

# Habitat for Humanity of Dane County, Inc.

Financial Report

June 30, 2019

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## CONTENTS

---

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of financial position	3
Statements of activities	4
Statement of functional expenses - 2019	6
Statement of functional expenses - 2018	7
Statements of cash flows	8
Notes to financial statements	10
SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUE AND EXPENSES BY FUNDING SOURCE	28
SCHEDULE OF CITY OF MADISON COMMUNITY DEVELOPMENT DIVISION FUNDS EXPENDED BY PROGRAM	29
CITY OF MADISON COMMUNITY DEVELOPMENT DIVISION SCHEDULE OF FINDINGS AND QUESTIONED COSTS	30



## 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, 2019 and 2018, 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 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 Dane County, Inc. as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note A to the financial statements, in 2019, the organization adopted new accounting guidance for the presentation of financial statements of Not-for-Profit entities. Our opinion is not modified with respect to this matter.

## **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 28) 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 29) 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, 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 25, 2019

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2019 and 2018

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		
General balance	\$ 670,884	\$ 672,329
Escrow deposits	432,775	407,831
Cash and cash equivalents	1,103,659	1,080,160
Unconditional promises to give	142,986	290,064
Accounts receivable	113,250	101,009
Inventories	177,080	159,837
Prepaid expenses	17,296	16,895
Homes in progress	1,638,007	1,061,688
Mortgages receivable	894,623	870,163
Total current assets	4,086,901	3,579,816
<b>LONG-TERM ASSETS</b>		
New markets tax credit - investment	1,200,000	1,200,000
Property and equipment, net	2,216,314	2,308,713
New markets tax credit - other asset/guaranty fee	74,078	86,777
New markets tax credit - restricted cash	131,193	397,488
Unconditional promises to give	119,889	226,863
Mortgages receivable	3,441,026	3,475,447
Land (developed and undeveloped)	1,811,958	2,064,584
Beneficial interest in assets held by MCF	570,994	538,759
Total long-term assets	9,565,452	10,298,631
<b>TOTAL ASSETS</b>	<b>\$ 13,652,353</b>	<b>\$ 13,878,447</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 299,387	\$ 216,117
Escrow deposits	429,175	407,413
Deferred revenue, new markets tax credit	75,297	84,361
Deferred revenue, Community Development Financial Institution grant	226,706	445,648
Deferred revenue, other	0	14,500
Accrued expenses	178,905	175,115
Current portion of notes payable	123,547	121,506
Total current liabilities	1,333,017	1,464,660
<b>LONG-TERM LIABILITIES</b>		
Notes payable, net	2,529,654	2,644,080
<b>TOTAL LIABILITIES</b>	3,862,671	4,108,740
<b>NET ASSETS</b>		
Net assets without donor restrictions	9,058,966	8,901,797
Net assets with donor restrictions:		
Net assets with donor restrictions - time or use	407,373	558,067
Net assets with donor restrictions - perpetual endowment	323,343	309,843
Total net assets with donor restrictions	730,716	867,910
Total net assets	9,789,682	9,769,707
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 13,652,353</b>	<b>\$ 13,878,447</b>

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, 2019 and 2018

	2019	2018
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Public support, revenue and gains:		
Homebuilding:		
Revenue on sale of completed homes and lots	\$ 2,079,870	\$ 2,343,223
Mortgage discount amortization	371,604	466,350
Gain on sale of mortgages receivable	226,402	581,438
Gifts and donations	31,001	12,726
In-kind contributions	453,143	652,751
Program services	255,342	366,652
Total homebuilding	3,417,362	4,423,140
ReStore:		
ReStore sales less cost of goods sold of \$1,821,380 and \$1,695,692	68,263	76,849
Gifts and donations	1,200	310
In-kind contributions	1,748,287	1,524,686
Total ReStore	1,817,750	1,601,845
Contributions & other public support:		
Gifts and donations	787,005	631,069
Special events	104,313	81,605
Total contributions & other public support	891,318	712,674
Other income:		
Agency endowment return	6,982	8,591
Interest	16,361	3,557
Gain on sale of property and equipment	333	3,590
Miscellaneous income	38,501	59,619
Total other income	62,177	75,357
Total public support, revenue and gains	6,188,607	6,813,016
Expenses:		
Program services:		
Homebuilding	4,202,968	4,630,279
ReStore	1,185,933	1,222,501
Total program services	5,388,901	5,852,780
Supporting services:		
Management and general	243,990	241,254
Fundraising	609,782	476,542
Total supporting services	853,772	717,796
Total expenses	6,242,673	6,570,576
Net assets released from restrictions	211,235	303,773
Change in net assets without donor restrictions	157,169	546,213

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, 2019 and 2018

---

	<u>2019</u>	<u>2018</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS - TIME OR USE</b>		
Contributions	\$ 86,749	\$ 170,682
Net assets released from restrictions	(211,235)	(303,773)
Write-off of unconditional promises to give	(56,961)	(10,720)
Agency endowment return	<u>30,753</u>	<u>36,632</u>
Change in net assets with donor restrictions - time or use	(150,694)	(107,179)
<b>NET ASSETS WITH DONOR RESTRICTIONS - PERPETUAL ENDOWMENT</b>		
Contributions	<u>13,500</u>	<u>14,000</u>
Change in net assets	19,975	453,034
Net assets, beginning	<u>9,769,707</u>	<u>9,316,673</u>
Net assets, ending	<u><u>\$ 9,789,682</u></u>	<u><u>\$ 9,769,707</u></u>

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

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year ended June 30, 2019

	Program services			Supporting services			Total expenses
	Homebuilding	ReStore	Total program services	Management and general	Fundraising	Total supporting services	
Expenses:							
Cost of sales	\$ 2,246,561	\$ 0	\$ 2,246,561	\$ 0	\$ 0	\$ 0	\$ 2,246,561
Mortgage discount expense	765,345	0	765,345	0	0	0	765,345
Personnel	837,104	637,735	1,474,839	196,355	354,254	550,609	2,025,448
Occupancy	102,600	329,801	432,401	7,306	18,578	25,884	458,285
Tools, equipment, and technology	55,830	75,802	131,632	3,089	36,783	39,872	171,504
Office expenses	11,031	19,715	30,746	1,675	7,019	8,694	39,440
Publicity	1,697	60,017	61,714	0	156,227	156,227	217,941
Cost of goods sold	0	1,821,380	1,821,380	0	0	0	1,821,380
Tithe to Habitat for Humanity International, Inc.	30,400	0	30,400	0	0	0	30,400
Professional services	13,382	7,919	21,301	18,066	2,146	20,212	41,513
Volunteer and family	18,152	11,374	29,526	0	0	0	29,526
Travel	9,581	1,748	11,329	9,452	3,327	12,779	24,108
El Salvador trip expenses	15,915	0	15,915	0	0	0	15,915
Miscellaneous	36,431	41,822	78,253	8,047	31,448	39,495	117,748
Interest	58,939	0	58,939	0	0	0	58,939
<b>Total expenses</b>	<b>4,202,968</b>	<b>3,007,313</b>	<b>7,210,281</b>	<b>243,990</b>	<b>609,782</b>	<b>853,772</b>	<b>8,064,053</b>
Less expenses included with revenues on the statements of activities							
Cost of goods sold	0	(1,821,380)	(1,821,380)	0	0	0	(1,821,380)
<b>Total expenses included in the expense section of the statements of activities</b>	<b>\$ 4,202,968</b>	<b>\$ 1,185,933</b>	<b>\$ 5,388,901</b>	<b>\$ 243,990</b>	<b>\$ 609,782</b>	<b>\$ 853,772</b>	<b>\$ 6,242,673</b>



**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year ended June 30, 2018

	Program services			Supporting services			Total expenses
	Homebuilding	ReStore	Total program services	Management and general	Fundraising	Total supporting services	
Expenses:							
Cost of sales	\$ 2,628,778	\$ 0	\$ 2,628,778	\$ 0	\$ 0	\$ 0	\$ 2,628,778
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
Cost of goods sold	0	1,695,692	1,695,692	0	0	0	1,695,692
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
<b>Total expenses</b>	<b>4,630,279</b>	<b>2,918,193</b>	<b>7,548,472</b>	<b>241,254</b>	<b>476,542</b>	<b>717,796</b>	<b>8,266,268</b>
Less expenses included with revenues on the statements of activities							
Cost of goods sold	0	(1,695,692)	(1,695,692)	0	0	0	(1,695,692)
<b>Total expenses included in the expense section of the statements of activities</b>	<b>\$ 4,630,279</b>	<b>\$ 1,222,501</b>	<b>\$ 5,852,780</b>	<b>\$ 241,254</b>	<b>\$ 476,542</b>	<b>\$ 717,796</b>	<b>\$ 6,570,576</b>

## HABITAT FOR HUMANITY OF DANE COUNTY, INC.

STATEMENTS OF CASH FLOWS  
Years ended June 30, 2019 and 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 19,975	\$ 453,034
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Write-off of unconditional promises to give	56,961	10,720
Depreciation	109,556	94,070
Amortization of debt issuance costs	3,706	653
Agency endowment return	(37,735)	(45,223)
Contributions restricted for permanent endowment	(13,500)	(14,000)
Amortization of discount on mortgages receivable	(371,604)	(466,350)
Discount on mortgages receivable	765,345	857,566
Gain on sale of mortgages receivable	(226,402)	(581,438)
Gain on sale of property and equipment	(333)	(3,590)
Increase (decrease) in cash due to changes in:		
Unconditional promises to give	197,091	107,111
Accounts receivable	(12,241)	(51,922)
Inventories	(17,243)	73,986
Prepaid expenses	(401)	(3,060)
Deposits	0	14,200
Homes in progress	(1,987,109)	(1,518,456)
Land (developed and undeveloped)	252,626	(770,975)
New markets tax credit - other asset/guaranty fee	12,699	(86,777)
Accounts payable	83,270	2,764
Escrow deposits	21,762	29,344
Accrued expenses	3,790	64,992
Deferred revenue	(242,506)	544,509
Grant payable	0	(47,600)
	(1,382,293)	(1,336,442)
Net cash used in operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net change in new markets tax credit - restricted cash	266,295	(397,488)
Purchases of property and equipment	(17,157)	(315,447)
Proceeds from sale of property and equipment	333	3,590
Proceeds from sale of mortgages receivable	519,178	1,318,371
Collections on mortgages receivable	734,234	801,907
Investment in HFHI NMTC Leverage Lender 2018, LLC	0	(1,200,000)
Purchase of beneficial interest in assets held by MCF	(13,500)	(14,000)
Proceeds from beneficial interest in assets held by MCF	19,000	19,000
	1,508,383	215,933
Net cash provided by investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for permanent endowment	13,500	14,000
Proceeds from notes payable	0	1,767,037
Principal payments on notes payable	(121,419)	(116,948)
Refund (payment) of debt issuance costs	5,328	(117,427)
Proceeds from line of credit	0	1,465,000
Payments on line of credit	0	(1,465,000)
	(102,591)	1,546,662
Net cash provided by (used in) financing activities		
Change in cash and cash equivalents	23,499	426,153
Cash and cash equivalents:		
Beginning	1,080,160	654,007
Ending	\$ 1,103,659	\$ 1,080,160

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, 2019 and 2018

---

	<u>2019</u>	<u>2018</u>
<b>SUPPLEMENTAL DISCLOSURE(S) OF CASH FLOW INFORMATION</b>		
Cash payments for interest	<u>\$ 55,233</u>	<u>\$ 58,035</u>
<b>SUPPLEMENTAL SCHEDULE(S) OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
New mortgages issued	<u>\$ 1,410,790</u>	<u>\$ 1,693,664</u>
Transfer to completed homes from homes in progress	<u>\$ 1,410,790</u>	<u>\$ 1,693,664</u>
Transfer to homes in progress from land for development	<u>\$ 0</u>	<u>\$ 20,707</u>
Transfer to homes in progress from property and equipment	<u>\$ 0</u>	<u>\$ 167,571</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, 2019

---

### **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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions have been limited by donor-imposed time or purpose restrictions or are required to be maintained in perpetuity. Included in net assets without donor restrictions are voluntary board approved designations for specific purposes, projects, or investments.

#### **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, 2019

---

### **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 of 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, 2019

---

### 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 (NMTTC) – investment

The organization invests in a limited liability company with other Habitat for Humanity affiliates to take advantage of NMTTC. As of June 30, 2018, the investment was recorded on the equity method due to the ownership percentage in the limited liability company. In August 2018, the ownership percentage in the limited liability company decreased below 20% (see Note E). The investment is nonmarketable and is recorded at cost as of June 30, 2019.

### 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 \$109,556 and \$94,070 for the years ended June 30, 2019 and 2018, 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, 2019

---

### **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.

#### **NMTC – restricted cash**

Restricted cash represents cash received as a result of the NMTC transaction and will be used to pay future program expenses.

#### **Deferred revenue, NMTC**

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**

Debt issuance costs totaled \$112,099 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 \$3,706 and \$653 for the years ended June 30, 2019 and 2018, 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 net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in net assets with donor restrictions, 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), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the organization reports the support as net assets without donor restrictions.

Interest, dividends, gains and losses on investments are reported as an increase or decrease in net assets without donor restrictions unless explicitly restricted by donors.

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

---

### 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 21,950 and 26,242 hours of donated services from volunteers who assisted in the construction of homes during the years ended June 30, 2019 and 2018, respectively. Management estimates the value of these services to be \$329,250 and \$393,630 for the years ended June 30, 2019 and 2018, respectively. The organization received donated professional services of \$6,170 and \$5,606 for the housing program service for the years ended June 30, 2019 and 2018, respectively. Donated materials are recorded at their estimated fair value in the period received and totaled \$117,723 and \$253,515 for the years ended June 30, 2019 and 2018, 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 financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Each employee of the organization works in a primary program area. Salaries and benefits are allocated on the basis of estimates of time. Non-personnel expenses are attributed to individual programs or supporting function. In certain instances, a portion of the expense is identifiable with a specific program, while the remaining amount is allocated to management and general and/or fundraising.

#### 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 \$58,519 and \$46,564 for the years ended June 30, 2019 and 2018, respectively.



# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

---

### **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.

#### **New accounting pronouncement**

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The organization has adjusted the presentation of its financial statements accordingly. The new standards change the following aspects of the organization's financial statements:

- a. The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- b. The unrestricted net asset class has been renamed net assets without donor restrictions.
- c. The financial statements include a new disclosure about liquidity and availability of resources (Note S).

#### **Reclassifications**

Some items in the 2018 financial statements have been reclassified to be consistent with the current year's presentation.

#### **Subsequent events**

These financial statements have not been updated for subsequent events occurring after October 25, 2019, 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.

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### NOTE B -- Unconditional promises to give

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

	<u>2019</u>	<u>2018</u>
Unconditional promises to give	\$ 262,875	\$ 516,927
Less unconditional promises to give in one to five years	<u>119,889</u>	<u>226,863</u>
Unconditional promises to give in less than one year	<u>\$ 142,986</u>	<u>\$ 290,064</u>

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

### 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>2019</u>	<u>2018</u>
Mortgages receivable	\$ 8,330,454	\$ 8,254,231
Discount to current value	<u>(3,994,805)</u>	<u>(3,908,621)</u>
Mortgage receivable, net	4,335,649	4,345,610
Current portion of mortgages receivable	<u>(894,623)</u>	<u>(870,163)</u>
Long term portion of mortgages receivable	<u>\$ 3,441,026</u>	<u>\$ 3,475,447</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%, 7.57% and 7.66% for mortgages initiated in fiscal years 2013, 2014, 2015, 2016, 2017, 2018 and 2019, respectively. The discount is recognized by the interest method over the life of the mortgages.

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

---

### NOTE C -- Mortgages receivable (Continued)

The credit quality indicator is based on days delinquent. Mortgages receivable aging as of June 30 was as follows:

	<u>2019</u>	<u>2018</u>
Less than 60 days past due	\$ 4,028,900	\$ 4,163,088
60 days past due	213,251	82,557
90 days past due	31,510	35,145
More than 90 days past due	<u>61,988</u>	<u>64,820</u>
	<u>\$ 4,335,649</u>	<u>\$ 4,345,610</u>

### 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, 2019 and 2018, was \$5,504,937 and \$5,614,357, respectively. Included in revenue on sale of completed homes and lots in the statements of activities was a loss from silent mortgages issued of \$206,910 and \$165,551 for the years ended June 30, 2019 and 2018, respectively. Included in revenue on sale of completed homes and lots in the statements of activities was revenue from silent mortgages repaid totaling \$312,280 and \$187,274 for the years ended June 30, 2019 and 2018, respectively.

### NOTE E -- New markets tax credit - investment

The organization, along with other Habitat for Humanity 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 represented a 20.4% ownership as of June 30, 2018. In August 2018, the ownership percentage decreased to 7.95% as three additional Habitat for Humanity affiliates participated in the investment. 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.

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

The following unaudited information summarizes the activity of HFHI NMTC Leverage Lender 2018, LLC as of and for the year ended June 30, 2018:

Total assets	\$ 5,883,200
Total liabilities	<u>0</u>
Total equity	<u>\$ 5,883,200</u>
Total revenue	<u>\$ 11,766</u>
Net income	<u>\$ 11,766</u>

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.

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. The Bank may exercise the put option after the end of the seven-year credit period (April 2025). 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>2019</u>	<u>2018</u>
Land	\$ 864,882	\$ 864,882
Buildings	1,028,720	1,028,720
Improvements	581,271	581,271
Leasehold improvements	51,691	51,691
Vehicles	36,969	41,469
Equipment	<u>208,919</u>	<u>198,262</u>
	2,772,452	2,766,295
Less accumulated depreciation	<u>556,138</u>	<u>457,582</u>
	<u>\$ 2,216,314</u>	<u>\$ 2,308,713</u>

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### 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.

### 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:

	<u>6/30/2019</u>	<u>Fair value measurement using</u>		
		<u>Quoted prices in active markets for identical inputs (level 1)</u>	<u>Significant other observable inputs (level 2)</u>	<u>Significant unobservable inputs (level 3)</u>
<u>Assets</u>				
Long-term unconditional promises to give <sup>1</sup>	<u>\$ 119,889</u>	<u>\$ 0</u>	<u>\$ 119,889</u>	<u>\$ 0</u>
Beneficial interest in assets held by MCF <sup>2</sup>	<u>\$ 570,994</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 570,994</u>

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### NOTE H -- Fair value disclosure (Continued)

	6/30/2018	Fair value measurement using		
		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 <sup>1</sup>	\$ 226,863	\$ 0	\$ 226,863	\$ 0
Beneficial interest in assets held by MCF <sup>2</sup>	\$ 538,759	\$ 0	\$ 0	\$ 538,759

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. The discount rate used is 4.5%.
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.

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

	2019	2018
Balance, beginning	\$ 538,759	\$ 498,536
Change in value of beneficial interest included in change in net assets	37,735	45,223
Distributions	(19,000)	(19,000)
Restricted contributions	13,500	14,000
Balance, ending	\$ 570,994	\$ 538,759

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.

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### NOTE I – Endowment (Continued)

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.

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

	<u>Without donor restrictions</u>	<u>With donor restrictions - time or use</u>	<u>With donor restrictions - perpetual endowment</u>	<u>Total</u>
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	<u>6,504</u>	<u>27,732</u>	<u>0</u>	<u>34,236</u>
Endowment net assets - June 30, 2018	99,687	129,229	309,843	538,759
Contributions	0	0	13,500	13,500
Distributions	(3,516)	(15,484)	0	(19,000)
Interest and dividends	3,445	15,174	0	18,619
Investment fees	(1,125)	(4,953)	0	(6,078)
Net appreciation	<u>4,662</u>	<u>20,532</u>	<u>0</u>	<u>25,194</u>
Endowment net assets - June 30, 2019	<u>\$ 103,153</u>	<u>\$ 144,498</u>	<u>\$ 323,343</u>	<u>\$ 570,994</u>

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### NOTE I – Endowment (Continued)

Endowment net asset composition by type is as follows:

	Without donor restrictions	With donor restrictions - time or use	With donor restrictions - perpetual endowment	2019 Total
Donor-restricted endowment funds	\$ 0	\$ 144,498	\$ 323,343	\$ 467,841
Board-designated endowment funds	<u>103,153</u>	<u>0</u>	<u>0</u>	<u>103,153</u>
Total funds	<u>\$ 103,153</u>	<u>\$ 144,498</u>	<u>\$ 323,343</u>	<u>\$ 570,994</u>

	Without donor restrictions	With donor restrictions - time or use	With donor restrictions - perpetual endowment	2018 Total
Donor-restricted endowment funds	\$ 0	\$ 129,229	\$ 309,843	\$ 439,072
Board-designated endowment funds	<u>99,687</u>	<u>0</u>	<u>0</u>	<u>99,687</u>
Total funds	<u>\$ 99,687</u>	<u>\$ 129,229</u>	<u>\$ 309,843</u>	<u>\$ 538,759</u>

### 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 \$21,570 and \$17,602 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018.



# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

---

### NOTE L -- Operating leases

The organization has operating leases for the ReStore West facility, a storage facility and a copier with original terms varying from 2 to 12 years. Monthly payments range from \$672 to \$12,879. The monthly rent for the ReStore West facility lease increases every year by 2.8%. The ReStore West facility lease also provides for two automatic renewal periods of three years each and the monthly rent will increase by 2.5% each year in these renewal periods. Rent expense totaled \$187,396 and \$183,016 for the years ended June 30, 2019 and 2018, respectively.

Future minimum lease payments under these leases are as follows:

Year ending June 30,

2020	\$	191,797
2021		164,688
2022		170,677
2023		205,435
2024		<u>192,621</u>
	\$	<u>925,218</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. These funds are considered board designated.

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

### NOTE N -- Notes payable, net

Notes payable, net consist of the following:

	2019	2018
Habitat for Humanity International, Inc.; recourse; monthly payments of \$697; non-interest bearing; due July 2021.	\$ 2,646	\$ 7,890
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.	751,981	781,069
Summit Credit Union; nonrecourse; monthly payments of \$8,211, including interest at 3.99%; due February 2022; collateralized by mortgages receivable.	239,277	326,364
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 \$107,740 and \$116,774 as of June 30, 2019 and 2018, respectively; interest expense totaled \$12,002 and \$2,400 as of June 30, 2019 and 2018, respectively.	1,767,037	1,767,037
	2,760,941	2,882,360
Less unamortized debt issuance costs	107,740	116,774
Less current maturities	123,547	121,506
	\$ 2,529,654	\$ 2,644,080

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2019

---

**NOTE N -- Notes payable, net (Continued)**

Repayment of principal on notes payable as of June 30, 2019, is as follows:

Year ending June 30,

2020	\$ 123,547
2021	125,933
2022	744,424
2023	0
2024	0
Thereafter	<u>1,767,037</u>
	<u>\$ 2,760,941</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, 2019 and 2018, the amounts remitted totaled \$30,400 and \$41,200, respectively.

**NOTE P -- Net assets**

Net assets with donor restrictions – time or use

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

	<u>2019</u>	<u>2018</u>
Subsequent years' operations	\$ 262,875	\$ 428,838
Time restriction on endowment earnings	<u>144,498</u>	<u>129,229</u>
	<u>\$ 407,373</u>	<u>\$ 558,067</u>

Net assets with donor restrictions – perpetual endowment

Net assets with donor restrictions – perpetual endowment include assets set aside in perpetuity in accordance with donor restrictions. Net assets with donor restrictions – perpetual endowment consist of the endowment held by MCF.

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

---

### **NOTE Q -- Mortgage sales**

During fiscal year 2019, the organization sold 6 mortgages with outstanding balances of \$600,334 to one financial institution. The mortgages are serviced by the organization and the outstanding balances were \$597,523 as of June 30, 2019.

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 \$1,579,187 and \$1,658,884 as of June 30, 2019 and 2018, respectively.

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 \$1,648,489 and \$1,825,707 as of June 30, 2019 and 2018, 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 \$797,460 and \$848,380 as of June 30, 2019 and 2018, 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 \$415,438 and \$496,596 as of June 30, 2019 and 2018, 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 \$248,510 and \$292,066 as of June 30, 2019 and 2018, 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 \$32,106 and \$49,081 as of June 30, 2019 and 2018, 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, 2020, 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% and secured by mortgages receivable. The letter of credit expired July 18, 2019.

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2019

---

### **NOTE S -- Availability of financial assets and liquidity**

The organization has \$1,821,743 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash of \$670,884, accounts receivable of \$113,250, unconditional promises to give of \$142,986 and mortgages receivable of \$894,623 at June 30, 2019. The organization receives contributions with donor restrictions to be used in accordance with the associated purpose or time restrictions. When a donor's restriction requires resources to be used in a particular manner or in a future period, the organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

SUPPLEMENTARY INFORMATION

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
**SCHEDULE OF REVENUE AND EXPENSES BY FUNDING SOURCE**  
Year ended June 30, 2019

	City of Madison CDD	Other	Total
<b>PUBLIC SUPPORT, REVENUE AND GAINS</b>			
Revenue on sale of completed homes and lots	\$ 0	\$ 2,079,870	\$ 2,079,870
ReStore sales less cost of goods sold of \$1,821,380	0	68,263	68,263
Mortgage discount amortization	0	371,604	371,604
Gain on sale of mortgages receivable	0	226,402	226,402
Program services	10,800	244,542	255,342
Agency endowment return	0	6,982	6,982
Gifts and donations	0	819,206	819,206
In-kind contributions	0	2,201,430	2,201,430
Special events	0	104,313	104,313
Interest	0	16,361	16,361
Gain on sale of property and equipment	0	333	333
Miscellaneous income	0	38,501	38,501
<b>Total public support, revenue and gains</b>	<b>10,800</b>	<b>6,177,807</b>	<b>6,188,607</b>
Expenses:			
Program services:			
Homebuilding	10,800	4,192,168	4,202,968
ReStore	0	1,185,933	1,185,933
<b>Total program services</b>	<b>10,800</b>	<b>5,378,101</b>	<b>5,388,901</b>
Supporting services:			
Management and general	0	243,990	243,990
Fundraising	0	609,782	609,782
<b>Total supporting services</b>	<b>0</b>	<b>853,772</b>	<b>853,772</b>
<b>Total expenses</b>	<b>10,800</b>	<b>6,231,873</b>	<b>6,242,673</b>
Restricted contributions	0	100,249	100,249
Write-off of unconditional promises to give	0	(56,961)	(56,961)
Restricted agency endowment return	0	30,753	30,753
<b>Excess revenue (expense)</b>	<b>\$ 0</b>	<b>\$ 19,975</b>	<b>\$ 19,975</b>

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**

**SCHEDULE OF CITY OF MADISON DEVELOPMENT DIVISION FUNDS EXPENDED BY PROGRAM**

Year ended June 30, 2019

---

CDD OFFICE FUNDS	
CDD Acquisition Funds	\$ 10,800
FUNDS EXPENDED	
Property developer costs	<u>10,800</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, 2019

---

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?	Unmodified
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, 2019

---

- |  |     |
|--|-----|
| 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 25, 2019