

HABITAT FOR HUMANITY OF DANE COUNTY, INC.

FINANCIAL STATEMENTS

June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Habitat for Humanity of Dane County, Inc., which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Wegner CPAs, LLP
Madison, Wisconsin
October 12, 2015

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HABITAT FOR HUMANITY OF DANE COUNTY, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents	
General balance	\$ 341,857
Escrow deposits	333,530
	675,387
Cash and cash equivalents	675,387
Unconditional promises to give - current	244,881
Accounts receivable	103,516
Inventory	218,725
Homes in progress	703,589
Land (developed and undeveloped)	968,814
Mortgages receivable, net - current	763,700
	3,678,612
Total current assets	3,678,612

LONG TERM ASSETS

Unconditional promises to give - long term	318,010
Mortgages receivable, net - long term	4,743,162
Beneficial interest in assets held by MCF	442,582
	5,503,754
Total long term assets	5,503,754

Property and equipment - net

500,587

Total assets

\$ 9,682,953

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 220,591
Escrow deposits	333,530
Accrued payroll and related expenses	82,659
Notes payable - current	83,934
	720,714
Total current liabilities	720,714

LONG TERM LIABILITIES

Notes payable - long term	519,254
	1,239,968
Total liabilities	1,239,968

NET ASSETS

Unrestricted	7,494,029
Temporarily restricted	682,613
Permanently restricted	266,343
	8,442,985
Total net assets	8,442,985

Total liabilities and net assets

\$ 9,682,953

See accompanying notes.

HABITAT FOR HUMANITY OF DANE COUNTY, INC.
STATEMENT OF ACTIVITIES
Year ended June 30, 2015

UNRESTRICTED NET ASSETS	
SUPPORT AND OTHER REVENUE	
Revenue on sale of completed homes and lots	\$ 2,025,585
Gifts and donations	913,338
ReStore sales less cost of goods sold of \$1,452,660	75,468
Mortgage discount amortization	324,060
Gain on sale of mortgages receivable	164,806
In-kind contributions	2,029,444
Interest	1,063
Agency endowment return	537
Special events	113,854
Miscellaneous income	6,864
	<hr/>
Total unrestricted support and other revenue	5,655,019
EXPENSES	
Program services	
Housing	4,028,367
ReStore	1,089,298
Supporting activities	
Management and general	163,270
Fundraising	422,943
	<hr/>
Total expenses	5,703,878
Net assets released from restrictions	<hr/> 298,305
Change in unrestricted net assets	249,446
TEMPORARILY RESTRICTED NET ASSETS	
Contributions	577,378
Net assets released from restrictions	(298,305)
Agency endowment return	1,943
	<hr/>
Change in temporarily restricted net assets	281,016
PERMANENTLY RESTRICTED NET ASSETS	
Contributions	<hr/> 28,250
Change in net assets	558,712
Net assets - beginning of year	<hr/> 7,884,273
Net assets - end of year	<hr/> <hr/> \$ 8,442,985

See accompanying notes.

HABITAT FOR HUMANITY OF DANE COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2015

	Housing	ReStore	Management and General	Fundraising	Total
Cost of houses sold	\$ 2,140,803	\$ -	\$ -	\$ -	\$ 2,140,803
Cost of goods sold - ReStore	-	1,452,660	-	-	1,452,660
Mortgage discount expense	937,848	-	-	-	937,848
Personnel	625,290	559,591	121,639	207,640	1,514,160
Occupancy	64,495	328,161	6,281	9,088	408,025
Tools, equipment, and technology	40,317	42,608	2,021	8,390	93,336
Office expenses	14,113	16,793	3,637	6,482	41,025
Publicity	1,231	73,483	-	101,674	176,388
Tithe to Habitat for Humanity International	25,400	-	-	-	25,400
Professional services	26,580	12,232	13,024	75,357	127,193
Volunteer and family	16,285	10,324	-	-	26,609
Travel	4,113	3,177	7,773	6,540	21,603
El Salvador trip expenses	30,131	-	-	-	30,131
Miscellaneous	62,160	42,929	8,895	7,772	121,756
Interest	39,601	-	-	-	39,601
Total expenses	4,028,367	2,541,958	163,270	422,943	7,156,538
Less expenses included with revenues on the statement of activities	-	(1,452,660)	-	-	(1,452,660)
Total expenses included in the expense section of the statement of activities	\$ 4,028,367	\$ 1,089,298	\$ 163,270	\$ 422,943	\$ 5,703,878

See accompanying notes.

HABITAT FOR HUMANITY OF DANE COUNTY, INC.
STATEMENT OF CASH FLOWS
Year ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 558,712
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	67,552
Contributions restricted for permanent endowment	(28,250)
Amortization of discount on mortgages receivable	(324,060)
Discount on mortgages receivable	937,848
Gain on sale of mortgages receivable	(164,806)
(Increase) decrease in assets	
Unconditional promises to give	(362,644)
Accounts receivable	367,027
Inventory	(160,931)
Homes in progress	(1,045,409)
Increase (decrease) in liabilities	
Accounts payable	(10,470)
Escrow deposits	(14,719)
Accrued payroll and related expenses	6,356
Grants payable	(28,000)
	(201,794)
Net cash flows from operating activities	(201,794)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(252,398)
Purchases of land for development	(78,196)
Return retained in agency endowments	(2,480)
Contributions to agency endowment	(28,250)
Proceeds from sale of mortgages receivable	499,106
Collections on mortgages receivable	628,784
	766,566
Net cash flows from investing activities	766,566
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from permanently restricted contributions	28,250
Payments on line of credit	(1,171,662)
Principal payments on notes payable	(40,017)
Proceeds from line of credit	819,971
	(363,458)
Net cash flows from financing activities	(363,458)
Change in cash and cash equivalents	201,314
Cash and cash equivalents - beginning of year	474,073
Cash and cash equivalents - end of year	\$ 675,387

See accompanying notes.

HABITAT FOR HUMANITY OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Habitat for Humanity of Dane County, Inc. (Habitat Dane), 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. Habitat Dane operates under a covenant agreement with Habitat for Humanity International, Inc.

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

Habitat Dane'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. Its profits are used to fund the construction of homes.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Habitat Dane is required to report information regarding its financial position and activities according to three classes of net assets:

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

Temporarily restricted net assets—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

Permanently restricted net assets—Net assets that have been restricted by donors to be maintained by Habitat Dane in perpetuity.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Habitat Dane considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Promises to Give

Unconditional promises to give are recognized as revenue 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.

HABITAT FOR HUMANITY OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable

Habitat Dane considers all accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts has been developed. If accounts receivable become uncollectible, they will be charged to activities when that determination is made.

Inventory

Inventory consists of construction materials that were donated or purchased by Habitat Dane. Inventory is valued at the market value of the donation or cost of the asset on the first-in, first-out (FIFO) method.

Homes and Land Development in Progress

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

Mortgages Receivable

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

In furtherance of its charitable purpose, Habitat Dane sells the homes it constructs to qualified applicants for non-interest-bearing mortgage notes. The value of these notes is then discounted to give Habitat Dane credit for the value of interest not being charged to homeowners. The rate for discounting mortgages receivable is determined by Habitat for Humanity International. 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.

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

Property and Equipment

Property and equipment with a cost greater than \$2,000 and a useful life of more than one year are capitalized. Depreciation is computed using the straight-line method. Leasehold improvements are amortized using the straight-line method over the initial term of the lease. Amortization expense is included in depreciation expense.

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.

HABITAT FOR HUMANITY OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Donated Services

Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received.

Expense Allocation

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

Housing—Since its founding in 1987, Habitat for Humanity of Dane County has built and then sold homes to working, low-income individuals and families. Habitat for Humanity of Dane County 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. The rest are sold to the public at 50-75% off the retail price.

Income Tax Status

Habitat Dane is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Sales Tax

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

Advertising

All advertising costs are expensed the first time the advertising takes place. Advertising expense for the year ended June 30, 2015 was \$52,070.

HABITAT FOR HUMANITY OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Date of Management's Review

Management has evaluated subsequent events through October 12, 2015, the date which the financial statements were available to be issued.

NOTE 2—CONCENTRATIONS OF CREDIT RISK

Habitat Dane maintains cash balances at three financial institutions located in Madison, Wisconsin. Accounts at each institution are insured by the Federal Deposit Insurance Corporation or the National Credit Union Association up to \$250,000. At June 30, 2015, Habitat Dane's uninsured cash balance totaled \$240,000.

NOTE 3—UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consisted of the following at June 30, 2015:

Unconditional promises to give	\$ 562,891
Less unconditional promises to give in one to five years	<u>318,010</u>
Unconditional promises to give in less than one year	<u><u>\$ 244,881</u></u>

NOTE 4 – CONDITIONAL PROMISE TO GIVE

Habitat Dane has a conditional promise to give from a donor for the Capital Campaign at June 30, 2015 based on Habitat Dane meeting a specific fundraising target for the Capital Campaign. Habitat Dane will record the contribution of \$250,000 from the donor once the condition has been satisfied.

NOTE 5—MORTGAGES RECEIVABLE

Mortgages receivable represent amounts due from the purchasers of houses constructed or renovated by Habitat Dane. 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 Habitat Dane.

Mortgages receivable as of June 30, 2015 consists of:

Mortgages receivable	\$ 10,608,311
Discount to current value	<u>(5,101,449)</u>
Mortgages receivable, net	5,506,862
Current portion of mortgages receivable	<u>(763,700)</u>
Long term portion of mortgages receivable	<u><u>\$ 4,743,162</u></u>

HABITAT FOR HUMANITY OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5—MORTGAGES RECEIVABLE (continued)

Mortgages receivable are discounted at a rate of 8% for mortgages initiated before fiscal year 2012 and at rates of 7.39%, 7.58% and 7.51% for mortgages initiated in fiscal years 2013, 2014 and 2015. The discount is recognized by the interest method over the life of the mortgages. Mortgages receivable at June 30, 2015 were:

Less than 60 days past due	\$ 5,079,237
60 days past due	138,348
90 days past due	70,489
More than 90 days past due	<u>218,788</u>
	<u>\$ 5,506,862</u>

NOTE 6—SILENT MORTGAGES

Habitat Dane holds silent mortgages recorded against properties. Silent mortgages do not earn interest but are due when habitat homes change ownership. The silent mortgages are in the last position to all other financing. These mortgages have not been recorded in the financial statements, as the term cannot be estimated. The amount of the silent mortgages held by Habitat Dane as of June 30, 2015 was \$5,260,977.

NOTE 7—ENDOWMENT

Habitat Dane's endowment is held by Madison Community Foundation (MCF) and 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 Dane 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, Habitat Dane 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, Habitat Dane 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 Habitat Dane, and (7) Habitat Dane's investment policies.

Habitat Dane 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 Habitat Dane must hold in perpetuity. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce returns to fund the sustainability of Habitat Dane's work while assuming a moderate level of investment risk.

HABITAT FOR HUMANITY OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 7—ENDOWMENT (continued)

Changes in endowment net assets as of June 30, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year	\$ 89,106	\$ 84,653	\$ 238,093	\$ 411,852
Interest and dividends	856	3,101	-	3,957
Investment fees	(1,061)	(3,847)	-	(4,908)
Net appreciation	742	2,689	-	3,431
Investment return	537	1,943	-	2,480
Contributions	-	-	28,250	28,250
Endowment net assets - end of year	<u>\$ 89,643</u>	<u>\$ 86,596</u>	<u>\$ 266,343</u>	<u>\$ 442,582</u>

Endowment net assets composition by type of fund as of June 30, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 86,596	\$ 266,343	\$ 352,939
Board-designated endowment funds	89,643	-	-	89,643
Total funds	<u>\$ 89,643</u>	<u>\$ 86,596</u>	<u>\$ 266,343</u>	<u>\$ 442,582</u>

NOTE 8—PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2015:

Land	\$ 69,731
Building	229,476
Leasehold improvements	303,346
Vehicles	47,543
Equipment	<u>194,949</u>
Property and equipment	845,045
Less accumulated depreciation	<u>344,458</u>
Property and equipment - net	<u>\$ 500,587</u>

NOTE 9—RETIREMENT PLAN

Habitat Dane has a SIMPLE IRA retirement plan that covers substantially all employees with at least one month of service. The pension contributions charged to expense were \$22,906 for the year ended June 30, 2015.

HABITAT FOR HUMANITY OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 10—FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at June 30, 2015 are as follows:

	Fair Value	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in assets held by MCF	\$ 442,582	\$ -	\$ -	\$ 442,582

Habitat Dane's beneficial interest in assets held by the Foundation represents an agreement between Habitat Dane and the Foundation in which Habitat Dane transfers assets to the Foundation 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 the proportional share of the underlying assets as reported to Habitat Dane by the Foundation. 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 presents additional information about assets measured at fair value on a recurring basis using significant unobservable inputs at June 30, 2015:

Beginning balance	\$ 411,852
Change in value of beneficial interest included in change in net assets	2,480
Permanently restricted contributions	28,250
Ending balance	\$ 442,582

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

NOTE 11—OPERATING LEASES

Habitat Dane has operating leases for ReStore facilities, storage and copiers. Rent expense for the year ended June 30, 2015 was \$213,818. Future minimum lease payments for years ending June 30 are as follows:

2016	\$ 242,418
2017	224,605
2018	231,166
2019	238,260
2020	31,372
2021	1,344
Total	\$ 969,165

HABITAT FOR HUMANITY OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 12—ESCROW DEPOSITS

Habitat Dane maintains separate bank accounts at various financial institutions into which it deposits funds received from homeowners pursuant to their mortgages for the payment of real estate taxes, insurance, and homeowners' association fees. Habitat Dane uses this account for the payment of those charges as they come due. To ensure cash reserves are maintained to fund the escrow deposit liability, Habitat Dane's board of directors has required escrow deposits to be placed into a separate bank account. The cash balance of this account is included in cash and cash equivalents on the statement of financial position. The escrow deposits were \$333,530 as of June 30, 2015.

NOTE 13—LINE OF CREDIT

Habitat Dane had a \$1,000,000 line of credit with a financial institution at a minimum rate of 3.5% adjusted to the index rate of the "highest US Prime Rate published in the Wall Street Journal" which was closed on August 6, 2014. On August 6, 2014 Habitat Dane opened a \$1,000,000 line of credit with another financial institution at a minimum rate of 3% adjusted to the index rate of the "highest US Prime Rate published in the Wall Street Journal" minus .250 percentage points, which matures on August 6, 2016. The line of credit is collateralized by homeowner mortgages. There was no outstanding balance at June 30, 2015. As of October 12, 2015 there has been no borrowing.

NOTE 14—NOTES PAYABLE

The notes payable balances at June 30, 2015 are as follows:

Interest-free note payable to the Village of Mazomanie, in monthly installments of \$169 through February 12, 2019, collateralized by real estate.	\$ 7,445
Interest-free notes payable to Habitat for Humanity International, in monthly installments of \$390 through July 2021.	28,050
3.99% note payable to Summit Credit Union, with monthly installments of \$8,211 through February 2022, collateralized by real estate.	<u>567,693</u>
Notes payable	603,188
Current portion	<u>(83,934)</u>
Long term notes payable	<u>\$ 519,254</u>

Future minimum payments for the years ending June 30 are as follows:

2016	\$ 83,934
2017	91,684
2018	87,809
2019	87,133
2020	85,780
Thereafter	<u>166,848</u>
Total	<u>\$ 603,188</u>

HABITAT FOR HUMANITY OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 15—TITHE TO HABITAT FOR HUMANITY INTERNATIONAL, INC.

With respect for and in support of Habitat for Humanity International, Inc. Habitat Dane voluntarily remits a tithe of the undesignated public support it received in the prior year. This is used by the international organization for providing housing for the poor around the world. For the year ended June 30, 2015, the amounts remitted were \$25,400.

NOTE 16—NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods at June 30:

Subsequent years' operations	\$ 372,867
Thrivent House Sponsorship	66,250
Materials for future building projects	156,900
Time restriction on endowment earnings	<u>86,596</u>
Temporarily restricted net assets	<u>\$ 682,613</u>

In 2010, Habitat Dane created an endowment fund at Madison Community Foundation ("MCF") for the benefit of Habitat Dane. The endowment fund assets are to be held as long as the MCF or Habitat Dane is in existence. The income generated from the assets can be used to support Habitat Dane's activities. Permanently restricted net assets at June 30, 2015 were \$266,343.

NOTE 17—MORTGAGE SALES

In fiscal year 2010, Habitat Dane sold 11 mortgages with an outstanding balance of \$524,009 to a financial institution. The mortgages are serviced by Habitat Dane and the outstanding balances on these mortgages were \$185,193 at June 30, 2015.

At the fiscal year 2012, Habitat Dane sold 13 mortgages with outstanding balances of \$587,793 to another financial institution. The mortgages are serviced by Habitat Dane and the outstanding balances on these mortgages were \$433,323 at June 30, 2015.

During fiscal year 2014, Habitat Dane sold 13 more mortgages with outstanding balances of \$711,722 to two other financial institutions. The mortgages are serviced by Habitat Dane and the outstanding balances on these mortgages were \$650,693 at June 30, 2015.

During fiscal year 2015, Habitat Dane sold 13 more mortgages with outstanding balances of \$543,881 to two other financial institutions. The mortgages are serviced by the financial institution.

In June 2011, two financial institutions each generated a Zero Equivalent Mortgage (ZEM) for a partner family under a program outlined and endorsed by Habitat for Humanity International. Under the ZEM program, each partner family purchases a home from Habitat Dane using funds received from a ZEM mortgage at the participating financial institution. Each ZEM mortgage bears interest, but at a below market rate. The face amount of the ZEM mortgage is equal to the sale price that Habitat Dane charges the family for the home. That sale price (and the amount of the ZEM mortgage) is set so that the monthly payments that the family will make on the ZEM mortgage (including principal plus interest) are equal to the monthly payments that the family would have paid to Habitat Dane if Habitat Dane had provided a zero percent first mortgage to

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NOTE 17—MORTGAGE SALES (continued)

the family under Habitat Dane’s standard mortgage program. Habitat Dane also receives two mortgages that are subordinate to the ZEM mortgage: (1) the standard zero percent “silent mortgages” that Habitat Dane receives in connection with all of its sales to families (see Note 12); and (2) a zero percent interest mortgage in amount equal to the difference between the amount of the sale price and the amount that the principal would have been on Habitat Dane’s first mortgage if it had sold the home to the family under its standard mortgage program. The amount of the mortgage described in (2) is reduced over time as interest is paid on the ZEM mortgage.

NOTE 18—SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest	\$ 40,111
Noncash investing and financing transactions	
New mortgages issued	1,656,425
Transfer to completed homes from homes in progress	1,656,425
Transfer to homes in progress from land for development	146,802
Notes payable refinanced	352,343
Line of credit payments financed by notes payable	248,657

NOTE 19—DONATED SERVICES

Habitat Dane received 16,548 hours of donated services from volunteers who assisted in the construction of homes during the year ended June 30, 2015. Management estimates the value of these services to be \$280,770 for the year ended June 30, 2015. All of the donated services received during the year ended June 30, 2015 were capitalized as homes in progress. In addition, Habitat Dane received donated professional construction related services with fair values of \$8,471 during the year ended June 30, 2015.

NOTE 20—CAPITAL CAMPAIGN

Habitat Dane began planning for an 18 month capital campaign at the end of fiscal year 2014. The silent phase had just begun at the beginning of fiscal year 2015 with the seating of the campaign cabinet and the initial major donor meetings beginning. The goal of the campaign is \$1.75 million, which will be used for land banking. This campaign will allow Habitat Dane to take advantage of current low land prices and to build more efficiently in land groupings. The campaign will also allow Habitat to serve more families and build long-term support in the community. Plans call for the purchase and development of more than 70 home lots in at least four Dane County neighborhoods.