Habitat for Humanity of Coastal Fairfield County, Inc.

Independent Auditors' Report
Financial Statements

December 31, 2021 and 2020

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HABITAT FOR HUMANITY OF COASTAL FAIRFIELD COUNTY, INC.

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December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

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, 2021 and 2020, 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, 2021 and 2020, and the changes in its net assets and cash flows for the year 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
April 19, 2022

HABITAT FOR HUMANITY OF COASTAL FAIRFIELD COUNTY, INC.

Statements of Financial Position

December 31, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,412,727	$ 900,069
Restricted cash	750,000	250,100
Grant and other receivables	2,789	608,589
Mortgage notes receivable, current portion	723,102	698,911
Restore inventory	58,672	16,485
Units for resale	153,293	225,793
Construction in progress	1,868,086	1,853,354
Other assets	36,561	18,613
Total current assets	5,005,230	4,571,914
Noncurrent assets:		
Property and equipment, net	158,166	93,421
Mortgage notes receivable, net of current portion and discount of $6,371,370 and $6,369,959, respectively	5,774,785	5,606,355
Total noncurrent assets	5,932,951	5,699,776
Total assets	$ 10,938,181	$ 10,271,690
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 184,345	$ 201,382
Deferred revenue - HTCC	1,080,000	740,000
Notes payable, current portion	208,115	210,212
Total current liabilities	1,472,460	1,151,594
Noncurrent liabilities:		
Notes payable, net of current portion and discount of $596,329 and $675,971, respectively	2,037,233	2,144,713
Refundable advance - Paycheck Protection Program	-	319,245
Total noncurrent liabilities	2,037,233	2,463,958
Total liabilities	3,509,693	3,615,552
Net assets:		
Without donor restrictions	7,178,488	6,406,138
With donor restrictions	250,000	250,000
Total net assets	7,428,488	6,656,138
Total liabilities and net assets	$ 10,938,181	$ 10,271,690

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, 2021 And 2020

	2021	2020
Changes in net assets without donor restrictions:		
Program support and revenue:		
Contributions	$ 1,340,033	$ 927,385
Grants	297,835	161,189
Events	153,911	135,379
Sales of completed houses	970,500	578,500
Restore income	1,763,112	1,156,314
Paycheck Protection Program	638,490	-
Bequests	2,500	-
Other income	39,484	99,743
Gain/(loss) on sale of mortgages	18,763	95,689
Total program support and revenue	5,224,628	3,154,199
Expenses:		
Program services		
Community relations	84,661	72,573
Family services	249,023	309,317
Volunteer services	197,396	155,383
ReStore project	1,341,612	1,155,850
Home building, inclusive of $555,261 and $320,178 of discount amortization on mortgage receivable	2,420,207	2,019,766
Total program expenses	4,292,899	3,712,889
Support services		
Fundraising	307,793	266,335
Management and general	405,761	370,282
Total support services	713,554	636,617
Total expenses	5,006,453	4,349,506
Change in net assets without donor restrictions before other revenue/(expenses)	218,175	(1,195,307)
Other revenue/(expenses):		
Interest income	325	5,242
Mortgage discount amortization	553,850	548,733
NMTC gain, net	-	391,189
Net assets released from program and time restrictions	-	254,482
Total other revenue/(expenses)	554,175	1,199,646
Change in net assets without donor restrictions	772,350	4,339
Change in net assets with donor restrictions:		
Net assets released from program and time restrictions	-	(254,482)
Change in net assets with donor restrictions	-	(254,482)
Total change in net assets	772,350	(250,143)
Net assets, beginning of year	6,656,138	6,906,281
Net assets, end of year	$ 7,428,488	$ 6,656,138

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, 2021

	Community Relations	Family Services	Volunteer Services	ReStore Project	Home Building	Total Program	Fundraising	Management and General	Total
Costs of houses sold	$ -	$ -	$ -	$ -	$ 1,011,544	$ 1,011,544	$ -	$ -	$ 1,011,544
Other expenses									
Personnel costs	67,488	178,405	111,966	376,105	339,467	1,073,431	184,415	192,328	1,450,174
Rent and related occupancy	2,645	12,615	4,476	396,824	144,054	560,614	15,260	13,022	588,896
Sub-contractor labor	-	-	-	214,890	-	214,890	-	878	215,768
Employee benefits	8,827	18,715	11,389	30,745	36,227	105,903	29,667	37,588	173,158
Insurance	-	-	-	-	132,603	132,603	-	39,322	171,925
Payroll taxes	5,152	14,354	7,201	30,342	35,916	92,965	14,854	16,187	124,006
Professional fees	-	1,712	52,173	-	-	53,885	-	30,859	84,744
Discount on notes payable	-	-	-	-	79,642	79,642	-	-	79,642
Supplies and inventory	-	-	-	72,291	4,259	76,550	-	375	76,925
Advertising and promotion	-	12,812	3,746	11,942	410	28,910	38,796	302	68,008
Utilities	-	-	-	37,797	17,272	55,069	-	3,519	58,588
Bank and credit card fees	-	-	-	49,368	-	49,368	-	8,345	57,713
Computer expenses	-	1,253	3,758	876	-	5,887	14,928	29,507	50,322
Vehicle	-	-	-	27,920	8,763	36,683	-	-	36,683
Maintenance and repairs	-	-	-	29,622	1,390	31,012	-	5,555	36,567
Office supplies	-	974	46	20,669	987	22,676	2,410	10,885	35,971
Interest	-	-	-	-	30,394	30,394	-	-	30,394
Dues and subscriptions	415	4,234	702	3,969	4,393	13,713	2,899	5,062	21,674
Telephone	-	2,180	1,712	7,903	2,944	14,739	2,929	2,202	19,870
Fuel/other expenses	-	-	-	16,047	3,423	19,470	-	-	19,470
Other office expenses	134	1,326	227	900	1,156	3,743	773	663	5,179
Training	-	60	-	-	-	60	-	4,673	4,733
Travel, meals, entertainment	-	-	-	85	332	417	112	2,700	3,229
Tithe to national affiliate	-	-	-	-	3,000	3,000	-	-	3,000
Real estate owned	-	-	-	-	1,840	1,840	-	-	1,840
Postage and freight	-	383	-	-	-	383	750	626	1,759
Total expenses before discount amortization on mortgage receivable and depreciation	84,661	249,023	197,396	1,328,295	1,860,016	3,719,391	307,793	404,598	4,431,782
Discount amortization on mortgage receivable	-	-	-	-	555,261	555,261	-	-	555,261
Depreciation/amortization	-	-	-	13,317	4,930	18,247	-	1,163	19,410
Total expenses	$ 84,661	$ 249,023	$ 197,396	$ 1,341,612	$ 2,420,207	$ 4,292,899	$ 307,793	$ 405,761	$ 5,006,453

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
Sub-contractor labor	-	-	-	143,977	-	143,977	-	1,030	145,007
Employee benefits	5,755	13,816	10,225	22,283	24,671	76,750	17,453	30,110	124,313
Insurance	-	-	-	-	148,165	148,165	-	36,903	185,068
Payroll taxes	4,358	18,201	20,194	25,898	34,855	103,506	11,389	11,880	126,775
Professional fees	-	-	8,559	-	-	8,559	-	27,152	35,711
Discount on notes payable	-	-	-	-	117,221	117,221	-	-	117,221
Supplies and inventory	-	-	-	53,667	8,547	62,214	-	375	62,589
Advertising and promotion	-	7,902	1,125	2,456	353	11,836	26,573	-	38,409
Utilities	-	-	-	33,388	18,892	52,280	-	3,430	55,710
Bank and credit card fees	-	-	-	26,717	-	26,717	-	8,603	35,320
Computer expenses	-	692	2,075	634	-	3,401	6,917	29,812	40,130
Vehicle	-	-	-	26,447	5,450	31,897	-	-	31,897
Maintenance and repairs	-	-	-	40,243	1,692	41,935	-	4,415	46,350
Office supplies	-	1,092	-	18,187	1,932	21,211	1,057	10,064	32,332
Interest	-	-	-	-	27,974	27,974	-	-	27,974
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
Fuel/other expenses	-	-	-	9,934	2,406	12,340	-	-	12,340
Other office expenses	-	1,080	195	825	1,220	3,320	811	635	4,766
Training	-	98	-	365	-	463	793	4,154	5,410
Travel, meals, entertainment	-	-	242	301	-	543	426	2,837	3,806
Tithe to national affiliate	-	-	-	-	5,000	5,000	-	-	5,000
Real estate owned	-	-	-	-	7,215	7,215	-	-	7,215
Postage and freight	-	692	-	1	63	756	1,475	891	3,122
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.

Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 772,350	$ (250,143)
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	19,410	24,667
Mortgage discount amortization income	(553,850)	(548,733)
Mortgage discount amortization expense	555,261	320,178
CHFA mortgage discount	79,642	3,610
NMTC gain, net	-	(391,189)
(Increase)/decrease in assets:		
Grant and other receivables	605,800	(442,307)
ReStore inventory	(42,187)	(16,485)
Units for resale - cash buy backs	(20,000)	(9,710)
Units for resale - sold during the year	92,500	125,400
Construction in progress	(14,732)	(191,570)
Other assets	(17,950)	8,266
Increase/(decrease) in liabilities		
Accounts payable and accrued expenses	(17,037)	(44,806)
Deferred revenue - HTCC	340,000	420,000
Refundable Advance - Paycheck Protection Program	(319,245)	319,245
Net change in cash from operating activities	1,479,962	(673,577)
Cash flows from investing activities:		
Purchase of property and equipment	(84,156)	(17,812)
Principal receipts on mortgage receivable	866,268	914,767
New loans originated	(970,500)	(578,500)
Net change in cash from investing activities	(188,388)	318,455
Cash flows from financing activities:		
Principal payments on notes payable	(315,933)	(307,451)
Proceeds from notes payable	36,917	463,124
Net change in cash from financing activities	(279,016)	155,673
Change in cash, cash equivalents and restricted cash	1,012,558	(199,449)
Cash, cash equivalents and restricted cash, beginning of year	1,150,169	1,349,618
Cash, cash equivalents and restricted cash, end of year	$ 2,162,727	$ 1,150,169
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 30,394	$ 27,974
Noncash operating and financing transactions		
Amortization of mortgage notes receivable discount	$ 555,261	$ 320,178

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 working 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:

	2021	2020
Cash and cash equivalents	$ 1,412,727	$ 900,069
Restricted cash	750,000	250,100
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	$ 2,162,727	$ 1,150,169

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 $69,289 and $87,376 for the years ended December 31, 2021 and 2020, 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 17,500 and 9,500 for the years ended December 31, 2021 and 2020, respectively.

Donated Goods – The ReStore receives 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 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.

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

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, 2021 and 2020, was $1,763,112 and $1,156,314, 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 $1,080,000 and $740,000 that have not been recognized at December 31, 2021 and 2020, respectively, because qualifying expenditures have not yet been incurred, with an advance payment of $1,080,000 and $740,000 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.

Restore Inventory

The inventory on hand is purchased furniture and fixtures with the intention to be resold by the Restore. Inventory is expected to have a turnover of less than a year.

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.

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

Receivables
Grant and other receivables arising from regular operations are stated net of an allowance for doubtful accounts. Allowances are set based on assessments by management as to the collectability of individual accounts. There was no allowance for doubtful accounts as of December 31, 2021 and 2020.

Reclassification
Certain reclassifications have been made to the December 31, 2020 financial statements to conform to the December 31, 2021 financial statement 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, 2021 through April 19, 2022, 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,:

	2021	2020
Gross mortgage notes receivable	$ 12,869,257	$ 12,675,225
Unamortized discount on non-interest bearing mortgage receivables	(6,371,370)	(6,369,959)
Net present value	$ 6,497,887	$ 6,305,266

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,:	
2022	$ 723,102
2023	718,979
2024	716,121
2025	709,613
2026	705,221
Thereafter	9,296,221
	$ 12,869,257

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.

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 $0 and $391,189 to the Organization for the years ending December 31, 2021 and 2020, respectively.

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, 2021 and 2020 is $153,293 and $225,793, 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,:

	2021	2020
Building	$ 206,921	$ 206,921
Furniture and fixtures	38,034	32,127
Equipment	66,686	66,686
Vehicles	364,421	286,174
Leaseholds - ReStore	40,451	40,451
	716,513	632,359
Accumulated depreciation	(558,347)	(538,938)
	$ 158,166	$ 93,421

NOTE 7 – 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, 2021 and 2020. The line of credit is renewable annually, and has an interest rate of prime which was 3.25% at December 31, 2021 and 2020. The line is secured by all assets of the Organization.

NOTE 8 – NOTES PAYABLE AND LONG-TERM DEBT

The following is a summary of the principal balances of notes payable at December 31, 2021 and 2020:

Payable to	Current interest rate	Maturity date	2021	2020
Citizens Bank	2.00%	November, 2024	$ 500,000	$ 500,000
Isuzu Finance of America, Inc.	6.79%	March, 2022	5,238	20,952
Habitat for Humanity International - Flex Cap	4.75%	December, 2026	295,226	341,142
Mutual Housing Association of Southwestern CT	0.00%	September, 2045	54,857	57,143
Connecticut Housing Finance Authority	0.00%	November, 2041	1,725,411	1,838,758
Key Bank	0.00%	December, 2031	30,776	34,228
Fairfield County Bank Corporation	0.00%	January, 2034	80,269	88,773
SBA Economic Injury disaster loan	2.75%	June, 2050	149,900	149,900
Total notes payable, before discount			2,841,677	3,030,896
Discount			(596,329)	(675,971)
Total notes payable, net present value			$ 2,245,348	$ 2,354,925

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

For the years ending December 31,:	
2022	$ 208,115
2023	204,909
2024	701,521
2025	202,995
2026	205,394
Thereafter	1,318,743
	$ 2,841,677

NOTE 8 – NOTES PAYABLE AND LONG-TERM DEBT *(CONTINUED)*

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 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 $1,129,082 and $1,162,787 at December 31, 2021 and 2020, respectively. The change in the discount on notes payable is reflected in Discount on Notes Payable expense.

NOTE 9 – 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, 2021 and 2020, the Organization's contributions were $42,560 and $17,728.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets of $250,000 as of December 31, 2021 and 2020, were restricted by donors for the purpose of housing construction. Net assets with donor restrictions of $-0- and $254,482 as of December 31, 2021 and 2020, respectively were released from restriction to be used for housing construction.

NOTE 11 – 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,:	
2022	$ 514,319
2023	474,739
2024	337,805
2025	227,305
	$ 1,554,168

NOTE 12 – 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,:

	2021	2020
Cash and cash equivalents	$ 1,412,727	$ 900,069
Grants and other receivables	2,789	608,589
Mortgage notes receivable, current portion	723,102	698,911
Financial assets available to meet cash needs for general expenditures within one year	$ 2,138,618	$ 2,207,569

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, 2021 and 2020, the Organization had $9,230,496 and $9,126,288, respectively, in unpledged, undiscounted mortgage receivables.

NOTE 13 – 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).

On March 26, 2021, the Organization obtained complete forgiveness approval from the SBA of its first PPP loan in the amount of $319,245 and recognized the full amount as revenue.

During January 2021, the Organization received approval for a second Paycheck Protection Program ("PPP") loan in the amount of $319,245.

On October 5, 2021, the Organization obtained complete forgiveness approval from the SBA of its second PPP loan in the amount of $319,245 and recognized the full amount as revenue.

NOTE 14 – 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 2021 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.

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