HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

FINANCIAL REPORT

JUNE 30, 2022

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

FINANCIAL REPORT

JUNE 30, 2022

CONTENTS

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2022, 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.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Habitat for Humanity of Eastern Connecticut, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity of Eastern Connecticut, Inc.’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity of Eastern Connecticut, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity of Eastern Connecticut, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Habitat for Humanity of Eastern Connecticut, Inc.'s 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 29, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carter, Hayes +Associates, P.C.

Hamden, Connecticut
May 23, 2023

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022

(With Comparative Totals for Year ended June 30, 2021)

ASSETS

	2022	2021
ASSETS		
Cash	$ 909,735	$ 1,302,273
Contributions and other receivables	47,305	21,945
Non-interest bearing mortgage loans, net of unamortized discounts of $2,131,567 in 2022 and $2,110,383 in 2021	2,443,932	2,315,313
Property held for sale	-	90,947
Property held for development	863,929	1,133,302
Construction in progress	1,095,677	790,864
Prepaid expenses and other current assets	74,140	108,717
Property and equipment, net	343,680	349,481
	$ 5,778,398	$ 6,112,842

LIABILITIES AND NET ASSETS

	2022	2021
LIABILITIES		
Accounts payable	$ 61,620	$ 110,617
Accrued expenses	45,993	42,466
Line of credit	42,966	109,165
Mortgages and notes payable	857,145	893,302
Escrows held	2,834	2,114
	1,010,558	1,157,664
NET ASSETS		
Without donor restrictions	4,351,551	4,321,389
With donor restrictions	416,289	633,787
	4,767,840	4,955,176
	$ 5,778,398	$ 6,112,840

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2022

(With Comparative Totals for Year ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	Totals 2022	Totals 2021
SUPPORT AND REVENUES				
Contributions and grants	$ 263,253	$ 14,125	$ 277,378	$ 285,600
In-kind donations	18,488	-	18,488	47,239
Transfers to homeowners	390,000	-	390,000	495,000
Restore income	1,143,984	-	1,143,984	1,036,320
Mortgage loan discount amortization	148,443	-	148,443	97,126
Interest income	719	-	719	1,840
Loss on sale of assets	(8,547)	-	(8,547)	(2,076)
Miscellaneous	2,056	-	2,056	15,160
Net assets released from restrictions	231,623	(231,623)	-	-
	2,190,019	(217,498)	1,972,521	1,976,209
EXPENSES				
Program				
Construction and mortgage discounts	1,204,307	-	1,204,307	1,145,522
Restore	647,043	-	647,043	581,126
Supporting services				
General and administrative	187,258	-	187,258	151,147
Fundraising	121,249	-	121,249	129,676
	2,159,857	-	2,159,857	2,007,471
CHANGES IN NET ASSETS	30,162	(217,498)	(187,336)	(31,262)
NET ASSETS, beginning of year	4,321,389	633,787	4,955,176	4,986,438
NET ASSETS, end of year	$ 4,351,551	$ 416,289	$ 4,767,840	$ 4,955,176

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

(With Comparative Totals for Year ended June 30, 2021)

	Program Services				Supportive Services			Total expenses	
	Construction	Mortgage Discounts	Restore	Total	General and Administrative	Fundraising	Total	2022	2021
Personnel Expenses:									
Salaries	$ 251,007	$ -	$195,651	$ 446,658	$ 86,426	$ 73,555	$159,981	$ 606,639	$ 497,602
Payroll taxes and benefits	38,263	-	42,878	81,141	13,473	19,371	32,844	113,985	115,160
Total salaries and related benefits	289,270	-	238,529	527,799	99,899	92,926	192,825	720,624	612,762
Cost of homes transferred	471,874	-	-	471,874	-	-	-	471,874	436,708
Occupancy costs	12,298	-	205,431	217,729	5,057	721	5,778	223,507	220,928
Mortgage discounts	-	169,625	-	169,625	-	-	-	169,625	101,059
Construction/program expenses	13,895	-	102,621	116,516	-	-	-	116,516	116,628
Discount on properties held for sale and construction in progress	81,550	-	-	81,550	-	-	-	81,550	161,342
Insurance	39,912	-	27,235	67,147	574	574	1,148	68,295	88,695
Office expenses	22,862	-	7,151	30,013	21,071	9,007	30,078	60,091	36,981
Fees and permits	9,733	-	26,206	35,939	19,410	1,658	21,068	57,007	53,825
Depreciation	14,816	-	28,642	43,458	2,175	544	2,719	46,177	45,900
Professional fees	570	-	-	570	29,490	-	29,490	30,060	44,423
Advertising and printing	11,133	-	85	11,218	1,082	14,163	15,245	26,463	24,690
Travel and meetings	13,478	-	7,750	21,228	5,073	580	5,653	26,881	13,782
Interest expense	26,133	-	-	26,133	-	-	-	26,133	31,505
Miscellaneous	7,072	-	1,793	8,865	3,167	892	4,059	12,924	3,959
Tithe to Habitat International	12,462	-	-	12,462	-	-	-	12,462	6,258
Telephone	7,624	-	1,600	9,224	260	184	444	9,668	8,026
	$ 1,034,682	$ 169,625	$647,043	$1,851,350	$ 187,258	$121,249	$308,507	$2,159,857	$2,007,471

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2022

(With Comparative Totals for Year ended June 30, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	$ (187,336)	$ (31,262)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	46,177	45,900
Loss on sale of assets	8,547	2,076
Mortgages transferred to homeowners subject to non-interest bearing advances	(274,375)	(178,941)
Mortgage loan discount amortization	(148,443)	(97,126)
Discount on properties held for sale and construction in progress	81,550	161,342
(Increase) decrease in:		
Contributions and other receivables	(25,360)	41,329
Property held for sale and development	266,273	(183,593)
Construction in progress	(310,721)	168,100
Prepaid expenses and other current assets	34,577	(7,641)
Increase (decrease) in:		
Accounts payable and accrued expenses	(45,472)	26,962
Escrows held	720	307
Net cash used in operating activities	(553,863)	(52,547)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(20,276)	(24,646)
Proceeds for sale of land and equipment	85,500	2,200
Collection of mortgages receivable	198,457	211,505
Net cash provided by investing activities	263,681	189,059
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayments on long term debt	(66,157)	(72,104)
Proceeds from long term debt	30,000	25,000
Proceeds from (repayments of) line of credit, net	(66,199)	(30,000)
Net cash used in financing activities	(102,356)	(77,104)
NET INCREASE (DECREASE) IN CASH	(392,538)	59,408
CASH, beginning	1,302,273	1,242,865
CASH, ending	$ 909,735	$ 1,302,273

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

STATEMENT OF CASH FLOWS, Continued

YEAR ENDED JUNE 30, 2022

(With Comparative Totals for Year ended June 30, 2021)

	2022	2021
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Operating activities reflect cash paid during the period for:		
Interest	$ 26,133	$ 31,505
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITY:		
Issuance of non-interest bearing mortgage loans	$ 444,000	$ 280,000
Discounts on non-interest bearing mortgage loans	(169,625)	(101,059)
Transfers to homeowners subject to non-interest bearing mortgage loans	$ 274,375	$ 178,941
Properties taken back for outstanding mortgage balances	$ 95,742	$ -

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

(With Selective Comparative Information for the Year ended June 30, 2021)

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.

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 without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase 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, 2022.

Property Held for Sale

Property 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. Discounts of $107,342 were recognized on property 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.

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, 2019. 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 $7,146 and $7,639 for the years ended June 30, 2022 and 2021, 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, 2021, from which the summarized information was derived.

Disclosure of Subsequent Events

Management has monitored and evaluated any subsequent events through May 23, 2023, the date the financial statements were available to be issued.

Reclassifications

Certain reclassifications were made to the prior year summarized comparative information to conform with the current year presentation. The reclassification had no impact on previously reported net assets.

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, 2022 the uninsured cash balance amounted to approximately $400,000.

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	$ 909,735
Contributions and other receivables	47,305
Current mortgage loans receivable	241,060
Total financial assets	1,198,100
Less amounts not available to be used within one year:	
Net assets with donor restrictions	416,289
Less net assets with a purpose restriction to be met in less than one year	(292,000)
	124,289
Financial assets available to meet general expenditures within one year	$1,073,811

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 a line of credit in the amount of $250,000 of which $207,034 was fully available at June 30, 2022. The Organization also has a grant from the City of Norwich in the amount of $800,000 of which approximately $250,000 is expected to be utilized to fund construction costs during the upcoming year.

4. Mortgages Receivable

Mortgages receivable consist of sixty (60) non-interest bearing loans at June 30, 2022 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 1 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, 2022, the Organization took back a property from a homeowner through foreclosure. At the date of transfer, the property was added back to Construction in Progress in the amount of $95,743 (the outstanding mortgage receivable balance) and the related unamortized mortgage discount of $45,546 was taken into income.

Mortgages receivable at June 30, 2022 consisted of the following:

Due in less than one year	$ 241,060
Due in one to five years	797,382
Thereafter	3,537,057
	4,575,499
Less unamortized discount	2,131,567
	$2,443,932

5. 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, 2022 consisted of the following:

163 Commerce Ave, Danielson	$ 156,723
42 Laurel Leaf, Gales Ferry	108,490
123 Serwan Avenue, Willimantic	141,858
127 Serwan Avenue, Willimantic	115,860
44 Sylvester Street, Norwich	130,000
46 Sylvester Street, Norwich	130,000
50 Sylvester Street, Norwich	71,326
49 Margerie Street, Norwich	72,186
14 Front Street, Brooklyn	67,000
7 Killeen, Montville	102,234
	$1,095,677

Construction in progress is valued at the lower of carrying cost or anticipated sales price, with a discount recorded for the difference. Discounts of $81,550 and $54,000 were recognized on construction in progress at June 30, 2022 and 2021, respectively.

6. Property and Equipment

Property and Equipment consisted of the following at June 30, 2022:

Land and buildings, operations	$297,355
Land held for lease	46,100
Equipment and vehicles	188,765
ReStore leasehold improvements	193,462
Furniture and fixtures	21,525
	747,207
Less accumulated depreciation	403,527
	$343,680

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, 2022 and 2021.

7. Line 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% (3.75% at June 30, 2022). There was $42,966 outstanding under this line of credit as of June 30, 2022. This agreement remains in effect until Liberty Bank demands payment.

8. 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 were provided as forgivable loans that were forgiven as long as loan proceeds were used to cover payroll, mortgage interest, rent, and utilities.

On February 10, 2021, the Organization received $128,882 from the second round of PPP funding. The Organization spent all amounts awarded on eligible costs and the loan was forgiven in full on April 10, 2021. Habitat accounted for the PPP funds as a conditional contribution and as such, recognized the PPP funds as grant revenue as eligible costs were incurred. Habitat recognized $128,882 of revenue for the year ended June 30, 2021.

9. Mortgages and Notes Payable

Long-term debt at June 30, 2022 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	$344,581
Connecticut Housing Finance Authority, eleven (11) 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	329,722
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	167,383
Charter Oak Bank, note payable due in monthly installments of $422, including interest at 6.25% until January 2025, secured by a vehicle	12,092
Abel Womack, note payable due in monthly installments of $189, including interest at 5.99% due January 2024, secured by equipment	3,367
	$857,145

Aggregate maturities required on long-term debt at June 30, 2022 are as follows:

Year ending June 30,	
2023	$ 59,235
2024	60,217
2025	58,334
2026	56,357
2027	55,898
Thereafter	567,104
	$857,145

10. Net Assets With Donor Restrictions

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

11. In-Kind Donations

In-kind donations are summarized as follows for the years ending June 30,

	2022	2021
Donated construction services	$ 8,588	$16,533
Donated legal services	-	15,700
Donated construction materials	9,900	15,006
	$18,488	$47,239

Donated legal and construction services are valued by the provider of the service and donated construction material are valued based on current prices at the time of donation. Donated construction services and materials received by the Organization are recorded as in-kind contribution revenue with a corresponding increase to Construction in progress. Donated legal services are recognized as in-kind contribution revenue and a corresponding expense.

During the years ended June 30, 2022 and 2021, approximately 19,100 and 13,600 hours, respectively, were donated by volunteers working at the ReStores, construction sites in the administrative offices and on various committees, which have not been valued since they do not meet the criteria for recognition.

12. 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 the monthly lease payments are $30. During the year ended June 30, 2022, the Organization sold an additional two (2) homes subject to land leases with ninety-nine (99) year terms and monthly lease payments of $15. All land leases can be renewed by the homeowner for an additional 99 years. For the years ended June 30, 2022 and 2021, $780 and $240, respectively, of lease revenue is included in miscellaneous income in the accompany Statement of Activities and Changes in Net Assets.

13. 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 $10,206 and $8,824 for the years ended June 30, 2022 and 2021, respectively. No discretionary contributions were made for the years ended June 30, 2022 and 2021.

14. 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, 2022 to January 31, 2025.

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. As of the date of the financial statements, Habitat has not exercised the next three-year option and is presently leasing the facility on a month-to-month basis.

Rent expense under these leases amounted to approximately $148,000 and $147,000 for the years ended June 30, 2022 and 2021, respectively.

The future minimum lease payments are as follows:

Year ending June 30,	
2023	$ 94,446
2024	80,400
2025	46,900
	$221,746

15. 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, 2022 and 2021 amounted to $12,462 and $6,258, respectively.

16. 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 $339,300 at June 30, 2022.

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 $14,840 at June 30, 2022.

17. Government Grant

During the year ended June 30, 2022, the Organization was awarded a $1,200,000 American Rescue Plan pass through grant from the City of Norwich to construct or renovate homes located in Norwich using the Habitat model. The funds are available through December 31, 2024. In February 2023, the City of Norwich reduced the award to $800,000, with $360,000 available for the completion of homes in the Greenville project and $440,000 allocated to the rehabilitation of foreclosed homes located within the City of Norwich.

18. COVID-19

On March 11, 2020, of a novel strain of coronavirus (COVID-19) was characterized by the World Health Organization 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.