HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

FINANCIAL STATEMENTS

JUNE 30, 2025

DOHERTY BEALS & BANKS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.

FINANCIAL STATEMENTS

JUNE 30, 2025

CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Habitat for Humanity of Eastern
Connecticut, Inc.
1 Bailey Circle
New London, CT 06320

Opinion

We have audited the accompanying financial statements of Habitat for Humanity of Eastern Connecticut, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Eastern Connecticut, Inc. as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Financial Statements section of our report. We are required to be independent of Habitat for Humanity of Eastern Connecticut, Inc. 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Eastern Connecticut, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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.

Stacey L. Gualtieri, CPA
Audrey A. Leone, CPA
Jessica Chalecki, CPA

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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 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 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 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 Eastern Connecticut, Inc.'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 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 Eastern Connecticut, Inc.'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.

Report on Summarized Comparative Information

The financial statements of Habitat for Humanity of Eastern Connecticut, Inc. for the year ended June 30, 2024, were examined by other auditors whose reported dated May 21, 2024, expressed an unqualified opinion on those statements.

Doherty, Beals & Banks, P.C

DOHERTY, BEALS & BANKS, P.C.
New London, Connecticut

May 15, 2026

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2025
WITH COMPARATIVE TOTALS FOR 2024

ASSETS

	2025	2024
ASSETS		
Cash and cash equivalents	$ 1,216,403	$ 907,908
Grants and other receivables	-	151,164
Non-interest bearing mortgage loans, net of unamortized discounts of $2,408,724 in 2025 and $2,594,874 in 2024	2,462,096	2,623,918
Construction in progress	1,236,544	645,372
Property held for sale	-	39,521
Property held for development	890,971	1,068,220
Prepaid expenses and deposits	53,359	43,816
Property and equipment, net	240,741	371,063
Operating right of use asset	387,878	274,387
TOTAL CURRENT ASSETS	$ 6,487,992	$ 6,125,369

LIABILITIES AND NET ASSETS

	2025	2024
LIABILITIES		
Accounts payable	$ 35,204	$ 33,555
Accrued expenses	59,101	50,937
Line of credit	-	-
Mortgages and notes payable	693,636	767,925
Operating lease liability	387,878	274,387
Escrows held	3,794	3,824
TOTAL CURRENT LIABILITIES	1,179,613	1,130,628
NET ASSETS		
Without donor restrictions	4,765,246	4,866,241
With donor restrictions *(note 3)*	543,133	128,500
TOTAL NET ASSETS	5,308,379	4,994,741
TOTAL LIABILITIES AND NET ASSETS	$ 6,487,992	$ 6,125,369

See notes to financial statements.

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025
WITH COMPARATIVE TOTALS FOR 2024

	Without Donor Restrictions	With Donor Restrictions	Totals 2025	Totals 2024
REVENUE AND SUPPORT				
Contributions and grants	$ 360,329	$ 503,259	$ 863,588	$ 1,233,722
In-kind donations	209,210	-	209,210	229,806
Transfers to homeowners	436,500	-	436,500	838,000
ReStore income	748,116	-	748,116	882,856
Mortgage loan discount amortization	186,151	-	186,151	163,085
Interest and dividend income	17,162	-	17,162	18,232
Gain (loss) on sale of assets	(41,125)	-	(41,125)	1,171
Miscellaneous	25,138	-	25,138	46,591
Net assets released from restrictions:	88,626	(88,626)		
TOTAL REVENUE AND SUPPORT	2,030,107	414,633	2,444,740	3,413,463
FUNCTIONAL EXPENSES				
Program				
Housing Program	966,244	-	966,244	1,900,684
ReStore	685,590	-	685,590	620,297
Supporting services				
General and administrative	287,225	-	287,225	264,950
Fundraising	192,043	-	192,043	153,234
TOTAL FUNCTIONAL EXPENSES	2,131,102	-	2,131,102	2,939,165
CHANGE IN NET ASSETS	(100,995)	414,633	313,638	474,298
NET ASSETS- BEGINNING	4,866,241	128,500	4,994,741	4,520,443
NET ASSETS- ENDING	$ 4,765,246	$ 543,133	$ 5,308,379	$ 4,994,741

See notes to financial statements.

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025
WITH COMPARATIVE TOTALS FOR 2024

	Program Services			Supportive Services				
FUNCTIONAL EXPENSES	**Housing Program**	**ReStore**	**Total**	**General & Admin**	**Fundraising**	**Total**	**2025**	**2024**
Salaries	$ 357,852	$ 244,179	$ 602,031	$ 155,268	$ 132,031	$ 287,299	$ 889,330	$ 790,013
Payroll taxes and benefits	64,343	46,949	111,292	24,997	26,036	51,033	162,325	134,012
Total salaries and related benefits	422,195	291,128	713,323	180,265	158,067	338,332	1,051,655	924,025
Cost of homes transferred	364,768	-	364,768	-	-	-	364,768	817,357
Mortgage discounts	-	-	-	-	-	-	-	408,899
Occupancy cost	19,554	237,067	256,621	19,114	11,126	30,240	286,861	252,369
Construction/program expenses	9,395	89,908	99,303	-	-	-	99,303	111,536
Office expenses	21,300	1,208	22,508	23,488	4,631	28,119	50,627	62,042
Insurance	46,608	25,845	72,453	611	611	1,222	73,675	104,692
Fees and permits	8,684	17,922	26,606	6,164	1,450	7,614	34,220	37,336
Depreciation	15,093	14,500	29,593	2,933	1,833	4,766	34,359	41,310
Interest expense	21,668	-	21,668	-	-	-	21,668	23,788
Advertising and printing	3,182	2,850	6,032	4,889	4,683	9,572	15,604	9,778
Miscellaneous	21,434	784	22,218	8,676	6,757	15,433	37,651	20,351
Professional fees	-	-	-	32,652	-	32,652	32,652	23,798
Travel and meetings	13,994	1,430	15,424	7,461	2,158	9,619	25,043	22,519
Tithe and fees to Habitat International	(6,929)	-	(6,929)	-	-	-	(6,929)	27,991
Telephone	5,298	2,948	8,246	972	727	1,699	9,945	7,844
Impairment losses on construction in progress and land costs	-	-	-	-	-	-	-	43,530
TOTAL FUNCTIONAL EXPENSES	$ 966,244	$ 685,590	$ 1,651,834	$ 287,225	$ 192,043	$ 479,268	$ 2,131,102	$ 2,939,165

The Organization allocates expenses based on a variety of factors. Direct costs that can be specifically identified with a program or activity are charged to the repective program or ativity. Such allocations are determined by management using a reasonable basis that is consistantly 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.

See notes to financial statements.

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025
WITH COMPARATIVE TOTALS FOR 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ 313,638	$ 474,298
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	34,359	41,310
Gain on sale of assets	41,125	(1,171)
Mortgages transferred to homeowners subject to non-interest bearing advances	(263,101)	(263,101)
Mortgage loan discount amortization	(186,151)	(163,085)
Discount on properties held for sale and construction in progress	-	43,530
(Increase) decrease in:		
Contributions and other receivables	151,164	(107,038)
Construction in progress	(524,072)	222,844
Property held for sale and development	216,770	(236,303)
Prepaid expenses	(9,543)	3,759
Increase (decrease) in:		
Accounts payable and accrued expenses	9,813	15,247
Deferred revenue	-	
Escrows Held	(30)	240
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(216,028)	30,530
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-	-
Proceeds from sale of properties and equipment	250,839	2,850
Collection of mortgages receivable	347,973	350,121
NET CASH PROVIDED BY INVESTING ACTIVITIES	598,812	352,971
CASH FLOWS FROM FINANCING ACTIVITES		
Principal repayments on long term debt	(74,289)	(76,025)
Repayments of line of credit	-	(25,966)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(74,289)	(101,991)
NET CHANGE IN CASH	308,495	281,510
CASH - BEGINNING	907,908	626,398
CASH - ENDING	$ 1,216,403	$ 907,908

See notes to financial statements.

HABITAT FOR HUMANITY OF EASTERN CONNECTICUT, INC.
STATEMENT OF CASH FLOWS, Continued
FOR THE YEAR ENDED JUNE 30, 2025
WITH COMPARATIVE TOTALS FOR 2024

	2025	2024
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Operating activities reflect cash paid during the period for:		
Interest	$ 21,668	$ 23,788
Recording of right-of-use assets and lease liabilities	$ 387,878	$ 227,637
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITY:		
Issuance of non-interest bearing mortgage loans	$ -	$ 672,000
Discounts on non-interest bearing mortgage loans	-	(408,899)
Transfers to homeowners subject to non-interest bearing mortgage loans	$ -	$ 263,101

See notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose

Habitat for Humanity of Eastern Connecticut, Inc. (“HFHECT”) is a tax-exempt, not-for-profit organization, non-stock corporation organized under Connecticut law. Habitat is an independent affiliate of Habitat for Humanity International, Inc. (“HFHI”), a nondenominational Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. Although HFHI assists with informational and fiscal resources, HFHECT is primarily responsible for its own operations.

HFHECT in the spirit of sharing, builds and renovates decent and affordable homes using volunteer labor for lower income individuals in New London and Eastern Windham Counties. Purchasers, who have been approved and selected by HFHECT based on income and need for affordable housing, volunteer their labor in partnership with HFHECT and other volunteers from the community to build their homes. The homes are then sold to the individual at below cost and financed at no interest mortgages through HFHECT or other lenders. These mortgages are usually long term, ranging from twenty to forty years, and contain provisions to limit the homeowners from profiting on the resale of their homes. HFHECT’s program is funded through contributions, grants, and in-kind donations, from individuals, foundations, corporations, public agencies, and religious organizations.

Basis of Accounting

The Organization prepared the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The financial statements include the operations, assets and liabilities of the Organization. In the opinion of the Organization’s management, the accompanying financial statements contain all adjustments, consisting of normal recurring accruals, necessary to fairly present the accompanying financial statements.

Financial Statement Presentation

The Organization follows the reporting requirements of GAAP, which requires that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follow:

- Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category principally consist of fees for service and related expenses associated with the core activities of the Organization.

- With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are for contributions for which donor-imposed restrictions have not been met in the year of receipt. Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Organization.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and therefore, has no provision for federal or state income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization recognizes the tax benefit from uncertain tax positions when it is more-likely-than-not the position will be sustained upon examination by taxing authorities. As of June 30, 2025, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. In the normal course of business, the Organization’s tax filings are subject to examination by federal and state taxing authorities. The Organization’s tax returns for the last three years remain subject to examination by major tax jurisdictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, and support, revenue and expenses during the reporting period. Actual results could differ from those estimates. The discounts applied to mortgage receivables is a significant estimate included in these financial statements.

Prior Year Comparative Totals

The financial information shown for June 30, 2024, in the accompanying financial statements is included to provide a basis for comparison with June 30, 2025, and presents summarized totals only. Such total amounts do not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such amounts should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2024, from which the comparative total amounts were derived.

Cash Equivalents

The Organization considers all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents.

Contributions and Other Receivables

Grants and other receivables consist primarily of amounts due from the mortgage servicers for mortgage payments received in June 2025 but not transferred to the Organization until July 2025. The Organization has determined that all amounts are collectible, and accordingly no allowance for credit losses have been recorded.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. The Organization capitalizes all expenditures for property and equipment in excess of $10,000. Repairs and maintenance of property and equipment are charged to expenses as incurred; major renewals and betterments are capitalized. Depreciation of the Organization’s assets is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	7 to 40 years
Furniture, equipment and vehicles	5 to 7 years

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Held for Sale

Property held for sale consists of lots that were previously donated to HFHECT and the Organization has determined that building on the sites would not be cost effective. Land held for sale is valued at the lower of carrying cost or anticipated sales price, with an impairment loss recorded for the difference. Impairment losses of $0 and $1,530, respectively, were recognized on property held for sale at June 30, 2025 and 2024.

Property Held for Development

Property held for development consists of land, buildings and improvements to be utilized as homes for future HFHECT homeowners. Costs incurred to improve land are capitalized when incurred. The total allocated cost of each lot is charged to construction in progress upon commencement of construction activities. HFHECT reviews property held for development for impairment during each reporting period on a property-by-property basis. Accounting principles generally accepted in the United States of America require that if the undiscounted cash flows expected to be generated by an asset are less than its carrying amount, an impairment charge should be recorded to write down the carrying amount of such asset to its fair market value. There were no impairment losses recorded related to Property Held for Development for the years ended June 30, 2025 and 2024.

Recognition of Support and Revenue

Grants and Contracts – Grants and contracts are generally considered to be exchange transactions in which the grantor or contractor requires the performance of specified activities.

Entitlement to cost reimbursement grants and contracts is conditioned on the expenditure of funds in accordance with grant restrictions and, therefore, support is recognized to the extent of grant expenditures. Entitlement to performance-based grants and contracts are conditioned to the attainment of specific performance goals and, therefore, support is recognized to the extent of performance achieved. Grant and contract receipts in excess of support recognized are presented as deferred revenue.

Contributions – Contributions are defined as voluntary, non-reciprocal transfers.

Contributions that are unconditional and without restrictions are recognized as support when received or pledged, if applicable. Contributions and grants that are restricted by the contributor or grantor are reported as increases in net assets with donor restrictions. Expirations of net assets with donor restrictions (i.e., the donor- stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Conditional promises to give are not recognized as support until the conditions have been substantially met.

Contributed Assets – Donated assets (including the usage of assets such as rent) are recognized at their estimated fair market value.

Habitat for Humanity of Eastern Connecticut, Inc. reports gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long-lived assets must be maintained, Habitat for Humanity of Eastern Connecticut, Inc. reports expirations of donor restrictions in full when the donated or acquired long-lived assets are placed in service.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Services – Habitat for Humanity of Eastern Connecticut, Inc. recognizes donated services if they create or enhance non-financial assets or require specialized skills and would typically be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition in the financial statements.

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.

Revenue Types

Transfers to Homeowners

Homes are sold to buyers that meet HFHECT's qualification guidelines. The Organization 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 Income

HFHECT sells donated goods through its two ReStore locations in Plainfield and Waterford, Connecticut. ReStore sales are recognized as revenue at the time of the sale as this is the point in time the Organization has determined that their performance obligation is satisfied. Historically, sales returns have not been significant.

Leases

Effective July 1, 2022, the Organization's leases are recorded as lease right-of-use (ROU) assets and corresponding liabilities on the balance sheet, measured at the net present value of future lease payments. ROU assets represent the Organization's right to use an underlying asset for the lease term, while lease liabilities represent HFHECT's obligation to make lease payments arising from the lease. At inception, leases are classified as either operating or finance. Lease expense for operating lease payments is recognized on a straight-line basis over the non-cancelable lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that HFHECT will exercise that option.

The Organization discounts cash flows based on the rate implicit in the lease, however, when the rate is not determinable, rather than use the Organization's incremental borrowing rate, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

The Organization does not apply the recognition requirements to any lease with an original term of 12 months or less, for which the Organization is not likely to exercise a renewal option or purchase the asset at the end of the lease term; rather short-term leases are recorded on a straight-line basis over the lease term.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Below Market Loans

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

Presentation of Sales Taxes

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

Advertising

Advertising costs are expensed as incurred and totaled $10,307 and $6,322 for the years ended June 30, 2025 and 2024, respectively. Advertising costs consist primarily of print media.

Subsequent Events

Management has evaluated subsequent events through May 15, 2026, the date which the financial statements were available for issue. Management is not aware of any events subsequent to the Statement of Financial Position date which require additional adjustments to, or disclosure in, the accompanying financial statements.

2. CONCENTRATION OF CREDIT RISK

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 account and believes it is not exposed to any significant credit risk on cash. At June 30, 2025 the uninsured cash balance amounted to approximately $107,657.

Mortgages Receivable

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

2. CONCENTRATION OF CREDIT RISK (Continued)

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:

Cash	$ 1,216,403
Contributions and other receivables	306,969
Current mortgage loans receivable	228,115
	$ 1,751,487

The Organization plans to have sufficient financial assets to meet obligations as they come due. All the donor restricted net assets at June 30, 2025 are expected to be spent by June 30, 2026. In addition to the financial assets available above, the Organization has access to a line of credit in the amount of $250,000 which was fully available at June 30, 2025

4. MORTGAGES RECEIVABLE

Mortgages receivable consist of sixty-one (61) non-interest-bearing loans at June 30, 2025, which are secured by real estate and payable in monthly installments over the life of the mortgage. The mortgage loans have original maturities ranging from 20 to 40 years and arose in conjunction with HFHECT's homebuilding initiatives in Eastern Connecticut.

Mortgage servicing is performed by third party servicers (Liberty Bank and Capital for Change).

The non-interest-bearing mortgages have been discounted at various rates ranging from 3.24% to 7.94% based on the Freddie Mac rate plus 0.5% at the inception of the mortgages. These original discounted amounts are reflected in the financial statements as *Mortgage discounts* on the Statement of Functional Expenses. The discounts are amortized using the straight-line method over the lives of the mortgages and the income is reflected in Statement of Activities. The net mortgage receivable balances are generally less than 50% of the home's fair market value. Therefore, HFHECT believes that losses resulting from nonpayment of mortgage notes receivable, given the collateral value, are not likely. Accordingly, management has not established an allowance for credit losses.

In addition to the non-interest-bearing mortgage received from the sale of each home, HFHECT issues a contingent second mortgage. The second mortgages represent the excess of the lesser of the appraised value of the home and the total development cost of the home over the original loan at the date the second mortgage is executed. Should the following triggering events occur prior to the maturity date of the first mortgage the second mortgage would become due: refinance the first mortgage, sell or transfer ownership, or default on the mortgage. Based on the Organization's past loan history, the second mortgage payoff is considered infrequent and remote by HFHECT, and therefore no receivable has been recorded in the financial statements.

During the year ended June 30, 2025, one homeowner sold their home and HFHECT received $18,000 under the second mortgages, which is included in Miscellaneous income in the Statement of Activities.

4. MORTGAGES RECEIVABLE (Continued)

Mortgages receivable at June 30, 2025 consisted of the following:

Due in less than one year	$ 228,115
Due in one to five years	859,063
Thereafter	3,783,642
	4,870,820
Less unamortized discount	2,408,724
	$ 2,462,096

5. CONSTRUCTION IN PROGRESS

Construction in progress represents the cumulative amounts expended to date on land, building and renovation costs and a representative amount for donated materials and land. Projects currently in progress at June 30, 2025 consisted of the following:

150 Palmer St, Norwich	$ 133,373
152 Palmer St, Norwich	118,444
702 New London Turnpike, Norwich	282,588
Lake of Isles – Lot B – 44 L2	219,669
26 Elijah St, Norwich	103,917
	$ 857,991

Construction in progress is valued at the lower of carrying cost or anticipated sales price, with an impairment loss recorded for the difference. Impairment losses of $0 and $42,000 were recognized on construction in progress at June 30, 2025 and 2024, respectively.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2025:

Land and Buildings, operations	$ -
Land held for lease	193,600
Equipment and vehicles	143,241
ReStore leasehold improvements	74,444
Furniture and fixtures	17,630
	428,915
Less accumulated depreciation	188,173
	$ 240,741

HFHECT reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There was no impairment loss recognized during the years ended June 30, 2025 and 2024.

7. LINE OF CREDIT

HFHECT has available a line of credit with Liberty Bank in the amount of $250,000 which is secured by substantially all the business assets of the Organization. Amounts outstanding under this arrangement bear interest at the Wall Street Journal's prime rate less 1% (7.5% at June 30, 2025). There was no outstanding balance under this line of credit as of June 30, 2025. This agreement remains in effect until Liberty Bank demands payment.

8. MORTGAGES AND NOTES PAYABLE

Long-term debt at June 30, 2025 consisted of the Following:

Dime Bank, four (4) notes payable due in monthly installments ranging from $479 to $725, including interest ranging from 4% to 4.25%, due on various dates through August 2041, secured by mortgage receivables	$ 298,578
Connecticut Housing Finance Authority, ten (10) non-interest-bearing notes payable due in monthly installments ranging from $208 to $415, due on various dates through February 2045, secured by mortgage receivables	229,444
Chelsea Bank, two (2) notes payable due in monthly installments of $490 to $612, including interest at 4.5%, due on various dates through November 2045, secured by mortgage receivables	149,466
GM Finance, note payable, due in monthly installments of $1,361, including interest at 1.9% until June 2026, secured by vehicle	16,147
	$ 693,636

Aggregate maturities required on long-term debt at June 30, 2025 are as follows:

Year Ending June 30,	
2026	$ 72,526
2027	56,634
2028	48,804
2029	51,903
2030	51,588
Thereafter	412,181
	$ 693,636

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of contributions restricted for future construction costs.

10. IN-KIND DONATIONS

In-kind donations are summarized as follows for the years ended June 30,

	2025	2024
Donated properties	$ 197,100	$ 205,300
Donated construction materials	12,110	14,295
Donated construction services	-	4,951
Donated legal services	-	5,260
	$ 209,210	$ 229,806

Volunteer hours, which have not been valued since they do not meet the criteria for recognition, were approximately as follows for the years ended June 30,

	2025	2024
Construction	3,020	6,600
ReStore	6,529	7,400
Administrative and committees	627	700
	$ 10,176	$ 14,700

11. RETIREMENT PLAN

HFHECT has adopted a 401(k) profit sharing plan. Employees must be at least 21 years of age and must be employed by the Organization for at least three months. Employee contributions are 100% matched up to 3% of their annual salary. HFHECT has the option of making an annual discretionary contribution. Matching contributions amounted to $18,928 and $16,083 for the years ended June 30, 2025 and 2024, respectively. No discretionary contributions were made for the years ended June 30, 2025 and 2024.

12. LAND LEASES

HFHECT sold both units of housing in a duplex during the year ended June 30, 2021, subject to land leases. The leases have a term on ninety-nine (99) years and the monthly lease payments are $30. During the years ended June 30, 2025 and 2024, the Organization sold an additional ten (11) homes subject to land leases with ninety-nine (99) year terms and monthly lease payments of $15. All land leases can be renewed by the homeowner for an additional 99 years. Under the terms of the ground lease agreements, HFHECT retains the right to the land and has the option to purchase any home on the site at the end of the ground lease term or at the time a current owner provides notice to sell at the lesser of the percentage of an appraised value or home purchase formula. For the years ended June 30, 2025 and 2024, $3,866 and $2,130, respectively, of lease revenue is included in Miscellaneous income in the accompany Statement of Activities.

13. RESTORE LEASES

HFHECT leases two spaces for the operation of its “ReStore” program to sell used donated building products in a retail environment.

HFHECT leases 10,000 square feet of space in Waterford, Connecticut. The initial term of the lease was for three years commencing February 1, 2013 and allowed for four options for additional terms of three years each, of which HFHECT has exercised all the options.

13. RESTORE LEASES (Continued)

The current lease term is February 1, 2025 to January 31, 2028 at an annual rent of $82,400.

HFHECT leased space for an additional store located in Plainfield, Connecticut for the Eastern Windham County ReStore. The initial term of the lease was for 3 years commencing October 1, 2013, with a minimum rent plus reimbursement for sewer, water and property taxes. The lease had four options for additional terms of three years each, of which HFHECT exercised the first two, which expired September 30, 2022. Annual minimum rent for the second three year option was $57,312. HFHECT did not exercise the next three year option and leased the facility on a month-to-month basis at $5,852 per month for the period October 1, 2022 until September 30, 2023 and $6,086 per month for the remainder of the year. HFHECT terminated the lease August 31, 2024 and moved the Eastern Windham County ReStore to a new location in Plainfield.

The new Plainfield lease, which commenced August 1, 2024 is for 6,000 square feet of space. The initial five year lease term requires annual rent of $48,000 for the first year and increases by 3% per year for the remaining 4 years. The lease has an option for an additional five year term with the rent to be negotiated at the time the option is exercised.

At June 30, 2025, minimum future payments under lease obligations existing at June 30, 2025, with a term in excess of one year, are as follows:

Year Ending June 30,	
2026	$ 119,155
2027	128,299
2028	101,282
2029	53,828
2030	4,708
	407,272
Less imputed interest	19,394
Present value of net minimum lease payments	387,878
Less current portion	113,481
	$ 274,397

Total lease expense under the capitalized operating lease arrangements was $125,233 and $80,400 for the years ended June 30, 2025 and 2024, respectively. Lease expense for the month-to-month lease was $0 and $72,331 for the years ended June 30, 2025 and 2024, respectively.

The weighted average remaining lease term is 4.33 years and the weighted average discount rate is 5%.

14. TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL

The Organization annually remits a portion of its unrestricted contributions (excluding in-kind contributions) to HFH. The remittance is known as Tithing. These funds are used exclusively 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. These contributions to HFHI for the years ended June 30, 2025 and 2024 amounted to $7,000 and $27,991, respectively.

15. CONTINGENCY

At times, HFHECT sells mortgages receivable to the Connecticut Housing Finance Authority (CHFA). The agreements underlying the sales of receivables contain provisions that in the event a loan is delinquent by ninety (90) days or more, CHFA can require Habitat to repurchase the delinquent mortgage at 70% of the then outstanding balance. The outstanding balance of mortgages receivable previously sold to CHFA is approximately $228,594 at June 30, 2025.

In addition, HFHECT guaranteed payment of a loan a homeowner has with a bank. The original amount of the loan was $50,000 and is secured by the property. The outstanding balance of the loan was approximately $5,396 at June 30, 2025.

16. GOVERNMENT GRANT

During the year ended June 30, 2022, the Organization was awarded a $1,200,000 American Rescue Plan pass through grant from the City of Norwich to construct or renovate homes located in Norwich using Habitat model. The funds are available through December 31, 2024. Subsequently, the City of Norwich reduced the award to $900,000, with a minimum of $360,000 to be used for the completion of homes in the Greenville project and the balance allocated to the rehabilitation of foreclosed homes located within the City of Norwich. During the years ended June 30, 2025 and 2024, $100,207 and $373,034, respectively, had been spent and $237,969 remains to be spent.