

HABITAT FOR HUMANITY OF
NORTHWEST CT, INC.

AUDITED FINANCIAL STATEMENTS
JUNE 30, 2020



SINNAMON & ASSOCIATES, LLC

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CERTIFIED PUBLIC ACCOUNTANTS

HABITAT FOR HUMANITY OF NORTHWEST CT, INC.

AUDITED FINANCIAL STATEMENTS

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For The Year Ending June 30, 2020

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Independent Auditor's Report

To the Board of Directors of
Habitat for Humanity of Northwest CT, Inc.

We have audited the accompanying financial statements statement of Habitat for Humanity of Northwest CT, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 include 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 financial statements.

We believe that the audit evidence 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 Northwest CT, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Sinnamon & Associates, LLC
Certified Public Accountants

Canaan, Connecticut
February 10, 2021

HABITAT FOR HUMANITY OF NORTHWEST CT, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2020

ASSETS

Cash	\$ 59,860
Mortgages, net of discounts	440,282
Other Receivables	2,913
Prepaid Expenses	2,725
Construction in progress	462,789
Land for future construction	472,430
Property and equipment, net	<u>8,013</u>

TOTAL ASSETS 1,449,012

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable & accrued expenses 12,032

Total Liabilities 12,032

Net Assets

Without Donor Restrictions 1,436,980
With Donor Restrictions -

Total Net Assets 1,436,980

TOTAL LIABILITIES AND NET ASSETS \$ 1,449,012

The Notes To The Financial The Notes To The Financial Statements Are An Integral Part Of This Statement
See The Accompanying Independent Accountant's Review Report

HABITAT FOR HUMANITY OF NORTHWEST CT, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ending June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenues, Gains and Other Support</u>			
Donations	\$ 51,702	\$ -	\$ 51,702
Sales habitat store, net	38,599	-	38,599
Special events, net	56,958	-	56,958
Mortgage discount amortization	30,466	-	30,466
Property Sale	(10,100)	-	(10,100)
PPP loan forgiveness	7,783	-	7,783
Interest income	21	-	21
Net assets released from restrictions	-	-	-
	<u>175,429</u>	<u>-</u>	<u>175,429</u>
<u>Total Revenues, Gains and Other Support</u>			
<u>Expenses</u>			
Program Expenses	61,816	-	61,816
Management and General	6,388	-	6,388
Fundraising Expenses	8,923	-	8,923
	<u>77,127</u>	<u>-</u>	<u>77,127</u>
<u>Total expenses</u>			
<u>Increase in Unrestricted Net Assets</u>	98,302	-	98,302
<u>Net Assets At Beginning of Year</u>	<u>1,338,678</u>	<u>-</u>	<u>1,338,678</u>
<u>Net Assets At End of Year</u>	<u>\$ 1,436,980</u>	<u>\$ -</u>	<u>\$ 1,436,980</u>

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HABITAT FOR HUMANITY OF NORTHWEST CT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Programs</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
<u>Expenses and Losses:</u>				
Salaries and wages	\$ 33,995	\$ -	\$ -	\$ 33,995
Payroll taxes	3,216	-	-	3,216
Professional Services	1,267	1,875	-	3,142
Tithing to Affiliates	10,470	-	-	10,470
Depreciation	1,780	-	-	1,780
Insurance	2,555	4,513	-	7,068
Fund Raising Expenses	-	-	8,923	8,923
Repair Projects	658	-	-	658
Telephone	1,472	-	-	1,472
Dues	1,650	-	-	1,650
Office Expenses	2,314	-	-	2,314
Miscellaneous	2,439	-	-	2,439
<u>Total Expenses and Losses</u>	<u>\$ 61,816</u>	<u>\$ 6,388</u>	<u>\$ 8,923</u>	<u>\$ 77,127</u>

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HABITAT FOR HUMANITY OF NORTHWEST CT, INC.

STATEMENT OF CASH FLOWS

For the Year Ending June 30, 2020

Cash Flows From Operating Activities:

Change in Net Assets	98,302
Adjustments To Reconcile Change In Net Assets	
To Net Cash Provided By Operating Activities:	
Depreciation	1,780
Amortization of mortgage discounts	(30,466)
(Increase) Decrease in escrow & other receivables	(2,134)
(Increase) Decrease in prepaid expenses	622
(Increase) Decrease in construction in progress	(113,499)
Increase (Decrease) in accounts payable & accrued expenses	<u>(17,138)</u>

Net Cash Provided By Operating Activities (62,533)

Cash Flows From Investing Activities:

Payments received on mortgages	52,377
Decrease in property for future construction	<u>10,629</u>

Net Cash Used in Investing Activities 63,006

Net Increase in Cash and Cash Equivalents 473

Cash and Cash Equivalents at Beginning of Year 59,387

Cash and Cash Equivalents at End of Year 59,860

Supplemental Information:

Cash Paid for Interest	-
Cash paid for Income Taxes	-

Supplemental Disclosure of Non-Cash Activities:

Issuance of non-interest bearing mortgage loans	-
Discount on newly issued non-interest bearing mortgage loans	-

The Notes To The Financial The Notes To The Financial Statements Are An Integral Part Of This Statement
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HABITAT FOR HUMANITY OF NORTHWEST CT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Habitat for Humanity of Northwest CT, Inc. is a non-profit organization whose purpose is to construct and rehabilitate homes for needy individuals and families in northwest Connecticut.

Basis of Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board codification of accounting standards section 958, including ASU 2016-14, which has been adopted for the year ended June 30, 2020. Among other provisions, the statement reduces the number of classes of net assets from three to two, requires the presentation of expenses in both natural and functional classifications and requires information regarding an entity's liquidity. Under these standards, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and assets with donor restrictions.

Contributions and Promises to Give

Contributions are defined as voluntary, nonreciprocal transfers. Grants from various Organizations for specific programs are treated as contributions for accounting and reporting purposes. Contributions are recognized when a donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire or are met in the fiscal year in which the contributions are recognized. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Sales to Homeowners

Sales to homeowners represent the sale of houses built by Habitat. The resulting mortgages are non-interest bearing and have been discounted based upon prevailing market rates at the inception of the mortgages. The sales to homeowners are presented in the statement of activities net of this discount. Habitat recognizes the income from the sales to homeowners on the completed contract method.

HABITAT FOR HUMANITY OF NORTHWEST CT, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Donated Assets

Donated assets are recognized at their estimated fair market value. The Organization reports gifts of land, buildings, equipment and other assets as unrestricted support unless donor stipulations specify how the donated assets must be used. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Donated Goods and Services

Donated materials and services, if of a material amount, are reflected in the accompanying statements at their fair market value at date of receipt. Contributed services are recognized if the services create or enhance nonfinancial assets or require specialized skills. During the year, the value of contributed services meeting the criteria for recognition in the financial statements was not material and has not been recorded. However, many individuals volunteer their time and talents and perform a variety of tasks that assist the Organization in its overall purpose.

Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, accrual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Short-term liquid investments held as part of the endowment accounts are excluded from this definition.

Functional Expenses

The costs of providing various programs and activities have been presented on a functional basis in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

HABITAT FOR HUMANITY OF NORTHWEST CT, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Construction in Progress

Construction in progress represents those houses which are currently under construction. Purchased materials for the construction of these houses are recorded at cost. Donated materials, labor and land if applicable, are recorded at their fair market value. Overhead and administration expenses of Habitat's home construction are included in overall program expenses of Habitat.

Property and Equipment

Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that are restricted by donors to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long these donated assets must be maintained, Habitat reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Habitat reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is provided over the estimated useful lives of the assets ranging from five to forty years using the straight-line methods. Expenditures for maintenance and repairs are charged to expense as incurred.

Income Taxes

The Organization is generally exempt from income tax, under section 501 (c) (3) of the Internal Revenue Code, on income from activities related to the pursuit of its exempt purposes. 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 under Section 509 (a) (2).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken for any uncertain tax positions taken. Management has concluded that there are no uncertain tax positions taken that would require recognition of a liability or asset, or disclosure in the financial statements.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and Equipment consists of the following as of June 30, 2020

Equipment	\$	8,978
Vehicles		12,463
		<u>21,441</u>
Less: Accumulated Depreciation		13,428
	\$	<u><u>8,013</u></u>

Depreciation expense for the year was \$1,780

HABITAT FOR HUMANITY OF NORTHWEST CT, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 3 – MORTGAGES RECEIVABLE

Mortgages receivable consist of noninterest bearing mortgages, which are secured by real estate and payable in monthly installments. Most of the mortgages have an original maturity of 20 – 35 years. These mortgages have been discounted at various rates based on the prevailing market rates at the inception of the mortgage. Interest income (amortization of the discount) is recorded using the effective interest rate method over the lives of the mortgages. Mortgages receivable at June 30, 2020 are as follows:

Mortgages receivable at face value	\$	1,117,191
Less Unamortized discounts		676,909
	\$	<u>440,282</u>

Future collection on these mortgages will be received over the next five years as follows:

2021	\$	50,029
2022		50,029
2023		50,029
2024		50,029
2025		50,029
Thereafter		867,046
	\$	<u>1,117,191</u>

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Trust uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Trust measures fair values using Level 1 inputs because they generally provide the most reliable evidence of fair value.

HABITAT FOR HUMANITY OF NORTHWEST CT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Fair Value Measurements at Reporting Date Using:

	<u>Fair Value</u>	<u>Quoted Net Asset Values of Shares Held (Level 1)</u>
Cash	\$ 59,860	\$ 59,860
	<u>\$ 59,860</u>	<u>\$ 59,860</u>

NOTE 5 – LEASES

The organization amended its lease agreement for space utilized by the Habitat Store beginning on a month to month basis. The lease calls for monthly rental payments of \$4,043 per month. Rent expense for the year ended June 30, 2020 was \$48,516.

NOTE 6 – FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2020, financial assets available within one year for general expenditures, were as follows:

Financial Assets at Year End	
Cash and Cash Equivalents	\$ 59,860
Prepaid Expenses	<u>2,725</u>
Total Financial Assets	<u>62,585</u>
Less amounts not available to be used	
Assets with restrictions - time and purpose	<u>-</u>
Total Not Available	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 62,585</u>

As part of its liquidity management, the Organization evaluates its liquidity requirements throughout the year, taking into consideration operating expectations and capital plans. Financial assets are structured to be available as general expenditures, liabilities and other obligations become due.

NOTE 7 – NET ASSET CATEGORIES

To ensure observance of limitations and restrictions placed on the use of resources available to the Organization, the accounts of the Organization are maintained in the following net asset categories:

HABITAT FOR HUMANITY OF NORTHWEST CT, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions. These funds are available for general operating purposes and/or to use at the discretion of the Board of Directors. From time to time the Board may designate a portion of these net assets for specific purposes which makes them unavailable for general use by Management.

Net Assets With Donor Restrictions

Net assets subject to donor, or certain grantor, imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purposes for which the resource was restricted has been fulfilled, or both.

NOTE 8 – SUBSEQUENT EVENTS

The Organization adheres to ASC Topic 855, Subsequent Events. ASC Topic 855 requires disclosure of the date through which subsequent events have been evaluated, and whether that date is the date that the financial statements were issued or available to be issued. Management has evaluated subsequent events for potential recognition and disclosure through February 10, 2021, the date the financial statements were available to be issued. Management is not aware of any events subsequent to the statement of financial position date which would require additional adjustment to, or disclosure in, the accompanying financial statements.

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company's financial condition, liquidity and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity for fiscal year 2020.

On March 27, 2020 the Coronavirus Aid, relief and Economic Securities Act (the CARES Act) was signed into law. The CARES act, among other provisions, appropriated funds for the Small Business Administration Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment. To date the Organization received \$7,783 as a PPP loans. The was forgiven in full on October 30, 2020.