

**HABITAT FOR HUMANITY OF EASTERN
CONNECTICUT, INC.**

FINANCIAL REPORT

JUNE 30, 2015

**HABITAT FOR HUMANITY OF EASTERN
CONNECTICUT, INC.**

FINANCIAL REPORT

JUNE 30, 2015

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6 - 7
Notes to Financial Statements	8-17

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Habitat for Humanity of Eastern
Connecticut, Inc.
New London, Connecticut

We have audited the accompanying financial statements of Habitat for Humanity of Eastern Connecticut, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat of Humanity of Eastern Connecticut, Inc. as of June 30, 2015 and 2014, 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.

Report on Summarized Comparative Information

We have previously audited Habitat for Humanity of Eastern Connecticut, Inc.'s 2014 financial statements, and our report dated October 23, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carter, Hayes + Associates, P.C.

Hamden, Connecticut
October 21, 2015

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$ 350,760	\$ 273,199
Grants and sponsorships receivable	136,376	8,500
Non-interest bearing mortgage loans, net of unamortized discounts of \$1,624,686 and \$1,833,864, respectively	1,507,071	1,131,950
Property held for development	533,792	673,315
Construction in progress	584,233	599,120
Prepaid expenses and other current assets	66,456	64,971
Property and equipment, net	<u>346,764</u>	<u>362,072</u>
	<u>\$ 3,525,452</u>	<u>\$ 3,113,127</u>

LIABILITIES AND NET ASSETS

	<u>2015</u>	<u>2014</u>
LIABILITIES		
Accounts payable	\$ 59,484	\$ 36,756
Accrued expenses	14,452	12,943
Mortgages and notes payable	629,524	520,511
Lines of credit	100,000	69,992
Escrows held	<u>6,824</u>	<u>13,150</u>
	<u>810,284</u>	<u>653,352</u>
 NET ASSETS		
Unrestricted	2,507,537	2,316,399
Temporarily restricted	<u>207,631</u>	<u>143,376</u>
	<u>2,715,168</u>	<u>2,459,775</u>
	<u>\$ 3,525,452</u>	<u>\$ 3,113,127</u>

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

(With Comparative Totals for Year ended June 30, 2014)

			Totals	
	Unrestricted	Temporarily Restricted	2015	2014
SUPPORT AND REVENUES				
Contributions and grants	\$ 347,857	413,030	\$ 760,887	\$ 368,183
In-kind donations	128,715	-	128,715	407,420
Transfers to homeowners	812,681	-	812,681	215,000
Restore income	537,924	-	537,924	438,980
Mortgage loan discount amortization	551,593	-	551,593	180,756
Special events, net revenue	11,271	-	11,271	9,972
Interest income	13	-	13	84
Realized loss on sale of assets	(2,238)	-	(2,238)	-
Miscellaneous	10,952	-	10,952	9,786
Net assets released from restrictions	348,775	(348,775)	-	-
	<u>2,747,543</u>	<u>64,255</u>	<u>2,811,798</u>	<u>1,630,181</u>
EXPENSES				
Program				
Construction and mortgage discounts	1,905,116	-	1,905,116	863,785
Restore	455,821	-	455,821	396,279
Supporting services				
General and administrative	85,766	-	85,766	85,017
Fundraising	109,702	-	109,702	106,820
	<u>2,556,405</u>	<u>-</u>	<u>2,556,405</u>	<u>1,451,901</u>
CHANGES IN NET ASSETS	191,138	64,255	255,393	178,280
NET ASSETS, beginning of year	<u>2,316,399</u>	<u>143,376</u>	<u>2,459,775</u>	<u>2,281,495</u>
NET ASSETS, end of year	<u>\$ 2,507,537</u>	<u>\$ 207,631</u>	<u>\$ 2,715,168</u>	<u>\$ 2,459,775</u>

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015

(With Comparative Totals for Year ended June 30, 2014)

	<u>Program Services</u>				<u>Supportive Services</u>			<u>Total expenses</u>	
	<u>Construction</u>	<u>Mortgage Discounts</u>	<u>Restore</u>	<u>Total</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>2015</u>	<u>2014</u>
Personnel Expenses:									
Salaries	\$ 214,452	\$ -	\$ 152,324	\$ 366,776	\$ 23,387	\$ 63,918	\$ 87,305	\$ 454,081	\$ 412,242
Payroll taxes and benefits	<u>40,525</u>	<u>-</u>	<u>35,244</u>	<u>75,769</u>	<u>5,829</u>	<u>17,268</u>	<u>23,097</u>	<u>98,866</u>	<u>99,644</u>
Total salaries and related benefits	254,977	-	187,568	442,545	29,216	81,186	110,402	552,947	511,886
Cost of homes transferred	1,083,797	-	-	1,083,797	-	-	-	1,083,797	304,307
Mortgage discounts	-	342,415	-	342,415	-	-	-	342,415	132,218
Occupancy costs	6,595	-	62,402	68,997	7,138	-	7,138	76,135	62,824
Insurance	38,544	-	18,653	57,197	4,606	-	4,606	61,803	49,083
Construction/program expenses	44,772	-	13,078	57,850	-	-	-	57,850	37,357
Professional fees	32,578	-	-	32,578	8,249	-	8,249	40,827	41,337
Depreciation	17,562	-	17,186	34,748	2,083	1,477	3,560	38,308	37,707
Travel and meetings	25,156	-	9,186	34,342	2,110	982	3,092	37,434	37,940
Fees and permits	5,654	-	8,018	13,672	16,630	70	16,700	30,372	23,442
Office expenses	7,678	-	2,708	10,386	10,083	6,981	17,064	27,450	30,623
Advertising and printing	6,419	-	3,202	9,621	1,169	15,814	16,983	26,604	35,643
Miscellaneous	6,326	-	5,678	12,004	2,939	3,192	6,131	18,135	8,606
Interest expense	15,631	-	-	15,631	206	-	206	15,837	12,081
Tithe to Habitat International	13,634	-	-	13,634	-	-	-	13,634	11,795
Telephone	3,378	-	5,888	9,266	1,337	-	1,337	10,603	7,850
Rent expense	<u>-</u>	<u>-</u>	<u>122,254</u>	<u>122,254</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>122,254</u>	<u>107,202</u>
	<u>\$ 1,562,701</u>	<u>\$ 342,415</u>	<u>\$ 455,821</u>	<u>\$ 2,360,937</u>	<u>\$ 85,766</u>	<u>\$ 109,702</u>	<u>\$ 195,468</u>	<u>\$ 2,556,405</u>	<u>\$ 1,451,901</u>

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 255,393	\$ 178,280
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	38,308	37,707
Realized loss on sale of assets	2,238	-
Mortgages transferred to homeowners subject to non-interest bearing advances	(336,266)	(72,444)
Mortgage loan discount amortization	(551,593)	(180,756)
(Increase) decrease in:		
Grants and sponsorships receivable	(127,876)	86,390
Land held for development	139,523	(364,896)
Construction in progress	360,667	(41,489)
Prepaid expenses and other current assets	(1,485)	(4,166)
Increase (decrease) in:		
Accounts payable	22,728	(2,350)
Accrued expenses	1,509	2,869
Grants payable and deferred revenue	-	(35,750)
Escrows held	(6,326)	1,297
	<u>(203,180)</u>	<u>(395,308)</u>
<i>Net cash used in operating activities</i>		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(26,438)	(104,660)
Proceeds from sale of assets	1,200	-
Collection of mortgages receivable	166,958	116,554
	<u>141,720</u>	<u>11,894</u>
<i>Net cash provided by investing activities</i>		
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayments on long term debt	(41,633)	(53,270)
Proceeds from long term debt	150,646	14,250
Proceeds from lines of credit, net	30,008	20,003
	<u>139,021</u>	<u>(19,017)</u>
<i>Net cash provided by (used in) financing activities</i>		
NET INCREASE (DECREASE) IN CASH	77,561	(402,431)
CASH, beginning	<u>273,199</u>	<u>675,630</u>
CASH, ending	<u>\$ 350,760</u>	<u>\$ 273,199</u>

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

STATEMENTS OF CASH FLOWS, Continued

YEARS ENDED JUNE 30, 2015 AND 2014

SUPPLEMENTAL DISCLOSURES OF CASH

FLOW INFORMATION:

Operating activities reflect cash paid during the period for:

Interest	\$ 18,135	\$ 12,081
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SUPPLEMENTAL DISCLOSURE OF NONCASH

INVESTING ACTIVITY:

Issuance of non-interest bearing mortgage loans	\$ 678,681	\$ 204,662
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Discounts on non-interest bearing mortgage loans	<u>(342,415)</u>	<u>(132,218)</u>
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Transfers to homeowners subject to non-interest bearing mortgage loans	<u>\$ 336,266</u>	<u>\$ 72,444</u>
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Properties taken back for outstanding mortgage balances	<u>\$ 345,780</u>	<u>\$ 152,875</u>
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See Notes to Financial Statements.

**HABITAT FOR HUMANITY OF EASTERN
CONNECTICUT, INC.**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

1. Nature of Organization and Significant Accounting Policies

Merger

On July 1, 2013, Habitat and Habitat for Humanity of Southeastern Connecticut, Inc. (HFHSECT) and Habitat for Humanity of Northeastern Connecticut, Inc. (HFHNECT) merged their operations to form Habitat for Humanity of Eastern Connecticut, Inc. (“Habitat”). The underlying purpose of the merger was to serve more families by streamlining general support services, thereby creating operating efficiencies.

Net assets contributed by each organization at July 1, 2013 are as follows:

	<u>HFHSECT</u>	<u>HFHNECT</u>
Assets		
Cash	\$ 519,813	\$155,817
Grants and sponsorships receivable	94,890	-
Non-interest bearing mortgages, net	953,901	194,278
Property held for development	287,448	20,971
Construction in progress	332,019	72,737
Vehicle and equipment, net	268,540	26,579
Prepays and other assets	<u>60,805</u>	<u>-</u>
	<u>\$2,517,416</u>	<u>\$470,382</u>
Liabilities:		
Accounts payable and accrued expenses	47,812	1,368
Mortgages and notes payable	559,531	-
Lines of credit	49,989	-
Grants payable and deferred revenue	35,750	-
Escrows held	<u>683</u>	<u>11,170</u>
	<u>693,765</u>	<u>12,538</u>
Net assets:		
Unrestricted	1,567,890	419,505
Restricted	<u>255,761</u>	<u>38,339</u>
	<u>1,823,651</u>	<u>457,844</u>
	<u>\$2,517,416</u>	<u>\$470,382</u>

Nature of Organization

Habitat is a tax-exempt, not-for-profit organization, non-stock corporation organized under Connecticut law. Habitat is an independent affiliate of Habitat for Humanity International, Inc. (“HFHI”), a nondenominational Christian nonprofit organization whose purpose is to create

**HABITAT FOR HUMANITY OF EASTERN
CONNECTICUT, INC.**

NOTES TO FINANCIAL STATEMENTS, Continued

decent, affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. Habitat, in the spirit of sharing, builds decent and affordable homes using volunteer labor for very low-income individuals in New London and Eastern Windham Counties. Purchasers, who have been approved and selected by Habitat based on income and need for affordable housing, volunteer their labor in partnership with Habitat and other volunteers from the community to build their homes. The homes are then sold to the individuals at cost and financed at no profit through Habitat or other lenders. These mortgages are usually long term, ranging from twenty to forty years, and contain provisions to limit the homeowners from profiting on the resale of their homes.

Basis of Accounting

The financial statements of Habitat have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

The Organization classifies its net assets, revenues and gains, and expenses as unrestricted or temporarily restricted on the absence or existence of donor-imposed restrictions. These classifications are defined as follows:

Unrestricted

Unrestricted net assets represent available sources other than donor restricted contributions.

Temporarily Restricted

Temporarily restricted net assets represent contributions that are restricted by the donor either as to purpose or as to time of expenditure.

Recognition of Support and Revenue

Grants and Contracts

Entitlement to cost reimbursement grants and contracts is conditioned on the expenditure of funds in accordance with grant restrictions and, therefore, revenue is recognized to the extent of grant expenditures. Grant receipts in excess of revenues recognized are presented as deferred revenue.

Contributions

Unrestricted and unconditional contributions are recognized as support when received or pledged, if applicable. Contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of such assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of changes in net assets as net assets released from restrictions.

**HABITAT FOR HUMANITY OF EASTERN
CONNECTICUT, INC.**

NOTES TO FINANCIAL STATEMENTS, Continued

Habitat's policy is to recognize the expiration of donor restrictions for contributions of property and equipment or the use of contributions restricted for property and equipment in the year the property and equipment is placed in service.

ReStore Revenue

ReStore sales are recognized as revenue at the time the merchandise is transferred to the customer. Historically, sales returns have not been significant.

Property and Equipment

Donated assets are stated at fair market value as determined by management at the date contributed. Property purchased is recorded at cost.

Depreciation is provided utilizing the straight-line method over the estimated useful lives of the property as follows:

Building and improvements	3 to 40 years
Furniture, equipment and vehicles	5 to 7 years

Maintenance and repair costs are charged to operations as incurred; major renewals and betterments are capitalized. The costs relating to assets sold or retired are removed from the account balance at the time of the disposition and the related gains and losses are included in the change in net assets.

Property Held for Development

Property held for development consists of land, buildings and improvements to be utilized as homes for future Habitat homeowners. Costs incurred to improve land are capitalized when incurred. The total allocated cost of each lot is charged to construction in progress upon commencement of construction activities.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Functional Allocation of Expenses

The costs of providing the program and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Donated Services, Properties and Materials

Donated materials, which are contributed by outside parties, are recorded as support and expense, when measurable, in the period in which the materials are donated. Donated properties are recorded as support and Property Held for Development, based on assessments and/or appraisals, in the period in which the properties are donated.

**HABITAT FOR HUMANITY OF EASTERN
CONNECTICUT, INC.**

NOTES TO FINANCIAL STATEMENTS, Continued

Habitat recognizes donated services if they create or enhance nonfinancial assets or requires specialized skills and would typically be purchased if not provided by donation. A substantial number of volunteers have made significant contributions of their time to Habitat's homebuilding program which do not meet this criterion for recognition in the financial statements.

For the years ended June 30, 2015 and 2014, donated materials, properties and services amounted to \$128,715 and \$407,420, respectively.

Income Taxes

Habitat, a not-for-profit organization operating under section 501(c) (3) of the Internal Revenue Code, is exempt from federal and state taxes under the group exemption held by HFHI and, accordingly, no provision for income taxes is recorded in the financial statements.

The Organization files tax returns in the United States. The Organization has not taken any tax positions that management believes would result in additional tax liabilities upon examination of the tax returns by a tax jurisdiction. The Organization has no open tax years prior to June 30, 2012. The Organization's tax returns are subject to examination, generally for three years after they were filed.

Presentation of Sales Taxes

The State of Connecticut imposes a sales tax of 6.35% on certain types of the Organization's sales. The Organization collects that sales tax from customers and remits the entire amount to the State. The Organization's accounting policy is to exclude the tax collected and remitted to the State from revenues and expenses.

Advertising

Advertising costs are expensed as incurred and totaled \$26,604 and \$35,643 for the years ended June 30, 2015 and 2014, respectively. Advertising costs consist primarily of print media.

Disclosure of Subsequent Events

Management has monitored and evaluated any subsequent events through October 21, 2015, the date the financial statements were available to be issued. \

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation with no effect on the changes in net assets or net assets.

2. Concentrations

Cash Investments

Financial instruments that potentially subject Habitat to concentrations of credit risk consist principally of temporary cash investments. The Organization places its cash deposits with high credit quality financial institutions and such deposits may exceed federal depository insurance limits for short periods of time. The Organization has not experienced any losses in such accounts.

**HABITAT FOR HUMANITY OF EASTERN
CONNECTICUT, INC.**

NOTES TO FINANCIAL STATEMENTS, Continued

Mortgages Receivable

Mortgages receivable are secured by the property sold and based on historical experience management believes these receivables represent a negligible credit risk. Accordingly, management has not established an allowance for potential credit losses.

Support and Revenue

Grants and contracts with various public agencies require the fulfillment of certain conditions as set forth in the grant instrument. Failure to fulfill such conditions, which include expending funds in accordance with the approved budget, could result in the return of funds to the grantor.

3. Construction in Progress

Construction in progress represents the cumulative amounts expended to date on land, building and renovation costs and a representative amount for donated materials and land. Projects currently in progress at June 30, 2015 consisted of the following:

72 Mechanic Street, Killingly	\$149,874
51 Fairmount Street, Norwich	145,644
12 Western Avenue, Norwich	121,265
42 Shawondasee Road, Stonington	101,884
43 Summer Street, New London	<u>65,566</u>
	<u>\$584,233</u>

4. Mortgages Receivable

Mortgages receivable consist of forty-two (42) non-interest bearing loans at June 30, 2015 which are secured by real estate and payable in monthly installments over the life of the mortgage. The mortgage loans have original maturities ranging from 7 to 40 years and arose in conjunction with Habitat's homebuilding initiatives in Eastern Connecticut. Mortgage servicing is performed by a third party servicer, Liberty Bank, for all except eight of the mortgages which are currently serviced by Habitat.

The non-interest bearing mortgages had been discounted at various rates ranging from 7.39% to 9% based on the prevailing market rates at the inception of the mortgages. The discount rates used are established by HFHI based on multiple rates reflecting risk and lending rates. Effective July 1, 2014, the Organization changed the discount rate being utilized to the Freddie Mac rate plus .5% at the inception of the mortgages resulting in a reduction of the discount rates to 4.16% to 8.55%. This change in the estimated discount rates resulted in an increase to income of \$318,803 during the year ended June 30, 2015. These original discounted amounts are reflected in the financial statements as *Mortgage Discounts* on the Statement of Functional Expenses. The discounts are amortized using the straight-line method over the lives of the mortgages and the income is reflected on the Statement of Activities.

Management's periodic evaluation of the adequacy of the allowance for loan loss is based on Habitat's past loan loss experience and the historically significant specific collateral value in excess of related mortgages. Management has evaluated these factors, and has determined that no allowance for loan loss is necessary at June 30, 2015.

**HABITAT FOR HUMANITY OF EASTERN
CONNECTICUT, INC.**

NOTES TO FINANCIAL STATEMENTS, Continued

In addition to the non-interest bearing mortgage received from the sale of each home, Habitat issues a contingent second mortgage. The second mortgages represent the excess of the lessor of the appraised value of the home and the total development cost of the home over the original loan at the date the second mortgage is executed. Should the following triggering events occur prior to the maturity date of the first mortgage the second mortgage would become due: refinance the first, sell or transfer ownership, or default on the mortgage. Based on the Organization's past loan history, the second mortgage payoff is considered remote by Habitat, and therefore no receivable has been recorded in the financial statements. No second mortgages became due during the year ended June 30, 2015.

During the year ended June 30, 2015, the Organization took back four properties from homeowners, two who were in default on their mortgages and two who purchased another HFHECT home. The properties were added back to Construction in Progress in the amount of \$345,780, the outstanding mortgage receivable balances at the dates of the transfers, and the unamortized discounts of \$175,549 were taken into income.

During the year ended June 30, 2014, the Organization took back a property from a homeowner who decided to relocate. The property was added back to Construction in Progress in the amount of \$152,785, the outstanding mortgage receivable balance at the date of the transfer, and the unamortized discount of \$101,966 was taken into income.

Mortgages receivable at June 30, 2015 consisted of the following:

Due in less than one year	\$ 132,084
Due in one to five years	481,211
Thereafter	<u>2,518,462</u>
	3,131,757
Less unamortized discount	<u>1,624,686</u>
	<u>\$1,507,071</u>

5. Property and Equipment

Property and Equipment consisted of the following at June 30, 2015:

Land and buildings	\$268,645
Equipment and vehicle	170,820
ReStore Leaseholds	132,093
Furniture and fixtures	<u>14,052</u>
	585,610
Less accumulated depreciation	<u>238,846</u>
	<u>\$346,764</u>

**HABITAT FOR HUMANITY OF EASTERN
CONNECTICUT, INC.**

NOTES TO FINANCIAL STATEMENTS, Continued

6. Mortgages and Notes Payable

Long-term debt at June 30, 2015 consisted of the following:

Note payable to Dime Bank due in monthly installments of \$635 including interest at 4.0%, due March 2038, secured by a mortgage receivable	\$112,799
Note payable to Chelsea Bank due in monthly installments of \$612 including interest at 4.5%, due October 2038, secured by a mortgage receivable	105,113
Note payable to Dime Bank due in monthly installments of \$479 including interest at 4.0%, due June 2035, secured by a mortgage receivable	78,410
Non-interest bearing note payable to Connecticut Housing Finance Authority due in monthly installments of \$330, due November 2033, secured by a mortgage receivable	72,917
Non-interest bearing note payable to Connecticut Housing Finance Authority due in monthly installments of \$288, due July 2036, secured by a mortgage receivable	72,899
Non-interest bearing note payable to Connecticut Housing Finance Authority due in monthly installments of \$315, due February 2031, secured by a mortgage receivable	58,948
Non-interest bearing note payable to Connecticut Housing Finance Authority due in monthly installments of \$417, due April, 2023, secured by a mortgage receivable	38,750
Non-interest bearing note payable to Connecticut Housing Finance Authority due in monthly installments of \$212, due April 2027, secured by a mortgage receivable	30,014
Non-interest bearing note payable to Connecticut Housing Finance Authority due in monthly installments of \$283, due November 2022, secured by a mortgage receivable	25,153

**HABITAT FOR HUMANITY OF EASTERN
CONNECTICUT, INC.**

NOTES TO FINANCIAL STATEMENTS, Continued

Non-interest bearing note payable to Connecticut Housing Finance Authority due in monthly installments of \$229, due April 2017, secured by a mortgage receivable	4,918
Non-interest bearing notes payable to HFHI for Self-Help Opportunity Program (SHOP) due in monthly installments ranging from \$19 to \$218, due through June 2019, unsecured	<u>29,603</u>
	<u>\$629,524</u>

Aggregate maturities required on long-term debt at June 30, 2015 are as follows:

<u>Year ending June 30,</u>	
2016	\$ 39,674
2017	41,460
2018	37,782
2019	37,728
2020	33,800
Thereafter	<u>439,080</u>
	<u>\$629,524</u>

7. Lines of Credit

The Organization has available a line of credit with Liberty Bank in the amount of \$150,000 which is secured by substantially all of the business assets of the Organization. Amounts outstanding under this arrangement bear interest at the Wall Street Journal's prime rate less 1% (2.25% at June 30, 2015). There was \$50,000 outstanding under this line of credit as of June 30, 2015. This agreement expires December 2099.

The Organization also has available an unsecured line of credit with Dime Bank in the amount of \$25,000. Amounts outstanding under this arrangement bear interest at the Wall Street Journal's prime rate less 1% (2.25% at June 30, 2015). There was \$25,000 outstanding under this line of credit as of June 30, 2015. This agreement expires October 2015.

The Organization also has available a line of credit with Putnam Bank in the amount of \$25,000 which is secured by substantially all of the business assets of the Organization. Amounts outstanding under this arrangement bear interest at the Wall Street Journal's prime rate less .5% (2.75% at June 30, 2015). There was \$25,000 outstanding under this line of credit as of June 30, 2015. This agreement expires October 2015.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets consist principally of contributions restricted for future construction costs.

**HABITAT FOR HUMANITY OF EASTERN
CONNECTICUT, INC.**

NOTES TO FINANCIAL STATEMENTS, Continued

9. 401(k) Plan

The Organization has adopted a 401(k) profit sharing plan. Employees must be at least 21 years of age and must be employed by the Organization for at least one year. Employee contributions are 100% matched up to 3% of their annual salary. The Organization has the option of making an annual discretionary contribution. Matching contributions amounted to \$8,346 and \$6,592 for the years ended June 30, 2015 and 2014, respectively. Discretionary contributions may be made at the option of the board of directors. No discretionary contributions were made for the years ended June 30, 2015 and 2014.

10. Operating Lease

The Organization leases two spaces for the operation of its “Restore” program to sell used donated building products in a retail environment.

The Organization leases 10,000 square feet of space in Waterford, Connecticut. The term of the lease is for three years commencing April 1, 2013 and requires annual rent payments of \$75,000.

In October 2013 the Organization signed a lease for an additional store located in Plainfield, Connecticut for the Eastern Windham County ReStore with payments beginning January 1, 2014. The lease requires annual rent payments beginning at \$48,924 plus reimbursement for sewer and water and property taxes through September 2016.

Rent expense under these leases amounted to approximately \$135,943 and \$114,046 for the years ended June 30, 2015 and 2014, respectively

The future minimum lease payments are as follows:

<u>Year ending June 30,</u>	
2016	\$ 92,674
2017	<u>12,231</u>
	<u>\$104,905</u>

11. Tithe

Habitat annually remits a portion of its unrestricted contributions (excluding in-kind contributions) to HFHI. The remittance is known as Tithing. These funds are used exclusively to construct homes in economically depressed areas around the world. The contributions to HFHI for the years ended June 30, 2015 and 2014 amounted to \$13,634 and \$11,795, respectively.

12. Subsequent Event

In July 2015, the Organization was awarded a reservation of tax credits in amount of \$220,000 from Connecticut Housing Authority under the Housing Tax Credit Contribution Program to be contributed by Eversource Energy.

**HABITAT FOR HUMANITY OF EASTERN
CONNECTICUT, INC.**

NOTES TO FINANCIAL STATEMENTS, Continued

13. Contingency

At times, HFH sells mortgages receivable to the Connecticut Housing Finance Authority (CHFA). The agreements underlying the sales of receivables contain provisions that in the event a loan is delinquent by ninety (90) days or more, CHFA can require HFH to repurchase the delinquent mortgage at 70% of the then outstanding balance. The outstanding balance of mortgages receivable previously sold to CHFA is approximately \$528,700 at June 30, 2015.

In addition, Habitat had guaranteed payment of a loan a homeowner has with a bank. The original amount of the loan was \$50,000 and is secured by the property. The outstanding balance of the loan was \$37,341 at June 30, 2015.