HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

FINANCIAL REPORT

JUNE 30, 2021

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, 2021, 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, 2021, 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 2020 financial statements, and our report dated January 15, 2021, 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, 2020, 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 29, 2021

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

(With Comparative Totals for Year ended June 30, 2020)

ASSETS

	2021	2020
ASSETS		
Cash	$ 1,302,273	$ 1,242,865
Contributions and other receivables	21,945	63,274
Non-interest bearing mortgage loans, net of unamortized discounts of $2,110,383 in 2021 and $2,106,451 in 2020	2,315,313	2,250,751
Property held for sale	90,947	-
Property held for development	1,133,302	1,201,998
Construction in progress	790,864	984,964
Prepaid expenses and other current assets	108,717	101,076
Property and equipment, net	349,481	349,011
	$ 6,112,842	$ 6,193,939

LIABILITIES AND NET ASSETS

	2021	2020
LIABILITIES		
Accounts payable	$ 110,617	$ 89,868
Accrued expenses	42,466	36,253
Lines of credit	109,165	139,165
Mortgages and notes payable	893,302	940,406
Escrows held	2,116	1,809
	1,157,666	1,207,501
NET ASSETS		
Without donor restrictions	4,321,389	4,013,091
With donor restrictions	633,787	973,347
	4,955,176	4,986,438
	$ 6,112,842	$ 6,193,939

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2021

(With Comparative Totals for Year ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	Totals 2021	Totals 2020
SUPPORT AND REVENUES				
Contributions and grants	$ 259,050	$ 26,550	$ 285,600	$ 999,710
In-kind donations	47,239	-	47,239	121,323
Transfers to homeowners	495,000	-	495,000	65,000
Restore income	1,036,320	-	1,036,320	624,091
Mortgage loan discount amortization	97,126	-	97,126	145,592
Interest income	1,840	-	1,840	7,359
Loss on sale of assets	(2,076)	-	(2,076)	-
Miscellaneous	15,160	-	15,160	114
Net assets released from restrictions	366,110	(366,110)	-	-
	2,315,769	(339,560)	1,976,209	1,963,189
EXPENSES				
Program				
Construction and mortgage discounts	1,145,522	-	1,145,522	592,652
Restore	581,126	-	581,126	566,798
Supporting services				
General and administrative	151,147	-	151,147	127,119
Fundraising	129,676	-	129,676	121,754
	2,007,471	-	2,007,471	1,408,323
CHANGES IN NET ASSETS	308,298	(339,560)	(31,262)	554,866
NET ASSETS, beginning of year	4,013,091	973,347	4,986,438	4,431,572
NET ASSETS, end of year	$ 4,321,389	$ 633,787	$ 4,955,176	$ 4,986,438

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

(With Comparative Totals for Year ended June 30, 2020)

	Program Services				Supportive Services			Total expenses	
	Construction	Mortgage Discounts	Restore	Total	General and Administrative	Fundraising	Total	2021	2020
Personnel Expenses:									
Salaries	$ 193,896	$ -	$162,104	$ 356,000	$ 59,413	$ 82,189	$141,602	$ 497,602	$ 518,406
Payroll taxes and benefits	34,582	-	39,050	73,632	18,598	22,930	41,528	115,160	111,720
Total salaries and related benefits	228,478	-	201,154	429,632	78,011	105,119	183,130	612,762	630,126
Cost of homes transferred	436,708	-	-	436,708	-	-	-	436,708	125,923
Occupancy costs	10,483	-	191,709	202,192	4,755	662	5,417	207,609	199,021
Construction/program expenses	30,908	-	99,039	129,947	-	-		129,947	78,259
Discount on properties held for sale and construction in progress	161,342	-	-	161,342	-	-	-	161,342	-
Mortgage discounts	-	101,059	-	101,059	-	-	-	101,059	29,944
Insurance	56,280	-	26,619	82,899	2,898	2,898	5,796	88,695	88,307
Fees and permits	11,193	-	22,700	33,893	19,713	219	19,932	53,825	44,383
Depreciation	13,940	-	29,304	43,244	2,125	531	2,656	45,900	43,891
Professional fees	16,002	-	-	16,002	28,421	-	28,421	44,423	27,242
Office expenses	15,190	-	1,652	16,842	11,813	8,326	20,139	36,981	39,220
Interest expense	31,505	-	-	31,505	-	-	-	31,505	34,593
Advertising and printing	11,491	-	695	12,186	790	11,714	12,504	24,690	17,223
Travel and meetings	8,087	-	5,349	13,436	310	36	346	13,782	25,533
Telephone	4,556	-	2,616	7,172	683	171	854	8,026	9,284
Tithe to Habitat International	6,258	-	-	6,258	-	-	-	6,258	9,235
Miscellaneous	2,042	-	289	2,331	1,628	-	1,628	3,959	6,139
	$1,044,463	$101,059	$581,126	$1,726,648	$ 151,147	$129,676	$280,823	$2,007,471	$1,408,323

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2021

(With Comparative Totals for Year ended June 30, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ (31,262)	$ 554,866
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	45,900	43,891
Loss on sale of assets	2,076	-
Mortgages transferred to homeowners subject to non-interest bearing advances	(178,941)	(35,056)
Mortgage loan discount amortization	(97,126)	(145,592)
Discount on properties held for sale and construction in progress	161,342	-
(Increase) decrease in:		
Contributions and other receivables	41,329	203,197
Property held for sale and development	(183,593)	16,161
Construction in progress	168,100	(574,735)
Prepaid expenses and other current assets	(7,641)	(3,545)
Increase (decrease) in:		
Accounts payable and accrued expenses	26,962	17,919
Escrows held	307	(32,640)
Net cash provided by (used in) operating activities	(52,547)	44,466
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(24,646)	(34,609)
Proceeds for sale of equipment	2,200	-
Collection of mortgages receivable	211,505	185,510
Net cash provided by investing activities	189,059	150,901
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayments on long term debt	(72,104)	(68,079)
Proceeds from long term debt	25,000	25,000
Proceeds from (repayments of) lines of credit, net	(30,000)	21,332
Net cash used in financing activities	(77,104)	(21,747)
NET INCREASE IN CASH	59,408	173,620
CASH, beginning	1,242,865	1,069,245
CASH, ending	$ 1,302,273	$ 1,242,865

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

STATEMENT OF CASH FLOWS, Continued

YEAR ENDED JUNE 30, 2021

(With Comparative Totals for Year ended June 30, 2020)

	2021	2020
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Operating activities reflect cash paid during the period for:		
Interest	$ 36,981	$ 34,593
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITY:		
Issuance of non-interest bearing mortgage loans	$ 280,000	$ 65,000
Discounts on non-interest bearing mortgage loans	(101,059)	(29,944)
Transfers to homeowners subject to non-interest bearing mortgage loans	$ 178,941	$ 35,056
Properties taken back for outstanding mortgage balances	$ -	$ 99,000

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.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). Accounting Standards Codification (ASC) 606 supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*, and requires entities to recognize revenue when control of promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods and services.

ASC 606 was effective for the Organization beginning on July 1, 2020. In consideration of the adoption of this accounting pronouncement, the Organization determined that there was no impact on previously reported net assets of the Organization, and no reclassifications of assets or liabilities in the accompanying balance sheets were required. In addition, the Organization does not expect the adoption of the ASU to have a material impact on its net income on an ongoing basis.

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958) - *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* ASU 2018-08 was designed to eliminate the diversity in accounting for grants and similar contracts with government agencies. ASU 2018-08 requires an evaluation to determine (1) transactions that should be characterized as an exchange transaction or as a contribution, and (2) whether contributions are conditional. The Organization adopted the provisions of ASU 201-08 on July 1, 2019. The implementation of the new standard did not have any impact on the Organization's measurement or recognition of revenue.

Merger

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

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

In accordance with ASU 2018-08, grants from government agencies are accounted for as conditional contributions. Conditional contributions are recorded when the condition has been satisfied. Grant funds received prior to satisfaction of the condition are reported as deferred revenue. Conditions satisfied in advance of grant funds being received are reported as a receivable.

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.

Exchange Transactions

Program revenues are recognized when control of the promised goods or services are transferred to the Organization’s customers, in an amount that reflects the consideration the Organization expects to be entitled to for those goods or services. To do this, the Organization performs the following five steps as outlined in ASC 606: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the Organization satisfies a performance obligation.

Revenue Types

Sale of Homes

The Organization recognizes the revenue from the sale of homes at the date of closing for the house as this is the point in time the Organization has determined that their performance obligation is satisfied.

ReStore Revenue

ReStore sales of donated goods are recognized as revenue at the time of the sale as this is the point in time the Organization has determined that their performance obligation is satisfied. Historically, sales returns have not been significant.

Contributions and Other Receivables

Contributions and other receivables consist primarily of amounts due from Federal Home Loan Bank. The Organization has determined that all amounts are collectible, and accordingly no allowance for potentially uncollectible accounts has been recorded.

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. Habitat reviews property held for development for impairment during each reporting period on a property-by-property basis. Accounting principles generally accepted in the United States of America require that if the undiscounted cash flows expected to be generated by an asset are less than its carrying amount, an impairment charge should be recorded to write down the carrying amount of such asset to its fair market value. There was no impairment loss related to Property Held for Development for the year ended June 30, 2021.

Land Held for Sale

Land held for sale consists of lots that were previously donated to Habitat and the Organization has determined that building on the sites would not be cost effective. Land held for sale is valued at the lower of carrying cost or anticipated sales price, with a discount recorded for the difference. A discount of $107,342 was recognized on land held for sale at June 30, 2021.

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, 2021 and 2020, donated materials, properties and services amounted to $47,239 and $121,323, 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, 2018. 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 $7,639 and $10,014 for the years ended June 30, 2021 and 2020, 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. The discounts applied to mortgage receivables is a significant estimate included in these financial statements.

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, 2020, from which the summarized information was derived.

Disclosure of Subsequent Events

Management has monitored and evaluated any subsequent events through November 29, 2021 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, 2021 the uninsured cash balance amounted to approximately $653,000.

Mortgages Receivable

Habitat regularly reviews its mortgages receivable and monitors the accounts for delinquencies. The organization will work with the homeowners to cure any delinquent payments. If the homeowner does not cure the default, foreclosure proceedings are initiated.

Non-interest-bearing mortgages are discounted based on prevailing market rates at the time of the sale, which results in the net mortgage receivable balances being generally less than 50% of the home's fair market value. Therefore, Habitat believes that losses resulting from nonpayment of mortgage notes receivable, given the collateral value, are not likely. 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	$1,302,273
Grants and sponsorships receivable	21,945
Current mortgage loans receivable	200,998
Total financial assets	1,525,216
Less amounts not available to be used within one year:	
Net assets with donor restrictions	633,787
Less net assets with a purpose restriction expected to be met in less than one year	(300,000)
	333,787
Financial assets available to meet general expenditures within one year	$1,191,429

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 $275,000 of which $108,890 was fully available at June 30, 2021.

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, 2021 consisted of the following:

163 Commerce Ave, Danielson	$147,762
109 Flanders Road, Niantic	115,062
123 Serwan Avenue, Willimantic	136,193
44 Sylvester Street, Norwich	89,409
46 Sylvester Street, Norwich	90,262
48 Sylvester Street, Norwich	106,200
47 Margerie Street, Norwich	105,976
	$790,864

Construction in progress is valued at the lower of carrying cost or anticipated sales price, with a discount recorded for the difference. A discount of $54,000 was recognized on construction in progress at June 30, 2021.

5. Mortgages Receivable

Mortgages receivable consist of fifty-eight (58) non-interest bearing loans at June 30, 2021 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 20 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 3.24% to 7.04% 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 Statement of Activities and Changes in Net Assets.

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, 2021, two homeowners sold their homes and Habitat received $14,910 under the second mortgages, which is included in miscellaneous income in the Statement of Activities and Changes in Net Assets.

During the year ended June 30, 2020, the Organization took back a property from homeowners who wanted to downsize. The property was added back to Construction in

Progress in the amount of $99,000, the outstanding mortgage receivable balance at the date of the transfer, and the unamortized discount of $50,981 was taken into income.

Mortgages receivable at June 30, 2021 consisted of the following:

Due in less than one year	$ 210,331
Due in one to five years	754,893
Thereafter	3,460,472
	4,425,696
Less unamortized discount	2,110,383
	$2,315,313

6. Property and Equipment

Property and Equipment consisted of the following at June 30, 2021:

Land and buildings, operations	$297,355
Land held for lease	26,000
Equipment and vehicles	186,200
ReStore leasehold improvements	193,462
Furniture and fixtures	19,214
	722,231
Less accumulated depreciation	372,750
	$349,481

Habitat reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There was no impairment loss recognized during the year ended June 30, 2021 and 2020.

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% (2.25% at June 30, 2021). There was $109,165 outstanding under this line of credit as of June 30, 2021. This agreement remains in effect until Liberty Bank demands payment.

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, 2021. This agreement expires December 2021.

8. Mortgages and Notes Payable

Long-term debt at June 30, 2021 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	$358,704
Connecticut Housing Finance Authority, ten (10) non-interest bearing notes payable due in monthly installments ranging from $206 to $417, due on various dates through February 2042, secured by mortgage receivables	334,224
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	173,913
Charter Oak Bank, note payable due in monthly installments of $422, including interest at 6.25% until January 2025, secured by a vehicle	16,265
Abel Womack, two (2) notes payable due in monthly installments of $189, including interest ranging from 4.95% to 5.99% due May 2022 and January 2024, secured by equipment	7,356
HFHI for Self- Help Opportunity Program (SHOP), two (2) non-interest bearing notes payable due in monthly installments of $74 to $149, due December 2021 and May 2022, unsecured	1,617
Spafford Leasing, note payable due in monthly installments of $249, including interest at 7.56%, due October 2021, secured by equipment	1,223
	$893,302

Aggregate maturities required on long-term debt at June 30, 2021 are as follows:

Year ending June 30,	
2022	$ 62,763
2023	58,521
2024	55,419
2025	53,358
2026	51,376
Thereafter	611,865
	$893,302

9. Net Assets With Donor Restrictions

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

10. Paycheck Protection Program

Congress established the Paycheck Protection Program (PPP) to provide relief to small businesses (including tax-exempt not-for-profits) during the coronavirus pandemic as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. PPP funds are provided as forgivable loans that are forgiven as long as loan proceeds are used to cover payroll, mortgage interest, rent, and utilities.

On April 14, 2020, Habitat received $139,233 in PPP funds and on February 10, 2021 the Organization received an additional $128,882 from the second round of PPP funding. The Organization spent all amounts awarded on eligible costs and both loans have been forgiven in full, the first loan on March 31, 2021 and the second loan on April 10, 2021. Habitat has accounted for the PPP funds as conditional contributions and as such, has recognized the PPP funds as grant revenue as eligible costs were incurred. Habitat recognized $128,882 and $139,233 of revenue for the years ended June 30, 2021 and 2020, respectively.

11. Land Leases

Habitat sold both units of housing in a duplex during the year ended June 30, 2021, subject to land leases. The leases have a term of ninety-nine (99) years and a homeowner can renew for an additional 99 years. The monthly lease payments are $30 and for the year ended June 30, 2021, $240 of lease revenue is included in miscellaneous income in the accompany Statement of Activities and Changes in Net Assets.

12. Retirement 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 $8,824 and $8,479 for the years ended June 30, 2021 and 2020, respectively. No discretionary contributions were made for the years ended June 30, 2021 and 2020.

13. 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, 2025 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, 2025 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 $147,000 for the each of the years ended June 30, 2021 and 2020.

The future minimum lease payments are as follows:

Year ending June 30,	
2022	$101,917
2023	14,046
	$115,963

14. 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, 2021 and 2020 amounted to $6,258 and $9,235, respectively.

15. 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 $336,500 at June 30, 2021.

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 $18,500 at June 30, 2021.

16. COVID-19

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. The extent of the potential impact of COVID-19 on Habitat's operational and financial performance depends on certain developments, including the duration and spread of the outbreak and its impacts on Habitat's clients, employees and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact Habitat's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.