HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC. AND SUBSIDIARY

Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017

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

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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 19, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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 20, 2019, 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
June 20, 2019

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, 2018, 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 20, 2019.

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 20, 2019

KIRCALDIE, RANDALL & McNAB LLC

Habitat for Humanity of Greater New Haven, Inc. and Subsidiary
Consolidated Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
Assets		
Cash	$ 518,297	$ 304,491
Restricted cash	11,234	32,477
Accounts receivable	339	446
Contributions and grants receivable	142,257	146,089
Mortgages receivable, net	1,809,489	1,778,371
Prepaid expenses	18,819	27,022
Construction in progress	144,441	331,226
Security deposits	9,024	8,992
Investment in leveraged lender	1,604,436	1,581,283
Property and equipment, net	291,592	306,637
Total Assets	**$ 4,549,928**	**$ 4,517,034**
Liabilities		
Accounts payable and accruals	$ 100,166	$ 180,697
Deposits and escrows	2,727	9,935
Deferred revenue	6,057	28,450
Mortgage notes payable	95,202	116,813
Loans payable	1,903,348	1,870,416
Total Liabilities	**$ 2,107,500**	**$ 2,206,311**
Net Assets		
Without donor restrictions	$ 2,397,628	$ 2,250,523
With donor restrictions	44,800	60,200
Total Net Assets	**$ 2,442,428**	**$ 2,310,723**
Total Liabilities and Net Assets	**$ 4,549,928**	**$ 4,517,034**

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

KIRCALDIE, RANDALL & McNAB LLC

Habitat for Humanity of Greater New Haven, Inc. and Subsidiary
Consolidated Statement of Activities and Change in Net Assets
For the Year Ended December 31, 2018
(with comparative summarized totals for 2017)

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and gains				
Contributions	$ 651,870		$ 651,870	$ 627,185
Government grants	185,130		185,130	314,760
Special events	17,798		17,798	14,410
In-kind donations	109,665	44,800	154,465	327,733
Transfers to homeowners	412,220		412,220	412,220
ReStore sales, net of cost of goods	309,163		309,163	235,412
Mortgage discount amortization	113,420		113,420	106,366
Gain on assets	111,640		111,640	24,988
Investment income	37,641		37,641	37,641
Interest income	791		791	616
Other revenue	25,029		25,029	22,630
Satisfaction of program restrictions	60,200	(60,200)	-	-
Total Revenues and Gains	**$ 2,034,567**	**$ (15,400)**	**$ 2,019,167**	**$ 2,123,961**
Expenses				
Program services	$ 1,670,250	$ -	$ 1,670,250	$ 1,784,210
Supporting services				
General and administrative	100,571	-	100,571	76,962
Fundraising	116,641	-	116,641	121,036
Total Expenses	**$ 1,887,462**	**$ -**	**$ 1,887,462**	**$ 1,982,208**
Change in Net Assets	**$ 147,105**	**$ (15,400)**	**$ 131,705**	**$ 141,753**
Net Assets - Beginning of Year	2,250,523	60,200	2,310,723	2,168,970
Net Assets - End of Year	**$ 2,397,628**	**$ 44,800**	**$ 2,442,428**	**$ 2,310,723**

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, 2018
(with summarized comparative totals for 2017)

	2018				2017
	Program Services	**Management and General**	**Fund Raising**	**Total**	**Total**
Cost of homes transferred	$ 984,792	$ -	$ -	$ 984,792	$ 1,056,213
Vehicle costs	23,575	-	-	23,575	15,252
Salaries and benefits	179,403	81,586	49,751	310,740	370,446
Professional fees and labor	63,696	3,231	1,264	68,191	51,055
Insurance	11,242	665	635	12,542	13,064
Telephone	12,183	1,434	1,932	15,549	12,463
Postage and mailing	907	52	1,471	2,430	2,364
Printing and publications	3,505	172	3,668	7,345	8,038
Equipment and supplies	7,400	1,137	1,135	9,672	10,022
Occupancy	75,756	4,356	2,133	82,245	75,712
Meetings, training, travel, dues	890	286	327	1,503	2,233
Public relations	1,819	125	125	2,069	1,039
Cost of special events	-	-	-	-	19
Tithe and fees to International	30,100	-	-	30,100	33,900
In-kind expenses	24,648	6,006	6	30,660	20,045
Interest and service charges	7,366	378	53,313	61,057	60,032
Depreciation	18,970	1,143	881	20,994	24,626
Discount on mortgages issued	223,998	-	-	223,998	225,685
Total expenses by function	**$ 1,670,250**	**$ 100,571**	**$ 116,641**	**$ 1,887,462**	**$ 1,982,208**

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, 2018 and 2017

KIRCALDIE, RANDALL & McNAB LLC

	2018	2017
Change in Net Assets	**$ 131,705**	**$ 141,753**
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	20,994	24,626
Gain on homeowner debt extinguishment	(38,995)	(20,936)
Changes in operating assets and liabilities		
Mortgages recorded, net of discount	(178,497)	(184,135)
Mortgage discount amortization	(113,420)	(106,366)
Mortgage payments received, net	251,963	228,315
Decrease (increase) in accounts receivable	107	(166)
Decrease in contributions and grants receivable	3,832	8,940
Decrease (increase) in construction in progress	186,785	(186,378)
Decrease (increase) in prepaid expenses	8,203	(1,044)
Increase in security deposits	(32)	-
(Decrease) increase in accounts payable and accruals	(80,531)	82,379
(Decrease) increase in amounts on deposit	(7,208)	7,569
Net cash from (used) by operating activities	**$ 184,906**	**$ (5,443)**
Investing Activities		
Proceeds from sale and assignment of mortgages	$ 105,000	$ -
Gain on sale and assignment of mortgages	(57,169)	-
Equipment purchases, net	(5,949)	(2,232)
Net cash provided (used) by investing activities	**$ 41,882**	**$ (2,232)**
Financing Activities		
Increase in investment in leveraged lender	$ (23,153)	$ (23,152)
Increase in loans payable	32,932	30,947
Decrease in deferred revenue	(22,393)	(22,034)
Decrease in mortgage notes payable	(21,611)	(20,833)
Net cash used by financing activities	**$ (34,225)**	**$ (35,072)**
Increase (decrease) in cash	**$ 192,563**	**$ (42,747)**
Cash - Beginning of year	336,968	379,715
Total Cash - End of year	**$ 529,531**	**$ 336,968**
Supplemental disclosure of cash paid for		
Interest	$ 18,873	$ 19,883
Unrelated business income taxes	300	297
	$ 19,173	$ 20,180

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

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., (HfHI) 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 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 twenty five years. Habitat's program is funded through contributions, grants, and in-kind donations, from individuals, foundations, corporations, public agencies and religious organizations.

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.

Comparative Financial Information

The accompanying consolidated 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2017, from which the summarized information was derived.

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 income eligible families who have purchased homes built or renovated by Habitat. The 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.

Investment in Partnership
Habitat invested in the joint venture CCML Leverage I, LLC to take advantage of New Market Tax Credit 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	3 to 10 years
Furniture and fixtures	10 years
Leasehold improvements	7 to 8 years

Net Assets
Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor or grantor restrictions. When a restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Habitat reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions are met in the reporting period in which the revenue is recognized.

Contributions
Habitat recognizes unrestricted and unconditional contributions when received or pledged. Conditional promises to give; those with a measurable performance and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contracts and grants from the City of New Haven are conditioned upon certain performance requirements and the incurrence of qualifying expenses. Consequently, as of December 31, 2018 and 2017, conditional grants receivable of $150,729 and $188,078, respectively, have not been recognized in the accompanying consolidated financial statements.

Contributed Services and Materials
Donated property and materials are recorded as contributions 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 in accordance with accounting principles generally accepted in the United States of America. For the years ended December 31, 2018 and 2017, Habitat valued contributed services at $57,150 and $35,720, respectively, and contributed materials at $97,315 and $292,013, 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.

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. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among the programs and supporting services benefited.

Income Taxes
Habitat is recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3), that qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii). Habitat is required to file a Return of Organization Exempt from Income Tax (Form 990) annually with the IRS. Habitat is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose and files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. No provision for unrelated business income tax is recorded in the financial statements. 37 Union Ave., LLC is a single member Limited Liability Company and is considered a disregarded entity for income tax purposes.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires Habitat to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Deposit Concentration Risk
Habitat manages deposit concentration risk by placing cash with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. No losses have been experienced to date in any of these accounts.

Reclassifications
Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events
There were no subsequent events as evaluated by management through June 20, 2019, the date the financial statements were available to be issued.

3. Liquidity and Availability

Financial assets available for general expenditure, without restrictions limiting their use, within one year of the date of the consolidated statements of financial position, are comprised of the following:

Cash	$518,297
Accounts receivable	339
Contributions and grants receivable	142,257
Mortgages receivable	266,676
	$927,569

In addition to these assets, Habitat operates with a balanced budget and anticipates raising contributions and collecting sales revenue from its ReStore sufficient to cover expenditures not otherwise covered. Habitat also has a line of credit available to meet short-term cash flow needs (note 9).

4. 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.

5. Contributions Receivable

As of December 31, 2018 and 2017, contributions receivable were due in less than one year. No allowance for uncollectible contributions was recorded.

6. 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:

	2018	2017
Due in less than one year	$ 266,676	$ 260,150
Due in one to five years	871,564	883,906
Thereafter	2,850,923	2,799,574
	$3,989,163	$3,943,630
Less unamortized discount	2,179,674	2,165,259
	$1,809,489	$1,778,371

7. 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. For each year ended December 31, 2018 and 2017, investment income was $37,641.

8. Property and Equipment

Property and equipment as of December 31st consisted of:

	2018	2017
Land	$164,999	$164,999
Building and improvements	131,982	131,982
Vehicles	110,356	110,356
Office equipment	35,200	37,061
Furniture and fixtures	3,251	3,251
Construction equipment	32,264	30,205
Leasehold improvements	32,882	32,170
	$510,934	$510,024
Less accumulated depreciation	219,342	203,387
	$291,592	$306,637

9. Mortgage Notes and Loans Payable

Mortgage notes and loans payable as of December 31st consisted of:

	2018	**2017**
Mortgage notes payable	$ 96,462	$ 118,333
Loans payable	1,944,775	1,944,854
Less unamortized costs	42,687	75,958
	$ 1,998,550	$ 1,987,229

	Current interest rate	Maturity date	**2018**	**2017**
Mortgage notes payable				
HOME loans	0.00%	October 2024	$ 33,645	$ 39,398
People's United Bank	6.00%	March 2022	62,817	78,935
			$ 96,462	$ 118,333
Loans payable				
HfHI-SHOP #201017, #202011, #203002	0.00%	June 2021	8,844	12,348
HfHI-SHOP #204004	0.00%	June 2022	6,213	8,277
HfHI-SHOP #205003	0.00%	December 2022	31,260	31,260
HfHI-SHOP #211025	0.00%	June 2022	6,414	8,550
HfHI-SHOP #221044	0.00%	July 2024	12,044	0
CCM Community Development XVII, LLC	0.77%	April 2028	1,880,000	1,880,000
Hitachi Capital America Corp	2.60%	May 2018	0	4,419
			$1,944,775	$1,944,854
			$2,041,237	$2,063,187

Annual maturities required on mortgages and loans payable as of December 31, 2018, are as follows:

2019	$ 33,486
2020	33,486
2021	31,734
2022	51,901
2023	5,753
Thereafter	1,884,877
	$2,041,237

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 the 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, 2018 this amount was $35,205. It is Habitat's intention to repay the mortgage evenly over the 120 month repayment schedule. As of December 31, 2018 and 2017 the net present value of the mortgage was $61,558 and $77,414, respectively.

Self-Help Homeownership Opportunity Program (SHOP) Notes

In years 2015, 2016, 2017 and 2018 Habitat executed promissory notes with Habitat for Humanity International in connection with SHOP grant agreements. Funds were used to build the infrastructure of Habitat homes 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, 2018 and 2017 was $55,377 and $49,445, 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 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, 2018 and 2017 was $1,847,971 and $1,816,551, 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. This loan was satisfied in 2018.

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, Connecticut. As of December 31, 2018 and 2017, there was no outstanding balance.

Financing Costs

Debt issuance costs are amortized on a straight-line basis over the term of the related debt. For the years ended December 31, 2018 and 2017, amortized mortgage financing costs and loan discounts were $34,613 and $33,439, respectively, and are included in interest expense.

10. Net Assets with Donor Restrictions

As of December 31st net assets with donor restrictions consisted of:

	2018	2017
SHOP infrastructure grant	$ -	$17,100
City of New Haven land agreement	44,800	43,100
	$44,800	$60,200

Donor restrictions on these net assets are temporary in nature and will be met by the passage of time or other specified events.

11. Gain on Assets

For the years ended December 31, 2018 and 2017, gains were realized from the following: 1) the sale and release of mortgages of $57,169 and $23,188; 2) the execution of SHOP zero percent promissory notes of $2,506 and $1,800; and 3) the sale of property of $51,965 and $0, respectively.

12. Special Fundraising Events

During the years ended December 31, 2018 and 2017, Habitat conducted the following fundraising events:

	Gross Receipts	Expenses	Net Fundraising Income
2018 Regatta	$ 17,798	$0	$ 17,798
2017 Regatta	14,410	$19	14,391

13. 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, 2018 and 2017, Habitat's expense was $12,402 and $13,540, respectively.

14. 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, 2018 and 2017, was $40,280 and $39,106, respectively.
As of December 31, 2018 future minimum payments under this lease are as follows:

2019	41,488
2020	10,448

15. Transactions with Habitat for Humanity International

Habitat annually tithes a portion of its contributions to HfHI which uses the funds to construct homes in economically depressed areas around the world. Habitat also pays an annual U.S. Stewardship and Organizational Sustainability Initiative fee based on its geographic service area population which HfHI uses to offset costs associated with their efforts that benefit all affiliates such as brand protection and promotion, regulatory advocacy and gifts in-kind solicitation.

For the years ended December 31, 2018 and 2017, the contributions to HfHI included in accounts payable and accrued expenses were of $33,575 and $28,900, respectively.

16. Expenditures of Federal Awards

For the year ended December 31, 2018, Habitat expended the following United States Department of Housing and Urban Development awards:

Pass Through Agency/ Program Title	Catalogue of Federal Domestic Assistance Number	Pass Through Identifier	
City of New Haven:			
Community Development Block Grant	14.218	CDBG 41/42	$105,000
HOME Investment Partnership Program	14.239	HOME	55,000
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.907	A09-0323	6,100
			$166,100

As of December 31, 2018, the principal balance of loans payable under federal awards was $33,645 for HOME loans and $64,775 for SHOP loans.

17. Contingent Liabilities

Habitat assigns mortgages to the Connecticut Housing Financing Authority (CHFA) and guarantees repayment of these mortgages if the homeowners default. The mortgages are collateralized by the related real estate. For the year ended December 31, 2018, Habitat assigned $105,000 of two mortgages and recognized gains of $57,169 of the unamortized discount on those mortgages. No mortgages were assigned for the year ended December 31, 2017.

As of December 31, 2018 and 2017, Habitat was secondarily liable to CHFA for $536,897 and $488,859, respectively, equal to the total scheduled payments on the assigned mortgages through 2034. Habitat's management believes that the fair value of the collateralized real estate exceeds the amount of the debt obligation. No liability for potential losses has been recorded.