

**HABITAT FOR HUMANITY OF GREATER
NEW HAVEN, INC. AND SUBSIDIARY**
Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity of Greater New Haven, Inc., (*a non-profit corporation*), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years 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 consolidated 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 statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 judgment, 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 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, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated May 9, 2016, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Habitat for Humanity of Greater New Haven, Inc.'s, internal control over financial reporting and compliance.

Kircaldie Randall & McNab LLC

North Haven, Connecticut
May 9, 2016

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance
with Government Auditing Standards**

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Habitat for Humanity of Greater New Haven, Inc., which comprise the statement of financial position as of December 31, 2015 and 2014, and the related statements of activities, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 9, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Habitat for Humanity of Greater New Haven, Inc.'s, internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity of Greater New Haven, Inc.'s, internal control. Accordingly, we do not express an opinion on the effectiveness of Habitat for Humanity of Greater New Haven, Inc.'s, internal control.

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

Our consideration of internal control 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Habitat for Humanity of Greater New Haven, Inc.'s, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kircaldie Randall & McNab LLC

North Haven, Connecticut
May 9, 2016

Habitat for Humanity of Greater New Haven, Inc. and Subsidiary
Consolidated Statements of Financial Position
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Cash	\$ 310,421	\$ 218,670
Restricted cash	70,885	90,028
Accounts receivable	1,262	5,051
Contributions and grants receivable	141,778	242,051
Mortgages receivable, net	1,471,585	1,398,612
Prepaid expenses	25,568	27,810
Building inventory	9,760	9,760
Construction in progress	317,163	182,794
Properties held for sale	-	135,105
Security deposits	7,527	7,527
Investment in leveraged lender	1,534,979	1,511,827
Property and equipment, net	353,109	357,192
Financing costs, net	131,094	160,009
Total Assets	<u>\$ 4,375,131</u>	<u>\$ 4,346,436</u>
Liabilities		
Accounts payable and accruals	\$ 89,040	\$ 107,590
Deposits and escrows	6,109	4,109
Deferred revenue	73,087	95,236
Mortgage notes payable	160,185	180,182
Loans payable	1,919,078	1,914,863
Total Liabilities	<u>\$ 2,247,499</u>	<u>\$ 2,301,980</u>
Net Assets		
Unrestricted	\$ 2,021,382	\$ 1,849,056
Temporarily Restricted	106,250	195,400
Total Net Assets	<u>\$ 2,127,632</u>	<u>\$ 2,044,456</u>
Total Liabilities and Net Assets	<u>\$ 4,375,131</u>	<u>\$ 4,346,436</u>

KIRCALDIE, RANDALL & MCNAB LLC

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, 2015
(with comparative summarized totals for 2014)

	2015			2014
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Revenues and gains				
Contributions	\$ 483,656	\$ 72,750	\$ 556,406	\$ 479,696
Government grants	318,902	-	318,902	291,944
Special events	12,989	-	12,989	31,964
In-kind donations	186,725	33,500	220,225	200,260
Transfers to homeowners	382,960	-	382,960	442,960
ReStore sales, net of cost of goods	219,790	-	219,790	216,328
Mortgage discount amortization	89,792	-	89,792	83,020
Gain/(loss) on assets	51,133	-	51,133	(48,158)
Investment income	37,641	-	37,641	37,641
Interest income	587	-	587	631
Other revenue	25,038	-	25,038	18,681
Satisfaction of program restrictions	195,400	(195,400)	-	-
Total Revenues and Gains	\$ 2,004,613	\$ (89,150)	\$ 1,915,463	\$ 1,754,967
Expenses				
Program services	\$ 1,624,256	\$ -	\$ 1,624,256	\$ 1,639,162
Supporting services				
Fundraising	118,000	-	118,000	125,605
General and administrative	90,031	-	90,031	110,749
Total Expenses	\$ 1,832,287	\$ -	\$ 1,832,287	\$ 1,875,516
Change in Net Assets	\$ 172,326	\$ (89,150)	\$ 83,176	\$ (120,549)
Net Assets - Beginning of Year	1,849,056	195,400	2,044,456	2,165,005
Net Assets - End of Year	\$ 2,021,382	\$ 106,250	\$ 2,127,632	\$ 2,044,456

KIRCALDIE, RANDALL & MGNAB LLC

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

Habitat for Humanity of Greater New Haven, Inc. and Subsidiary
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Change in Net Assets	\$ 83,176	\$ (120,549)
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation	27,892	27,673
Operating Activities		
Mortgages recorded, net of discount	(171,514)	(161,426)
Mortgage discount amortization	(89,792)	(83,020)
Mortgage released	-	79,780
Gain on release of mortgage	-	(37,958)
Mortgage payments received, net	162,468	188,469
Decrease in accounts receivable	3,789	2,113
Decrease (increase) in contributions and grants receivable	100,273	(115,240)
(Increase) decrease in construction in progress	(134,369)	285,963
Decrease (increase) in prepaid expenses	2,242	(2,655)
(Decrease) increase in accounts payable and accruals	(18,550)	20,764
Increase in amounts on deposit	2,000	732
Net cash (used) provided by operating activities	<u>\$ (32,385)</u>	<u>\$ 84,646</u>
Investing Activities		
Decrease (increase) in properties held for sale	\$ 135,105	\$ (135,105)
Proceeds from sale and assignment of mortgages	61,000	40,000
Gain on sale and assignment of mortgages	(33,427)	(21,226)
Equipment purchases, net	(21,633)	(27,458)
Net cash provided (used) by investing activities	<u>\$ 141,045</u>	<u>\$ (143,789)</u>
Financing Activities		
Increase in investment in leveraged lender	\$ (23,152)	\$ (23,153)
Increase (decrease) in loans payable	4,215	(9,633)
Gain on loan payable	(3,884)	-
Decrease in deferred revenue, net	(22,149)	(22,408)
Decrease in financing costs, net	28,915	31,681
Decrease in principal of mortgage notes payable	(19,997)	(107,260)
Net cash provided by financing activities	<u>\$ (36,052)</u>	<u>\$ (130,773)</u>
Increase (decrease) in cash	\$ 72,608	\$ (189,916)
Cash - Beginning of year	<u>308,698</u>	<u>498,614</u>
Total Cash - End of year	<u>\$ 381,306</u>	<u>\$ 308,698</u>
Supplemental disclosures		
Interest paid	<u>\$ 21,507</u>	<u>\$ 22,498</u>

KIRCALDIE, RANDALL & MGNAB LLC

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

Habitat for Humanity of Greater New Haven, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2015
(with summarized comparative totals for 2014)

	2015				2014
	<u>Program Services</u>	<u>Fund Raising</u>	<u>General & Administrative</u>	<u>Total</u>	<u>Total</u>
Cost of homes transferred	\$ 977,784	\$ -	\$ -	\$ 977,784	\$ 986,894
Vehicle costs	19,593	-	-	19,593	21,096
Salaries and benefits	202,555	56,404	68,327	327,286	371,168
Professional fees and labor	40,531	2,404	6,042	48,977	40,863
Insurance	10,421	769	767	11,957	7,065
Telephone	7,811	1,426	736	9,973	10,171
Postage and mailing	1,329	1,486	44	2,859	2,796
Printing and publications	3,007	2,337	218	5,562	4,255
Equipment and supplies	9,183	1,412	1,280	11,875	14,832
Occupancy	69,906	1,900	4,276	76,082	84,309
Meetings, training, travel, dues	2,979	266	106	3,351	2,607
Public relations	1,935	501	195	2,631	2,541
Cost of special events	-	-	-	-	9,610
Tithe and fees to International	26,000	-	-	26,000	19,310
In-kind expenses	7,689	13	6,013	13,715	17,507
Interest and service charges	9,002	37,946	684	47,632	45,312
Amortization and depreciation	25,803	11,136	1,343	38,282	36,945
Discount on mortgages issued	208,728	-	-	208,728	198,235
Total	\$ 1,624,256	\$ 118,000	\$ 90,031	\$ 1,832,287	\$ 1,875,516

KIRCALDIE, RANDALL & MGNAB LLC

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

Habitat for Humanity of Greater New Haven, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014

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 a twenty five year term. 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.

Mortgages Receivable

Mortgages receivable consist of non-interest bearing mortgages, secured by real estate and payable in monthly installments over twenty five 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.

Habitat for Humanity of Greater New Haven, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014

Construction in Progress

Construction in progress consists of in-kind donations and 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.

Investment in Leveraged Lender

The investment is 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.

Property and Equipment

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

Building and improvements	10 to 40 years
Vehicles, 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.

Contributions

Unrestricted and unconditional contributions are recognized when received or pledged. 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 and restrictions met during the current year as unrestricted net assets. Habitat recognizes the expiration of donor restrictions on contributions of property and equipment or contributions restricted for property and equipment in the year the property and equipment is placed in service. Habitat has not received any contributions with donor imposed permanent restrictions.

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, 2015 and 2014, Habitat valued contributed

Habitat for Humanity of Greater New Haven, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014

services at \$55,128 and \$40,924, respectively, and contributed materials at \$165,097 and \$159,336, 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.

3. Restricted Cash

Restricted cash consists of cash held in a separate bank account restricted to the payment of compliance, servicing and accounting costs associated with the New Markets Tax Credit (NMTC) program.

4. Contributions Receivable

Contributions receivable as of December 31, 2015 and 2014, were \$141,778 and \$242,051, 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, 2015 and 2014, conditional grants receivable amounted to \$174,293 and \$135,613, respectively, and are 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 on December 31st consisted of the following:

	<u>2015</u>	<u>2014</u>
Due in less than one year	\$ 226,787	\$ 204,691
Due in one to five years	741,906	681,067
Thereafter	2,339,905	2,264,357
	<u>\$3,308,598</u>	<u>\$3,150,115</u>
Less, unamortized discount	1,837,013	1,751,503
	<u>\$1,471,585</u>	<u>\$1,398,612</u>

Habitat for Humanity of Greater New Haven, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014

6. Investment in Leveraged Lender

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, representing a 20% ownership stake. The investment was 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. The investment at December 31, 2015 and 2014, was \$1,534,979 and \$1,511,827, respectively and investment income for each year there ending was \$37,641.

7. Property and Equipment

Property and equipment as of December 31st consisted of the following:

	<u>2015</u>	<u>2014</u>
Land	\$164,999	\$164,999
Building and improvements	131,982	112,066
Vehicles	106,346	106,346
Office equipment	39,735	42,023
Furniture and fixtures	2,017	2,017
Construction equipment	50,473	53,828
Leasehold improvements	32,170	32,170
	<u>\$527,722</u>	<u>\$513,449</u>
Less accumulated depreciation	174,613	156,257
	<u>\$353,109</u>	<u>\$357,192</u>

KIRCALDIE, RANDALL & MGNAB LLC

Depreciation expense for the years ended December 31, 2015 and 2014, was \$27,892 and \$27,673, respectively.

8. Mortgages and Loans Payable

Annual maturities required on mortgages and loans payable as of December 31, 2015, are as follows:

2016	\$ 23,322
2017	26,584
2018	20,961
2019	18,967
2020	18,086
Thereafter	1,971,343
	<u>\$2,079,263</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

Habitat for Humanity of Greater New Haven, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014

over twenty-five years, on a quarterly basis, beginning upon the transfer of each property to a homeowner. Outstanding principal amounts are secured by the collateral assignment of Habitat's mortgage receivable on each property. As of December 31, 2015 and 2014, the mortgage payable was \$50,906 and \$56,659, respectively.

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 its 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 \$57,902 as of December 31, 2015. It is Habitat's intention to repay the mortgage evenly over a 10 year repayment schedule. As of December 31, 2015 and 2014, the mortgage payable was \$109,279 and \$123,523, respectively.

Self-Help Homeownership Opportunity Program (SHOP) Notes

On February 5, 2015, Habitat executed two promissory notes with Habitat for Humanity International (HfHI) each in the amount of \$7,050 in connection with a SHOP grant agreement. Outstanding amounts bear interest at 0%. Funds were used to build the infrastructure of Habitat houses for the benefit of income eligible individuals and families. Principal is to be repaid over four years, on a monthly basis, beginning on July 1, 2016 and January 1, 2017. As of December 31, 2015, the note payable was \$14,100.

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, 2015 and 2014, the loan payable was \$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, 2015 and 2014, the loan payable was \$24,978 and \$34,863, respectively.

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, 2015 and 2014, there was no outstanding balance.

Habitat for Humanity of Greater New Haven, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014

9. Restrictions on Net Assets

Temporarily restricted net assets as of December 31 consisted of the following:

	<u>2015</u>	<u>2014</u>
Storm resistant construction contributions	\$ 30,000	\$ 20,000
City of New Haven land agreements	33,500	125,400
SHOP infrastructure grant	42,750	-
Veteran's home contributions	-	50,000
	<u>\$106,250</u>	<u>\$195,400</u>

10. Gain (Loss) on Assets

For the years ending December 31, 2015 and 2014, gains were realized from the following: 1) the sale and release of mortgages of \$33,427 and \$59,809; 2) gains from the execution of two Self-Help Homeownership Program (SHOP) zero percent promissory notes of \$3,884 and \$0; and 3) gains from the sale of a property held for sale of \$25,076 and \$0 were recognized, respectively.

For the years ending December 31, 2015 and 2014, losses were realized from the sale of properties unsuitable for developing of \$11,253 and \$107,967 respectively.

11. Special Fundraising Events

During the year ended December 31, 2015, Habitat conducted the following fundraising event:

	<u>Gross Receipts</u>	<u>Expenses</u>	<u>Net Fundraising Income</u>
Regatta	\$12,989	\$-	\$12,989

During the year ended December 31, 2014, Habitat conducted the following fundraising events:

	<u>Gross Receipts</u>	<u>Expenses</u>	<u>Net Fundraising Income</u>
Master Builder party	\$20,875	\$9,554	\$11,321
Regatta	11,089	56	11,033
	<u>\$31,964</u>	<u>\$9,610</u>	<u>\$22,354</u>

12. Pension Plan

Habitat maintains 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, 2015 and 2014, Habitat's expense was \$13,835 and \$13,776, respectively.

Habitat for Humanity of Greater New Haven, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014

13. Operating Leases

Habitat entered into a lease commencing April 1, 2013, with Fulton Forbes, Inc. for the real property located at 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 and increases by 3% annually each April 1st. Rent expense for the years ended December 31, 2015 and 2014, was \$36,861 and \$35,788, respectively.

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.

As of December 31, 2015 future minimum payments under these leases are as follows:

2016	\$ 41,328
2017	39,106
2018	40,280
2019	41,488
2020	10,448
	<u>\$172,650</u>

14. Transactions with Habitat for Humanity International

Habitat annually tithes a portion of its contributions to Habitat for Humanity International (HfHI) which uses the funds exclusively to construct homes in economically depressed areas around the world. Beginning January 1, 2014 HfHI phased in an annual U.S. Stewardship and Organizational Sustainability Initiative (US-SOSI) fee based on affiliates' geographic service area population. The fee is used to offset a portion of the costs associated with HfHI's efforts that benefit all affiliates such as brand protection and promotion, regulatory advocacy and gifts in-kind solicitation.

Total contributions to HfHI for the years ended December 31, 2015 and 2014, were \$26,000 and \$19,310, respectively and \$20,110 and \$16,810 was included in accounts payable and accrued expenses, respectively.

15. Expenditures of Federal Awards

For the year ended December 31, 2015, Habitat expended the following United States Department of Housing and Urban Development awards:

<u>Pass Through Agency/ Program Title</u>	<u>Catalogue of Federal Domestic Assistance Number</u>	<u>Pass Through Identifier</u>	<u>2015</u>
<u>City of New Haven:</u>			
Community Development Block Grant	14.218	CDBG 40/ CDBG 39	\$ 75,320
HOME Investment Partnership Program	14.239	HOME	<u>176,000</u>
Total Passed Through the City of New Haven			\$251,320

KIRCALDIE, RANDALL & MGNAB LLC

Habitat for Humanity of Greater New Haven, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2015 and 2014

Habitat for Humanity
International:

Self-Help Homeownership Opportunity Program	14,247	SHOP 2013	<u>67,582</u>
Total Federal Awards			<u>\$318,902</u>

As of December 31, 2015, the principal balance of loans payable under federal awards was \$50,906 for HOME loans and \$14,100 and \$0 for SHOP loans.

16. 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 ending December 31, 2015 and 2014 Habitat assigned mortgages of \$61,000 and \$40,000, respectively and recognized gains of the unamortized discount on those mortgages of \$33,427 and \$21,226, respectively.

As of December 31, 2015 and 2014, Habitat was secondarily liable to CHFA for \$541,391 and \$528,503, respectively, equal to the total scheduled payments on the mortgages through 2036. 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.

17. Subsequent Events

There were no subsequent events as evaluated through June 17, 2016, the date the financial statements were available to be issued.

KIRCALDIE, RANDALL & MGNAB LLC