

# Habitat for Humanity of Dane County, Inc.

Financial Report

June 30, 2023



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# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## CONTENTS

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	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of financial position	4
Statements of activities	5
Statement of functional expenses - 2023	7
Statement of functional expenses - 2022	8
Statements of cash flows	9
Notes to financial statements	11
SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUE AND EXPENSES BY FUNDING SOURCE	36
SCHEDULE OF CITY OF MADISON COMMUNITY DEVELOPMENT DIVISION FUNDS EXPENDED BY PROGRAM	37
CITY OF MADISON COMMUNITY DEVELOPMENT DIVISION SCHEDULE OF FINDINGS AND QUESTIONED COSTS	38

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## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Dane County, Inc. as of June 30, 2023 and 2022, 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.

### Basis for Opinion

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

### Emphasis of Matter - Change in Accounting Principle

As discussed in Note A to the financial statements, the entity adopted new accounting guidance with respect to leases in 2023, as required by the provisions of FASB Accounting Standards Update 2016-02. Our opinion is not modified with respect to this matter.

### Responsibilities of Management for the Financial Statements

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

## 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 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 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 27, 2023

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
 STATEMENTS OF FINANCIAL POSITION  
 June 30, 2023 and 2022

	2023	2022
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		
General balance	\$ 317,252	\$ 677,348
Escrow deposits	547,449	510,065
Cash and cash equivalents	864,701	1,187,413
Unconditional promises to give	99,080	77,295
Accounts receivable	95,377	42,710
Grants receivable	35,000	108,413
Inventories	211,285	264,175
Prepaid expenses	60,759	85,799
Homes in progress	839,995	368,787
Mortgage receivable	1,040,583	1,016,316
Total current assets	3,246,780	3,150,908
<b>LONG-TERM ASSETS</b>		
New markets tax credit - investment	1,200,000	1,200,000
Property and equipment, net	5,654,554	1,981,946
New markets tax credit - other asset/guaranty fee	23,282	35,981
New markets tax credit - restricted cash	30,385	55,280
Unconditional promises to give	50,530	57,160
Mortgages receivable	4,330,656	4,510,827
Land (developed and undeveloped)	4,492,156	4,469,238
Operating lease right-of-use assets	301,771	0
Beneficial interest in assets held by MCF	660,939	652,821
Total long-term assets	16,744,273	12,963,253
<b>TOTAL ASSETS</b>	<b>\$ 19,991,053</b>	<b>\$ 16,114,161</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 405,013	\$ 256,892
Construction payables	244,190	0
Escrow deposits	529,185	504,923
Deferred revenue, new markets tax credit	23,281	35,980
Accrued expenses	158,915	132,510
Current portion of notes payable	111,151	36,221
Lines of credit	2,600,006	2,347,575
Current portion of operating lease liabilities	229,548	0
Total current liabilities	4,301,289	3,314,101
<b>LONG-TERM LIABILITIES</b>		
Notes payable, net	6,257,450	2,806,286
Operating lease liabilities, less current portion	77,830	0
<b>TOTAL LIABILITIES</b>	10,636,569	6,120,387
<b>NET ASSETS</b>		
Net assets without donor restrictions	8,626,531	9,317,629
Net assets with donor restrictions:		
Net assets with donor restrictions - time or use	367,610	315,802
Net assets with donor restrictions - perpetual endowment	360,343	360,343
Total net assets with donor restrictions	727,953	676,145
Total net assets	9,354,484	9,993,774
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 19,991,053</b>	<b>\$ 16,114,161</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, 2023 and 2022

	2023	2022
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Public support, revenue and gains:		
Homebuilding:		
Revenue on sale of completed homes and lots	\$ 2,654,173	\$ 3,538,625
Mortgage discount amortization	437,190	347,175
Gain on sale of mortgages receivable	355,569	0
Gifts and donations	1,921	4,541
In-kind contributions	377,112	356,869
Community Development Financial Institution grant	206,587	456,875
Program services	58,460	45,684
Total homebuilding	4,091,012	4,749,769
ReStore:		
ReStore sales less cost of goods sold of \$2,228,075 and \$2,151,065	111,869	74,583
Gifts and donations	16,821	11,902
In-kind contributions	2,013,619	2,037,452
Total ReStore	2,142,309	2,123,937
Contributions & other public support:		
Gifts and donations	1,219,642	1,300,861
Special events	32,826	31,624
Total contributions & other public support	1,252,468	1,332,485
Other income (loss):		
Agency endowment return	5,621	(4,357)
Interest	44,969	13,048
Gain on sale of property and equipment	76,681	0
Gain from extinguishment of debt	0	383,875
Miscellaneous income	48,294	24,296
Total other income (loss)	175,565	416,862
Total public support, revenue and gains	7,661,354	8,623,053
Expenses:		
Program services:		
Homebuilding	5,722,330	6,354,578
ReStore	1,865,133	1,466,278
Total program services	7,587,463	7,820,856

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Supporting services:		
Management and general	296,734	250,629
Fundraising	<u>564,969</u>	<u>511,446</u>
Total supporting services	<u>861,703</u>	<u>762,075</u>
Total expenses	8,449,166	8,582,931
Net assets released from restrictions	<u>96,714</u>	<u>59,063</u>
Change in net assets without donor restrictions	(691,098)	99,185
<b>NET ASSETS WITH DONOR RESTRICTIONS - TIME OR USE</b>		
Contributions	\$ 121,125	\$ 57,900
Net assets released from restrictions	(96,714)	(59,063)
Agency endowment return	<u>27,397</u>	<u>(20,857)</u>
Change in net assets with donor restrictions - time or use	51,808	(22,020)
<b>NET ASSETS WITH DONOR RESTRICTIONS - PERPETUAL ENDOWMENT</b>		
Contributions	<u>0</u>	<u>10,050</u>
Change in net assets	(639,290)	87,215
Net assets, beginning	<u>9,993,774</u>	<u>9,906,559</u>
Net assets, ending	<u>\$ 9,354,484</u>	<u>\$ 9,993,774</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, 2023

	Program services			Supporting services			Total expenses
	Homebuilding	ReStore	Total program services	Management and general	Fundraising	Total supporting services	
Expenses:							
Cost of sales	\$ 3,028,954	\$ 0	\$ 3,028,954	\$ 0	\$ 0	\$ 0	\$ 3,028,954
Mortgage discount expense	1,010,872	0	1,010,872	0	0	0	1,010,872
Personnel	1,143,970	962,029	2,105,999	183,719	261,518	445,237	2,551,236
Occupancy	148,681	501,213	649,894	8,764	20,655	29,419	679,313
Tools, equipment, and technology	101,856	91,588	193,444	6,235	36,923	43,158	236,602
Depreciation	6,264	98,169	104,433	30,696	0	30,696	135,129
Office expenses	18,343	46,428	64,771	2,078	10,831	12,909	77,680
Publicity	2,421	70,931	73,352	0	138,459	138,459	211,811
Cost of goods sold	0	2,228,075	2,228,075	0	0	0	2,228,075
Tithe to Habitat for Humanity International, Inc.	30,000	0	30,000	0	0	0	30,000
Professional services	14,803	12,024	26,827	35,505	11,302	46,807	73,634
Volunteer and family	19,116	9,530	28,646	0	0	0	28,646
Travel	7,542	5,335	12,877	20,322	6,070	26,392	39,269
Miscellaneous	(8,143)	67,886	59,743	9,415	79,211	88,626	148,369
Interest	197,651	0	197,651	0	0	0	197,651
<b>Total expenses</b>	<b>5,722,330</b>	<b>4,093,208</b>	<b>9,815,538</b>	<b>296,734</b>	<b>564,969</b>	<b>861,703</b>	<b>10,677,241</b>
Less expenses included with revenues on the statements of activities							
Cost of goods sold	0	(2,228,075)	(2,228,075)	0	0	0	(2,228,075)
<b>Total expenses included in the expense section of the statements of activities</b>	<b>\$ 5,722,330</b>	<b>\$ 1,865,133</b>	<b>\$ 7,587,463</b>	<b>\$ 296,734</b>	<b>\$ 564,969</b>	<b>\$ 861,703</b>	<b>\$ 8,449,166</b>

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year ended June 30, 2022

	Program services			Supporting services			Total expenses
	Homebuilding	ReStore	Total program services	Management and general	Fundraising	Total supporting services	
Expenses:							
Cost of sales	\$ 3,837,032	\$ 0	\$ 3,837,032	\$ 0	\$ 0	\$ 0	\$ 3,837,032
Mortgage discount expense	1,268,841	0	1,268,841	0	0	0	1,268,841
Personnel	871,154	777,450	1,648,604	150,660	265,749	416,409	2,065,013
Occupancy	120,129	361,012	481,141	5,774	13,874	19,648	500,789
Tools, equipment, and technology	78,494	76,364	154,858	5,915	35,463	41,378	196,236
Depreciation	6,708	53,564	60,272	34,674	0	34,674	94,946
Office expenses	13,903	25,294	39,197	1,855	15,035	16,890	56,087
Publicity	2,558	73,644	76,202	0	136,473	136,473	212,675
Cost of goods sold	0	2,151,065	2,151,065	0	0	0	2,151,065
Tithe to Habitat for Humanity International, Inc.	45,000	0	45,000	0	0	0	45,000
Professional services	9,071	9,762	18,833	32,590	11,178	43,768	62,601
Volunteer and family	20,579	10,331	30,910	0	0	0	30,910
Travel	5,112	3,394	8,506	12,375	3,605	15,980	24,486
Miscellaneous	30,730	75,463	106,193	6,786	30,069	36,855	143,048
Interest	45,267	0	45,267	0	0	0	45,267
<b>Total expenses</b>	<b>6,354,578</b>	<b>3,617,343</b>	<b>9,971,921</b>	<b>250,629</b>	<b>511,446</b>	<b>762,075</b>	<b>10,733,996</b>
Less expenses included with revenues on the statements of activities							
Cost of goods sold	0	(2,151,065)	(2,151,065)	0	0	0	(2,151,065)
<b>Total expenses included in the expense section of the statements of activities</b>	<b>\$ 6,354,578</b>	<b>\$ 1,466,278</b>	<b>\$ 7,820,856</b>	<b>\$ 250,629</b>	<b>\$ 511,446</b>	<b>\$ 762,075</b>	<b>\$ 8,582,931</b>

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## STATEMENTS OF CASH FLOWS Years ended June 30, 2023 and 2022

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (639,290)	\$ 87,215
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Write-off of unconditional promises to give	17,450	0
Depreciation	135,129	94,946
Amortization of operating lease right-of-use assets	156,636	0
Amortization of debt issuance costs	3,735	3,737
Agency endowment return	(33,018)	25,214
Contributions restricted for permanent endowment	0	(10,050)
Amortization of discount on mortgages receivable	(437,190)	(347,175)
Discount on mortgages receivable	1,010,872	1,268,841
Gain on sale of mortgages receivable	(355,569)	0
Gain on sale of property and equipment	(76,681)	0
Gain from extinguishment of debt	0	(383,875)
Increase (decrease) in cash due to changes in:		
Unconditional promises to give	(32,605)	(17,035)
Accounts receivable	(52,667)	(2,675)
Grants receivable	73,413	(33,413)
Inventories	52,890	(55,394)
Prepaid expenses	25,040	(46,925)
Homes in progress	(2,081,897)	(1,473,204)
Land (developed and undeveloped)	(288,231)	75,642
New markets tax credit - other asset/guaranty fee	12,699	12,699
Accounts payable	148,121	(286,329)
Escrow deposits	24,262	56,890
Accrued expenses	26,405	(103,324)
Deferred revenue	(12,699)	(12,699)
Refundable advance, Community Development Financial Institution grant	0	(33,462)
Operating lease liabilities	(151,029)	0
Net cash used in operating activities	(2,474,224)	(1,180,376)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(1,243,643)	(30,151)
Proceeds from sale of property and equipment	756,777	0
Proceeds from sale of mortgages notes	940,803	0
Collections on mortgages receivable	872,990	580,944
Purchase of beneficial interest in assets held by MCF	(100)	(10,050)
Proceeds from beneficial interest in assets held by MCF	25,000	22,000
Net cash provided by investing activities	1,351,827	562,743
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for permanent endowment	0	10,050
Proceeds from notes payable	576,500	350,000
Principal payments on notes payable	(54,141)	(108,054)
Proceeds from lines of credit	486,348	1,230,256
Payments on lines of credit	(233,917)	(1,048,445)
Net cash provided by financing activities	774,790	433,807
Change in cash, cash equivalents, and restricted cash	(347,607)	(183,826)
Cash, cash equivalents, and restricted cash:		
Beginning	1,242,693	1,426,519
Ending	\$ 895,086	\$ 1,242,693

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH TO STATEMENT OF FINANCIAL POSITION</b>		
Cash and cash equivalents	\$ 864,701	\$ 1,187,413
Restricted cash	<u>30,385</u>	<u>55,280</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 895,086</u>	<u>\$ 1,242,693</u>
<b>SUPPLEMENTAL DISCLOSURE(S) OF CASH FLOW INFORMATION</b>		
Cash payments for interest	<u>\$ 490,296</u>	<u>\$ 71,752</u>
<b>SUPPLEMENTAL SCHEDULE(S) OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
New mortgages issued	<u>\$ 1,876,002</u>	<u>\$ 2,371,824</u>
Transfer to completed homes from homes in progress	<u>\$ 1,876,002</u>	<u>\$ 2,371,824</u>
Transfer to homes in progress from land for development	<u>\$ 265,313</u>	<u>\$ 12,264</u>
Forgiveness of Paycheck Protection Program loan	<u>\$ 0</u>	<u>\$ 383,875</u>
Construction payables capitalized into property and equipment	<u>\$ 244,190</u>	<u>\$ 0</u>
Purchase of property and equipment financed with note payable	<u>\$ 3,000,000</u>	<u>\$ 0</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, 2023

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### **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. 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 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 Habitat for Humanity ReStore (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, 2023

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### 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 those that contain a measurable performance or other barrier and a right of return and are not recognized until the conditions on which they depend on have been met.

#### Accounts receivable

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

Accounts receivable from contracts with customers as of June 30, consisted of the following:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Home repairs	<u>\$ 23,722</u>	<u>\$ 37,974</u>	<u>\$ 33,985</u>

#### 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.

#### Mortgage receivable

Mortgage 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.

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

The discount is recognized by accreting interest using the interest method over the life of the mortgages. Because all mortgages are collateralized and in the process of collection, no mortgage loans have stopped accretion of interest.

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 (NMTC) - investment in nonmarketable equity securities

The organization has a non-controlling investment in a limited liability company with other Habitat for Humanity affiliates to take advantage of the NMTC program. The organization has elected to measure an investment in nonmarketable equity securities using the measurement alternative in Accounting Standards Update (ASU) 2016-01 (i.e. cost plus or minus changes resulting from observable prices in orderly transactions for the identical or a similar investment of the same issuer), as amended by ASU 2018-03, on a prospective basis (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 \$135,129 and \$94,946 for the years ended June 30, 2023 and 2022, respectively.

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

#### **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.

#### **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.

#### **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 \$3,735 for each of the years ended June 30, 2023 and 2022.

#### **Revenue recognition – contribution transactions**

##### Contributions and grants

The organization recognizes contributions when cash, other assets or a notification of an unconditional promise to give is received and records the amounts as contribution revenue with or without restrictions, depending on the existence and/or nature of any donor restrictions. Conditional contributions are only recognized when the conditions on which they depend are substantially met.

Donor-restricted support is reported as an increase in net assets with donor restrictions. 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.



# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

#### Revenue recognition – contracts with customers

##### Revenues from ReStore retail sales

A portion of the organization's revenue is derived from ReStore sales. Recognition of revenue is conditioned upon meeting one performance obligation; the sales transaction is completed at a ReStore location, and amounts received are recognized as revenue once the sale has been made (point in time). Once the sale is made, customers take possession of the goods purchased. The organization does have a return policy for the items sold at the ReStores and the dollar value of returns is not material to the organization.

##### Revenues from sale of properties

A portion of the organization's revenue is derived from home sales during the year. Due to the nature of the contracts, there is no variable consideration and only one performance obligation. The revenue is conditioned upon meeting a certain performance obligation and amounts received are recognized as revenue once the requirement has been met. Once construction is complete and the closing process has been completed, buyers take possession of the home and the performance obligation is considered to have been met (point in time). Each house sold has a defined purchase price based on a third-party appraisal. Contracts are considered to have commercial substance as they all involve a cash down payment and a signed promissory note, which is paid in accordance with the note terms. All direct materials, direct labor costs, and other direct costs related to construction activities are inventoried, and then charged to expenses upon closing. Costs incurred in connection with completed homes, selling, and administrative costs are charged to expenses as incurred.

##### Revenues from home repairs income

A portion of the organization's revenue is derived from home repairs during the year. Due to the nature of contracts, there is no variable consideration and only one performance obligation. The revenue is conditioned upon meeting a certain performance obligation, and amounts received are recognized as revenue once the requirement has been met. The organization recognizes income from home repairs when the home repairs have been completed and the mortgage documents are signed (point in time).

##### Revenue recognition - special events

The organization sells tickets and offers sponsorships for its special events. Ticket sales and sponsorships are nonrefundable and are comprised of an exchange element based on the value of benefits provided to the donors, and a contribution element for the difference between total ticket sales and sponsorships paid and the exchange element. The organization recognizes the exchange portion of these events in the year the event takes place (point in time), and the contribution portion immediately. The contribution portion of revenue included in special events on the statements of activities is not material to the financial statements.

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

#### In-kind contributions

The organization received the following in-kind contributions for the years ended June 30,:

	<u>2023</u>	<u>2022</u>
Construction services	\$ 350,873	\$ 320,461
Professional services	1,250	1,000
Construction materials	<u>24,989</u>	<u>35,408</u>
Total donated goods and services	377,112	356,869
Inventory – ReStore donations	<u>2,013,619</u>	<u>2,037,452</u>
	<u>\$ 2,390,731</u>	<u>\$ 2,394,321</u>

The organization's policy related to in-kind contributions is to utilize the assets given to carry out the mission of the organization. If an asset is provided that does not allow the organization to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

The organization receives donated construction materials for use in home rehabilitation and for sale at the ReStore. The organization has elected to value goods at the estimated fair market value. The estimated fair value of the goods is based on prior year sales data for each particular item. In-kind donated goods, including ReStore donations, for the years ended June 30, 2023 and 2022 totaled \$2,038,608 and \$2,072,860, respectively.

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 23,392 and 21,364 hours of donated services from volunteers who assisted in the construction of homes during the years ended June 30, 2023 and 2022, respectively. Management estimates the value of these services at a current market rate of \$15 per hour for a total of \$350,873 and \$320,461 for the years ended June 30, 2023 and 2022, respectively. The organization received donated professional services of \$1,250 and \$1,000 for the housing program service for the years ended June 30, 2023 and 2022, respectively, also valued at the current market rate for these services.

All in-kind contributions received by the organization for the years ended June 30, 2023 and 2022 were considered without donor restrictions and able to be used by the organization as determined by the board of directors and management.

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

#### **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 sales tax from its 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, insurance and rent are allocated on the basis of estimates of time. Other 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 based on estimates of time spent.

#### **Program services**

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

##### Homebuilding

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 \$70,931 and \$73,619 for the years ended June 30, 2023 and 2022, respectively.

#### **Leases - lessee**

The organization determines if an arrangement is or contains a lease at inception. The organization has entered into a variety of operating leases for ReStore space, warehouses, and copiers. Operating leases are included in right-of-use (ROU) assets and lease liabilities in the statements of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term.

The organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less and that do not include an option to purchase the underlying assets that is reasonably certain to be exercised). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. There were no short-term leases for the year ended June 30, 2023.

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

For the leases of ReStore space and warehouses, the organization has elected to account for the lease and non-lease components as a single lease component. There is variability in future lease payments for these leases as the amount of the non-lease components is dependent on certain factors that are unknown and change from one period to the next. These variable lease payments which are primarily comprised of common area maintenance (CAM), utilities, and real estate taxes that are passed on from the lessor in proportion to the space leased, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

In evaluating contracts to determine if they qualify as a lease, the organization considers factors such as whether it has obtained substantially all of the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

The organization has also made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments for its leases. In determining the discount rate used to measure the right-of-use asset and lease liability, the organization uses rates implicit in the lease, or if not readily determinable, the organization uses the risk-free rate.

In determining what percentage of the lease constitutes a major part of the economic life of the underlying asset and defining what percentage of the present value of the sum of lease payments equals or exceed substantially all of the fair value of the underlying asset, the organization has elected to define major part as 75% of all classes of underlying assets and to define substantially all as 90% for all classes of underlying assets.

### **Adoption of New Accounting Standard – Codification Improvements**

In October 2020, FASB issued Accounting Standards Update (ASU) No. 2020-10, *Codification Improvements*, which provides improvements and clarifications to the accounting guidance. Specifically, the amendments clarified the requirement to disclose the effective interest rate on notes receivable and notes payable that reflects the effect of compounding interest in a year. The entity was required to adopt this new accounting standard during its fiscal year ended June 30, 2023.

### **Adoption of new accounting standard - leases**

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The organization adopted the standard effective July 1, 2022 and recognized and measured leases existing at July 1, 2022 (the beginning of the period of adoption), with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

The organization elected the available practical expedients to account for its existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement. The organization elected the available practical expedient to continue to amortize the leasehold improvements over the original existing amortization period unless the lease is discontinued.

As a result of the adoption of the new lease accounting guidance, the organization recognized on July 1, 2022, a lease liability of \$458,407, which represents the present value of the remaining operating lease payments of \$470,146, discounted using the organization's risk-free rates of ranging from 2.79% to 2.85% for the leases, and a right-of-use asset of \$458,407. Since there was no difference between the additional lease assets and lease liabilities, no cumulative effect adjustment was recorded to net assets.

The standard had a material impact on the organization's statement of financial position but did not have a material impact on the statement of activities. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

The organization's policy in determining the risk-free rate for existing operating leases at July 1, 2022 is to base it on the remaining lease term.

### **Accounting standards update**

In June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. The objective of ASU No. 2016-13 is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. As a result, the amendments in this update replace the current incurred loss impairment methodology with one that reflects the expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates, including historical experience, current conditions, and reasonable and supportable forecasts. In November 2019, the FASB issued ASU 2019-10 which deferred the effective date of ASU 2016-13 to fiscal years beginning after December 15, 2022. Early application is permitted. Management is currently evaluating the effects this new standard will have on the organization's financial statements.

### **Reclassification**

One item in the June 30, 2022, financial statements has been reclassified to be consistent with the current year's presentation. The reclassification was to reclassify the Community Development Financial Institution grant income in the amount of \$456,875 to a separate line item from program services on the statements of activities.

### **Subsequent events**

These financial statements have not been updated for subsequent events occurring after October 27, 2023, 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, 2023

### NOTE B -- Unconditional promises to give

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

	2023	2022
Unconditional promises to give	\$ 149,610	\$ 134,455
Less unconditional promises to give in one to five years	50,530	57,160
Unconditional promises to give in less than one year	\$ 99,080	\$ 77,295

### NOTE C -- Mortgages receivable

Mortgages receivable represent amounts due from the purchasers of houses constructed or renovated by the organization. All mortgages receivable are noninterest bearing and are collateralized by the real estate. Terms of the mortgages range from 7 to 49 years, with various monthly payment amounts. The average mortgage is approximately 25 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:

	2023	2022
Mortgages receivable	\$ 10,405,757	\$ 10,492,078
Discount to current value	(5,034,518)	(4,964,935)
Mortgages receivable, net	5,371,239	5,527,143
Current portion of mortgages receivable	(1,040,583)	(1,016,316)
Long-term portion of mortgages receivable	\$ 4,330,656	\$ 4,510,827

Mortgages 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%, 7.66%, 7.38%, 7.23%, 7.41%, and 7.85% for mortgages initiated in fiscal years 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, and 2023 respectively. The effective interest rate was 8.14% for the fiscal year ended June 30, 2023. The discount is recognized by the interest method over the life of the mortgages.

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

	2023	2022
30 days past due	\$ 82,744	\$ 34,983
60 days past due	54,240	19,715
90 days past due	0	52,584
More than 120 days past due	135,262	143,222
	\$ 272,246	\$ 250,504

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

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**NOTE D -- Silent mortgages**

The organization holds silent mortgages recorded against properties. A silent mortgage is defined as 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, 2023 and 2022 was \$5,594,895 and \$5,642,889, respectively. Included in revenue on sale of completed homes and lots in the statements of activities was a loss on silent mortgages issued of \$126,327 and \$184,715 for the years ended June 30, 2023 and 2022, respectively. Included in revenue on sale of completed homes and lots in the statements of activities was revenue from silent mortgages repaid totaling \$200,700 and \$202,440 for the years ended June 30, 2023 and 2022, respectively.

**NOTE E -- NMTC 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.

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).

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### NOTE E -- NMTC investment (Continued)

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.

The organization adjusts the carrying value of nonmarketable equity securities up or down for observable price changes in orderly transactions for identical or similar investments of the same issuer and for impairment, if any (referred to as the measurement alternative). All gains and losses on nonmarketable equity securities, realized and unrealized, if any, are recognized in the statement of activities.

There was no remeasurement adjustment recognized, as there were no observable transactions identified during the year ended June 30, 2023 and 2022. Determining whether an observed transaction is similar to a security within the organization's portfolio requires judgment based on the rights and obligations of the securities. Recording upward and downward adjustments to the carrying value of the organization's investments in nonmarketable equity securities as a result of observable price changes requires quantitative assessment of the fair value of the organization's investments using various valuation methodologies and involves the use of estimates.

Nonmarketable equity securities under the measurement alternative are also assessed for impairment. When the qualitative assessment indicates that impairment exists, the investment is written down, with impairment recognized in the statement of activities. No impairment was recognized for the years ended June 30, 2023 and 2022.

### NOTE F -- Property and equipment, net

Property and equipment, net is comprised of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 1,975,866	\$ 864,882
Buildings	2,369,058	1,028,720
Improvements	1,735,353	581,271
Leasehold improvements	51,691	51,691
Vehicles	57,872	57,872
Equipment	<u>264,473</u>	<u>241,663</u>
	6,454,313	2,826,099
Less accumulated depreciation	<u>799,759</u>	<u>844,153</u>
	<u>\$ 5,654,554</u>	<u>\$ 1,981,946</u>



# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### 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:

		Fair value measurement using		
	<u>6/30/2023</u>	Quoted prices in active markets for identical inputs (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
<u>Assets</u>				
Beneficial interest in assets held by MCF <sup>1</sup>	\$ <u>660,939</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>660,939</u>

		Fair value measurement using		
	<u>6/30/2022</u>	Quoted prices in active markets for identical inputs (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
<u>Assets</u>				
Beneficial interest in assets held by MCF <sup>1</sup>	\$ <u>652,821</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>652,821</u>

1. 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 total purchases/contributions to the beneficial interest in assets held by MCF were \$100 and \$10,050 for the years ended June 30, 2023 and 2022, respectively.

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### **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, 2023

### NOTE I – Endowment (Continued)

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, 2021	\$ 119,241	220,401	350,343	689,985
Contributions	50	0	10,000	10,050
Distributions	(3,802)	(18,198)	0	(22,000)
Interest and dividends	3,188	15,260	0	18,448
Investment fees	(1,368)	(6,547)	0	(7,915)
Net appreciation	<u>(6,178)</u>	<u>(29,569)</u>	<u>0</u>	<u>(35,747)</u>
 Endowment net assets - June 30, 2022	 111,131	 181,347	 360,343	 652,821
Contributions	100	0	0	100
Distributions	(4,256)	(20,744)	0	(25,000)
Interest and dividends	3,449	16,814	0	20,263
Investment fees	(1,242)	(6,056)	0	(7,298)
Net appreciation	<u>3,414</u>	<u>16,639</u>	<u>0</u>	<u>20,053</u>
 Endowment net assets - June 30, 2023	 <u>\$ 112,596</u>	 <u>\$ 188,000</u>	 <u>\$ 360,343</u>	 <u>\$ 660,939</u>

Endowment net asset composition 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>2023 Total</u>
Donor-restricted endowment funds	\$ 0	\$ 188,000	\$ 360,343	\$ 548,343
Board-designated endowment funds	<u>112,596</u>	<u>0</u>	<u>0</u>	<u>112,596</u>
 Total funds	 <u>\$ 112,596</u>	 <u>\$ 188,000</u>	 <u>\$ 360,343</u>	 <u>\$ 660,939</u>

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### NOTE I -- Endowment (Continued)

	Without donor restrictions	With donor restrictions - time or use	With donor restrictions - perpetual endowment	2022 Total
Donor-restricted endowment funds	\$ 0	\$ 181,347	\$ 360,343	\$ 541,690
Board-designated endowment funds	<u>111,131</u>	<u>0</u>	<u>0</u>	<u>111,131</u>
Total funds	<u>\$ 111,131</u>	<u>\$ 181,347</u>	<u>\$ 360,343</u>	<u>\$ 652,821</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 \$43,927 and \$35,537 for the years ended June 30, 2023 and 2022, respectively.

### NOTE K -- Lines of credit

The organization opened a \$1,000,000 line of credit with a financial institution at a minimum rate of 4% (3.25% effective January 6, 2022) adjusted to the index rate of the "highest US Prime Rate published in the Wall Street Journal" minus .250 percentage points (.210 percentage points effective January 6, 2022). The line of credit expired on January 6, 2023 and was subsequently renewed and was to expire on April 6, 2023. On March 29, 2023, the line of credit was renewed with an available line of \$650,000. The line of credit expires on April 29, 2024. The line of credit was collateralized by homeowner mortgages. As of June 30, 2023 and 2022, \$277,000 and \$0, respectively, has been drawn on the line of credit.

The organization opened a \$2,872,000 line of credit with a financial institution at a minimum rate of 3.94% adjusted to the index rate of the "highest US Prime Rate published in the Wall Street Journal" minus .250 percentage points (8.25% as of June 30, 2023). The line of credit was to expire on December 1, 2022; however, it was extended and expired on March 1, 2023. On March 1, 2023, the line of credit was renewed and will expire on March 1, 2024. The line of credit was collateralized by 502 Town Hall Drive, Sun Prairie, WI 53590. As of June 30, 2023 and 2022, \$2,323,006 and \$2,347,575, respectively, has been drawn on this line of credit.

The organization opened a \$795,597 line of credit with a financial institution at a minimum rate of 3.94% (3.25% effective January 21, 2021) adjusted to the index rate of the "highest US Prime Rate published in the Wall Street Journal" minus .250 percentage points (.690 percentage points effective January 21, 2021). The line of credit was to expire July 21, 2021. A change in terms agreement was executed on July 21, 2021 extending the line of credit expiration to November 21, 2021. Another change in terms agreement was executed on November 21, 2021 extending the line of credit expiration to December 21, 2021. The line of credit was collateralized by 502 Town Hall Drive, Sun Prairie, WI 53590. As of June 30, 2021, \$623,862 had been drawn on this line of credit. The line of credit was repaid in January 2022.

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### NOTE K -- Lines of credit (Continued)

In September 2023, the organization opened a \$350,000 line of credit with a financial institution at a minimum rate of 8.75% adjusted to the index rate of the "highest US Prime Rate published in the Wall Street Journal" plus .250 percentage points (8.25% as of June 30, 2023). The line of credit will expire on March 19, 2024. No amounts have been drawn on this line of credit as of the report date.

### NOTE L -- Operating leases

The organization leases its ReStore space, warehouses, and copiers under operating leases with terms of 15 months to 4 years. The terms of the leases expire at various dates between September 2023 and June 2026. The lease agreements do not include any material residual value guarantees or restrictive covenants.

The components of lease expense are as follows for the year ended June 30, 2023:

Operating lease cost	\$	263,715
Variable lease cost		<u>34,176</u>
Total lease cost	\$	<u>297,891</u>

Supplemental statement of cash flows information related to leases as of June 30, 2023, is as follows:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$	258,109
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Noncash financing and investing cash flow:

Right-of-use assets obtained in exchange for lease obligations:

Operating leases	\$	555,785
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Supplemental statement of financial position information related to leases as of June 30, 2023, is as follows:

Weighted average remaining lease term (in years):

Operating leases	1.62
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Weighted average discount rate:

Operating leases	3.22%
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# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### NOTE L -- Operating leases (Continued)

Future minimum lease payments to be paid under this lease as of June 30, 2023, are as follows:

Year ending June 30.

2024	\$	235,455
2025		44,034
2026		<u>36,669</u>
Total future minimum lease payments		316,158
Less amount of lease payments representing interest		<u>(8,780)</u>
Present value of future minimum lease payments (lease liabilities)	\$	<u><u>307,378</u></u>

A settlement and lease cancellation was executed October 12, 2023 for the ReStore West lease.

Lease disclosures for the year ended June 30, 2022 following prior lease guidance in FASB ASC 840 are provided below.

The organization has operating leases for the ReStore West facility, storage facilities and a copier with original terms varying from 2 to 12 years. Monthly payments range from \$461 to \$17,511. 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 to 2025 and the monthly rent will increase by 2.5% each year in these renewal periods. Rent expense totaled \$249,772 for the year ended June 30, 2022.

Future minimum lease payments under these leases are as follows:

Year ending June 30.

2023	\$	255,607
2024		220,902
2025		202,971
2026		<u>461</u>
	\$	<u><u>679,941</u></u>

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### 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.

### NOTE N -- Notes payable, net

Notes payable, net consist of the following:

	2023	2022
<p>One Community Bank; nonrecourse; monthly payments of \$5,020, including interest at 3.99% (effective interest rate of 4.06%) through November 30, 2021; monthly payments of \$4,027, including interest at 3.74% (effective interest rate of 3.80%) through November 26, 2026, and interest at the prime rate + 0.49% (no less than 3.75%) through maturity; due November 30, 2028; secured by a general business security agreement; prepayment is permitted in whole or in part subject to a prepayment premium.</p>	639,495	663,080
<p>HFHI NMTC SUB-CDE III, LLC (see Note E); nonrecourse; semi-annual interest only payments until 2025 at .679239% (effective interest rate of .681358%); semi-annual payments of \$83,124, including interest at .679239% (effective interest rate of .681358%), 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 \$92,794 and \$96,529 as of June 30, 2023 and 2022, respectively; interest expense totaled \$12,002 for each of the years ended June 30, 2023 and 2022.</p>	1,767,037	1,767,037
<p>Balance carried forward</p>	2,406,532	2,430,117

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

	2023	2022
Balance brought forward	\$ 2,406,532	\$ 2,430,117
SBA; Economic Injury Disaster Loan (EIDL); original amount of \$160,000, additional proceeds of \$350,000, received in 2022; requested to alleviate economic injury caused by disaster occurring due to the COVID-19 pandemic; interest at 2.75% (effective interest rate of 2.78%); monthly payments of principal and interest of \$2,227 beginning 24 months from the date of the original note (June 14, 2020) due June 14, 2050; collateralized by inventory, equipment, promissory notes, deposit accounts, general intangibles, etc.	495,941	508,919
One Community Bank; nonrecourse; monthly interest payments at 5.240% (effective interest rate of 5.370%) through July 28, 2023; monthly payments of \$18,098, including interest at 5.240% (effective interest rate of 5.370%) through June 28, 2027; one payment of \$2,761,722, including interest at 5.240% (effective interest rate of 5.370%), at maturity on July 28, 2027; collateralized by a mortgage; prepayment is permitted in whole or in part subject to a prepayment premium.	3,000,000	0
One Community Bank; nonrecourse; monthly payments of \$4,119, including interest at 5.240% (effective interest rate of 5.370%) through June 28, 2027; one payment of \$473,346, including interest at 5.240% (effective interest rate of 5.370%), at maturity on July 28, 2027; collateralized by a mortgage; prepayment is permitted in whole or in part subject to a prepayment premium.	558,922	0
	6,461,395	2,939,036
Less unamortized debt issuance costs	92,794	96,529
Less current maturities	111,151	36,221
	\$ 6,257,450	\$ 2,806,286



# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

Repayment of principal on notes payable as of June 30, 2023, is as follows:

Year ending June 30,

2024	\$	111,151
2025		122,170
2026		199,352
2027		741,790
2028		3,307,753
Thereafter		<u>1,979,179</u>
	\$	<u>6,461,395</u>

### NOTE O -- Related party transactions

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, 2023 and 2022, the amounts remitted totaled \$30,000 and \$45,000, respectively.

Habitat for Humanity International Inc. receives contributions on behalf of the organization. For the years ended June 30, 2023 and 2022, the amount of these contributions passed through to the organization from Habitat for Humanity International Inc. totaled \$60,991 and \$58,598, 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>2023</u>	<u>2022</u>
Subsequent years' operations	\$ 179,610	\$ 134,455
Time restriction on endowment earnings	<u>188,000</u>	<u>181,347</u>
	<u>\$ 367,610</u>	<u>\$ 315,802</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, 2023

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

During fiscal year 2023, the organization sold 10 mortgages with outstanding balances of \$1,089,333 to two financial institutions. The mortgages are serviced by the organization and the outstanding balances were \$1,048,722 as of June 30, 2023.

### **NOTE R -- Commitments and contingencies**

#### **Paycheck Protection Program**

On February 17, 2021, the organization qualified for and received a second loan pursuant to the PPP, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of \$383,875 (the "PPP Loan"). The principal amount of the PPP Loan is subject to forgiveness under the PPP upon the organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the organization. The organization obtained forgiveness of the PPP loan on November 5, 2021 and recognized the entire amount as a gain on forgiveness of debt in the statements of activities.

The SBA retains the right to review the eligibility of any borrower, regardless of the size of the loan. If the SBA subsequently determines the borrower was ineligible for the PPP loans after forgiveness, the borrower must immediately repay the loans to the lender.

#### **Uncertainty**

As of the report date and due to the timing of the maturity dates of the organization's lines of credit, the organization does not have sufficient cash or reserves and is not generating enough operating cash flow to repay current liabilities. This condition creates uncertainty about the organization's ability to continue as a going concern. As disclosed in Note V, the organization received an offer to purchase land for \$450,000 and management intends to use proceeds from this sale to pay down the line of credit balances. The organization also has lots for sale in Sun Prairie, Wisconsin, and the proceeds from these lots would also be used to pay down the line of credit balances. Additionally, the organization has a good, long-standing relationship with the financial institution with which it has the lines of credit, and management anticipates that renewals will be executed for the lines of credit, extending the maturity dates. Management of the organization has evaluated this condition and believes these efforts will generate sufficient cash flows in order to meet the organization's short-term obligations which would alleviate this uncertainty.

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

The organization has the following financial assets available to meet cash needs for general expenditures within one year of the statement of financial position date:

	<u>2023</u>	<u>2022</u>
Cash	\$ 317,252	\$ 677,348
Accounts receivable	95,377	42,710
Unconditional promises to give	99,080	77,295
Mortgages receivable	<u>1,040,583</u>	<u>1,016,316</u>
	<u>\$ 1,552,292</u>	<u>\$ 1,813,669</u>

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.

### NOTE T -- Community Development Block Grants and Federal Home Loan Bank of Chicago

During the fiscal years ended June 30, 2023 and 2022, the organization obtained \$312,400 and \$330,000, respectively, in funding from Community Development Block Grants (CDBG) through the City of Madison and Dane County. The funds were loaned directly to homeowners at 0% interest. Since 2016, the 0% loans totaled \$2,409,062 impacting both the homeowners and the organization. The organization is impacted as it reduces the amount it has to finance with a silent mortgage. In addition, the organization has collaborated with local financial institutions who are members of the Federal Home Loan Bank of Chicago (FHLB-Chicago) to get loans directly from FHLB-Chicago to homeowners totaling \$88,000 and \$78,000 for the fiscal years ended June 30, 2023 and 2022, respectively, and totaling \$527,800 since 2016. These loans are forgiven over five years and benefit both the homeowner and the organization.

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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### NOTE U -- CDFI grants

In January 2021, the organization was awarded a \$650,000 grant from the CDFI. Of this amount, \$215,000 was received during each of the fiscal years ended June 30, 2023 and 2022. Since these funds are conditioned on the organization issuing a certain amount of mortgage loans, the funds are not recorded as contribution revenue until the grant conditions are met. For the fiscal year ended June 30, 2022, \$256,875 was recognized as contribution revenue and \$8,413 is recorded as a refundable advance on the statement of financial position. For the fiscal year ended June 30, 2023, grant conditions were met in full, and the remaining \$206,587 was recognized as contribution revenue.

On August 5, 2021, the organization was awarded a \$200,000 grant for operations under the CDFI Rapid Response Program. The grant conditions were met and the full amount was recognized as contribution revenue for the fiscal year ended June 30, 2022.

### NOTE V -- Subsequent event

In October 2022, the organization received an offer to purchase a parcel of land in Sun Prairie, Wisconsin for \$450,000. Closing was to occur on July 1, 2023; however, in June 2023, an amendment to the purchase offer was executed changing the closing date to October 1, 2023. In September 2023, an amendment was executed changing the closing date to October 30, 2023.

### NOTE W -- Billboard lease – lessor

In July 2022, the organization assumed lease agreements for billboards used by a third party for advertising. One lease had a commencement date of July 1, 2014, and an initial term of ten years, including automatic extensions of two like terms. After the second successive term, the lessee and lessor each have the right to terminate the lease with a 90-day notice before the next successive renewal term. Monthly payments of \$1,217 are required under this lease, increasing to \$1,417 per month after the second successive term. The second lease agreement was executed on October 2, 2019 for an initial term of ten years, including one automatic extension for a like term. After the extension period, the lease shall continue for successive month-to-month terms until either the lessor or lessee terminate this lease by giving notice of termination at least 90 days prior to the next automatic lease term extension. Monthly payments of \$425 are required under this lease, increasing to \$479 per month after the automatic extension period.

Rental income from the billboard leases was \$18,058 and \$0 for the years ended June 30, 2023 and 2022, respectively.

Supplemental statement of cash flows information related to leases as of June 30, 2023 is as follows:

Cash received from operating leases		
Operating cash flows from operating leases	\$	18,058

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023

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**NOTE W -- Billboard lease – lessor (Continued)**

The undiscounted cash flows to be received from lease payments on the organization's operating leases as of June 30, 2023, are as follows:

Year ending June 30,

2024	\$	19,700
2025		19,700
2026		19,700
2027		19,700
2028		19,700
Thereafter		<u>321,900</u>
	\$	<u><u>420,400</u></u>

SUPPLEMENTARY INFORMATION

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
**SCHEDULE OF REVENUE AND EXPENSES BY FUNDING SOURCE**  
Year ended June 30, 2023

	City of Madison		Total
	CDD	Other	
<b>PUBLIC SUPPORT, REVENUE AND GAINS</b>			
Revenue on sale of completed homes and lots	\$ 0	\$ 2,654,173	\$ 2,654,173
ReStore sales less cost of goods sold of \$2,228,075	0	111,869	111,869
Mortgage discount amortization	0	437,190	437,190
Gain on sale of mortgages receivable	0	355,569	355,569
Program services	6,170	258,877	265,047
Agency endowment return	0	5,621	5,621
Gifts and donations	0	1,238,384	1,238,384
In-kind contributions	0	2,390,731	2,390,731
Special events	0	32,826	32,826
Interest	0	44,969	44,969
Loss on sale of property and equipment	0	76,681	76,681
Miscellaneous income	0	48,294	48,294
<b>Total public support, revenue and gains</b>	<b>6,170</b>	<b>7,655,184</b>	<b>7,661,354</b>
Expenses:			
Program services:			
Homebuilding	6,170	5,716,160	5,722,330
ReStore	0	1,865,133	1,865,133
<b>Total program services</b>	<b>6,170</b>	<b>7,581,293</b>	<b>7,587,463</b>
Supporting services:			
Management and general	0	296,734	296,734
Fundraising	0	564,969	564,969
<b>Total supporting services</b>	<b>0</b>	<b>861,703</b>	<b>861,703</b>
<b>Total expenses</b>	<b>6,170</b>	<b>8,442,996</b>	<b>8,449,166</b>
Restricted contributions	0	121,125	121,125
Restricted agency endowment return	0	27,397	27,397
<b>Excess revenue (expense)</b>	<b>\$ 0</b>	<b>\$ (639,290)</b>	<b>\$ (639,290)</b>

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
SCHEDULE OF CITY OF MADISON DEVELOPMENT DIVISION FUNDS EXPENDED BY PROGRAM  
Year ended June 30, 2023

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CDD OFFICE FUNDS	
CDD Acquisition Funds	\$ 6,170
FUNDS EXPENDED	
Property developer costs	<u>6,170</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, 2023

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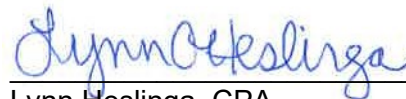
1. Was a Single Audit required?	No
What dollar threshold was used to distinguish between Type A and Type B programs as defined by the Single Audit?	N/A
2. Type of auditor's report issued?	Unmodified
3. Internal control over financial reporting: Were material weakness(s) identified?	No
Were significant deficiency(s) identified not considered to be material weaknesses?	None reported
Was noncompliance material to the financial statements noted?	N/A
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?	N/A
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?	N/A
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, 2023

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- |  |     |
|--|-----|
| 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:



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Lynn Heslinga, CPA

Date of report

October 27, 2023