HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

FINANCIAL REPORT

JUNE 30, 2019

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, 2019, 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, 2019, 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 2018 financial statements, and our report dated November 2, 2018, 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, 2018, 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 18, 2019

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

(With Comparative Totals for Year ended June 30, 2018)

ASSETS

	2019	2018
ASSETS		
Cash	$ 934,908	$ 585,111
Grants and sponsorships receivable	261,824	142,496
Non-interest bearing mortgage loans, net of unamortized discounts of $1,960,859 in 2019 and $1,788,909 in 2018	1,998,833	1,806,179
Property held for development	1,192,554	1,292,592
Construction in progress	196,338	746,156
Prepaid expenses and other current assets	97,531	70,001
Property and equipment, net	358,293	317,845
	$ 5,040,281	$ 4,960,380

LIABILITIES AND NET ASSETS

	2019	2018
LIABILITIES		
Accounts payable	$ 78,083	$ 64,110
Accrued expenses	30,119	26,693
Lines of credit	117,833	97,123
Mortgages and notes payable	983,485	971,063
Escrows held	674	2,379
	1,210,194	1,161,368
NET ASSETS		
Without donor restrictions	3,090,087	3,566,818
With donor restrictions	740,000	232,194
	3,830,087	3,799,012
	$ 5,040,281	$ 4,960,380

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2019

(With Comparative Totals for Year ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	Totals 2019	Totals 2018
SUPPORT AND REVENUES				
Contributions and grants	$ 345,783	$ 616,500	$ 962,283	$ 609,083
In-kind donations	39,276	-	39,276	744,432
Transfers to homeowners	510,000	-	510,000	393,889
Restore income	813,572	-	813,572	703,481
Mortgage loan discount amortization	77,449	-	77,449	153,064
Revenue from second mortgage	-	-	-	10,312
Special events, net of direct benefits to donors of $14,411 in 2019 and $3,461 in 2018	26,122	-	26,122	21,309
Interest income	3,012	-	3,012	805
Loss on sale of assets	(4,792)	-	(4,792)	-
Miscellaneous	1,778	-	1,778	6,198
Net assets released from restrictions	108,694	(108,694)	-	-
	1,920,894	507,806	2,428,700	2,642,573
EXPENSES				
Program				
Construction and mortgage discounts	1,572,135	-	1,572,135	1,491,023
Restore	595,209	-	595,209	538,427
Supporting services				
General and administrative	115,584	-	115,584	121,609
Fundraising	114,697	-	114,697	60,026
	2,397,625	-	2,397,625	2,211,085
CHANGES IN NET ASSETS	(476,731)	507,806	31,075	431,488
NET ASSETS, beginning of year	3,566,818	232,194	3,799,012	3,367,524
NET ASSETS, end of year	$ 3,090,087	$ 740,000	$ 3,830,087	$ 3,799,012

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

(With Comparative Totals for Year ended June 30, 2018)

	Program Services				Supportive Services			Total expenses	
	Construction	Mortgage Discounts	Restore	Total	General and Administrative	Fundraising	Total	2019	2018
Personnel Expenses:									
Salaries	$ 185,522	$ -	$ 200,478	$ 386,000	$ 52,036	$ 62,637	$114,673	$ 500,673	$ 464,242
Payroll taxes and benefits	37,435	-	47,770	85,205	8,331	14,760	23,091	108,296	92,149
Total salaries and related benefits	222,957	-	248,248	471,205	60,367	77,397	137,764	608,969	556,391
Cost of homes transferred	915,537	-	-	915,537	-	-	-	915,537	836,319
Occupancy costs	10,080	-	201,449	211,529	3,970	601	4,571	216,100	203,406
Mortgage discounts	-	249,400	-	249,400	-	-	-	249,400	187,605
Construction/program expenses	30,456	-	42,158	72,614	-	-	-	72,614	92,485
Insurance	36,261	-	28,274	64,535	1,019	1,019	2,038	66,573	63,239
Fees and permits	9,900	-	16,765	26,665	20,017	100	20,117	46,782	43,902
Travel and meetings	5,679	-	18,694	24,373	1,233	1,259	2,492	26,865	41,890
Depreciation	12,557	-	26,288	38,845	1,721	430	2,151	40,996	39,834
Interest expense	34,203	-	-	34,203	616	-	616	34,819	33,395
Office expenses	13,488	-	2,286	15,774	11,549	8,770	20,319	36,093	28,582
Advertising and printing	5,513	-	5,352	10,865	541	24,902	25,443	36,308	35,390
Professional fees	13,545	-	-	13,545	10,963	-	10,963	24,508	27,276
Tithe to Habitat International	5,902	-	-	5,902	-	-	-	5,902	7,866
Telephone	4,357	-	3,010	7,367	751	219	970	8,337	6,868
Miscellaneous	2,300	-	2,685	4,985	2,837	-	2,837	7,822	6,637
	$ 1,322,735	$ 249,400	$ 595,209	$2,167,344	$ 115,584	$114,697	$230,281	$ 2,397,625	$2,211,085

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2019

(With Comparative Totals for Year ended June 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 31,075	$ 431,488
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	40,996	39,834
Loss on sale of assets	4,792	-
Mortgages transferred to homeowners subject to non-interest bearing advances	(260,602)	(206,284)
Mortgage loan discount amortization	(77,449)	(153,064)
(Increase) decrease in:		
Grants and sponsorships receivable	(119,328)	117,689
Property held for development	100,038	(478,735)
Construction in progress	549,818	7,443
Prepaid expenses and other current assets	(27,530)	(13,948)
Increase (decrease) in:		
Accounts payable	13,973	22,837
Accrued expenses	3,426	600
Escrows held	(1,705)	(1,282)
Net cash provided by (used in) operating activities	257,504	(233,422)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(51,156)	(23,617)
Collection of mortgages receivable	145,397	160,293
Net cash provided by investing activities	94,241	136,676
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayments on long term debt	(67,658)	(89,633)
Proceeds from long term debt	45,000	60,000
Proceeds from (repayments of) lines of credit, net	20,710	(34,662)
Net cash used in financing activities	(1,948)	(64,295)
NET INCREASE (DECREASE) IN CASH	349,797	(161,041)
CASH, beginning	585,111	746,152
CASH, ending	$ 934,908	$ 585,111

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

STATEMENT OF CASH FLOWS, Continued

YEAR ENDED JUNE 30, 2019

(With Comparative Totals for Year ended June 30, 2018)

	2019	2018
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Operating activities reflect cash paid during the period for:		
Interest	$ 34,819	$ 33,395

	2019	2018
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITY:		
Issuance of non-interest bearing mortgage loans	$ 510,000	$ 393,889
Discounts on non-interest bearing mortgage loans	(249,398)	(187,605)
Transfers to homeowners subject to non-interest bearing mortgage loans	$ 260,602	$ 206,284
Purchase of equipment	$ 41,675	$ 10,075
Notes payable	(35,080)	(9,800)
Cash paid	$ 6,595	$ 275
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.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. The restatement had no impact on previously reported net assets.

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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and are not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature, such as those that will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the fund be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Recognition of Support and Revenue

Grants and Contracts

Grants and contracts are generally considered to be exchange transactions in which the grantor or contractor requires the performance of specified activities.

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

Contributions are defined as voluntary, non-reciprocal transfers. Contributions are recognized as support when received or pledged, if applicable. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

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	7 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.

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, 2019 and 2018, donated materials, properties and services amounted to $39,276 and $744,432, respectively.

Donated Goods

ReStore inventory consists of donated home furnishings, building supplies, paint and paint supplies, flooring and other home improvement items. No amounts have been recognized in the accompanying statement of activities for these goods because the criteria for recognition have not been satisfied.

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, 2016. 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 $36,308 and $28,850 for the years ended June 30, 2019 and 2018, respectively. Advertising costs consist primarily of print media.

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 program and supporting services activities have been summarized on a functional basis in the statement of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expenses by function. Direct costs that can be specifically identified with a program or activity are charged to the respective program or activity. Certain costs have been allocated among the program and supporting services benefited. Such allocations are determined by management using a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, repairs and maintenance and depreciation, which are allocated on a square footage basis, as well as salaries and wages, payroll taxes and benefits, office expenses, insurance and telephone, which are allocated on the basis of estimates of time and effort.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset classification or functional expense. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with Habitat's audited financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Reclassifications

Certain amounts in the June 30, 2018 financial statements have been reclassified to conform with the June 30, 2019 presentation, with no effect on net assets.

Disclosure of Subsequent Events

Management has monitored and evaluated any subsequent events through November 18, 2019, 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, 2019 the uninsured cash balance amounted to approximately $340,000.

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. No return of funds by the Organization have been required to date.

3. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Financial assets:	
Cash	$934,908
Grants and sponsorships receivable	261,824
Current mortgage loans receivable	157,334
Total financial assets	1,354,066
Less amounts not available to be used within one year	
Net assets with donor restrictions	740,000
Less net assets with a purpose restriction expected to be met in less than one year	(500,000)
	240,000
Financial assets available to meet general expenditures within one year	$1,114,066

The Organization plans to have sufficient financial assets to meet obligations as they come due. In addition to the financial assets available, the Organization has access to lines of credit in the amount of $325,000 of which $ 207,167 was fully available at June 30, 2019.

4. 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, 2019 consisted of the following:

163 Commerce Ave, Danielson	$129,661
1 Golden Street, Norwich	39,703
2 Golden Street, Norwich	26,974
	$196,338

5. Mortgages Receivable

Mortgages receivable consist of forty-nine (49) non-interest bearing loans at June 30, 2019 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 in 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, 2019.

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.

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, 2019 consisted of the following:

Due in less than one year	$ 157,334
Due in one to five years	591,465
Thereafter	3,210,893
	3,959,692
Less unamortized discount	1,960,859
	$1,998,833

6. Property and Equipment

Property and Equipment consisted of the following at June 30, 2019:

Land and buildings	$268,645
Equipment and vehicles	213,039
ReStore leaseholds	178,159
Furniture and fixtures	19,214
	679,057
Less accumulated depreciation	320,764
	$358,293

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 the business assets of the Organization. Amounts outstanding under this arrangement bear interest at the Wall Street Journal’s prime rate less 1% (4.5% at June 30, 2019). There was $97,833 outstanding under this line of credit as of June 30, 2019. This agreement remains in effect until Liberty Bank demands payment.

Habitat also has available two unsecured lines of credit with Dime Bank in the total amount of $50,000. Amounts outstanding under these arrangements bear interest at the Wall Street Journal’s prime rate less .5% (5% at June 30, 2019). There was $20,000 outstanding under these lines of credit as of June 30, 2019. The $20,000 line of credit expires in January 2020 and the $30,000 line of credit expires in May 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, 2019. This agreement expires December 2023.

8. Mortgages and Notes Payable

Long-term debt at June 30, 2019 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	$385,215
Connecticut Housing Finance Authority, ten (10) 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	359,615

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	183,985
Charter Oak Bank, note payable due in monthly installments of $422, including interest at 6.25% until January 2025, secured by a vehicle	23,818
Abel Womack, three (3) notes payable due in monthly installments ranging from $166 to $189, including interest ranging from 4.95% to 5.99% due on various dates through January 2024, secured by equipment	17,063
HFHI for Self- Help Opportunity Program (SHOP), three (3) non-interest bearing notes payable due in monthly installments ranging from $74 to $218, due on various dates through June 2020, unsecured	7,198
Spafford Leasing, note payable due in monthly installments of $249, including interest at 7.56%, due October 2021, secured by equipment	6,591
	$983,485

Aggregate maturities required on long-term debt at June 30, 2019 are as follows:

Year ending June 30,	
2020	$ 66,028
2021	63,712
2022	59,852
2023	53,452
2024	49,214
Thereafter	691,227
	$983,485

9. Net Assets With Donor Restrictions

Net assets with donor restrictions consist principally of contributions restricted for future construction costs.

10. 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 three months. 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 $7,200 and $6,500 for the years ended June 30, 2019 and 2018, respectively. No discretionary contributions were made for the years ended June 30, 2019 and 2018.

11. 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, 2019 to January 31, 2022.

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, 2019 to September 30, 2022.

Rent expense under these leases amounted to approximately $145,000 and $143,700 for the years ended June 30, 2019 and 2018, respectively.

The future minimum lease payments are as follows:

Year ending June 30,	
2020	$134,308
2021	134,584
2022	101,917
2023	14,046
	$384,855

12. 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, 2019 and 2018 amounted to $5,902 and $7,866, respectively.

13. 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 $421,000 at June 30, 2019.

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 $24,500 at June 30, 2019.

14. Subsequent Event

Effective July 1, 2019, Habitat and Habitat for Humanity of the Windham Area, Inc. (HFHWA) merged their operations with Habitat being the surviving entity. The underlying purpose of the merger with HFHWA is to serve more families by streamlining general support services, thereby creating operating efficiencies.

Net assets contributed by HFHWA to Habitat based on their June 30, 2019 unaudited financial statements are as follows:

Assets Transferred from HFHWA:	
Cash	$131,397
Non-interest bearing mortgages receivable, net of discounts	360,427
Land held for development	51,332
Construction in progress	89,164
	632,320
Liabilities assumed from HFHWA:	
Escrow accounts	33,775
Net assets without donor restrictions contributed by HFHWA	$598,545