

**HABITAT FOR HUMANITY OF GREATER
NEW HAVEN, INC. AND SUBSIDIARY**
Consolidated Financial Statements
December 31, 2013

**HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC.
AND SUBSIDIARY
CONSOLIDATED FINANCIAL REPORT
DECEMBER 31, 2013**

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KIRCALDIE, RANDALL & MCNAB LLC
CERTIFIED PUBLIC ACCOUNTANTS
NORTH HAVEN, CONNECTICUT 06473

INDEPENDENT AUDITOR'S REPORT
BASIC CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors
Habitat for Humanity of Greater New Haven, Inc
New Haven, Connecticut

We have audited the accompanying consolidated financial statements of Habitat for Humanity of Greater New Haven, Inc. and subsidiary (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Greater New Haven, Inc. As of December 31, 2013, 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 the Habitat for Humanity of Greater New Haven, Inc.'s 2012 consolidated financial statements, and our report dated May 29, 2013, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kircaldie Randall & McNab LLC

North Haven, Connecticut
May 26, 2014

Habitat for Humanity of Greater New Haven, Inc. and Subsidiary
Consolidated Statements of Financial Position
For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Cash and cash equivalents	\$ 389,417	\$ 218,418
Restricted cash	109,197	129,071
Accounts receivable	7,164	5,021
Contributions and grants receivable	126,811	272,916
Mortgages receivable, net	1,403,231	1,312,643
Prepaid expenses	25,155	3,462
Building inventory	9,760	9,760
Construction in progress	468,757	414,777
Properties held for sale	-	99,026
Security deposits	7,527	-
Investment in leveraged lender	1,488,674	1,465,522
Property and equipment, net	357,407	298,433
Financing costs, net	191,690	223,370
Total Assets	<u>\$ 4,584,790</u>	<u>\$ 4,452,419</u>
Liabilities		
Accounts payable and accruals	\$ 86,826	\$ 78,222
Deposits and escrows	3,377	14,254
Deferred revenue	117,644	140,052
Mortgage notes payable	287,442	242,076
Loans payable	1,924,496	1,880,000
Total Liabilities	<u>\$ 2,419,785</u>	<u>\$ 2,354,604</u>
Net Assets		
Unrestricted	\$ 2,115,005	\$ 2,097,815
Temporarily Restricted	50,000	-
Total Net Assets	<u>\$ 2,165,005</u>	<u>\$ 2,097,815</u>
Total Liabilities and Net Assets	<u>\$ 4,584,790</u>	<u>\$ 4,452,419</u>

See accompanying auditor's report and notes to consolidated financial statements

Habitat for Humanity of Greater New Haven, Inc. and Subsidiary
Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2013
(with comparative summarized totals for 2012)

	2013			2012
	Unrestricted	Temporarily Restricted	Total	Total
Revenues and gains				
Contributions	\$ 613,406	\$ 50,000	\$ 663,406	\$ 748,708
Government grants	320,443		320,443	268,000
Special events	32,711		32,711	21,158
In-kind donations	143,377		143,377	418,042
Transfers to homeowners	384,960		384,960	699,440
ReStore sales, net of cost of goods	101,357		101,357	-
Mortgage discount amortization	78,386		78,386	66,294
Gain/(Loss) on assets	9,934		9,934	19,899
Investment income	37,641		37,641	24,665
Interest income	240		240	233
Other revenue	10,776		10,776	12,235
Total Revenues and Gains	\$ 1,733,231	\$ 50,000	\$ 1,783,231	\$ 2,278,674
Expenses				
Program services	1,455,747		1,455,747	2,183,942
Supporting services				
Fundraising	118,523		118,523	81,002
General and administrative	141,771		141,771	147,834
Total Expenses	\$ 1,716,041	-	\$ 1,716,041	\$ 2,412,778
Change in Net Assets	\$ 17,190	\$ 50,000	\$ 67,190	\$ (134,104)
Net Assets - Beginning of Year	2,097,815	-	2,097,815	2,231,919
Net Assets - End of Year	\$ 2,115,005	\$ 50,000	\$ 2,165,005	\$ 2,097,815

See accompanying auditor's report and notes to consolidated financial statements

Habitat for Humanity of Greater New Haven, Inc. and Subsidiary
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Change in Net Assets	\$ 67,190	\$ (134,104)
Operating Activities		
Mortgages recorded, net of discount	(172,471)	(306,996)
Mortgage loan discount amortization	(78,386)	(66,294)
Mortgage released	25,493	-
Gain on release of mortgage	(12,936)	
Mortgage payments received, net	130,198	129,418
Increase in accounts receivable	(2,143)	(3,018)
Decrease (increase) in contributions and grants receivable	146,105	(146,662)
Decrease in building inventory	-	5,523
(Increase) decrease in construction in progress	(53,980)	386,162
Increase in prepaid expenses	(21,693)	(19)
Increase in security deposits	(7,527)	-
Increase in accounts payable and accruals	8,604	2,244
(Decrease) increase in amounts on deposit	(10,877)	1,415
Net cash provided (used) by operating activities	\$ 17,577	\$ (132,331)
Investing Activities		
Decrease (increase) in properties held for sale	\$ 99,026	\$ (99,026)
Proceeds from sale and assignment of mortgages	40,000	35,000
Gain on sale and assignment of mortgages	(22,486)	(19,899)
Equipment purchases, net	(83,934)	(38,573)
Depreciation	24,960	23,450
Net cash provided (used) by investing activities	\$ 57,566	\$ (99,048)
Financing Activities		
Increase in investment in leveraged lender	(23,152)	(1,465,522)
Increase in loans payable	44,496	1,880,000
(Decrease) increase in deferred revenue, net	(22,408)	140,052
Decrease (increase) in financing costs, net	31,680	(227,307)
Principal increase on mortgage notes payable.	45,366	7,026
Net cash provided by financing activities	\$ 75,982	\$ 334,249
Increase in cash	\$ 151,125	\$ 102,870
Cash - Beginning of year	347,489	244,619
Total Cash - End of year	\$ 498,614	\$ 347,489
Supplemental disclosures		
Interest paid	\$ 23,447	\$ 19,680

See accompanying auditor's report and notes to consolidated financial statements

Habitat for Humanity of Greater New Haven, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2013
(with summarized comparative totals for 2012)

	2013				2012
	Program Services	Fund Raising	General & Administrative	Total	Total
Cost of homes transferred	\$ 901,370	\$ -	\$ -	\$ 901,370	\$ 1,608,722
Cost of homes repaired	33,084	-	-	33,084	-
Vehicle costs	16,739	-	-	16,739	9,722
Salaries and benefits	160,705	54,432	125,347	340,484	270,203
Professional fees	6,016	1,934	2,936	10,886	10,999
Insurance	3,860	1,956	2,096	7,912	8,010
Telephone	6,422	1,226	524	8,172	7,387
Postage and mailing	1,373	1,249	71	2,693	2,869
Printing and publications	2,669	2,610	124	5,403	4,520
Office equipment and supplies	5,566	975	959	7,500	5,822
Occupancy	50,541	1,591	3,624	55,756	11,685
Meetings, travel and dues	2,038	381	666	3,085	3,096
Public relations	3,345	281	-	3,626	2,049
Cost of special events	5,293	5,463	-	10,756	183
Tithe to Habitat International	8,600	-	-	8,600	10,200
In-kind expenses	18,273	307	3,167	21,747	30,607
Interest and service charges	8,056	36,153	1,044	45,253	34,857
Amortization and depreciation	23,053	9,965	1,213	34,231	23,450
Discount on mortgages issued	198,744	-	-	198,744	368,397
Total	\$ 1,455,747	\$ 118,523	\$ 141,771	\$ 1,716,041	\$ 2,412,778

See accompanying auditor's report and notes to consolidated financial statements

Habitat for Humanity of Greater New Haven, Inc and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2013 and 2012

1. Organization and Purpose

Habitat for Humanity of Greater New Haven, Inc. (Habitat) is a not-for-profit organization, incorporated in the State of Connecticut in 1986. Habitat is an affiliate of Habitat for Humanity International, Inc., a nondenominational Christian not-for-profit organization with affiliates worldwide that seeks to eliminate poverty housing and homelessness, and to make decent shelter a matter of conscience and action. Although Habitat for Humanity International assists with informational and fiscal resources, Habitat is primarily responsible for its own operations.

Habitat builds and renovates affordable homes in the Greater New Haven, Connecticut area, through volunteer labor and with the assistance of the future low income homeowner families. Future homeowners are required to contribute four hundred hours of their own labor into the building of their house as well as the houses of others. Habitat houses are sold to low income families at below cost, and financed by Habitat with no interest over twenty to thirty year terms. Habitat's program is funded through contributions, grants, and in-kind donations, from individuals, foundations, corporations, public agencies and religious organizations.

Habitat is exempt from federal income taxation under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Habitat is generally exempt from state and local taxes. No provision for income tax is recorded in the financial statements.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Habitat for Humanity of Greater New Haven, Inc., and its wholly owned subsidiary, 37 Union Ave., LLC. Habitat is the sole member of 37 Union Ave., LLC which was formed in October 2003 to acquire real property and lease it back to Habitat as office space. All material transactions and balances between the entities have been eliminated in the consolidation. 37 Union Ave., LLC is considered a disregarded entity for income tax purposes.

Basis of Accounting

Habitat prepares its consolidated financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this basis, revenues are recognized when earned and expenses are recognized when the obligation is incurred.

Cash and Cash Equivalents

Habitat considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments are reported at fair value. Investment income is reported as an increase in unrestricted net assets unless a donor or law temporarily or permanently restricts its use.

Habitat for Humanity of Greater New Haven, Inc and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2013 and 2012

Mortgages Receivable

Mortgages receivable consist of non interest bearing mortgages, secured by real estate and payable in monthly installments over twenty to thirty year terms. The mortgages are discounted based upon prevailing market rates for low income housing at the inception of the mortgage. The discount is amortized on a straight-line basis over the term of the mortgage.

Because mortgages receivable are secured by real estate, and ultimately through the process of foreclosure, management believes that procedures will result in collection. Accordingly, no allowance for uncollectible accounts has been provided.

Building Inventory

Contributed inventory is recorded at fair market value on the date of receipt. Purchased inventory is recorded at the lower of cost or market determined by the specific identification method.

Construction in Progress

Construction in progress consists of the direct costs of acquiring land and property, holding costs, and construction and rehabilitation costs. When the corresponding homes are completed and transferred to homeowners these costs are expensed.

Property and Equipment

Equipment purchased or contributed in excess of \$500 is capitalized. Equipment is recorded at cost if purchased and if contributed, at fair market value on the contribution date. Depreciation is computed on a straight-line basis over the following useful lives:

Building and improvements	10 to 40 years
Vehicle and office and construction equipment	5 to 10 years
Furniture and fixtures	10 years
Leasehold improvements	8 years

Properties Held for Sale

Donated properties not intended for building are recorded at fair market value at the time of donation as properties held for sale. Any legal or holding costs associated with properties held for sale are capitalized.

Net Assets

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

Unrestricted net assets represent available resources other than donor-restricted contributions.

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

Habitat for Humanity of Greater New Haven, Inc and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2013 and 2012

Contributions

Unrestricted and unconditional contributions are recognized when received or pledged, if applicable. Contributions are reported as temporarily restricted if they are received with donor stipulations that limit the use of such assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. Habitat's policy is to present temporarily restricted net assets received during the year whose restrictions are met during the current year as unrestricted net assets. Habitat recognizes the expiration of donor restrictions on contributions of property and equipment or cash contributions restricted for property and equipment in the year the property and equipment is placed in service.

Grants

Entitlement to cost or performance based reimbursement grants is conditioned on the expenditure of funds or attainment of specific performance goals in accordance with the grant restrictions and, therefore, Habitat recognizes revenue to the extent of grant expenditures or performance achieved.

Contributed Services and Materials

Habitat recognizes contributed services if they require specialized skills and would typically be purchased if not provided by donation. For the years ended December 31, 2013 and 2012, Habitat valued contributed services at \$65,304 and \$119,145, respectively, and contributed materials at \$78,073 and \$298,897, respectively. Although a substantial number of volunteers have made significant contributions of their time, their services do not meet these criteria and are not recorded in the consolidated financial statements.

Transfers to Homeowners

Transfers to homeowners are recorded at the sales price of the home at closing. Habitat executes a Declaration of Resale Restrictions and a Quit-Claim Deed with each homeowner. These documents are attached to the land records.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the consolidated statement of activities and changes in net assets. Certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

Accounting principles generally accepted in the United States require management to make estimates and assumptions in preparing the consolidated financial statements. Actual results could vary from those estimates.

Reclassifications

Certain amounts as previously reported have been reclassified in order to be consistent with the current year presentations.

3. Investments

On April 12, 2012 Habitat, along with four other Habitat for Humanity affiliates, invested in CCML Leverage I, LLC for the purpose of taking advantage of the New Markets Tax Credit (NMTC) program. The NMTC program provides tax credit incentives to investors who invest in low-income communities and is administered by the U.S. Treasury Department. Habitat's investment in CCML Leverage I, LLC totaled \$1,448,866 and represents a 20% ownership stake. The investment was

Habitat for Humanity of Greater New Haven, Inc and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2013 and 2012

comprised of cash in the amount of \$100,000 and construction in progress of \$1,348,866. As part of the arrangement, Habitat secured a 15 year loan in the amount of \$1,880,000 from CCM Community Development XVII, LLC which received the tax credit allocation. Investment income for the years ended December 31, 2013 and 2012 was \$37,641 and \$24,665, respectively.

4. Contributions Receivable

Contributions receivable at December 31, 2013 and 2012 were \$126,811 and \$272,916, respectively, and were due in less than one year. No allowance for uncollectible contributions was recorded.

Habitat recognizes conditional promises to give as a receivable only to the extent the condition has been satisfied. Habitat has been awarded conditional grants for the purchase of land and property and for building or rehabilitating houses. As of December 31, 2013 and 2012, conditional grants receivable amounted to \$81,557 and \$88,000, respectively, and is not recorded in the consolidated financial statements.

5. Mortgages Receivable

Monthly mortgage installments range from \$112 to \$415. Historical mortgage discount rates range from 7.38% to 8.78%. Mortgages receivable at December 31 consist of the following:

	<u>2013</u>	<u>2012</u>
Due in less than one year	\$222,217	\$208,716
Due in one to five years	636,004	590,730
Thereafter	2,240,483	2,123,734
	<u>3,098,704</u>	<u>2,923,180</u>
Less, unamortized discount	1,695,473	1,610,537
	<u>\$1,403,231</u>	<u>\$1,312,643</u>

6. Property and Equipment

Property and equipment on December 31 consist of the following:

	<u>2013</u>	<u>2012</u>
Land	\$164,999	\$164,999
Building and improvements	112,066	106,167
Vehicles	106,346	51,045
Office equipment	34,270	35,224
Furniture and fixtures	2,017	2,017
Construction equipment	52,518	44,658
Leasehold improvements	13,775	0
	<u>485,991</u>	<u>404,110</u>
Less accumulated depreciation	128,584	105,677
	<u>\$357,407</u>	<u>\$298,433</u>

Habitat for Humanity of Greater New Haven, Inc and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2013 and 2012

Depreciation expense for the years ended December 31, 2013 and 2012 was \$24,960 and \$16,428, respectively.

7. Mortgages and Loans Payable

Annual maturities required on mortgages and loans payable at December 31, 2013 are as follows:

2014	\$109,276
2015	21,847
2016	22,440
2017	23,059
2018	17,436
Thereafter	2,017,880
	<u>\$2,211,938</u>

HOME Loans

On March 5, 1995, Habitat entered into a mortgage agreement with the City of New Haven under the United States Department of Housing and Urban Development's HOME Investment Partnership Program in the amount of \$143,700. Outstanding amounts bear interest at 0%. Funds were used to acquire and rehabilitate residential structures for the benefit of income eligible individuals and families. Principal is to be repaid over twenty-five years, on a quarterly basis, beginning upon the transfer of each property to a homeowner. Outstanding principal amounts are secured by collateral assignment of Habitat's mortgage receivable on each property. As of December 31, 2013, the mortgage payable is \$62,413.

People's United Bank Mortgage

On March 20, 2012, 37 Union Ave., LLC entered into a mortgage agreement with People's United Bank and satisfied their mortgage agreement with First Niagara Bank. The lease agreement between 37 Union Ave., LLC and Habitat for the property remains in force. The mortgage is secured by the property at 37 Union Street, New Haven, CT. Principal and interest payments are calculated on a 240 month repayment schedule and are due in 120 monthly installments, currently in the amount of \$1,079 including interest at 5.25%. On April 20, 2017 the interest rate will be adjusted by adding 2% to the "People's United Bank Prime Rate". On March 20, 2022 one payment will be due of the remaining principal and interest in the amount of \$101,215. It is Habitat's intention to repay the mortgage evenly over a 10 year repayment schedule. As of December 31, 2013, the mortgage payable is \$137,029.

City of New Haven HOME Mortgage

In July of 2012 Habitat entered into a mortgage agreement with the City of New Haven under the United States Department of Housing and Urban Development's HOME Investment Partnership Program for the amount of \$88,000. Funds are to be used for a new home construction for an income eligible individual or family. Outstanding amounts bear interest at 0%. The mortgage was forgiven upon the full completion of construction and transfer of the property on February 28, 2014. As of December 31, 2013 the mortgage payable is \$88,000.

Habitat for Humanity of Greater New Haven, Inc and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2013 and 2012

Construction Loan Payable

On April 12, 2012 Habitat secured a 15 year loan in the amount of \$1,880,000 from CCM Community Development XVII, LLC for the purpose of taking advantage of the New Markets Tax Credit (NMTC) program. CCM Community Development XVII, LLC was the recipient of the tax credit allocation. The loan proceeds are to be used solely for the purpose of constructing and selling qualified housing properties to low income residents. The loan will bear interest at a rate of .77076% per year and semi-annual payments of interest only are due in years 1 through 7 with fully amortizing semi-annual payments of principal and interest due in years 8 through 15. In connection with this arrangement, the members of CCML Leverage I, LLC have the option to buy back their affiliate's ownership interest. Exercise of this option will effectively allow Habitat to extinguish its debt owed to CCM Community Development XVII, LLC. As of December 31, 2013 and 2012 the loan payable is \$1,880,000.

Motor Vehicle Loan Payable

Habitat purchased a 2014 Mitsubishi box truck on May 23, 2013 and entered into a financing agreement with Hitachi Capital America Corp in the amount of \$50,000. The loan is secured by the truck. Principal and interest payments are calculated on a 60 month repayment schedule in the amount of \$890 including interest at 2.6%. As of December 31, 2013 the loan payable is \$44,496.

Line of Credit

On March 20, 2012 Habitat entered into a line of credit agreement with People's United Bank in the amount of \$73,000. Interest on outstanding balances is calculated daily by adding 2% to the "People's United Bank Prime Rate". The line is secured by the business assets and a second mortgage on the property at 37 Union Street, New Haven, CT. As of December 31, 2013 and 2012 there is no balance outstanding.

8. Restrictions on Net Assets

Temporarily restricted net assets of \$50,000 at December 31, 2013 consist of a contribution restricted towards the building of five storm resistant homes.

There are no temporarily restricted net assets at December 31, 2012.

9. Gains (Losses) on Assets

For the years ending December 31, 2013 and 2012, gains from the sale, refinance or early payoff of mortgages of \$35,422 and \$19,899 were recognized, respectively.

For the years ending December 31, 2013 and 2012, losses from the sale of properties held for sale of \$25,489 and \$0 were recognized, respectively.

Habitat for Humanity of Greater New Haven, Inc and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2013 and 2012

10. Functional Expenses

During the year ended December 31, 2013, Habitat opened a ReStore to generate revenue for the purpose of expanding home building capacity. ReStore sales were \$101,357, net of cost of goods sold of \$1,105. ReStore expenses are included in programs expenses and are as follows:

Vehicle costs	\$5,254
Salaries and benefits	80,407
Professional fees	458
Insurance	1,150
Telephone	1,137
Postage and mailing	246
Printing and publications	776
Office equipment and supplies	1,278
Occupancy	42,974
Meetings, travel and dues	610
Public relations	1,760
In-kind expenses	8,937
Interest and service charges	2,270
Amortization and depreciation	5,052
Total	<u>\$152,309</u>

11. Special Fundraising Events

During the year ended December 31, 2013, Habitat conducted the following fundraising events:

	Gross Receipts	Expenses	Net Fundraising Income
Master Builder party	\$27,770	\$10,731	\$17,039
Miscellaneous events	4,941	25	4,916
	<u>\$32,711</u>	<u>\$10,756</u>	<u>\$21,955</u>

During the year ended December 31, 2012, Habitat participated in the below fundraising event:

	Gross Receipts	Expenses	Net Fundraising Income
Bake sale	\$21,158	\$183	\$20,975

12. Pension Plan

Habitat has a Simple IRA pension plan for employees. Employees can contribute up to the federal maximum and Habitat matches employee contributions up to 3% of the employee's salary. For the years ended December 31, 2013 and 2012, Habitat's expense amounted to \$12,002 and \$10,473, respectively.

Habitat for Humanity of Greater New Haven, Inc and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2013 and 2012

13. Operating Leases

Habitat entered into a lease commencing April 1, 2013 with Fulton Forbes, Inc. for the real property know as 286 South Colony Road, Wallingford, CT for the purpose of operating a ReStore. The lease term is for seven years with two three year options to renew. Rent of \$2,917 is payable monthly beginning in May 2013. As of April 2014, and each year thereafter, rent increases by 3%.

In December 2011 Habitat entered into a five year operating lease for office equipment. The lease agreement included payment of the remaining balance on Habitat's prior equipment lease.

At December 31, 2013 future minimum payments under these leases are as follows:

2014	\$39,148
2015	40,221
2016	41,328
2017	39,106
2018	40,279
Thereafter	51,936
	<u>\$252,018</u>

14. Transactions with Habitat for Humanity International

Habitat annually tithes a portion of its contributions to Habitat for Humanity International which uses the funds exclusively to construct homes in economically depressed areas around the world. The contributions to Habitat for Humanity International for the years ended December 31, 2013 and 2012 were \$8,600 and \$10,200, respectively. As of December 31, 2013, \$17,900 is included in accounts payable and accrued expenses.

15. Contingent Liabilities

Habitat assigns mortgages to the Connecticut Housing Financing Authority (CHFA) and guarantees repayment of these mortgages to CHFA if the homeowners default. The mortgages are collateralized by the related real estate. For the years ended December 31, 2013 and 2012 Habitat assigned mortgages of \$40,000 and \$35,000, respectively and recognized a gain of the unamortized discount on those mortgages of \$22,486 and \$19,899, respectively.

As of December 31, 2013, Habitat is secondarily liable to CHFA for \$535,208, equal to the total scheduled payments on the mortgages through 2034. Habitat's management believes that the fair value of the collateralized real estate exceeds the amount of the debt obligation and doesn't anticipate significant losses. No liability for potential losses has been recorded.

16. Subsequent Events

There were no subsequent events as evaluated through May 30, 2014, the date the financial statements were available to be issued.

KIRCALDIE, RANDALL & MCNAB LLC

CERTIFIED PUBLIC ACCOUNTANTS

NORTH HAVEN, CONNECTICUT 06473

INDEPENDENT AUDITOR'S REPORT ON THE
SCHEDULE OF EXPENDITURES OF THE FEDERAL AWARDS ADMINISTERED
THROUGH THE CITY OF NEW HAVEN

To the Board of Directors
Habitat for Humanity of Greater New Haven, Inc
New Haven, Connecticut

We have audited the accompanying schedule of expenditures of the Federal Awards administered through the City of New Haven to Habitat for Humanity of Greater New Haven, Inc. for the year ended December 31, 2013. This financial statement is the responsibility of Habitat for Humanity of Greater New Haven, Inc.'s management. Our responsibility is to express an opinion on the financial statement of the program based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; and *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the schedule of expenditures of the Federal Awards administered through the City of New Haven referred to above presents fairly, in all material respects, the expenditures of federal awards under the City of New Haven's Programs in accordance with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2014 on our consideration of Habitat for Humanity of Greater New Haven, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Kircaldie Randall & McNab LLC

North Haven, Connecticut
May 26, 2014

Habitat for Humanity of Greater New Haven, Inc. and Subsidiary
Schedule of Expenditures of Federal Awards Administered through the City of New Haven
For the Year Ended December 31, 2013

<u>Grantor/Program Title</u>	<u>Catalogue of Federal Domestic Assistance Number</u>	<u>Pass Through Number</u>	<u>Expenditures</u>
United States Department of Housing and Urban Development passed through the City of New Haven			
Community Development Block Grant	14.218	CDBG 38	\$ 23,927
HOME Investment Partnership Program	14.239	HOME	352,000
Total Expenditures			<u>\$ 375,927</u>

Basis of Presentation

The accompanying schedule of expenditures of federal awards administered through the City of New Haven is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some of the amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

See accompanying auditor's report and notes to consolidated financial statements

KIRCALDIE, RANDALL & MCNAB LLC

CERTIFIED PUBLIC ACCOUNTANTS

NORTH HAVEN, CONNECTICUT 06473

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND
MATERIAL EFFECT ON EACH GRANT APPLICABLE
TO THE FEDERAL AWARDS ADMINISTERED THROUGH THE CITY OF NEW HAVEN
AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE PROGRAM SPECIFIC AUDIT
OPTION UNDER OMB CIRCULAR A-133 AS REQUIRED BY THE CITY
OF NEW HAVEN

Independent Auditor's Report

To the Board of Directors
Habitat for Humanity of Greater New Haven, Inc
New Haven, Connecticut

Report on Compliance for Each Major Federal Program

We have audited Habitat for Humanity of Greater New Haven, Inc.'s, (a nonprofit corporation), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to the City of New Haven's grant programs and that could have a direct and material effect on each of its major federal program for the year ended December 31, 2013. The Habitat for Humanity of Greater New Haven, Inc's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs administered through the City of New Haven..

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Habitat for Humanity of Greater New Haven, Inc.'s, major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Habitat for Humanity of Greater New Haven, Inc.'s, compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Habitat for Humanity of Greater New Haven, Inc.'s, compliance.

Opinion on Each Major Federal Program

In our opinion, Habitat for Humanity of Greater New Haven, Inc., complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs administered through the city of New Haven for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of Habitat for Humanity of Greater New Haven, Inc., is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Habitat for Humanity of Greater New Haven, Inc.'s, internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Habitat for Humanity of Greater New Haven, Inc.'s, internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Habitat for Humanity of Greater New Haven, Inc., as of and for the year ended December 31, 2013, and have issued our report thereon dated May 26, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards administered through the City of New Haven is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards administered through the City of New Haven is fairly stated in all material respects in relation to the financial statements as a whole.

The report is intended solely for the information and use of the board of directors and management of the Organization, and the City of New Haven and is not intended to be and should not be used by anyone other than these specified parties.

Kircaldie Randall & McNab LLC

North Haven, Connecticut
May 26, 2014

**HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

SECTION I — SUMMARY OF AUDITORS' RESULTS:

Financial Statements:

Type of auditors' report issued: Unmodified	<u>Yes</u>	<u>No/None rep</u>
Internal control over financial reporting:		
• Material weaknesses identified?		X
• Significant deficiencies identified?		X
Noncompliance material to financial statements noted?		X

Federal Awards:

Internal control over major programs:		
• Material weaknesses identified?		X
• Significant deficiencies identified?		X

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	X
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Major Programs:
NONE

Dollar threshold used to distinguish between type A and B programs: \$500,000

Auditee qualified as low risk?	X
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SECTION II — FINANCIAL STATEMENT FINDINGS

There are NO findings or questioned costs that are reported relating to the financial statements.

SECTION III — FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported relating to Federal Financial Assistance Programs.