

**HABITAT FOR HUMANITY OF  
COASTAL FAIRFIELD COUNTY, INC.**

Independent Auditors' Report  
Financial Statements

December 31, 2023 and 2022



ASSURANCE | ADVISORY | TAX | TECHNOLOGY

## 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, 2023 and 2022, 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, 2023 and 2022, 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.



Hartford, Connecticut  
June 14, 2024

# HABITAT FOR HUMANITY OF COASTAL FAIRFIELD COUNTY, INC.

## Statements of Financial Position

December 31, 2023 and 2022

	2023	2022
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 6,246,021	\$ 6,873,217
Restricted cash	580,501	950,000
Grants and other receivables	2,789	2,789
Mortgage notes receivable, current portion	751,992	738,955
ReStore inventory	109,319	105,310
Units for resale	343,483	203,139
Construction in progress	2,755,568	1,252,517
Operating lease right-of-use asset	3,755,508	3,352,224
Other assets	13,017	36,757
Total current assets	<u>14,558,198</u>	<u>13,514,908</u>
Noncurrent assets:		
Property and equipment, net	258,932	63,742
Mortgage notes receivable, net of current portion and discount of \$6,570,430 and \$6,717,677, respectively	5,910,961	5,977,584
Total noncurrent assets	<u>6,169,893</u>	<u>6,041,326</u>
Total assets	<u>\$ 20,728,091</u>	<u>\$ 19,556,234</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 199,325	\$ 146,991
Deferred revenue - HTCC	1,000,000	700,000
Operating lease liabilities - current portion	447,572	358,686
Notes payable, current portion	695,004	200,003
Total current liabilities	<u>2,341,901</u>	<u>1,405,680</u>
Noncurrent liabilities:		
Notes payable, net of current portion and discount of \$454,046 and \$515,901, respectively	1,250,170	1,889,315
Operating lease liabilities - long-term portion	3,459,498	2,993,538
Total noncurrent liabilities	<u>4,709,668</u>	<u>4,882,853</u>
Total liabilities	<u>7,051,569</u>	<u>6,288,533</u>
Net assets:		
Without donor restrictions	13,426,522	13,017,701
With donor restrictions	250,000	250,000
Total net assets	<u>13,676,522</u>	<u>13,267,701</u>
Total liabilities and net assets	<u>\$ 20,728,091</u>	<u>\$ 19,556,234</u>

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, 2023 and 2022

	2023	2022
<b>Changes in net assets without donor restrictions:</b>		
Program support and revenue:		
ReStore income	\$ 2,064,089	\$ 1,950,206
Contributions	1,169,874	6,832,916
Sales of completed houses	584,000	1,577,000
Grants	312,862	705,485
Events	232,932	346,797
In-kind contributions	61,200	83,510
Other income	20,252	22,122
Total program support and revenue	<u>4,445,209</u>	<u>11,518,036</u>
Expenses:		
Program services		
Community relations	68,452	55,015
Family services	334,175	308,057
Volunteer services	132,905	154,001
ReStore project	1,625,558	1,580,616
Home building, inclusive of \$338,161 and \$918,477 of discount amortization on mortgage notes receivable	<u>2,169,646</u>	<u>3,430,260</u>
Total program expenses	<u>4,330,736</u>	<u>5,527,949</u>
Support services		
Fundraising	348,708	349,834
Management and general	704,050	452,328
Total support services	<u>1,052,758</u>	<u>802,162</u>
Total expenses	<u>5,383,494</u>	<u>6,330,111</u>
Change in net assets without donor restrictions before other revenue/(expenses)	<u>(938,285)</u>	<u>5,187,925</u>
Other revenue/(expenses):		
Employee Retention Credit	565,868	-
Interest income	295,830	79,117
Discount on mortgage notes receivable	485,408	572,171
Total other revenue/(expenses)	<u>1,347,106</u>	<u>651,288</u>
Change in net assets without donor restrictions	<u>408,821</u>	<u>5,839,213</u>
Change in net assets	408,821	5,839,213
Net assets, beginning of year	13,267,701	7,428,488
Net assets, end of year	<u>\$ 13,676,522</u>	<u>\$ 13,267,701</u>

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	19,835	814,416
Small tools and supplies	-	-	-	270,032	25,164	295,196	-	-	295,196
Sub-contractor labor	-	-	-	255,490	22,265	277,755	-	16,083	293,838
Employee benefits	6,530	28,248	10,818	37,236	62,712	145,544	25,385	39,523	210,453
Insurance	-	-	-	-	127,392	127,392	-	52,372	179,764
Payroll taxes	-	19,524	8,286	27,048	44,561	99,419	17,109	31,909	148,437
Computer expenses	-	2,341	5,441	2,722	-	10,504	22,822	47,686	81,011
Advertising and promotion	-	3,659	3,159	886	-	7,704	18,331	39,318	65,353
Bank and credit card fees	-	-	-	53,836	-	53,836	-	11,151	64,987
Discount on notes payable	-	-	-	-	61,855	61,855	-	-	61,855
Professional fees	-	-	-	-	-	-	-	55,786	55,786
Maintenance and repairs	-	-	-	44,347	989	45,336	-	5,650	50,986
Utilities	-	-	-	21,503	9,297	30,800	-	12,518	43,318
Vehicle	-	-	-	10,169	31,745	41,914	-	-	41,914
Office supplies	-	2,254	-	23,196	-	25,450	6,879	8,356	40,685
Interest	-	-	-	-	26,740	26,740	-	-	26,740
Dues and subscriptions	528	2,672	-	5,261	5,460	13,921	4,499	4,528	22,949
Fuel/other expenses	-	-	-	17,508	5,419	22,927	-	-	22,927
Telephone	-	2,116	2,311	5,538	2,164	12,129	2,596	4,769	19,494
Travel, meals, entertainment	-	2,446	912	-	-	3,358	460	4,383	8,201
Postage and freight	-	742	65	28	94	929	4,400	1,360	6,689
Training	-	75	-	1,000	4,960	6,035	-	-	6,035
Other office expenses	-	2,744	66	900	732	4,442	-	478	4,920
Tithe to national affiliate	-	-	-	-	3,000	3,000	-	-	3,000
Real estate owned	-	-	-	-	2,205	2,205	-	-	2,205
Total expenses before discount amortization on mortgage notes payable and depreciation	<u>68,452</u>	<u>334,175</u>	<u>132,905</u>	<u>1,613,385</u>	<u>1,824,696</u>	<u>3,973,613</u>	<u>348,708</u>	<u>702,887</u>	<u>5,025,208</u>
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	<u>\$ 68,452</u>	<u>\$ 334,175</u>	<u>\$ 132,905</u>	<u>\$ 1,625,558</u>	<u>\$ 2,169,646</u>	<u>\$ 4,330,736</u>	<u>\$ 348,708</u>	<u>\$ 704,050</u>	<u>\$ 5,383,494</u>

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, 2022

	Community Relations	Family Services	Volunteer Services	ReStore Project	Home Building	Total Program	Fundraising	Management and General	Total
Costs of houses sold	\$ -	\$ -	\$ -	\$ -	\$ 1,763,209	\$ 1,763,209	\$ -	\$ -	\$ 1,763,209
Other expenses									
Personnel costs	46,725	233,129	121,316	387,914	299,493	1,088,577	227,046	190,152	1,505,775
Rent and related occupancy	2,746	13,096	4,647	426,059	149,553	596,101	15,842	13,519	625,462
Sub-contractor labor	-	-	-	254,448	-	254,448	-	-	254,448
Small tools and supplies	-	-	-	230,294	5,515	235,809	-	-	235,809
Employee benefits	-	22,285	6,715	16,325	33,145	78,470	33,526	50,398	162,394
Payroll taxes	3,828	19,100	9,939	30,927	27,748	91,542	16,741	15,077	123,360
Insurance	-	-	-	-	74,465	74,465	-	41,817	116,282
Discount on notes payable	-	-	-	-	80,428	80,428	-	-	80,428
Utilities	-	-	-	38,296	18,730	57,026	-	6,243	63,269
Advertising and promotion	-	7,455	5,909	5,537	-	18,901	20,567	20,320	59,788
Bank and credit card fees	-	-	-	47,804	-	47,804	-	11,895	59,699
Computer expenses	-	1,600	3,719	2,265	-	7,584	15,599	32,189	55,372
Vehicle	-	-	-	35,940	9,280	45,220	-	-	45,220
Maintenance and repairs	-	-	-	35,071	900	35,971	-	4,422	40,393
Office supplies	-	1,873	-	21,965	-	23,838	3,107	13,286	40,231
Professional fees	-	3,508	-	-	-	3,508	-	32,900	36,408
Fuel/other expenses	-	-	-	23,018	4,566	27,584	-	-	27,584
Interest	-	-	-	-	25,019	25,019	-	-	25,019
Telephone	-	1,717	1,717	8,220	2,944	14,598	3,543	3,294	21,435
Dues and subscriptions	415	2,099	-	4,133	4,289	10,936	3,534	3,557	18,027
Travel, meals, entertainment	-	355	-	590	237	1,182	2,282	9,959	13,423
Postage and freight	-	1,218	-	85	597	1,900	7,814	898	10,612
Other office expenses	1,301	622	39	975	640	3,577	233	1,239	5,049
Tithe to national affiliate	-	-	-	-	3,000	3,000	-	-	3,000
Real estate owned	-	-	-	-	2,761	2,761	-	-	2,761
Total expenses before discount amortization on mortgage notes payable and depreciation	<u>55,015</u>	<u>308,057</u>	<u>154,001</u>	<u>1,569,866</u>	<u>2,506,519</u>	<u>4,593,458</u>	<u>349,834</u>	<u>451,165</u>	<u>5,394,457</u>
Discount amortization on mortgage notes payable	-	-	-	-	918,477	918,477	-	-	918,477
Depreciation	-	-	-	10,750	5,264	16,014	-	1,163	17,177
Total expenses	<u>\$ 55,015</u>	<u>\$ 308,057</u>	<u>\$ 154,001</u>	<u>\$ 1,580,616</u>	<u>\$ 3,430,260</u>	<u>\$ 5,527,949</u>	<u>\$ 349,834</u>	<u>\$ 452,328</u>	<u>\$ 6,330,111</u>

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, 2023 and 2022

	2023	2022
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 408,821	\$ 5,839,213
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	20,125	17,177
Mortgage discount amortization income	(485,408)	(572,171)
Mortgage discount amortization expense	338,161	918,477
CHFA mortgage discount	61,855	80,428
(Increase)/decrease in assets:		
ReStore inventory	(4,009)	(46,638)
Units for resale - purchased during the year	(305,978)	(49,846)
Units for resale - sold during the year	165,634	-
Construction in progress - purchased during the year	(2,108,432)	(1,147,640)
Construction in progress - sold during the year	605,381	1,763,209
Other assets	23,740	(196)
Operating lease right-of-use asset	293,874	-
Increase/(decrease) in liabilities		
Accounts payable and accrued expenses	52,334	(37,354)
Deferred revenue - HTCC	300,000	(380,000)
Operating lease liability	(142,312)	-
Net change in cash from operating activities	<u>(776,214)</u>	<u>6,384,659</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(215,313)	-
Proceeds from disposal of property and equipment	-	77,247
Principal receipts on mortgage notes receivable	722,976	1,012,042
Principal disbursed on originated mortgage notes receivable	(584,000)	(1,577,000)
Net change in cash from investing activities	<u>(76,337)</u>	<u>(487,711)</u>

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, 2023 and 2022

	2023	2022
<b>Cash flows from financing activities:</b>		
Principal payments on notes payable	\$ (144,144)	\$ (236,458)
Net change in cash from financing activities	<u>(144,144)</u>	<u>(236,458)</u>
Change in cash, cash equivalents and restricted cash	(996,695)	5,660,490
Cash, cash equivalents and restricted cash, beginning of year	<u>7,823,217</u>	<u>2,162,727</u>
Cash, cash equivalents and restricted cash, end of year	<u><u>\$ 6,826,522</u></u>	<u><u>\$ 7,823,217</u></u>
<b><i>Supplemental disclosures</i></b>		
Non-cash operating activities:		
Cash paid for interest	\$ 26,740	\$ 25,019
Adoption of ASC No. 2016-02:		
Increase in operating lease right-of-use asset	\$ -	\$ 3,135,291
Increase in operating lease liability	\$ -	\$ 3,135,291
<b>Noncash operating and financing transactions</b>		
Amortization of mortgage notes receivable discount	<u><u>\$ 338,161</u></u>	<u><u>\$ 918,477</u></u>

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

# HABITAT FOR HUMANITY OF COASTAL FAIRFIELD COUNTY, INC.

## Notes to the Financial Statements

December 31, 2023 and 2022

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### 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 (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.

#### Adoption of New Accounting Pronouncement

On January 1, 2023, the Organization adopted ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326)*. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. The Company adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

#### 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.

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

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:

	2023	2022
Cash and cash equivalents	\$ 6,246,021	\$ 6,873,217
Restricted cash	580,501	950,000
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	<u>\$ 6,826,522</u>	<u>\$ 7,823,217</u>

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* – 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, 2023 and 2022, was \$61,200 and \$83,510, 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.

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Revenue and Revenue Recognition (continued)

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

	2023	2022
Donated construction services	\$ 25,208	\$ 65,660
Donated professional services	1,616	10,154
Donated materials	34,376	7,696
Total in-kind contributions	<u>\$ 61,200</u>	<u>\$ 83,510</u>

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 and 20,000 for the years ended December 31, 2023 and 2022, respectively.

*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 a sale 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 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.

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, 2023 and 2022, was \$2,064,089 and \$1,950,206, respectively.

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

*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 \$1,000,000 and \$700,000 that have not been recognized at December 31, 2023 and 2022, respectively, because qualifying expenditures have not yet been incurred, with an advance payment of \$1,000,000 and \$700,000 recognized in the statements of financial position as deferred revenue. During the years ended December 31, 2023 and 2022, \$200,000 and \$380,000 of prior year deferred revenue was recognized as grants income, respectively.

*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. 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, 2023 and 2022, there was no loss for obsolescence recorded.

### 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

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, 2023 and 2022.

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

Certain reclassifications have been made to the December 31, 2022 financial statements to conform to the December 31, 2023 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, 2023 through June 14, 2024, 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,:

	<u>2023</u>	<u>2022</u>
Gross mortgage notes receivable	\$ 13,233,383	\$ 13,434,216
Unamortized discount on non-interest bearing mortgage notes receivables	<u>(6,570,430)</u>	<u>(6,717,677)</u>
Net present value	<u>\$ 6,662,953</u>	<u>\$ 6,716,539</u>

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:

<u>For the years ending December 31,:</u>	
2024	\$ 751,992
2025	734,541
2026	728,864
2027	723,731
2028	706,583
Thereafter	<u>9,587,672</u>
	<u>\$ 13,233,383</u>

**NOTE 2 – MORTGAGE NOTES RECEIVABLE (CONTINUED)**

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

	2023			
Current	31-60 days	61-90 days	over 90 days	Total
<u>\$ 10,796,241</u>	<u>\$ 1,226,682</u>	<u>\$ 350,951</u>	<u>\$ 859,509</u>	<u>\$ 13,233,383</u>

	2022			
Current	31-60 days	61-90 days	over 90 days	Total
<u>\$ 11,000,620</u>	<u>\$ 1,145,594</u>	<u>\$ 393,912</u>	<u>\$ 894,090</u>	<u>\$ 13,434,216</u>

**NOTE 3 – 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, 2023 and 2022 is \$343,483 and \$203,139, respectively.

**NOTE 4 – CONSTRUCTION IN PROGRESS**

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

**NOTE 5 – PROPERTY AND EQUIPMENT**

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

	2023	2022
Building	\$ 206,921	\$ 206,921
Furniture and fixtures	38,034	38,034
Equipment	66,686	66,686
Vehicles	422,351	287,174
Leaseholds - ReStore	120,587	40,451
	<u>854,579</u>	<u>639,266</u>
Accumulated depreciation	<u>(595,647)</u>	<u>(575,524)</u>
Property and equipment, net	<u>\$ 258,932</u>	<u>\$ 63,742</u>

**NOTE 6 – 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, 2023 and 2022. The line of credit is renewable annually and has an interest rate of prime which was 8.50% and 7.50% at December 31, 2023 and 2022, respectively. The line is secured by all assets of the Organization.

## NOTE 7 – NOTES PAYABLE AND LONG-TERM DEBT

The following is a summary of the principal balances of notes payable at December 31, 2023 and 2022:

<u>Payable to</u>	<u>Current interest rate</u>	<u>Maturity date</u>	<u>2023</u>	<u>2022</u>
Citizens Bank	2.00%	November, 2024	\$ 500,000	\$ 500,000
Habitat for Humanity International - Flex Cap	4.75%	December, 2026	198,280	248,494
Mutual Housing Association of Southwestern CT	0.00%	September, 2045	49,714	52,571
Connecticut Housing Finance Authority	0.00%	November, 2041	1,414,481	1,555,165
Key Bank	0.00%	December, 2031	23,585	27,325
Fairfield County Bank Corporation	0.00%	January, 2034	63,260	71,764
SBA Economic Injury disaster loan	2.75%	June, 2050	149,900	149,900
Total notes payable, before discount			2,399,220	2,605,219
Discount			(454,046)	(515,901)
Total notes payable, net present value			<u>\$ 1,945,174</u>	<u>\$ 2,089,318</u>

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

<u>For the years ending December 31,:</u>	
2024	\$ 695,004
2025	197,738
2026	200,581
2027	162,759
2028	130,126
Thereafter	1,013,012
	<u>\$ 2,399,220</u>

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 its face value. The net present value of these notes (at an imputed interest rate of 6.50%) is \$960,435 and \$1,039,264 at December 31, 2023 and 2022, respectively. The change in the discount on notes payable is reflected in Discount on Notes Payable expense.

## NOTE 8 – 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, 2023 and 2022, the Organization’s contributions were \$72,492 and \$29,617.



## NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets of \$250,000 as of December 31, 2023 and 2022, were restricted by donors for the purpose of housing construction. As of December 31, 2023 and 2022, no net assets with donor restrictions were released from restriction to be used for housing construction.

## NOTE 10 – 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.

Future minimum lease payments and reconciliation to the statement of financial position for the fiscal years ending December 31,:

2024	\$	447,572
2025		460,879
2026		474,861
2027		489,010
2028		508,931
Thereafter		<u>2,211,850</u>
Total future undiscounted lease payments		4,593,103
Less present value discount		<u>(686,033)</u>
Operating lease liability		<u>\$ 3,907,070</u>

Lease cost is recorded on a straight-line basis over the term of the lease. For the year ended December 31, 2023, rent expense was \$450,294. As of December 31, 2023, the Organization's operating lease remaining term was 9.25 years.

Cash paid for amounts included in the measurement of lease liabilities for operating cash flow from operating leases was \$298,733 for the year ended December 31, 2023.

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 \$359,296 for the year ended December 31, 2023.

## NOTE 11 – 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,:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 6,246,021	\$ 6,873,217
Grants and other receivables	2,789	2,789
Mortgage notes receivable, current portion	<u>751,992</u>	<u>738,955</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,000,802</u>	<u>\$ 7,614,961</u>

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 receivables for cash proceeds.

## NOTE 12 – 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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