

**HABITAT FOR HUMANITY OF GREATER
NEW HAVEN, INC. AND SUBSIDIARY**
Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

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*) and subsidiary, which comprise the statements of financial position as of December 31, 2017, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 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., and Subsidiary as of December 31, 2017, 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.

Report on Summarized Comparative Information

We have previously audited the Habitat for Humanity of Greater New Haven, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 14, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 19, 2018, 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

Kircaldie Randall, McNab LLC

North Haven, Connecticut
June 19, 2018

**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, 2017, 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 June 19, 2018.

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
June 19, 2018

Habitat for Humanity of Greater New Haven, Inc. and Subsidiary
Consolidated Statements of Financial Position
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash	\$ 304,491	\$ 328,012
Restricted cash	32,477	51,703
Accounts receivable	446	280
Contributions and grants receivable	146,089	155,029
Mortgages receivable, net	1,778,371	1,695,249
Prepaid expenses	27,022	25,978
Construction in progress	331,226	144,848
Security deposits	8,992	8,992
Investment in leveraged lender	1,581,283	1,558,131
Property and equipment, net	306,637	329,031
Total Assets	<u><u>\$ 4,517,034</u></u>	<u><u>\$ 4,297,253</u></u>
Liabilities		
Accounts payable and accruals	\$ 180,697	\$ 98,318
Deposits and escrows	9,935	2,366
Deferred revenue	28,450	50,484
Mortgage notes payable	116,813	137,646
Loans payable	1,870,416	1,839,469
Total Liabilities	<u><u>\$ 2,206,311</u></u>	<u><u>\$ 2,128,283</u></u>
Net Assets		
Unrestricted	\$ 2,250,523	\$ 2,126,220
Temporarily Restricted	60,200	42,750
Total Net Assets	<u><u>\$ 2,310,723</u></u>	<u><u>\$ 2,168,970</u></u>
Total Liabilities and Net Assets	<u><u>\$ 4,517,034</u></u>	<u><u>\$ 4,297,253</u></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, 2017
(with comparative summarized totals for 2016)

	2017			2016
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Revenues and gains				
Contributions	\$ 627,185		\$ 627,185	\$ 707,931
Government grants	314,760		314,760	517,234
Special events	14,410		14,410	61,375
In-kind donations	284,633	43,100	327,733	274,889
Transfers to homeowners	412,220		412,220	670,180
ReStore sales, net of cost of goods	235,412		235,412	216,716
Mortgage discount amortization	106,366		106,366	97,660
Gain on assets	24,988		24,988	43,932
Investment income	37,641		37,641	37,641
Interest income	616		616	363
Other revenue	22,630		22,630	20,727
Satisfaction of program restrictions	25,650	(25,650)	-	-
Total Revenues and Gains	\$ 2,106,511	\$ 17,450	\$ 2,123,961	\$ 2,648,648
Expenses				
Program services	\$ 1,784,210	\$ -	\$ 1,784,210	\$ 2,398,398
Supporting services				
Fundraising	121,036	-	121,036	136,736
General and administrative	76,962	-	76,962	72,176
Total Expenses	\$ 1,982,208	\$ -	\$ 1,982,208	\$ 2,607,310
Change in Net Assets	\$ 124,303	\$ 17,450	\$ 141,753	\$ 41,338
Net Assets - Beginning of Year	2,126,220	42,750	2,168,970	2,127,632
Net Assets - End of Year	\$ 2,250,523	\$ 60,200	\$ 2,310,723	\$ 2,168,970

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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Change in Net Assets	\$ 141,753	\$ 41,338
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation	24,626	29,322
Gain on client debt extinguishment	(20,936)	-
Operating Activities		
Mortgages recorded, net of discount	(184,135)	(299,349)
Mortgage discount amortization	(106,366)	(97,660)
Mortgage payments received, net	228,315	149,103
(Increase) decrease in accounts receivable	(166)	982
Decrease (increase) in contributions and grants receivable	8,940	(13,251)
(Increase) decrease in construction in progress	(186,378)	182,074
Increase in prepaid expenses	(1,044)	(410)
Increase in security deposits	-	(1,465)
Increase in accounts payable and accruals	82,379	9,278
Increase (decrease) in amounts on deposit	7,569	(3,743)
Net cash used by operating activities	<u>\$ (5,443)</u>	<u>\$ (3,781)</u>
Investing Activities		
Proceeds from sale and assignment of mortgages	\$ -	\$ 55,000
Gain on sale and assignment of mortgages	-	(30,758)
Equipment purchases, net	(2,232)	(5,244)
Net cash provided by investing activities	<u>\$ (2,232)</u>	<u>\$ 18,998</u>
Financing Activities		
Increase in investment in leveraged lender	\$ (23,152)	\$ (23,152)
Increase in loans payable	30,947	49,444
Decrease in deferred revenue	(22,034)	(22,603)
Decrease in mortgage notes payable	(20,833)	(20,497)
Net cash used by financing activities	<u>\$ (35,072)</u>	<u>\$ (16,808)</u>
(Decrease) increase in cash	\$ (42,747)	\$ (1,591)
Cash - Beginning of year	379,715	381,306
Total Cash - End of year	<u>\$ 336,968</u>	<u>\$ 379,715</u>
Supplemental disclosures		
Interest paid	<u>\$ 19,883</u>	<u>\$ 20,486</u>

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, 2017
(with summarized comparative totals for 2016)

	2017			2016	
	<u>Program Services</u>	<u>Fund Raising</u>	<u>General & Administrative</u>	<u>Total</u>	<u>Total</u>
Cost of homes transferred	\$ 1,056,213	\$ -	\$ -	\$ 1,056,213	\$ 1,565,860
Vehicle costs	15,252	-	-	15,252	15,323
Salaries and benefits	258,334	54,284	57,828	370,446	343,142
Professional fees and labor	45,646	2,634	2,775	51,055	49,293
Insurance	10,398	1,334	1,332	13,064	10,850
Telephone	9,402	1,918	1,143	12,463	10,664
Postage and mailing	1,077	1,251	36	2,364	3,604
Printing and publications	4,083	3,955	-	8,038	7,061
Equipment and supplies	7,873	1,042	1,107	10,022	7,796
Occupancy	69,577	1,933	4,202	75,712	72,934
Meetings, training, travel, dues	1,596	350	287	2,233	2,039
Public relations	959	80	-	1,039	2,114
Cost of special events	-	19	-	19	18,888
Tithe and fees to International	33,900	-	-	33,900	28,790
In-kind expenses	13,660	27	6,358	20,045	24,628
Interest and service charges	8,105	51,338	589	60,032	56,721
Depreciation	22,450	871	1,305	24,626	29,322
Discount on mortgages issued	225,685	-	-	225,685	358,281
Total	\$ 1,784,210	\$ 121,036	\$ 76,962	\$ 1,982,208	\$ 2,607,310

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, 2017 and 2016

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 (HfHI) 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 amounts due from individuals who have purchased homes constructed by Habitat. These mortgages are secured by the real estate and payable in monthly installments over twenty five to thirty year terms. The mortgages are discounted based upon the applicable federal rates issued by the IRS for the 70% present value low income housing credit 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 the 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.

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.

Habitat for Humanity of Greater New Haven, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

Investment in Partnership

Habitat invested in the joint venture named CCML Leverage I, LLC to take advantage of New Market Tax Credit (NMTC) financing. The investment is recorded at fair market value using the cost approach. The change in market value is reported as investment income.

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

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

Donated property and materials are recorded as a contribution at fair market value when received. Habitat recognizes contributed services if they require specialized skills. Although a substantial number of volunteers have made significant contributions of their time, their services do not meet the criteria for recognition in the consolidated financial statements under the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 958). For the years ended December 31, 2017 and 2016, Habitat valued contributed services at \$35,720 and \$64,214, respectively, and contributed materials at \$292,013 and \$210,675, respectively.

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.

Habitat for Humanity of Greater New Haven, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

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 the estimates.

Deferred Financing Costs

During the year ended December 31, 2016, Habitat adopted the requirements of the Financial Accounting Standards Board Accounting Standards Update 2015-03 to present debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset. The effect of adopting the new standard decreased total assets and liabilities as of December 31, 2016 by \$110,781. Habitat amortizes these costs on a straight-line basis over the term of the related debt.

Prior Year Financial Statements

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted auditing principals. Accordingly, such information should be read in conjunction with Habitat's prior year financial statements, from which the summarized information was derived.

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 NMTC program.

4. Contributions Receivable

As of December 31, 2017 and 2016, contributions receivable were \$146,089 and \$155,029, 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, 2017 and 2016, conditional grants receivable amounted to \$188,078 and \$112,839, respectively, and are not recorded in the consolidated financial statements.

5. Mortgages Receivable

Monthly mortgage installments range from \$180 to \$415. Historical mortgage discount rates range from 7.35% to 8.78%. Mortgages receivable on December 31st consisted of the following:

	<u>2017</u>	<u>2016</u>
Due in less than one year	\$ 260,150	\$ 257,871
Due in one to five years	883,906	831,990
Thereafter	2,799,574	2,672,264
	<u>\$3,943,630</u>	<u>\$3,762,125</u>
Less unamortized discount	2,165,259	2,066,876
	<u>\$1,778,371</u>	<u>\$1,695,249</u>

Habitat for Humanity of Greater New Haven, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

6. Investment in Partnership

On April 12, 2012, Habitat, along with four other Habitat for Humanity affiliates, invested in CCML Leverage I, LLC to take advantage of the NMTC program which 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, 2017 and 2016, was \$1,581,283 and \$1,558,131, respectively and investment income for each year there ending was \$37,641.

7. Property and Equipment

Property and equipment on December 31st consisted of:

	<u>2017</u>	<u>2016</u>
Land	\$164,999	\$164,999
Building and improvements	131,982	131,982
Vehicles	110,356	110,356
Office equipment	37,061	39,735
Furniture and fixtures	3,251	3,251
Construction equipment	30,205	28,474
Leasehold improvements	32,170	32,170
	<u>\$510,024</u>	<u>\$510,967</u>
Less accumulated depreciation	203,387	181,936
	<u>\$306,637</u>	<u>\$329,031</u>

KIRCALDIE, RANDALL & MGNAB LLC

Depreciation expense for the years ended December 31, 2017 and 2016 was \$24,626 and \$29,322, respectively.

8. Mortgage Notes and Loans Payable

Mortgage notes and loans payable on December 31st consisted of the following:

	<u>2017</u>	<u>2016</u>
Mortgage notes payable	\$ 118,333	\$ 139,427
Loans payable	1,944,854	1,948,469
Less unamortized costs	75,958	110,781
	<u>\$ 1,987,229</u>	<u>\$ 1,977,115</u>

	Current interest rate	Maturity date	<u>2017</u>	<u>2016</u>
<u>Mortgage notes payable</u>				
HOME loans	0.00%	October 2024	\$ 39,398	\$ 45,152
People's United Bank	6.00%	March 2022	78,935	94,275
			<u>\$ 118,333</u>	<u>\$ 139,427</u>

Habitat for Humanity of Greater New Haven, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

Loans payable

HfHI-SHOP #201017, #202011, #203002	0.00%	June 2021	12,348	14,100
HfHI-SHOP #204004	0.00%	June 2022	8,277	8,277
HfHI-SHOP #205003	0.00%	December 2022	31,260	31,260
HfHI-SHOP #211025	0.00%	June 2022	8,550	-
CCM Community Development XVII, LLC	0.77%	April 2028	1,880,000	1,880,000
Hitachi Capital America Corp	2.60%	May 2018	4,419	14,832
			<u>\$1,944,854</u>	<u>\$1,948,469</u>
			<u>\$2,063,187</u>	<u>\$2,087,896</u>

Annual maturities required on mortgages and loans payable as of December 31, 2017, are as follows:

2018	\$ 22,470
2019	18,334
2020	18,635
2021	17,203
2022	68,743
Thereafter	<u>1,917,802</u>
	<u>\$2,063,187</u>

HOME Mortgage 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. 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 the collateral assignment of Habitat's mortgage receivable on each property.

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 \$767. On March 20, 2022, one payment will be due of the remaining principal and interest. As of December 31, 2017 this amount was \$58,790. It is Habitat's intention to repay the mortgage evenly over a 10 year repayment schedule. As of December 31, 2017 and 2016 the net present value of the mortgage was \$77,414 and \$92,494, respectively.

Self-Help Homeownership Opportunity Program (SHOP) Notes

In 2015, 2016 and 2017 Habitat executed promissory notes with Habitat for Humanity International in connection with SHOP grant agreements. 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. The net present value of these notes as of December 31, 2017 and 2016 was \$49,445 and \$39,505, respectively.

CCM Community Development XVII, LLC Loan

On April 12, 2012, Habitat secured a 15 year loan in the amount of \$1,880,000 from CCM Community Development XVII, LLC, the recipient of the New Markets Tax Credit allocation. The loan proceeds are to be used solely for the purpose of constructing and selling qualified housing to low income residents. 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

Habitat for Humanity of Greater New Haven, Inc. and Subsidiary
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016

option will effectively allow Habitat to extinguish its debt owed to CCM Community Development XVII, LLC. The net present value of the loan as of December 31, 2017 and 2016 was \$1,816,551 and \$1,785,132, respectively.

Hitachi Vehicle Loan

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.

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, 2017 and 2016, there was no outstanding balance.

Financing Costs

For the years ending December 31, 2017 and 2016, amortized mortgage financing costs and loan discounts of \$33,439 and \$29,762, respectively, are included in interest expense.

9. Restrictions on Net Assets

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

	<u>2017</u>	<u>2016</u>
SHOP infrastructure grant	\$ 17,100	\$ 42,750
City of New Haven land agreement	43,100	-
	<u>\$ 60,200</u>	<u>\$ 42,750</u>

10. Gain on Assets

For the years ending December 31, 2017 and 2016, gains were realized from the following: 1) the sale and release of mortgages of \$23,188 and \$30,758; 2) gains from the execution of SHOP zero percent promissory notes of \$1,800 and \$12,674; and 3) gains from the sale of property of \$0 and \$500, respectively.

11. Special Fundraising Events

During the year ended December 31, 2017, Habitat conducted the following fundraising event:

	Gross Receipts	Expenses	Net Fundraising Income
Regatta	<u>\$ 14,410</u>	<u>\$ 19</u>	<u>\$ 14,391</u>

During the year ended December 31, 2016, Habitat conducted the following fundraising events:

	Gross Receipts	Expenses	Net Fundraising Income
Master Builder Party	\$ 47,963	\$ 18,888	\$ 29,075
Regatta	13,412	-	13,412
	<u>\$ 61,375</u>	<u>\$ 18,888</u>	<u>\$ 42,487</u>

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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, 2017 and 2016, Habitat's expense was \$13,540 and \$16,384, respectively.

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, 2017 and 2016, was \$39,106 and \$37,968, respectively.

As of December 31, 2017 future minimum payments under this lease are as follows:

2018	\$40,280
2019	41,488
2020	10,448

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, 2017 and 2016, were \$33,900 and \$28,790, respectively and \$28,900 and \$23,790 was included in accounts payable and accrued expenses, respectively.

15. Expenditures of Federal Awards

For the year ended December 31, 2017, Habitat expended the following United States Department of Housing and Urban Development awards:

Pass Through Agency/ Program Title	Catalogue of Federal Assistance Number	Pass Through Identifier	
<u>City of New Haven:</u>			
Community Development Block Grant	14.218	CDBG 41/42	\$150,860
HOME Investment Partnership Program	14.239	HOME	155,000
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.907	A09-0323	8,900
Total Expended			\$314,760

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As of December 31, 2017, the principal balance of loans payable under federal awards was \$39,398 for HOME loans and \$60,435 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. No mortgages were assigned for the year ending December 31, 2017. For the year ending December 31, 2016 Habitat assigned a \$55,000 mortgage and recognized a gain of \$30,758 of the unamortized discount on that mortgage.

As of December 31, 2017 and 2016, Habitat was secondarily liable to CHFA for \$488,859 and \$541,976, 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 by management through June 19, 2018, the date the financial statements were available to be issued.