

Habitat for Humanity of Dane County, Inc.

Financial Report

June 30, 2018

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Habitat for Humanity of Dane County, Inc.
Madison, Wisconsin

We have audited the accompanying financial statements of Habitat for Humanity of Dane County, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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 includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

We did not observe the physical inventory (stated at \$233,823) as of June 30, 2017, as the organization's records did not contain physical counts of inventory. We were unable to obtain sufficient appropriate audit evidence about inventory quantities as of June 30, 2017. For the years ended June 30, 2018 and 2017, we were unable to obtain sufficient appropriate audit evidence about the amount of cost of goods sold (stated at \$1,608,895 and \$1,529,982, respectively) and in-kind contributions – ReStore (stated at \$1,524,686 and \$1,529,216, respectively).

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Dane County, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of revenue and expenses by funding source (shown on page 25) is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of City of Madison Community Development Division funds expended by program (shown on page 26) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects on the schedule of revenue and expenses by funding source of the qualified opinion on the financial statements as described above in the Qualified Opinion paragraph, the information is fairly stated in all material respects in relation to the financial statements as a whole.

SVA Certified Public Accountants, S.C.

Madison, Wisconsin

October 26, 2018

HABITAT FOR HUMANITY OF DANE COUNTY, INC.
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
General balance	\$ 672,329	\$ 275,795
Escrow deposits	407,831	378,212
	1,080,160	654,007
Unconditional promises to give	290,064	353,652
Accounts receivable	101,009	49,087
Inventories	159,837	233,823
Prepaid expenses	16,895	13,835
Deposits	0	14,200
Homes in progress	1,061,688	1,048,618
Mortgages receivable	870,163	822,032
	3,579,816	3,189,254
LONG-TERM ASSETS		
New markets tax credit - investment	1,200,000	0
Property and equipment, net	2,308,713	2,254,907
New markets tax credit - other asset/guaranty fee	86,777	0
New markets tax credit - restricted cash	397,488	0
Unconditional promises to give	226,863	281,106
Mortgages receivable	3,475,447	3,759,970
Land (developed and undeveloped)	2,064,584	1,314,316
Beneficial interest in assets held by MCF	538,759	498,536
	10,298,631	8,108,835
TOTAL ASSETS	\$ 13,878,447	\$ 11,298,089
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 216,117	\$ 213,353
Escrow deposits	407,413	378,069
Deferred revenue, new markets tax credit	84,361	0
Deferred revenue, Community Development Financial Institution grant	445,648	0
Deferred revenue, other	14,500	0
Accrued expenses	175,115	110,123
Grant payable	0	47,600
Current portion of notes payable	121,506	116,950
	1,464,660	866,095
LONG-TERM LIABILITIES		
Notes payable, net	2,644,080	1,115,321
TOTAL LIABILITIES	4,108,740	1,981,416
NET ASSETS		
Unrestricted	8,901,797	8,355,584
Temporarily restricted	558,067	665,246
Permanently restricted	309,843	295,843
	9,769,707	9,316,673
TOTAL LIABILITIES AND NET ASSETS	\$ 13,878,447	\$ 11,298,089

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

STATEMENTS OF ACTIVITIES
Years ended June 30, 2018 and 2017

	2018	2017
UNRESTRICTED NET ASSETS		
Public support, revenue and gains:		
Homebuilding:		
Revenue on sale of completed homes and lots	\$ 2,343,223	\$ 2,165,370
Mortgage discount amortization	466,350	302,146
Gain on sale of mortgages receivable	581,438	732,966
Gifts and donations	12,726	19,300
In-kind contributions	652,751	467,894
Program services	366,652	49,538
Total homebuilding	4,423,140	3,737,214
ReStore:		
ReStore sales less cost of goods sold of \$1,608,895 and \$1,529,982	163,646	128,054
Gifts and donations	310	1,041
In-kind contributions	1,524,686	1,529,216
Total ReStore	1,688,642	1,658,311
Contributions & other public support:		
Gifts and donations	631,069	733,633
In-kind contributions	0	10,684
Special events	81,605	48,410
Total contributions & other public support	712,674	792,727
Other income:		
Agency endowment return	8,591	12,108
Interest	3,557	1,119
Gain (loss) on sale of property and equipment	3,590	(763)
Miscellaneous income	59,619	29,174
Total other income	75,357	41,638
Total unrestricted public support, revenue and gains	6,899,813	6,229,890
Expenses:		
Program services:		
Homebuilding	4,630,279	4,751,806
ReStore	1,309,298	1,207,809
Total program services	5,939,577	5,959,615
Supporting services:		
Management and general	241,254	221,938
Fundraising	476,542	493,351
Total supporting services	717,796	715,289
Total expenses	6,657,373	6,674,904
Net assets released from restrictions	303,773	439,598
Change in unrestricted net assets	546,213	(5,416)

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

STATEMENTS OF ACTIVITIES (Continued)

Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	\$ 170,682	\$ 208,913
Net assets released from restrictions	(303,773)	(439,598)
Write-off of unconditional promises to give	(10,720)	0
Agency endowment return	<u>36,632</u>	<u>49,776</u>
Change in temporarily restricted net assets	(107,179)	(180,909)
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	<u>14,000</u>	<u>14,500</u>
Change in net assets	453,034	(171,825)
Net assets, beginning	<u>9,316,673</u>	<u>9,488,498</u>
Net assets, ending	<u><u>\$ 9,769,707</u></u>	<u><u>\$ 9,316,673</u></u>

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF DANE COUNTY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended June 30, 2018 and 2017

	Program services			Supporting services			Total expenses
	Homebuilding	ReStore	Total program services	Management and general	Fundraising	Total supporting services	
2018							
Expenses:							
Cost of sales	\$ 2,628,778	\$ 86,797	\$ 2,715,575	\$ 0	\$ 0	\$ 0	\$ 2,715,575
Mortgage discount expense	857,566	0	857,566	0	0	0	857,566
Personnel	777,474	688,478	1,465,952	192,882	311,616	504,498	1,970,450
Occupancy	95,068	333,208	428,276	5,773	15,756	21,529	449,805
Tools, equipment, and technology	52,949	64,943	117,892	3,161	23,158	26,319	144,211
Office expenses	14,005	22,037	36,042	1,994	7,256	9,250	45,292
Publicity	79	47,224	47,303	0	83,504	83,504	130,807
Tithe to Habitat for Humanity International, Inc.	41,200	0	41,200	0	0	0	41,200
Professional services	22,516	10,756	33,272	23,873	4,015	27,888	61,160
Volunteer and family	25,934	11,536	37,470	0	0	0	37,470
Travel	7,220	3,542	10,762	8,657	2,513	11,170	21,932
El Salvador trip expenses	16,882	0	16,882	0	0	0	16,882
Miscellaneous	31,920	40,777	72,697	4,914	28,724	33,638	106,335
Interest	58,688	0	58,688	0	0	0	58,688
Total expenses	\$ 4,630,279	\$ 1,309,298	\$ 5,939,577	\$ 241,254	\$ 476,542	\$ 717,796	\$ 6,657,373
2017							
Expenses:							
Cost of sales	\$ 2,762,586	\$ 56,636	\$ 2,819,222	\$ 0	\$ 0	\$ 0	\$ 2,819,222
Mortgage discount expense	934,223	0	934,223	0	0	0	934,223
Personnel	773,140	639,529	1,412,669	169,160	327,818	496,978	1,909,647
Occupancy	85,689	305,832	391,521	3,608	12,897	16,505	408,026
Tools, equipment, and technology	42,234	63,949	106,183	1,319	16,304	17,623	123,806
Office expenses	10,668	15,643	26,311	1,393	8,351	9,744	36,055
Publicity	6,638	60,209	66,847	0	74,599	74,599	141,446
Tithe to Habitat for Humanity International, Inc.	25,000	0	25,000	0	0	0	25,000
Professional services	14,423	11,696	26,119	28,944	14,560	43,504	69,623
Volunteer and family	25,523	11,312	36,835	0	0	0	36,835
Travel	10,725	4,131	14,856	5,381	4,318	9,699	24,555
El Salvador trip expenses	0	0	0	0	0	0	0
Miscellaneous	22,227	38,872	61,099	12,133	34,504	46,637	107,736
Interest	38,730	0	38,730	0	0	0	38,730
Total expenses	\$ 4,751,806	\$ 1,207,809	\$ 5,959,615	\$ 221,938	\$ 493,351	\$ 715,289	\$ 6,674,904

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

STATEMENTS OF CASH FLOWS
Years ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 453,034	\$ (171,825)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Write-off of unconditional promises to give	10,720	0
Depreciation	94,070	72,791
Amortization of debt issuance costs	653	0
Agency endowment return	(45,223)	(61,884)
Contributions restricted for permanent endowment	(14,000)	(14,500)
Amortization of discount on mortgages receivable	(466,350)	(302,146)
Discount on mortgages receivable	857,566	934,223
Foreclosures on mortgages receivable	0	21,313
Gain on sale of mortgages receivable	(581,438)	(732,966)
(Gain) loss on sale of property and equipment	(3,590)	763
Increase (decrease) in cash due to changes in:		
Unconditional promises to give	107,111	142,902
Accounts receivable	(51,922)	(34,386)
Inventories	73,986	6,507
Prepaid expenses	(3,060)	(64)
Deposits	14,200	29,820
Homes in progress	(1,518,456)	(936,130)
Land (developed and undeveloped)	(770,975)	(755,015)
New markets tax credit - other asset/guaranty fee	(86,777)	0
Accounts payable	2,764	(80,171)
Escrow deposits	29,344	27,312
Accrued expenses	64,992	(1,785)
Deferred revenue	544,509	0
Grant payable	(47,600)	47,600
Net cash used in operating activities	(1,336,442)	(1,807,641)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in new markets tax credit - restricted cash	(397,488)	0
Purchases of property and equipment	(315,447)	(965,404)
Proceeds from sale of property and equipment	3,590	0
Proceeds from sale of mortgages receivable	1,318,371	1,817,119
Collections on mortgages receivable	801,907	594,460
Investment in HFHI NMTC Leverage Lender 2018, LLC	(1,200,000)	0
Purchase of beneficial interest in assets held by MCF	(14,000)	(14,500)
Proceeds from beneficial interest in assets held by MCF	19,000	19,000
Net cash provided by investing activities	215,933	1,450,675
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for permanent endowment	14,000	14,500
Proceeds from notes payable	1,767,037	0
Principal payments on notes payable	(116,948)	(104,716)
Payment of debt issuance costs	(117,427)	0
Proceeds from line of credit	1,465,000	405,000
Payments on line of credit	(1,465,000)	(405,000)
Net cash provided by (used in) financing activities	1,546,662	(90,216)
Change in cash and cash equivalents	426,153	(447,182)
Cash and cash equivalents:		
Beginning	654,007	1,101,189
Ending	\$ 1,080,160	\$ 654,007

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

STATEMENTS OF CASH FLOWS (Continued)

Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
SUPPLEMENTAL DISCLOSURE(S) OF CASH FLOW INFORMATION		
Cash payments for interest	<u>\$ 58,035</u>	<u>\$ 38,730</u>
SUPPLEMENTAL SCHEDULE(S) OF NONCASH INVESTING AND FINANCING ACTIVITIES		
New mortgages issued	<u>\$ 1,693,664</u>	<u>\$ 1,656,651</u>
Transfer to completed homes from homes in progress	<u>\$ 1,693,664</u>	<u>\$ 1,656,651</u>
Transfer to homes in progress from land for development	<u>\$ 20,707</u>	<u>\$ 32,197</u>
Transfer to homes in progress from property and equipment	<u>\$ 167,571</u>	<u>\$ 0</u>
Purchase of property and equipment with proceeds from notes payable	<u>\$ 0</u>	<u>\$ 825,000</u>

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A -- Nature of business and significant accounting policies

Nature of business

Habitat for Humanity of Dane County, Inc. (the organization), a nonprofit corporation organized in 1987, is a local affiliate of Habitat for Humanity International, Inc. that was organized for religious, charitable, and educational purposes and works with economically disadvantaged people to help them create a better human habitat in which to live and work. The organization operates under a covenant agreement with Habitat for Humanity International, Inc.

The organization builds and remodels homes that are then sold at favorable terms to qualified families. The main recipients of these programs live in Dane County, Wisconsin.

The organization's primary sources of revenue are from sales of completed homes, gifts and donations, and sales from the ReStore. The ReStore sells low-cost materials to home remodelers and do-it-yourselfers while preventing usable materials from ending up in landfills. The profits from the ReStore are used to fund the construction of homes.

A summary of significant accounting policies follows:

Basis of accounting

The financial statements of the organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of presentation

Under accounting principles generally accepted in the United States of America (U.S. GAAP), the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

Temporarily restricted net assets have been limited by donor-imposed time restrictions or purpose restrictions.

Permanently restricted net assets have been restricted by donors to be maintained by the organization in perpetuity.

Use of estimates

The preparation of financial statements 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. Actual results could differ from those estimates.

Exempt status

The organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) as a public charity and not a private foundation. The organization is also exempt from Wisconsin income tax.

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A -- Nature of business and significant accounting policies (Continued)

Cash and cash equivalents

For purposes of reporting cash flows, the organization considers all investments purchased with a maturity of three months or less to be cash equivalents.

The organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Promises to give

Unconditional promises to give are recognized as support or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Accounts receivable

The organization considers all accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts has been developed. If amounts become uncollectible they will be charged to operations when that determination is made. Accounts receivable are not interest-bearing. A receivable is considered past due if payments have not been received by the organization after 30 days.

Inventories

Inventories consist of construction materials that were donated or purchased by the organization. Inventories are valued at the estimated selling price of the donation in the period received or cost of the purchased asset on the first-in, first-out (FIFO) method.

Homes in progress and land (developed and undeveloped)

Homes in progress and land (developed and undeveloped) are valued based on the lower accumulated direct costs of acquisition, construction, and renovation of uncompleted homes and land being prepared for sale (cost) or net realizable value.

Mortgages receivable

Mortgage notes receivable potentially subject the organization to a concentration of credit risk due to the relatively small geographic area it serves. The organization's credit risk is mitigated by mortgages that are collateralized by the related properties.

In furtherance of its charitable purpose, the organization sells the homes it constructs to qualified applicants for non-interest-bearing mortgage notes. The value of these notes is then discounted to give the organization credit for the value of interest not being charged to homeowners. The rate for discounting mortgages receivable is determined by Habitat for Humanity International, Inc. The discount is recognized by accreting interest using the interest method over the life of the mortgages. Because all mortgages are well collateralized and in the process of collection, no mortgage loans have stopped accretion of interest.

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A -- Nature of business and significant accounting policies (Continued)

The organization regularly reviews its portfolio of mortgage notes receivable and monitors the accounts for delinquencies. Homeowners whose mortgages are more than 30 days past due are considered to be in an early stage of default. During the period of delinquency, the organization contacts the homeowner using collection efforts and establishes a payment plan with the homeowner, if necessary. Thereafter, if forgoing collection efforts are not successful, the organization attempts to enter into a mutually agreed-upon deed-in-lieu of foreclosure with the homeowner. Homeowners whose mortgages are more than 120 days past due, who have not made satisfactory payment arrangements or reached a deed-in-lieu of foreclosure agreement with the organization are subject to foreclosure proceedings.

Based on current relationships with homeowners, the organization has concluded that realized losses on balances outstanding at year-end will be immaterial.

New markets tax credit – investment

The organization invests in a limited liability company with other Habitat for Humanity affiliates to take advantage of new markets tax credits. The investment is recorded on the equity method. See Note E.

Property and equipment

Property and equipment is stated at cost if purchased or fair value on date of receipt if received as a gift or bequest, less accumulated depreciation. Depreciation of property and equipment is computed by the straight-line method based on the following estimated useful lives. Leasehold improvements are amortized using the straight-line method over the initial term of the lease. Amortization expense is included in depreciation expense.

	<u>Years</u>
Buildings	20 - 40
Improvements	3 - 20
Leasehold improvements	3 - 20
Equipment	3 - 7
Vehicles	4 - 5

Maintenance and repairs of property and equipment are charged to operations, and major improvements are capitalized. Upon retirement, sale or other disposition of equipment, the cost and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

Depreciation expense totaled \$94,070 and \$72,791 for the years ended June 30, 2018 and 2017, respectively.

Capitalization policy

The organization's policy is to capitalize property and equipment with a unit cost in excess of \$2,000 and a useful life of more than one year.

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A -- Nature of business and significant accounting policies (Continued)

Impairment of long-lived assets

The organization reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

New markets tax credit – restricted cash

Restricted cash represents cash received as a result of the new market tax credit (NMTC) transactions and will be used to pay future program expenses.

Deferred revenue, new markets tax credit

The organization recognizes deferred revenue associated with the NMTC transactions as revenue over the seven year NMTC term.

Deferred revenue, Community Development Financial Institution (CDFI)

Deferred revenue, CDFI represents the portion of the grant that can be recognized as revenue in future years on a pro rata basis based on the percentage of mortgages issued over the expected mortgages to be issued as disclosed in the grant agreement.

Debt issuance costs

In April 2018, the organization incurred closing costs and structuring fees related to the NMTC financing (see Note N). Debt issuance costs totaled \$117,427 and are being amortized on the straight-line method over 360 months, the life of the loan. The use of the straight-line method rather than the effective interest method has no material effect on the financial statements. Amortized costs included in interest expense totaled \$653 and \$0 for the years ended June 30, 2018 and 2017, respectively.

Revenue recognition

Revenue from the sale of completed homes and lots is recognized upon the closing of the sale of the property. ReStore sales are recorded as revenue at the time of the sale. Other revenue is recognized when earned by the organization.

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished, such as the payment of expenses related to the restriction), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the organization reports the support as unrestricted.

Interest, dividends, gains and losses on investments are reported as an increase or decrease in unrestricted net assets unless explicitly restricted by donors.

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A -- Nature of business and significant accounting policies (Continued)

Donated services and materials

Donated services that create or enhance non-financial assets or that require specialized skill, are performed by people with those skills, and would otherwise be purchased, are recognized as contributions at their estimated fair value in the period received. The organization received 26,242 and 23,960 hours of donated services from volunteers who assisted in the construction of homes during the years ended June 30, 2018 and 2017, respectively. Management estimates the value of these services to be \$393,630 and \$359,400 for the years ended June 30, 2018 and 2017, respectively. The organization received donated professional services of \$5,606 and \$22,405 for the years ended June 30, 2018 and 2017, respectively. Donated materials are recorded at their estimated fair value in the period received and totaled \$253,515 and \$96,773 for the years ended June 30, 2018 and 2017, respectively.

Sales tax

The State of Wisconsin and Dane County impose a combined sales tax of 5.5% on the organization's sales to nonexempt customers. The organization collects that sales tax from customers and remits the entire amount to the State. The organization's accounting policy is to exclude the tax collected and remitted to the State from revenue and expenses.

Expense allocation

The costs of providing program services and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs of direct benefits to donors is not material and is included with the fundraising expenses.

Program services

The organization's significant program services consist of the following:

Housing

Since its founding in 1987, the organization has built and then sold homes to working, low-income individuals and families. The organization also assists other city and county agencies to provide low-income housing and remodeling assistance.

ReStore

The ReStore accepts donations of new and saleable, used building materials such as cabinets, lighting and plumbing fixtures, doors, lumber, flooring, and windows, most of which would otherwise be placed in a landfill. Some materials are used to build houses and the remainder are sold to the public at 50-75% off the retail price.

Advertising

All advertising costs are expensed the first time the advertising takes place. Advertising expense totaled \$46,564 and \$59,216 for the years ended June 30, 2018 and 2017, respectively.

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE A -- Nature of business and significant accounting policies (Continued)

Accounting standards updates

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* that introduced a comprehensive, principles-based framework for recognizing revenue. The guidance is intended to provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices and improve disclosure requirements. In August 2015, the FASB issued a deferral of this new guidance and, as such, the new guidance is effective for the organization for the fiscal year ending June 30, 2020. The organization is currently evaluating the effects of this new standard and has not determined the impact on its financial statements at this time.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities*, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about liquidity and availability of resources, expenses and investment return, and cash flows. ASU No. 2016-14 is effective for annual reporting periods beginning after December 15, 2017, and shall be applied retrospectively. The new guidance is effective for the organization for the fiscal year ending June 30, 2019.

Subsequent events

These financial statements have not been updated for subsequent events occurring after October 26, 2018, which is the date these financial statements were available to be issued. The organization has no responsibility to update these financial statements for events and circumstances occurring after this date.

NOTE B -- Unconditional promises to give

Unconditional promises to give at June 30 consisted of the following:

	<u>2018</u>	<u>2017</u>
Unconditional promises to give	\$ 516,927	\$ 634,758
Less unconditional promises to give in one to five years	<u>226,863</u>	<u>281,106</u>
Unconditional promises to give in less than one year	<u>\$ 290,064</u>	<u>\$ 353,652</u>

Unconditional promises to give in less than one year are measured at net realizable value which approximates fair value.

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE C -- Mortgages receivable

Mortgages receivable represent amounts due from the purchasers of houses constructed or renovated by the organization. All mortgages are noninterest bearing and are collateralized by real estate. Terms of the mortgages range from 7 to 49 years, with various monthly payment amounts. The average mortgage is approximately 22 years. The contracts also contain a provision that if the house is sold, the deferred profit (appraised value at time of sale to homeowner less initial purchase price) will be due and payable to the organization.

Mortgages receivable as of June 30 consisted of the following:

	<u>2018</u>	<u>2017</u>
Mortgages receivable	\$ 8,254,231	\$ 8,994,643
Discount to current value	<u>(3,908,621)</u>	<u>(4,412,641)</u>
Mortgage receivable, net	4,345,610	4,582,002
Current portion of mortgages receivable	<u>(870,163)</u>	<u>(822,032)</u>
Long term portion of mortgages receivable	<u>\$ 3,475,447</u>	<u>\$ 3,759,970</u>

Mortgage receivable are discounted at a rate of 8% for mortgages initiated before fiscal year 2012 and at a rate of 7.39%, 7.58%, 7.51%, 7.48%, 7.46% and 7.57% for mortgages initiated in fiscal years 2013, 2014, 2015, 2016, 2017 and 2018, respectively. The discount is recognized by the interest method over the life of the mortgages. Mortgages receivable aging as of June 30 was as follows:

	<u>2018</u>	<u>2017</u>
Less than 60 days past due	\$ 4,163,088	\$ 4,449,388
60 days past due	82,557	29,378
90 days past due	35,145	0
More than 90 days past due	<u>64,820</u>	<u>103,236</u>
	<u>\$ 4,345,610</u>	<u>\$ 4,582,002</u>

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE D -- Silent mortgages

The organization holds silent mortgages recorded against properties. A silent mortgage is a mortgage held on a property in a junior position to the primary mortgage. The amount of the silent mortgage is the difference between the appraised value at closing and the first mortgage plus any other funds applied to the sale. These mortgages do not earn interest and have no value unless there is a triggering event, such as the sale or other transfer of title, default under the first mortgage, or refinancing of the first mortgage by a third-party lender or full payment or refinance of the first mortgage. These mortgages are used primarily to protect against predatory lenders and prevent “flipping” a property for short-term gain. Accordingly, since these silent mortgages have no value unless or until a homeowner fails to comply with the covenants and restrictions of the terms of the home sale, the organization does not record the mortgages. The amount of the silent mortgages held by the organization as of June 30, 2018 and 2017, was \$5,614,357 and \$5,610,775, respectively. Included in revenue on sale of completed homes and lots in the statements of activities was a loss from silent mortgages issued of \$165,551 and \$360,649 for the years ended June 30, 2018 and 2017, respectively. Included in revenue on sale of completed homes and lots in the statements of activities was revenue from silent mortgages repaid totaling \$187,274 and \$148,019 for the years ended June 30, 2018 and 2017, respectively.

NOTE E -- New markets tax credit - investment

The organization, along with other Habitat affiliates, is participating in an investment to take advantage of NMTC financing. The NMTC program permits corporate and individual taxpayers to receive a credit against federal income taxes for making qualified equity investments in qualified community development entities (CDE).

In April 2018, the organization invested \$1,200,000 in HFHI NMTC Leverage Lender 2018, LLC consisting of cash and qualified investment properties. This investment represents a 20.4% ownership. HFHI NMTC Leverage Lender 2018, LLC contributed its combined resources to Twain Investment Fund 306, LLC (Investment Fund) which received additional investment from U.S. Bancorp Community Development Corporation (Bank) as the federal tax credit investor under the NMTC program.

As part of the NMTC program, the Investment Fund invested in HFHI NMTC Sub-CDE III, LLC, a qualified CDE. The CDE is the conduit for accomplishing the NMTC program specifics of constructing and selling qualified housing properties to low income residents. Under the CDE, the organization secured a 30-year loan in the amount of \$1,767,037 to be used solely in accordance with the NMTC program compliance requirements. The loan requires semi-annual interest-only payments for years one through seven at a rate of .679239%. Beginning in year eight through year thirty, the principal balance of the loan is reduced by a twenty-three year amortization at the same rate. The Investment Fund may be subject to tax credit recapture if the NMTC program compliance requirements are not met over the seven year period.

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE E -- New markets tax credit – investment (Continued)

The ultimate holder of the above loan from the CDE to the organization is the Bank through its participation in the Investment Fund. The Bank is expected to waive the payment of the debt so as to participate in the NMTC program via exercising its put option agreement. Under the terms of the put option agreement, HFHI NMTC Leverage Lender 2018, LLC is expected to purchase the ownership interest of the Bank in the Investment Fund. Exercise of the option will effectively allow the organization to extinguish its outstanding debt owed to the Bank.

NOTE F -- Property and equipment, net

Property and equipment, net is comprised of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 864,882	\$ 916,613
Buildings	1,028,720	1,211,192
Improvements	581,271	299,636
Leasehold improvements	51,691	53,161
Vehicles	41,469	53,769
Equipment	<u>198,262</u>	<u>213,931</u>
	2,766,295	2,748,302
Less accumulated depreciation	<u>457,582</u>	<u>493,395</u>
	<u>\$ 2,308,713</u>	<u>\$ 2,254,907</u>

NOTE G -- Agency endowment

The organization has established an agency endowment at the Madison Community Foundation (MCF). The organization recognizes the fair value of contributions to the agency endowment as support when received. When the organization transfers the agency endowment funds to MCF, it recognizes the transfer as a decrease in cash and the balances are presented in the statements of financial position as an increase to beneficial interest in assets held by MCF.

Under the provisions of MCF's governing instruments and applicable regulations, the Board of Governors of MCF (the Board) have the power to modify any restriction or condition on, or direction as to, the timing, manner, or character of distributions for any specified charitable purposes or foundations if, in the judgment of the Board, such direction restrictions or conditions become, in effect, unnecessary, incapable of fulfillment, or inconsistent with any distribution policy adopted by MCF or with the charitable needs of the greater Madison community.

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE H -- Fair value disclosure

The fair value measurement for the categories of assets that are measured at fair value on a recurring basis are as follows:

		Fair value measurement using		
	6/30/2018	Quoted prices in active markets for identical inputs (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
<u>Assets</u>				
Long-term unconditional promises to give ¹	\$ 226,863	\$ 0	\$ 226,863	\$ 0
Beneficial interest in assets held by MCF ²	\$ 538,759	\$ 0	\$ 0	\$ 538,759

		Fair value measurement using		
	6/30/2017	Quoted prices in active markets for identical inputs (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
<u>Assets</u>				
Long-term unconditional promises to give ¹	\$ 281,106	\$ 0	\$ 281,106	\$ 0
Beneficial interest in assets held by MCF ²	\$ 498,536	\$ 0	\$ 0	\$ 498,536

1. The long term portion of unconditional promises to give is derived from the net present value of the receivables more than one year with the consideration of the discount rate.
2. The organization's beneficial interest in assets held by MCF represents an agreement between the organization and MCF in which the organization transfers assets to MCF in exchange for future distributions. The beneficial interest is not actively traded and significant other observable inputs are not available. Thus, the fair value of the beneficial interest is measured at proportional share of the underlying assets as reported to the organization by MCF. Little information about those assets is released publicly. The estimated value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE H -- Fair value disclosure (Continued)

The following table represents the change in the organization's beneficial interest in assets held by MCF as of June 30:

	<u>2018</u>	<u>2017</u>
Balance, beginning	\$ 498,536	\$ 441,152
Change in value of beneficial interest included in change in net assets	45,223	61,884
Distributions	(19,000)	(19,000)
Permanently restricted contributions	<u>14,000</u>	<u>14,500</u>
Balance, ending	<u>\$ 538,759</u>	<u>\$ 498,536</u>

The change in value of beneficial interest included in change in net assets is reported as agency endowment return on the statements of activities.

NOTE I -- Endowment

The organization's endowment is held by MCF and shall be held as long as MCF or the organization is in existence. The endowment includes both donor-restricted funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including the investment return, are classified and reported based on the existence or absence of donor-imposed restrictions.

The organization has interpreted Wisconsin's enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. However, the organization has notified its donors that they reserve the right to make a distribution from their funds even if the value of the fund drops below the amount of the initial gift. In accordance with Wisconsin's enacted version of UPMIFA, the organization expects it will need to consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the organization, and (7) organization's investment policies.

The organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the original investment of the endowment. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, as approved by the board of directors, all endowment assets are invested in a manner that is intended to produce returns to fund the sustainability of the organization's work while assuming a moderate level of investment risk.

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE I -- Endowment (Continued)

Change in endowment net asset activity by type is as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets - June 30, 2016	\$ 86,314	\$ 73,495	\$ 281,343	\$ 441,152
Contributions	0	0	14,500	14,500
Distributions	(3,717)	(15,283)	0	(19,000)
Interest and dividends	2,386	9,806	0	12,192
Investment fees	(1,033)	(4,244)	0	(5,277)
Net appreciation	10,755	44,214	0	54,969
Endowment net assets - June 30, 2017	94,705	107,988	295,843	498,536
Contributions	0	0	14,000	14,000
Distributions	(3,609)	(15,391)	0	(19,000)
Interest and dividends	3,220	13,730	0	16,950
Investment fees	(1,133)	(4,830)	0	(5,963)
Net appreciation	6,504	27,732	0	34,236
Endowment net assets - June 30, 2018	\$ 99,687	\$ 129,229	\$ 309,843	\$ 538,759

Endowment net asset composition by type is as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	2018 Total
Donor-restricted endowment funds	\$ 0	\$ 129,229	\$ 309,843	\$ 439,072
Board-designated endowment funds	99,687	0	0	99,687
Total funds	\$ 99,687	\$ 129,229	\$ 309,843	\$ 538,759
	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total
Donor-restricted endowment funds	\$ 0	\$ 107,988	\$ 295,843	\$ 403,831
Board-designated endowment funds	94,705	0	0	94,705
Total funds	\$ 94,705	\$ 107,988	\$ 295,843	\$ 498,536

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE J -- Retirement plan

The organization has a SIMPLE IRA retirement plan that covers substantially all employees with at least one month of service. Pension expense totaled \$17,602 and \$16,961 for the years ended June 30, 2018 and 2017, respectively.

NOTE K -- Line of credit

On August 6, 2014, the organization opened a \$1,000,000 line of credit with a financial institution at a minimum rate of 3.25% (4% effective August 6, 2017) adjusted to the index rate of the "highest US Prime Rate published in the Wall Street Journal" minus .250 percentage points. The line of credit expired on August 6, 2017, and was subsequently renewed and due on November 6, 2018. The line of credit is collateralized by homeowner mortgages. There was no outstanding balance on the line of credit as of June 30, 2018 and 2017.

NOTE L -- Operating leases

The organization has operating leases for the ReStore West facility, a storage facility and two copiers with original terms varying from 2 to 12 years. The total monthly rent expense for these leases was \$15,571. Rent expense totaled \$183,016 and \$179,990 for the years ended June 30, 2018 and 2017, respectively.

Future minimum lease payments under these leases are as follows:

<u>Year ending June 30,</u>	
2019	\$ 187,376
2020	166,957
2021	164,688
2022	170,677
2023	<u>205,435</u>
	<u>\$ 895,133</u>

NOTE M -- Escrow deposits

The organization maintains separate bank accounts into which it deposits funds received from homeowners pursuant to their mortgages for the payment of real estate taxes, insurance, and homeowners' association fees. The organization uses the accounts for the payment of those charges as they come due. To ensure cash reserves are maintained to fund the escrow deposit liability, the organization's board of directors has required escrow deposits to be placed into separate bank accounts. The cash balance of this account is included in cash and cash equivalents on the statements of financial position.

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE N -- Notes payable, net

Notes payable, net consist of the following:

	2018	2017
Habitat for Humanity International, Inc.; recourse; monthly payments of \$697; non-interest bearing; due July 2021.	\$ 7,890	\$ 13,134
McFarland State Bank; nonrecourse; monthly payments of \$5,020, including interest at 3.99%; due November 30, 2021; secured by a general business security agreement; prepayment is permitted in whole or in part subject to a prepayment premium.	781,069	809,086
Summit Credit Union; nonrecourse; monthly payments of \$8,211, including interest at 3.99%; due February 2022; collateralized by mortgages receivable.	326,364	410,051
HFHI NMTC SUB-CDE III, LLC (see Note E); nonrecourse; semi-annual interest only payments until 2025 at .679239%; semi-annual payments of \$83,124, including interest at .679239%, are due starting November 5, 2025 through the maturity date of April 19, 2048; secured by a loan agreement, deposit account control agreement, deposit account pledge agreement, reserve account control agreement and reserve account pledge agreement; CDE has the option to waive the debt in April 2025 so as to participate in the NMTC program; prepayment is not permitted until after April 19, 2025 and then is permitted in whole or in part without penalty; unamortized debt issuance costs associated with this note was \$116,774 and \$0 as of June 30, 2018 and 2017, respectively; interest expense totaled \$2,400 and \$0 as of June 30, 2018 and 2017, respectively.	1,767,037	0
	2,882,360	1,232,271
Less unamortized debt issuance costs	116,774	0
Less current maturities	121,506	116,950
	\$ 2,644,080	\$ 1,115,321

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE N -- Notes payable, net (Continued)

Repayment of principal on notes payable as of June 30, 2018, is as follows:

Year ending June 30,

2019	\$	121,506
2020		123,547
2021		125,933
2022		744,337
2023		0
Thereafter		<u>1,767,037</u>
	\$	<u>2,882,360</u>

NOTE O -- Tithe to Habitat for Humanity International, Inc.

With respect for and in support of Habitat for Humanity International, Inc., the organization voluntarily remits a tithe of the undesignated public support it received in the prior year. These funds are used by the international organization for providing housing for the poor around the world. For the years ended June 30, 2018 and 2017, the amounts remitted totaled \$41,200 and \$25,000, respectively.

NOTE P -- Net assets

Temporarily restricted net assets

Temporarily restricted net assets include assets set aside in accordance with donor restrictions as to time or purpose. Temporarily restricted net assets are available for the following purposes or periods as of June 30:

	<u>2018</u>	<u>2017</u>
Subsequent years' operations	\$ 428,838	\$ 557,258
Time restriction on endowment earnings	<u>129,229</u>	<u>107,988</u>
	<u>\$ 558,067</u>	<u>\$ 665,246</u>

Permanently restricted net assets

Permanently restricted net assets include assets set aside in perpetuity in accordance with donor restrictions. Permanently restricted net assets consist of the endowment held by MCF.

HABITAT FOR HUMANITY OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE Q -- Mortgage sales

During fiscal year 2018, the organization sold 21 mortgages with outstanding balances of \$1,632,169 to three financial institutions. The mortgages are serviced by the organization and the outstanding balances were \$1,658,884 as of June 30, 2018.

During fiscal year 2017, the organization sold 31 mortgages with outstanding balances of \$2,089,144 to three financial institutions. The mortgages are serviced by the organization and the outstanding balances were \$1,825,707 and \$1,953,093 as of June 30, 2018 and 2017, respectively.

During fiscal year 2016, the organization sold 14 mortgages with outstanding balances of \$1,108,551 to two financial institutions. The mortgages are serviced by the organization and the outstanding balances were \$848,380 and \$989,124 as of June 30, 2018 and 2017, respectively.

During fiscal year 2014, the organization sold 13 mortgages with outstanding balances of \$711,722 to two financial institutions. The mortgages are serviced by the organization and the outstanding balances were \$496,596 and \$547,574 as of June 30, 2018 and 2017, respectively.

During the fiscal year 2012, the organization sold 13 mortgages with outstanding balances of \$587,793 to another financial institution. The mortgages are serviced by the organization and the outstanding balances were \$292,066 and \$339,152 as of June 30, 2018 and 2017, respectively.

During the fiscal year 2010, the organization sold 11 mortgages with an outstanding balance of \$524,009 to a financial institution. The mortgages are serviced by the organization and the outstanding balances were \$49,081 and \$66,055 as of June 30, 2018 and 2017, respectively.

NOTE R -- Letters of credit

As a requirement to develop the Renaissance on the Park and Vandenburg Heights, the organization was required by the City of Fitchburg and City of Sun Prairie, respectively, to obtain letters of credit to ensure completion of both developments.

For the Renaissance on the Park development, the organization established an Irrevocable Letter of Credit with a financial institution on June 21, 2016 for \$610,000 with a fixed interest rate of 8%. The organization cancelled the letter of credit on April 19, 2017, and obtained a new letter of credit on June 7, 2017 for \$98,000 which was reduced to \$16,800 on April 16, 2018. The letter of credit expires May 5, 2019, and is secured by mortgages receivable.

For the Vandenburg Heights development, the organization established an Irrevocable Letter of Credit with a financial institution on July 18, 2018 for \$198,077 with a fixed interest rate of 8%. The letter of credit expires July 18, 2019, and is secured by mortgages receivable.

SUPPLEMENTARY INFORMATION

HABITAT FOR HUMANITY OF DANE COUNTY, INC.
SCHEDULE OF REVENUE AND EXPENSES BY FUNDING SOURCE
Year ended June 30, 2018

	City of Madison CDD	Other	Total
PUBLIC SUPPORT, REVENUE AND GAINS			
Revenue on sale of completed homes and lots	\$ 0	\$ 2,343,223	\$ 2,343,223
ReStore sales less cost of goods sold of \$1,608,895	0	163,646	163,646
Mortgage discount amortization	0	466,350	466,350
Gain on sale of mortgages receivable	0	581,438	581,438
Program services	2,700	363,952	366,652
Agency endowment return	0	8,591	8,591
Gifts and donations	0	644,105	644,105
In-kind contributions	0	2,177,437	2,177,437
Special events	0	81,605	81,605
Interest	0	3,557	3,557
Gain (loss) on sale of property and equipment	0	3,590	3,590
Miscellaneous income	0	59,619	59,619
Total unrestricted public support, revenue and gains	2,700	6,897,113	6,899,813
Expenses:			
Program services:			
Homebuilding	2,700	4,627,579	4,630,279
ReStore	0	1,309,298	1,309,298
Total program services	2,700	5,936,877	5,939,577
Supporting services:			
Management and general	0	241,254	241,254
Fundraising	0	476,542	476,542
Total supporting services	0	717,796	717,796
Total expenses	2,700	6,654,673	6,657,373
Restricted contributions	0	184,682	184,682
Write-off of unconditional promises to give	0	(10,720)	(10,720)
Restricted agency endowment return	0	36,632	36,632
Excess revenue (expense)	\$ 0	\$ 453,034	\$ 453,034

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

SCHEDULE OF CITY OF MADISON DEVELOPMENT DIVISION FUNDS EXPENDED BY PROGRAM
Year ended June 30, 2018

CDD OFFICE FUNDS	
CDD Acquisition Funds	\$ 2,700
FUNDS EXPENDED	
Property developer costs	<u>2,700</u>
Excess	<u><u>\$ 0</u></u>

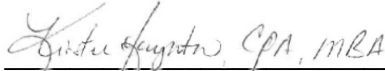
HABITAT FOR HUMANITY OF DANE COUNTY, INC.
 CITY OF MADISON COMMUNITY DEVELOPMENT DIVISION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended June 30, 2018

1. Was a Single Audit required?	No
What dollar threshold was used to distinguish between Type A and Type B programs as defined by the Single Audit?	N/A
2. Type of auditor's report issued?	Modified
3. Internal control over financial reporting: Were material weakness(s) identified?	No
Were significant deficiency(s) identified not considered to be material weaknesses?	None reported
Was noncompliance material to the financial statements noted?	No
4. Internal control over major programs: Were material weakness(s) identified?	N/A
Were significant deficiency(s) identified not considered to be material weaknesses?	N/A
5. Was the indirect cost allocation plan reasonable and acceptable per OMS A-122, or the Uniform Guidance?	N/A
6. Were the actual costs reasonable and allocated appropriately per OMS A-122, or the Uniform Guidance?	N/A
7. Were the costs allocated to the CD Division contracts based on costs incurred, and are they supported by records and documents?	Yes
8. Were any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	N/A
9. Does the audit include an identification of all federal revenue sources and dollar amounts by program?	N/A
10. Does the audit list any financial statement findings?	No
11. Does the audit list any federal and state award findings and questioned costs?	N/A
12. Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern?	No
13. Does the audit report identify any additional audit issues related to the Agency's CD Division grants/contracts?	No
14. Does the audit include the schedule of revenue and expenses by program and revenue source?	Yes
15. Does the audit include the schedule of CD Division funds expended by program?	Yes

HABITAT FOR HUMANITY OF DANE COUNTY, INC.
CITY OF MADISON COMMUNITY DEVELOPMENT DIVISION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year ended June 30, 2018

16. Does the audit include the schedule of real property assets and the debt recorded against each property? N/A
17. Was a management letter or other document conveying audit comments issued as a result of this audit? Yes

Name and signature of Partner in Charge:


Kirsten Houghton, CPA, MBA

Date of report

October 26, 2018