HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

FINANCIAL REPORT

JUNE 30, 2018

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

FINANCIAL REPORT

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CONTENTS

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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 statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 audit. We conducted our audit 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, 2018, and the changes in its net assets and its cash flows for the year 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 2017 financial statements, and our report dated December 6, 2017, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carter, Hayes +Associates, P.C.

Hamden, Connecticut
November 2, 2018

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

(With Comparative Totals for Year ended June 30, 2017)

ASSETS

	2018	2017
ASSETS		
Cash	$ 585,111	$ 746,152
Grants and sponsorships receivable	142,496	260,185
Non-interest bearing mortgage loans, net of unamortized discounts of $1,788,909 in 2018 and $1,754,368 in 2017	1,806,179	1,741,071
Property held for development	1,292,592	679,911
Construction in progress	746,156	753,599
Prepaid expenses and other current assets	70,001	56,053
Property and equipment, net	317,845	324,261
	$ 4,960,380	$ 4,561,232

LIABILITIES AND NET ASSETS

	2018	2017
LIABILITIES		
Accounts payable	$ 64,110	$ 41,273
Accrued expenses	26,693	26,093
Mortgages and notes payable	971,063	990,896
Lines of credit	97,123	131,785
Escrows held	2,379	3,661
	1,161,368	1,193,708
NET ASSETS		
Unrestricted	3,566,818	3,188,168
Temporarily restricted	232,194	179,356
	3,799,012	3,367,524
	$ 4,960,380	$ 4,561,232

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2018

(With Comparative Totals for Year ended June 30, 2017)

			Totals	
	Unrestricted	**Temporarily Restricted**	**2018**	**2017**
SUPPORT AND REVENUES				
Contributions and grants	$ 308,688	$ 300,395	$ 609,083	$ 1,172,663
In-kind donations	744,432	-	744,432	220,188
Transfers to homeowners	393,889	-	393,889	300,000
Restore income	703,481	-	703,481	694,101
Mortgage loan discount amortization	153,064	-	153,064	123,177
Revenue from second mortgage	10,312	-	10,312	63,000
Special events, net revenue	14,734	-	14,734	17,694
Interest income	805	-	805	9
Loss on sale of assets	-	-	-	(54,397)
Miscellaneous	6,198	-	6,198	837
Net assets released from restrictions	247,557	(247,557)	-	-
	2,583,160	52,838	2,635,998	2,537,272
EXPENSES				
Program				
Construction and mortgage discounts	1,562,610	-	1,562,610	1,305,566
Restore	538,427	-	538,427	537,676
Supporting services				
General and administrative	69,863	-	69,863	71,440
Fundraising	33,610	-	33,610	84,933
	2,204,510	-	2,204,510	1,999,615
CHANGES IN NET ASSETS	378,650	52,838	431,488	537,657
NET ASSETS, beginning of year	3,188,168	179,356	3,367,524	2,829,867
NET ASSETS, end of year	$ 3,566,818	$ 232,194	$ 3,799,012	$ 3,367,524

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

(With Comparative Totals for Year ended June 30, 2017)

	Program Services				Supportive Services			Total expenses	
	Construction	Mortgage Discounts	Restore	Total	General and Administrative	Fundraising	Total	2018	2017
Personnel Expenses:									
Salaries	$ 258,508	$ -	$174,927	$ 433,435	$ 17,515	$13,292	$ 30,807	$ 464,242	$ 531,251
Payroll taxes and benefits	47,176	-	33,425	80,601	7,668	3,880	11,548	92,149	104,867
Total salaries and related benefits	305,684	-	208,352	514,036	25,183	17,172	42,355	556,391	636,118
Cost of homes transferred	836,319	-	-	836,319	-	-	-	836,319	632,385
Occupancy costs	9,820	-	190,377	200,197	3,209	-	3,209	203,406	213,882
Mortgage discounts	-	187,605	-	187,605	-	-	-	187,605	134,637
Construction/program expenses	47,592	-	44,893	92,485	-	-	-	92,485	47,366
Insurance	37,037	-	24,641	61,678	780	781	1,561	63,239	63,975
Fees and permits	10,486	-	12,631	23,117	19,976	809	20,785	43,902	40,576
Travel and meetings	25,022	-	16,767	41,789	101	-	101	41,890	36,506
Depreciation	14,775	-	23,884	38,659	1,175	-	1,175	39,834	35,025
Interest expense	33,343	-	-	33,343	52	-	52	33,395	31,912
Office expenses	11,865	-	3,109	14,974	8,657	4,951	13,608	28,582	33,378
Advertising and printing	7,994	-	9,799	17,793	1,217	9,840	11,057	28,850	25,526
Professional fees	20,895	-	-	20,895	6,381	-	6,381	27,276	32,507
Tithe to Habitat International	7,866	-	-	7,866	-	-	-	7,866	13,936
Telephone	3,671	-	2,643	6,314	554	-	554	6,868	9,908
Miscellaneous	2,636	-	1,331	3,967	2,578	57	2,635	6,602	11,978
	$1,375,005	$187,605	$538,427	$2,101,037	$ 69,863	$33,610	$103,473	$2,204,510	$1,999,615

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018

(With Comparative Totals for Year ended June 30, 2017)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 431,488	$ 537,657
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation	39,834	35,025
Loss on sale of assets	-	54,397
Mortgages transferred to homeowners subject to non-interest bearing advances	(206,284)	(165,363)
Mortgage loan discount amortization	(153,064)	(123,177)
Donated equipment	-	(2,300)
(Increase) decrease in:		
Grants and sponsorships receivable	117,689	(256,371)
Property held for development	(478,735)	165,100
Construction in progress	7,443	(260,741)
Prepaid expenses and other current assets	(13,948)	21,336
Increase (decrease) in:		
Accounts payable	22,837	(6,845)
Accrued expenses	600	(10,535)
Escrows held	(1,282)	1,649
Net cash used in operating activities	(233,422)	(10,168)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(23,617)	(27,732)
Proceeds from sale of assets	-	27,000
Collection of mortgages receivable	160,293	260,831
Net cash provided by investing activities	136,676	260,099
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayments on long term debt	(89,633)	(67,153)
Proceeds from long term debt	60,000	188,000
Proceeds from (repayments of) lines of credit, net	(34,662)	47,285
Net cash provided by (used in) financing activities	(64,295)	168,132
NET INCREASE (DECREASE) IN CASH	(161,041)	418,063
CASH, beginning	746,152	328,089
CASH, ending	$ 585,111	$ 746,152

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

STATEMENT OF CASH FLOWS, Continued

YEAR ENDED JUNE 30, 2018

(With Comparative Totals for Year ended June 30, 2016)

	2018	2017
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Operating activities reflect cash paid during the period for:		
Interest	$ 33,395	$ 31,912
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITY:		
Issuance of non-interest bearing mortgage loans	$ 393,889	$ 300,000
Discounts on non-interest bearing mortgage loans	(187,605)	(134,637)
Transfers to homeowners subject to non-interest bearing mortgage loans	$ 206,284	$ 165,363
Purchase of equipment	$ 10,075	$ 12,877
Note payable	(9,800)	(12,430)
Cash paid	$ 275	$ 447
Properties taken back for outstanding mortgage balances	$ 133,946	$ -

See Notes to Financial Statements.

1. Nature of Organization and Significant Accounting Policies

Nature of Organization

Habitat for Humanity of Eastern Connecticut, Inc. ("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 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

Habitat 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'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 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, 2018 and 2017, donated materials, properties and services amounted to $744,432 and $220,188, 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.

Habitat files tax returns in the United States. Habitat 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. Habitat has no open tax years prior to June 30, 2015. Habitat'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. Habitat collects that sales tax from customers and remits the entire amount to the State. Habitat'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 $28,850 and $25,526 for the years ended June 30, 2018 and 2017, respectively. Advertising costs consist primarily of print media.

Disclosure of Subsequent Events

Management has monitored and evaluated any subsequent events through November 2, 2018, the date the financial statements were available to be issued.

2. Concentrations

Cash Investments

The Organization places its cash deposits with high credit quality financial institutions and such deposits may exceed federal depository insurance limits of $250,000 per financial institution for short periods of time. Habitat has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. At June 30, 2018, there was no uninsured cash balance.

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, 2018 consisted of the following:

1 Richard Ave, Griswold	$178,376
67 Chapman Rd, Groton	165,563
Crescent St., New London	145,175
681 Raymond Hill Rd, Uncasville	133,444
10 Winsor Ave, Plainfield	123,598
	$746,156

4. Mortgages Receivable

Mortgages receivable consist of forty-eight (48) non-interest bearing loans at June 30, 2018 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 third party servicers (Liberty Bank and Capital for Change).

The non-interest bearing mortgages have been discounted at various rates ranging from 4.16% to 8.55% based on the Freddie Mac rate plus .5% at the inception of the mortgages. 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, 2018.

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 lesser 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 mortgage, sell or transfer ownership, or default on the mortgage. Based on the Organization's past loan history, the second mortgage payoff is considered infrequent and remote by Habitat, and therefore no receivable has been recorded in the financial statements.

During the year ended June 30, 2018, a homeowner sold their home and Habitat received $10,312 under a second mortgage. Due to a fire that destroyed a homeowner's home and the resulting insurance proceeds received, Habitat recognized $63,000 of revenue under a second mortgage during the year ended June 30, 2017.

During the year ended June 30, 2018, the Organization took back two properties from homeowners who were in default on their mortgages. The properties were added back to Property Held for Development in the amount of $113,946, the outstanding mortgage receivable balances at the dates of the transfers, and the unamortized discounts of $76,694 were taken into income

Mortgages receivable at June 30, 2018 consisted of the following:

Due in less than one year	$ 138,834
Due in one to five years	540,085
Thereafter	2,916,169
	3,595,088
Less unamortized discount	1,788,909
	$1,806,179

5. Property and Equipment

Property and Equipment consisted of the following at June 30, 2018:

Land and buildings	$268,645
Equipment and vehicles	159,508
ReStore leaseholds	167,255
Furniture and fixtures	19,214
	614,622
Less accumulated depreciation	296,777
	$317,845

6. Mortgages and Notes Payable

Long-term debt at June 30, 2018 consisted of the following:

Dime Bank, four (4) notes payables due in monthly installments ranging from $479 to $725, including interest ranging from 4% to 4.25%, due on various dates through August 2041, secured by mortgage receivables	$397,695
Connecticut Housing Finance Authority, eleven (11) non-interest bearing notes payable due in monthly installments ranging from $208 to $417, due on various dates through February 2042, secured by mortgage receivables	348,835
Chelsea Bank, two (2) notes payable due in monthly installments of $490 and $612, including interest at 4.5%, due on various dates through November 2045, secured by mortgage receivables	188,699
HFHI for Self- Help Opportunity Program (SHOP), six (6) non-interest bearing notes payable due in monthly installments ranging from $19 to $218, due on various dates through June 2020, unsecured	15,084
Abel Womack, two (2) notes payable due in monthly installments of $188 and $166, including interest at 4.95% and 5.218%, due May 2022 and June 2020, secured by equipment	11,764
Spafford Leasing, note payable due in monthly installments of $249, including interest at 7.56%, due October 2021, secured by equipment	8,986
	$971,063

Aggregate maturities required on long-term debt at June 30, 2018 are as follows:

Year ending June 30,	
2019	$ 64,014
2020	58,498
2021	55,049
2022	50,821
2023	44,027
Thereafter	698,654
	$971,063

7. Lines of Credit

Habitat has available a line of credit with Liberty Bank in the amount of $250,000 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% (4% at June 30, 2018). There was $97,123 outstanding under this line of credit as of June 30, 2018. This agreement remains in effect until Liberty Bank demands payment.

Habitat 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%. There were no amounts outstanding under this line of credit as of June 30, 2018. In July 2018, this was replaced with a new $20,000 line of credit which bears interest at the Wall Street Journal's prime rate less .5% and expires in January 2020.

In addition, Habitat has available a line of credit with Putnam Bank in the amount of $25,000 which is secured by property located at 377 Broad Street, New London, Connecticut. Amounts outstanding under this arrangement bear interest at the Wall Street Journal's prime rate less .5%. There were no amounts outstanding under this line of credit as of June 30, 2018. This agreement expires December 2018.

8. Temporarily Restricted Net Assets

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

9. 401(k) Plan

Habitat 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. Habitat has the option of making an annual discretionary contribution. Matching contributions amounted to approximately $6,500 and $9,300 for the years ended June 30, 2018 and 2017, respectively. No discretionary contributions were made for the years ended June 30, 2018 and 2017.

10. Operating Lease

Habitat leases two spaces for the operation of its "Restore" program to sell used donated building products in a retail environment.

Habitat leases 10,000 square feet of space in Waterford, Connecticut. The term of the lease was for three years commencing February 1, 2013 and required annual rent payments of $75,000. Habitat has four options for additional terms of three years each. Annual rent for each of the three year option periods are as follows: $76,500 February 1, 2016 to January 31, 2019; $78,400 February 1, 2019 to January 31, 2022; $80,400 February 1, 2022 to January 31, 2025; $82,400 February 1, 2015 to January 31, 2028. Habitat has exercised the option for the period February 1, 2016 to January 31, 2019.

Habitat leases space for an additional store located in Plainfield, Connecticut for the Eastern Windham County ReStore. The term of the lease is for three years commencing October 1, 2013 and required annual rent payments of $48,924, plus reimbursement for sewer, water and property taxes through September 2016. Habitat has four options for additional terms of three years each. Annual rent for each of the three year option periods are as follows: $55,080 October 1, 2016 to September 30, 2019; $56,184 October 1, 2019 to September 30, 2022; $57,312 October 1, 2022 to September 30, 2025; $58,452 October 1, 2015 to September 30, 2028. Habitat has exercised the option for the period October 1, 2016 to September 30, 2019.

Rent expense under these leases amounted to approximately $143,700 and $142,100 for the years ended June 30, 2018 and 2017, respectively.

The future minimum lease payments are as follows:

Year ending June 30,	
2019	$ 99,705
2020	13,770
	$113,475

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, 2018 and 2017 amounted to $7,866 and $13,936, respectively.

12. Contingency

At times, Habitat 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 Habitat to repurchase the delinquent mortgage at 70% of the then outstanding balance. The outstanding balance of mortgages receivable previously sold to CHFA is approximately $447,900 at June 30, 2018.

In addition, Habitat 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 approximately $27,100 at June 30, 2018.

13. Subsequent Event

In July and August 2018, Habitat transferred a total of three homes to homeowners and took back mortgages totaling $310,000.