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

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2021

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CONTENTS

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Habitat for Humanity of Greater New Haven, Inc. and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related consolidated notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Habitat for Humanity of Greater New Haven, Inc. and Subsidiary as of December 31, 2021, and the consolidated changes in its net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibility of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Consolidated Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity of Greater New Haven, Inc. and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity of Greater New Haven, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

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

Carter, Hayes +Associates, P.C.

Hamden, Connecticut
November 2, 2022

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

ASSETS

ASSETS	
Cash	$ 810,142
Accounts receivable	26,843
Contributions and grants receivables	610,000
Non-interest bearing mortgage loans, net of unamortized discounts of $2,621,144	2,164,623
Construction in progress	252,514
Prepaid expenses	20,429
Security deposit	6,117
Property and equipment, net	323,165
	$ 4,213,833

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable	$ 54,003
Accrued expenses	19,731
Escrows and deposits held	7,713
Mortgages and notes payable	476,632
	558,079
NET ASSETS	
Without donor restrictions	3,655,754
	3,655,754
	$ 4,213,833

See Notes to Financial Statements.

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

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2021

SUPPORT AND REVENUES	
Contributions	$ 938,714
Restore income	498,672
Transfers to homeowners	382,960
Mortgage loan discount amortization	197,721
Governmental grants	160,000
In-kind donations	159,028
Paycheck Protection Program	115,700
Special events, net	88,014
Recapture gain	33,340
Miscellaneous	5,519
Interest income	1,012
Total support and revenue	2,580,680
EXPENSES	
Program	
Housing program	1,600,380
Restore	397,828
Supporting services	
General and administrative	136,505
Fundraising	81,789
Total expenses	2,216,502
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS	364,178
NET ASSETS WITHOUT DONOR RESTRICTIONS, beginning of year, as restated	3,291,576
NET ASSETS WITHOUT DONOR RESTRICTIONS, end of year	$ 3,655,754

See Notes to Financial Statements.

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Program Services			Supportive Services			
	Housing Program	Restore	Total	General and Administrative	Fundraising	Total	Total
Cost of homes transferred	$ 852,567	$ -	$ 852,567	$ -	$ -	$ -	$ 852,567
Salaries	291,279	151,029	442,308	67,282	49,534	116,816	559,124
Payroll taxes and fringe benefits	42,420	19,614	62,034	6,629	5,993	12,622	74,656
Professional fees and labor	8,938	74,024	82,962	38,465	3,365	41,830	124,792
Insurance	48,167	32,406	80,573	10,023	7,379	17,402	97,975
Occupancy costs	9,720	71,618	81,338	4,989	1,890	6,879	88,217
Impairment loss on construction in progress	78,690	-	78,690	-	-	-	78,690
Tithe and fees to International	24,861	-	24,861	-	-	-	24,861
Vehicle costs	7,403	15,364	22,767	210	-	210	22,977
Equipment and supplies	8,224	10,280	18,504	3,857	215	4,072	22,576
Interest and service charges	1,993	7,074	9,067	1,773	5,129	6,902	15,969
Telephone and technology	6,607	3,758	10,365	1,393	1,537	2,930	13,295
Printing and publications	2,734	3,238	5,972	-	3,863	3,863	9,835
Public relations	2,138	600	2,738	180	800	980	3,718
Postage and mailing	1,059	7	1,066	147	1,225	1,372	2,438
Meetings, travel and training	129	-	129	465	-	465	594
Total expenses before mortgage discount and depreciation	1,386,929	389,012	1,775,941	135,413	80,930	216,343	1,992,284
Mortgage discounts	206,691	-	206,691	-	-	-	206,691
Depreciation	6,760	8,816	15,576	1,092	859	1,951	17,527
	$ 1,600,380	$ 397,828	$ 1,998,208	$ 136,505	$ 81,789	$ 218,294	$ 2,216,502

See Notes to Financial Statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets without donor restrictions	$ 364,178
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Depreciation and amortization	17,701
In-kind donation of office furniture	(24,000)
Mortgages transferred to homeowners subject to non-interest bearing advances	(173,869)
Mortgage loan discount amortization	(197,721)
Payment Protection Program forgiveness	(115,700)
Impairment loss on construction in progress	78,690
(Increase) decrease in:	
Accounts receivable	(22,807)
Contribution and grants receivables	(81,000)
Prepaid expenses	(4,693)
Construction in progress	(134,724)
Increase (decrease) in:	
Accounts payable and accrued expenses	(16,421)
Accrued expenses	1,208
Escrows and deposits held	3,000
Net cash used in operating activities	(306,158)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(49,442)
Collection of mortgages receivable	372,566
Net cash provided by investing activities	323,124
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal repayments on mortgages and notes payable	(110,176)
Proceeds from note payable	30,000
Net cash used in financing activities	(80,176)
NET DECREASE IN CASH	(63,210)
CASH, beginning	873,352
CASH, ending	$ 810,142

See Notes to Financial Statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS, Continued

YEAR ENDED DECEMBER 31, 2021

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Operating activities reflect cash paid during the period for:	
Interest	$ 1,316

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITY:

Issuance of non-interest bearing mortgage loans	$ 380,560
Discounts on non-interest bearing mortgage loans	(206,691)
Transfers to homeowners subject to non-interest bearing mortgage loans	$ 173,869

See Notes to Financial Statements.

1. Nature of Organization and Significant Accounting Policies

Nature of Organization

Habitat for Humanity of Greater New Haven, Inc. ("Habitat") is a tax-exempt, not-for-profit organization, non-stock corporation organized in the State of Connecticut in 1986. Habitat is an independent affiliate of Habitat for Humanity International, Inc. ("HFHI"), a nondenominational Christian nonprofit organization with affiliates worldwide whose purpose is to create decent, affordable housing for those in need, and to make decent shelter a matter of conscience and action with people everywhere. 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 are financed by Habitat with no interest mortgages. These mortgages are usually repaid over twenty-five years and contain provisions to limit the homeowners from profiting on the resale of their homes. Habitat's program is funded through contributions, grants, and in-kind donations, from individuals, foundations, corporations, public agencies, and religious organizations.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Habitat 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.

Basis of Accounting

The consolidated financial statements of Habitat have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows *Financial Statements of Not-for-Profit Organizations* topic of the Financial Accounting Standards Board Codification ("ASC"). Under this topic, the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and are not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature, such as those that will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the fund be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. As of December 31, 2021, Habitat doesn't have any net assets with donor restrictions.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). Accounting Standards Codification (ASC) 606 supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*, and requires entities to recognize revenue when control of promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods and services. ASC 606 was effective for Habitat beginning on January 1, 2020. In consideration of the adoption of this accounting pronouncement, the Organization determined that there was no impact on previously reported net assets of the Organization, and no reclassifications of assets or liabilities in the accompanying balance sheets were required. In addition, Habitat does not expect the adoption of ASC 606 to have a material impact on its net income on an ongoing basis.

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958) - *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* ASU 2018-08 was designed to eliminate the diversity in accounting for grants and similar contracts with government agencies. ASU 2018-08 requires an evaluation to determine (1) transactions that should be characterized as an exchange transaction or as a contribution, and (2) whether contributions are conditional. Habitat adopted the provisions of ASU 201-08 on January 1, 2019. The implementation of the new standard did not have any impact on the Organization's measurement or recognition of revenue.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for most leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the consolidated statement of activities. The effective date for this standard has been delayed to annual reporting periods beginning after December 15, 2021. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

Recognition of Support and Revenue

Grants

In accordance with ASU 2018-08, grants from government agencies are accounted for as conditional contributions. Conditional contributions are recorded when the condition has been satisfied. Grant funds received prior to satisfaction of the condition are reported as deferred revenue. Conditions satisfied in advance of grant funds being received are reported as a receivable.

Contributions

Contributions are defined as voluntary, non-reciprocal transfers. Contributions are recognized as support when received or pledged, if applicable. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Habitat's policy is to present donor restricted net assets received during the year whose restrictions are also met during the current year as net assets without donor restrictions.

Donated Services, Properties and Materials

Donated materials, which are contributed by outside parties, are recorded as support and expense, when measurable, in the period in which the materials are donated. Donated properties are recorded as support based on assessments and/or appraisals, in the period in which the properties are donated.

Habitat recognizes donated services if they create or enhance nonfinancial assets or requires specialized skills and would typically be purchased if not provided by donation. A substantial number of volunteers have made significant contributions of their time to Habitat's homebuilding program which do not meet this criterion for recognition in the consolidated financial statements.

For the year ended December 31, 2021, Habitat valued contributed materials at $34,088, services at $14,640, and properties at $86,300.

Donated Goods

ReStore inventory consists of donated home furnishings, building supplies, paint and paint supplies, flooring and other home improvement items. No amounts have been recognized in the accompanying statement of activities for these goods because the criteria for recognition have not been satisfied.

Exchange Transactions

Program revenues are recognized when control of the promised goods or services are transferred to the Organization's customers, in an amount that reflects the consideration the Organization expects to be entitled to for those goods or services. To do this, the Organization performs the following five steps as outlined in ASC 606: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the Organization satisfies a performance obligation.

Sale of Homes

Habitat recognizes the revenue from the sale of homes at the date of closing for the house as this is the point in time the Organization has determined that their performance obligation is satisfied.

ReStore Revenue

ReStore sales of donated goods are recognized as revenue at the time of the sale as this is the point in time Habitat has determined that their performance obligation is satisfied. Historically, sales returns have not been significant.

Property and Equipment

Donated assets are stated at fair market value as determined by management at the date contributed. Property purchased is recorded at cost. Property and equipment purchased or donated in excess of $500 are capitalized. For the year ended December 31, 2021, Habitat received office furniture valued at $24,000.

Depreciation is provided utilizing the straight-line method over the estimated useful lives of the property as follows:

Building and improvements	10 to 40 years
Furniture, equipment and vehicles	3 to 10 years
Furniture and fixtures	10 years
Leasehold improvements	7 to 8 years

Maintenance and repair costs are charged to operations as incurred; major renewals and betterments are capitalized. The costs relating to assets sold or retired are removed from the account balance at the time of the disposition and the related gains and losses are included in the change in net assets.

Construction in Progress

Construction in progress represents the cumulative amounts expended to date on land, building and renovation costs and representative amounts for donated materials and land. When the corresponding homes are completed and transferred to homeowners, these costs are expensed. Construction in progress is valued at the lower of carrying cost or anticipated sales price, with an impairment recorded for the difference. Habitat reviews construction in progress for impairment during each reporting period on a property-by-property basis.

Below Market Loans

Habitat was formed in order to build affordable housing for low-income families. Other nonprofit and governmental entities having a similar agenda to foster the construction of low-income housing have lent money to the Organization at advantageous terms. Habitat has not discounted these below market loans since they were made at arm's length.

Receivables

Contributions, grants and other receivables are stated net of an allowance for doubtful accounts. Habitat has determined that all amounts are collectible, and accordingly no allowance for potentially uncollectible accounts has been recorded.

Income Taxes

Habitat, a not-for-profit organization operating under section 501(c) (3) of the Internal Revenue Code, is generally exempt from federal and state taxes under the group exemption held by HFHI. Habitat is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. 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.

Habitat files tax returns in the United States. Habitat has not taken any tax positions that management believes would result in additional tax liabilities upon examination of the tax returns by a tax jurisdiction. Habitat has no open tax years prior to December 31, 2018. Habitat's tax returns are subject to examination, generally for three years after they were filed.

Presentation of Sales Taxes

The State of Connecticut imposes a sales tax of 6.35% on certain types of Habitat's sales. The Organization collects that sales tax from customers and remits the entire amount to the State. Habitat's accounting policy is to exclude the tax collected and remitted to the State from revenues and expenses.

Use of Estimates

Management uses estimates and assumptions in preparing consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used. The discounts applied to mortgage receivables is a significant estimate included in these financial statements.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets. The Statement of Functional Expenses presents the natural classification detail of expenses by function. Direct costs that can be specifically identified with a program or activity are charged to the respective program or activity. Certain costs have been allocated among the program and supporting services benefited. Such allocations are determined by management using a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, repairs and maintenance and depreciation, which are allocated on a square footage basis, as well as salaries and wages, payroll taxes and benefits, office expenses, insurance and telephone, which are allocated on the basis of estimates of time and effort.

Disclosure of Subsequent Events

Management has monitored and evaluated any subsequent events through November 3, 2022, the date the consolidated financial statements were available to be issued.

2. Concentrations

Cash Investments

The Organization places its cash deposits with high credit quality financial institutions and such deposits may exceed federal depository insurance limits of $250,000 per financial institution for short periods of time. Habitat has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. At December 31, 2021 the uninsured cash balance amounted to approximately $185,000.

Mortgages Receivable

Habitat regularly reviews its mortgages receivable and monitors the accounts for delinquencies. The organization will work with the homeowners to cure any delinquent payments. If the homeowner does not cure the default, foreclosure proceedings are initiated.

Non-interest-bearing mortgages are discounted based on applicable federal rates at the time of the sale, which results in the net mortgage receivable balances being generally less than 50% of the home's fair market value. Therefore, Habitat believes that losses resulting from nonpayment of mortgages receivable, given the collateral value, are not likely. Accordingly, management has not established an allowance for potential credit losses.

Support and Revenue

Grants and contracts with various public agencies require the fulfillment of certain conditions as set forth in the grant instrument. Failure to fulfill such conditions, which include expending funds in accordance with the approved budget, could result in the return of funds to the grantor. No return of funds by the Organization have been required to date.

3. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Financial assets:	
Cash	$ 810,142
Accounts receivable	26,843
Contributions and grants receivable	610,000
Current mortgage loans receivable	293,333
Financial assets available to meet general expenditures within one year	$1,740,318

Habitat plans to have sufficient financial assets to meet obligations as they come due. In addition to the financial assets available, the Organization has access to lines of credit in the total amount of $173,000, all of which were fully available at December 31, 2021.

4. Construction in Progress

Projects currently in progress at December 31, 2021 consisted of the following addresses in New Haven:

139 Weybosset Street	$ 95,740
60 Cross Street	95,740
35 Nelson Street	61,034
	$252,514

As of December 31, 2021, the cumulative amounts expended for construction exceeded the anticipated sales price for the homes upon completion of $95,740. Accordingly, a $78,690 impairment has been recorded.

5. Mortgages Receivable

Mortgages receivable consist of eighty-eight (85) non-interest bearing loans at December 31, 2021 due from individuals who have purchased homes constructed by Habitat. The mortgage loans have original maturities ranging from 25 to 30 years to be repaid in monthly installments. Mortgage servicing is performed by a third party servicer, Capital for Change.

The non-interest bearing mortgages have been discounted at various rates ranging from 7.18% to 8.78% 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. These original discounted amounts are reflected in the consolidated financial statements as *Mortgage Discounts* on the Consolidated Statement of Functional Expenses. The discounts are amortized using the straight-line method over the lives of the mortgages and the income is reflected on the Consolidated Statement of Activities and Changes in Net Assets.

In addition to the non-interest bearing mortgage received from the sale of each home, Habitat issues a Declaration of Resale Restrictions and Recapture Agreement (the "Agreement"). The Agreement stipulates that upon the homeowner refinancing, selling, disposing of or transferring the home, Habitat will be entitled to an amount that exceeds the Allowable Return. The Allowable Return is based upon the consideration received by the homeowner (less customary closing costs and expenses) multiplied by the applicable Factor based upon the number of years elapsed from original transfer to the homeowner. The Factor is 5% per year for elapsed years one through four and 10% per year for elapsed years five through 12.

During the year ended December 31, 2021, a homeowner sold their home and Habitat received $33,340 under the Agreement, which is included as *Recapture gain* in the Consolidated Statement of Activities and Changes in Net Assets.

Mortgages receivable at December 31, 2021 consisted of the following:

Due in less than one year	$ 293,333
Due in one to five years	1,147,807
Thereafter	3,344,627
	4,785,767
Less unamortized discount	2,621,144
	$2,164,623

6. Property and Equipment

Property and Equipment consisted of the following at December 31, 2021:

Land	$164,999
Vehicles	158,004
Building and improvements	132,892
Office furniture and equipment	65,904
ReStore leasehold improvements	33,917
Construction equipment	31,093
	586,809
Less accumulated depreciation	263,644
	$323,165

7. Transactions with Habitat for Humanity International

Habitat annually remits a portion of its unrestricted contributions (excluding in-kind contributions) to HFHI. The remittance is known as Tithing. These funds are used exclusively by HFHI to construct homes in economically depressed areas around the world. Habitat also contributes an annual U.S. Stewardship and Organizational Sustainability Initiative (SOSI) 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 year ended December 31, 2021, Tithe and SOSI contributions were $9,861 and $15,000, respectively.

8. Lines 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 any outstanding balance is calculated daily by adding 2% to the "People's United Bank Prime Rate." The line of credit is renewable annually and is secured by the business assets and a second mortgage on the property at 37 Union Street, New Haven, Connecticut. As of December 31, 2021, there was no outstanding balance.

On June 9, 2021, Habitat entered into a line of credit agreement with New Haven Bank in the amount of $100,000, secured by substantially all the business assets of the Organization. Interest on any outstanding balance is calculated daily at New Haven Bank's base rate (in no event to drop below 3.25%). There were no amounts outstanding under this line of credit as of December 31, 2021. This agreement is subject to annual review by New Haven Bank and expires May 1, 2024.

9. Mortgages and Notes Payable

Long-term debt at December 31, 2021 consisted of the following:

Connecticut Housing Finance Authority, twenty two (22) non-interest bearing notes payable due in monthly installments ranging from $187 to $340, due on various dates through December 2034, secured by mortgage receivables (A)	$405,568
HFHI for Self-Help Opportunity Program (SHOP), seven (7) non-interest bearing notes payable due in monthly installments ranging from $78 to $468, due on various dates through December 2025, unsecured	47,079
HOME Investment Partnership Program, three (3) non-interest bearing mortgages due in quarterly installments ranging from $230 to $475, due on various dates through December 2027, secured by mortgage receivables	16,384
People's United Bank mortgage, due in monthly installments of $767 of principal and variable interest (currently 6%), due March 2022, secured by property located at 37 Union Street, New Haven, Connecticut (B)	8,166
	477,197
Less unamortized deferred financing costs	(565)
	$476,632

(A) At various times, the Organization has assigned mortgages issued to homeowners to CHFA. As a condition of each assignment, Habitat has guaranteed payment by the homeowners until the loan has been repaid. As a result of the guaranty, these transactions are not treated as sales and the outstanding balances of these assigned mortgages (net of discounts) are included in the mortgages receivable balance on the Consolidated Statement of Financial Position. During the year ended December 31, 2021, Habitat assigned one homeowner mortgage to CHFA for $30,000.

(B) In March 2022, the Habitat made a final payment on the outstanding balance and M&T Bank (successor to People's United Bank) released the mortgage and security interest in the property on April 22, 2022.

Aggregate maturities required on long-term debt at December 31, 2021 are as follows:

Year ending December 31,	
2022	$ 90,852
2023	74,025
2024	55,725
2025	51,033
2026	41,213
Thereafter	164,349
	$477,197

10. Paycheck Protection Program

Congress established the Paycheck Protection Program (PPP) to provide relief to small businesses (including tax-exempt not-for-profits) during the coronavirus pandemic as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. PPP funds are provided as forgivable loans that are forgiven as long as loan proceeds are used to cover payroll, mortgage interest, rent, and utilities.

On April 28, 2020, Habitat received $115,700 in PPP funds. The Organization spent all amounts awarded on eligible costs and the loan was forgiven in full on February 26, 2022. Habitat has recognized the PPP forgiveness as revenue in the year ended December 31, 2021.

11. 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 year ended December 31, 2021, Habitat's expense was $11,624.

12. Operating Lease

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. In April 2020 the first of the two renewal options was exercised extending the lease into the 2023 year. Rent expense for the year ended December 31, 2021 was $43,907.

The future minimum lease payments are as follows:

Year ending December 31,	
2022	$45,334
2023	11,417
	$56,751

13. Special Events

During the year ended December 31, 2021, Habitat conducted the following fundraising events:

	Gross Receipts	Less Direct Expenses	Net Income
Gala	$ 94,748	$ 9,355	$85,393
Chili Bowl	6,944	4,323	2,621
	$101,692	$13,678	$88,014

14. Expenditure of Federal Awards

For the year ended December 31, 2021, Habitat expended the following U.S. Department of Housing and Urban Development grants passed through the City of New Haven:

Program Title	Federal Assistance Listing Number	Pass Through Identifier	Amount
Urban Development Action Grant	Unknown	A22-0041	$110,000
Community Development Block Grant	17.218	CDBG46	50,000
Total governmental grants			$160,000

As of December 31, 2021, the principal balance of loans payable under federal awards was $16,384 for HOME Investment Partnership Program passed through the City of New Haven and $47,079 for Self-Help Opportunity Program (SHOP) passed through HFHI.

15. COVID-19

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. The extent of the potential impact of COVID-19 on Habitat's operational and financial performance depends on certain developments, including the duration and spread of the outbreak and its impacts on Habitat's clients, employees and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact Habitat's financial position and changes in net assets and cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

16. Prior Period Adjustments

During the year ended December 31, 2021, Habitat became aware of certain errors in accounting related to recording receivables and payables and the application of accounting principles related to discounting mortgages and valuing construction in progress. Net assets as of December 31, 2020 have been restated due to the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Net asset balances as originally stated December 31, 2020	$3,576,237	$ 50,000	$3,626,237
To correct for overstatement of:			
Construction in progress	(75,721)	-	(75,721)
Grants receivable	(55,000)	-	(55,000)
Mortgages receivable, net	(220,251)	-	(220,251)
Prepaid and other assets	(9,993)	-	(9,993)
Accounts payables and accrued expenses	26,304	-	26,304
To reclass net assets	50,000	(50,000)	-
Net assets, as restated, December 31, 2020	$3,291,576	$ -	$3,291,576

17. Subsequent Events

On January 6, 2022, Habitat assigned a homeowner's mortgage to CHFA for $30,000.

On August 9, 2022, Habitat sold the house at 139 Weybosset Street for $95,740 and took back a mortgage of $95,410.