Home Building	Total Program	Fundraising	Management and General	Total
Costs of houses sold	$ -	$ -	$ -	$ -	$ 605,381	$ 605,381	$ -	$ -	$ 605,381
Other expenses									
Personnel costs	57,365	248,140	95,029	327,090	550,878	1,278,502	222,984	347,182	1,848,668
Rent and related occupancy	4,029	19,214	6,818	509,595	231,683	771,339	23,243	19,834	814,416
Payroll taxes	-	19,524	8,286	27,048	131,614	186,472	17,109	31,909	235,490
Sub-contractor labor	-	-	-	255,490	22,265	277,755	-	16,083	293,838
Small tools and supplies	-	-	-	270,032	25,164	295,196	-	-	295,196
Employee benefits	6,530	28,248	10,818	37,236	62,712	145,544	25,385	39,524	210,453
Insurance	-	-	-	-	40,339	40,339	-	52,372	92,711
Bank and credit card fees	-	-	-	53,836	-	53,836	-	11,151	64,987
Advertising and promotion	-	3,659	3,159	886	-	7,704	18,331	39,318	65,353
Professional fees	-	-	-	-	-	-	-	55,786	55,786
Utilities	-	-	-	21,503	9,297	30,800	-	12,518	43,318
Discount on notes payable	-	-	-	-	61,855	61,855	-	-	61,855
Maintenance and repairs	-	-	-	44,347	989	45,336	-	5,650	50,986
Computer expenses	-	2,341	5,441	2,722	-	10,504	22,822	47,685	81,011
Office supplies	-	2,254	-	23,196	-	25,450	6,879	8,356	40,685
Interest	-	-	-	-	26,740	26,740	-	-	26,740
Vehicle	-	-	-	10,169	31,745	41,914	-	-	41,914
Telephone	-	2,116	2,311	5,538	2,164	12,129	2,596	4,769	19,494
Dues and subscriptions	528	2,672	-	5,261	5,460	13,921	4,499	4,529	22,949
Fuel/other expenses	-	-	-	17,508	5,419	22,927	-	-	22,927
Travel, meals, entertainment	-	2,446	912	-	-	3,358	460	4,383	8,201
Real estate owned	-	-	-	-	2,205	2,205	-	-	2,205
Tithe to national affiliate	-	-	-	-	3,000	3,000	-	-	3,000
Other office expenses	-	2,744	66	900	732	4,442	-	478	4,920
Postage and freight	-	742	65	28	94	929	4,400	1,360	6,689
Training	-	75	-	1,000	4,960	6,035	-	-	6,035
Total expenses before discount amortization on mortgage notes payable and depreciation	68,452	334,175	132,905	1,613,385	1,824,696	3,973,613	348,708	702,887	5,025,208
Discount amortization on mortgage notes payable	-	-	-	-	338,161	338,161	-	-	338,161
Depreciation	-	-	-	12,173	6,789	18,962	-	1,163	20,125
Total expenses	$ 68,452	$ 334,175	$ 132,905	$ 1,625,558	$ 2,169,646	$ 4,330,736	$ 348,708	$ 704,050	$ 5,383,494

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

Statements of Cash Flows

For the Years Ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	$ 44,543	$ 408,821
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	108,745	20,125
Amortization on leases	-	151,562
Gain on termination of lease	(187,985)	-
Gain on below market loans	(455,881)	-
Mortgage discount amortization income	(578,919)	(485,408)
Mortgage discount amortization expense	637,950	400,016
(Increase)/decrease in assets:		
Grants and other receivables	2,789	-
ReStore inventory	(3,070)	(4,009)
Units for resale and held for development - additions during the year	(1,859,036)	(2,414,410)
Units for resale and held for development - sold during the year	1,600,812	771,015
Other assets	(32,436)	23,740
Increase/(decrease) in liabilities		
Accounts payable and accrued expenses	68,089	52,334
Line of credit	130,000	-
Deferred revenue - HTCC	200,000	300,000
Net change in cash from operating activities	(324,399)	(776,214)
Cash flows from investing activities:		
Payments for property and equipment	(6,463,789)	(215,313)
Principal receipts on mortgage notes receivable	820,700	722,976
Principal disbursed on originated mortgage notes receivable	(1,060,000)	(584,000)
Net change in cash from investing activities	(6,703,089)	(76,337)

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

HABITAT FOR HUMANITY OF COASTAL FAIRFIELD COUNTY, INC.

Statements of Cash Flows (continued)

For the Years Ended December 31, 2024 and 2023

	2024	2023
Cash flows from financing activities:		
Principal payments on notes payable	$ (164,253)	$ (144,144)
Proceeds from notes payable	1,185,458	-
Proceeds from mortgage notes payable	4,275,000	-
Net change in cash from financing activities	5,296,205	(144,144)
Change in cash, cash equivalents and restricted cash	(1,731,283)	(996,695)
Cash, cash equivalents and restricted cash, beginning of year	6,826,522	7,823,217
Cash, cash equivalents and restricted cash, end of year	$ 5,095,239	$ 6,826,522
Supplemental disclosures		
Non-cash operating activities:		
Cash paid for interest	$ 43,713	$ 26,740

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Habitat for Humanity of Coastal Fairfield County (the "Organization") is a not-for-profit organization that provides home ownership for working low-income families through new construction or renovation of existing housing stock. The Organization also operates a not-for-profit retail store (the "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:

	2024	2023
Cash and cash equivalents	$ 4,590,281	$ 6,246,021
Restricted cash	504,958	580,501
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	$ 5,095,239	$ 6,826,522

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.

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

Receivables

Grants and other receivables arising from regular operations are stated net of an allowance for current expected credit losses. Allowances are set based on assessments by management as to the collectability of individual accounts. Management determined that no allowance was necessary as of December 31, 2024 and 2023.

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 - 30 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.

ReStore Inventory

The inventory on hand is purchased furniture and fixtures with the intention to be resold by the Restore. Donated items are not recorded as inventory due to the high turnover. Inventory is expected to have a turnover of less than a year. Purchased inventory is recorded at the lower of cost or market determined by the specific identification method. Inventory is recorded net of any allowance for obsolescence on the consolidated statement of financial position. For the years ended December 31, 2024 and 2023, there was no loss for obsolescence recorded.

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 – In-kind contributions consist of discounts on materials and services provided by various contractors. The total amount of in-kind contributions recognized in contributions on the statements of activities for the years ended December 31, 2024 and 2023, was $26,053 and $61,200, respectively. In determining the fair value of in-kind contributions, contractors were inquired by management and suggested retail prices for their donated materials and services.

In-kind contributions consisted of the following for the years ended December 31,:

	2024	2023
Donated construction services	$ 2,250	$ 25,208
Donated professional services	-	1,616
Donated materials	23,803	34,376
Total in-kind contributions	$ 26,053	$ 61,200

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. Total volunteer hours calculated were approximately 22,500 for the years ended December 31, 2024 and 2023.

Donated Goods – The ReStore receives donated home furnishings, building supplies, paint and paint supplies, flooring, and other home improvement items to sell in the ReStore. The revenue from sales of donated goods is recognized in the ReStore income. Donated products for sale in the ReStore are valued at 30% of the manufacturer's suggested retail price for the product.

Sales to Homeowners – Homes are sold to buyers that meet the Organization's qualification guidelines. The resulting mortgages 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 and purchased 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 statements of activities. The total amount of income recognized from ReStore sales on the statements of activities for the years ended December 31, 2024 and 2023, was $2,005,610 and $2,064,089, 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 $500,000 and $1,000,000 that have not been recognized at December 31, 2024 and 2023, respectively, because qualifying expenditures have not yet been incurred, with an advance payment of $1,200,000 and $1,000,000 recognized in the statements of financial position as deferred revenue. During the year ended December 31, 2024 and 2023, $300,000 and $200,000 of prior year deferred revenue was recognized as grants income, respectively.

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

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.

Reclassifications
Certain amounts reported in prior periods have been reclassified in order to conform to the current year presentation.

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, 2024 through May 19, 2025, the date on which financial statements were available to be issued.

NOTE 2 – MORTGAGE NOTES RECEIVABLE

Mortgage notes receivable represents 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,:

	2024	2023
Gross mortgage notes receivable	$ 13,472,683	$ 13,233,383
Unamortized discount on non-interest bearing mortgage notes receivables	(6,629,461)	(6,570,430)
Mortgage notes receivable, net	$ 6,843,222	$ 6,662,953

NOTE 2 – 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 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. Mortgage notes are secured by the property. The Organization is a charity engaged in providing homeownership opportunities to low-income families living or working in the Coastal Fairfield County area. Upon completion of construction, the home is conveyed to a selected family for an affordable price. Due to the nature of the Organization's services, management estimates that the fair market value of the collateralized properties exceeds the mortgage notes receivable balances and that properties recovered due to non-performance will not result in losses. Therefore, management has determined that an allowance for credit losses is unnecessary.

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

For the years ending December 31,:	
2025	$ 778,668
2026	767,567
2027	755,466
2028	747,254
2029	719,761
Thereafter	9,703,967
	$ 13,472,683

The following is an aging analysis of mortgage notes receivable by outstanding principal balance as of December 31,:

2024

Current	31-60 days	61-90 days	over 90 days	Total
$ 11,796,322	$ 498,747	$ 253,874	$ 923,740	$ 13,472,683

2023

Current	31-60 days	61-90 days	over 90 days	Total
$ 10,796,241	$ 1,226,682	$ 350,951	$ 859,509	$ 13,233,383

For credit quality, the Organization tracks and classifies their borrowers into the below statuses as of December 31,:

	2024	2023
Acceptable performance	$ 12,664,556	$ 12,813,182
Under-performing	708,990	303,678
Collateral-dependent	99,137	116,523
	$ 13,472,683	$ 13,233,383

NOTE 2 – MORTGAGE NOTES RECEIVABLE *(CONTINUED)*

The Organization uses the following definitions when assessing categories for the purpose of evaluating the risk and adequacy of the mortgage notes receivable:

Acceptable performance
Loans in this category exhibit acceptable risk in terms of financial capacity to repay their loans as well as possessing acceptable fallback repayment sources, typically adequate collateral and personal guarantees.

Under-performing
Loans in this category have been delinquent for at least six months but have yet to be expected to foreclose on.

Collateral-dependent
Loans in this category demonstrate weakness when the repayment is expected to be provided substantially by operation or sale of the underlying collateral and there are no other available and reliable sources of repayment.

NOTE 3 – UNITS FOR RESALE AND HELD FOR DEVELOPMENT

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. Units in development represents cumulative amounts expended to date on land, building, and renovation costs on properties to be sold. These properties are rehabilitated and sold to a low-income family, consistent with the Organization's mission. The balance of the units for resale and held for development as of December 31, 2024 and 2023 is $3,357,275 and $3,099,051 respectively.

NOTE 4 – PROPERTY AND EQUIPMENT

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

	2024	2023
Building	$ 5,784,576	$ 206,921
Furniture, fixtures and equipment	113,820	104,720
Vehicles	327,565	422,351
Leaseholds - ReStore	-	120,587
Building improvements - ReStore	769,150	-
	6,995,111	854,579
Accumulated depreciation	(381,135)	(595,647)
Property and equipment, net	$ 6,613,976	$ 258,932

NOTE 5 – LINE OF CREDIT

The Organization has a line of credit of $300,000 with Connecticut Community Bank, N.A., with $130,000 and $-0- drawn on December 31, 2024 and 2023, respectively. The line of credit is renewable annually, and has an interest rate of prime which was 7.50% and 8.50% at December 31, 2024 and 2023, respectively. The line is secured by all assets of the Organization.

NOTE 6 – NOTES PAYABLE AND LONG-TERM DEBT

Notes Payable
The following is a summary of the principal balances of notes payable at December 31, 2024 and 2023:

Payable to	Current interest rate	Maturity date	2024	2023
Citizens Bank	2.00%	November, 2027	$ 500,000	$ 500,000
Habitat for Humanity International - Flex Cap	4.75%	December, 2026	145,583	198,280
Mutual Housing Association of Southwestern CT	0.00%	September, 2045	47,428	49,714
Connecticut Housing Finance Authority	0.00%	November, 2041	2,392,873	1,414,481
Key Bank	0.00%	December, 2031	20,134	23,585
Fairfield County Bank Corporation	0.00%	January, 2034	54,756	63,260
SBA Economic Injury disaster loan	2.75%	June, 2050	164,046	149,900
Total notes payable, before discount			3,324,820	2,399,220
Discount			(850,745)	(454,046)
Total notes payable, net present value			$ 2,474,075	$ 1,945,174

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

For the years ending December 31,:	
2025	$ 255,181
2026	257,644
2027	723,481
2028	187,683
2029	187,623
Thereafter	1,713,208
	$ 3,324,820

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

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 mortgage notes 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 $1,542,128 and $960,435 at December 31, 2024 and 2023, respectively. The change in the discount on notes payable is reflected as Discount on Notes Payable in the accompanying statements of functional expenses.

Mortgage Note Payable
The Organization has a mortgage note payable to Connecticut Community Bank, N.A. secured by the mortgaged property, with monthly payments of principal and interest at $30,845 per month through December 1, 2034. The initial interest rate of 7.25% is fixed until November 7, 2029, at which time the rate will adjust to the rate of the weekly average yield on the Federal Home Loan Bank of Boston Classic Advance Rate ("FLHB") adjusted to a constant maturity of five years as made available by the Federal Reserve Board plus 2.75% rounded to the nearest one-eighth of one percentage point. The note matures on December 1, 2034 at which point any amounts still owed should be paid in full on that date. The principal balance due was $4,275,000 and $-0- at December 31, 2024 and 2023, respectively.

NOTE 6 – NOTES PAYABLE AND LONG-TERM DEBT *(CONTINUED)*

Principal payments on the mortgage note payable over the next five years and thereafter are as follows:

For the years ending December 31,:	
2025	$ 67,728
2026	72,714
2027	78,067
2028	83,816
2029	89,986
Thereafter	3,882,689
	$ 4,275,000

NOTE 7 – 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 years ended December 31, 2024 and 2023, the Organization's contributions were $21,378 and $72,492.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets of $136,941 were restricted by donors for the timing of use as of December 31, 2024. Net assets of $250,000 were restricted by donors for the purpose of housing construction. As of December 31, 2024 and 2023, $250,000 an $-0- net assets with donor restrictions were released from restriction to be used for housing construction.

NOTE 9 – LEASES

In 2019, the Organization entered into a non-cancelable operating lease for retail space in Stratford, Connecticut. The lease had a term of five years which expires on August 31, 2025. The Organization's incremental borrowing rate of 3.86% was used in its present value calculation as the office lease does not have a stated rate and the implicit rate was not readily determinable. During 2023, the Organization amended the lease to add additional office space and extended the term through March 31, 2033. During November 2024, the Organization purchased the leased property and the lease was terminated. A gain on the termination of the lease liability of $187,985 was recognized in the statement of activities for the year ended December 31, 2024.

Lease cost was recorded on a straight-line basis over the term of the lease. For the years ended December 31, 2024 and 2023, rent expense was $408,867 and $450,294, respectively.

Cash paid for amounts included in the measurement of lease liabilities for operating cash flow from operating leases was $372,443 and $298,733 for the years ended December 31, 2024 and 2023, respectively.

The Organization also has a short-term lease of less than 12-months for office space in Bridgeport, Connecticut which expired on March 31, 2024. Rent expense related to short-term leases was $160,306 and $359,296 for the years ended December 31, 2024 and 2023, respectively.

NOTE 10 – LIQUIDITY AND AVAILABILITY

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

	2024	2023
Cash and cash equivalents	$ 4,590,281	$ 6,246,021
Grants and other receivables	-	2,789
Mortgage notes receivable, current portion	778,668	751,992
Financial assets available to meet cash needs for general expenditures within twelve months	$ 5,368,949	$ 7,000,802

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 CHFA which allows the Organization to sell its mortgage notes receivable for cash proceeds.

NOTE 11 – EMPLOYEE RETENTION CREDIT

In February 2023, the Organization applied for the Employee Retention Credit ("ERC") program in the amount of $565,868 and after approval of their application these funds were received in August 2023, therefore are included as revenue on the statement of activities for the year ended December 31, 2023.

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