

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

**FINANCIAL STATEMENTS**

June 30, 2014 and 2013

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Habitat for Humanity of Dane County, Inc., which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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, 2014 and 2013, 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.

*Wegner CPAs LLP*

Wegner CPAs, LLP  
Madison, Wisconsin  
October 21, 2014

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**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2014 and 2013

	2014	2013
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		
General balance	\$ 125,824	\$ 523,069
Escrow deposits	348,249	308,014
	474,073	831,083
Cash and cash equivalents	474,073	831,083
Unconditional promises to give - current	190,192	62,500
Accounts receivable	470,543	-
Inventory	57,794	70,302
Homes in progress	1,167,803	1,228,500
Land (developed and undeveloped)	1,037,420	456,586
Mortgages receivable, net - current	759,666	632,313
	4,157,491	3,281,284
Total current assets	4,157,491	3,281,284
<b>LONG TERM ASSETS</b>		
Unconditional promises to give - long term	10,055	45,850
Mortgages receivable, net - long term	4,667,643	4,780,107
Beneficial interest in assets held by MCF	411,852	373,435
	5,089,550	5,199,392
Total long term assets	5,089,550	5,199,392
Property and equipment - net	315,741	332,458
	315,741	332,458
<b>Total assets</b>	<b>\$ 9,562,782</b>	<b>\$ 8,813,134</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 231,061	\$ 107,134
Grants payable - short term	28,000	28,000
Escrow deposits	348,249	308,014
Accrued payroll and related expenses	76,303	75,252
Line of credit	600,348	-
Notes payable - current	51,313	192,819
	1,335,274	711,219
Total current liabilities	1,335,274	711,219
<b>LONG TERM LIABILITIES</b>		
Grants payable - long term	-	28,000
Notes payable - long term	343,235	376,669
	343,235	376,669
Total liabilities	1,678,509	1,115,888
<b>NET ASSETS</b>		
Unrestricted	7,244,583	7,023,119
Temporarily restricted	401,597	436,034
Permanently restricted	238,093	238,093
	7,884,273	7,697,246
Total net assets	7,884,273	7,697,246
<b>Total liabilities and net assets</b>	<b>\$ 9,562,782</b>	<b>\$ 8,813,134</b>

See accompanying notes.

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
**STATEMENT OF ACTIVITIES**  
Years Ended June 30, 2014 and 2013

	2014	2013
<b>UNRESTRICTED NET ASSETS</b>		
<b>SUPPORT AND OTHER REVENUE</b>		
Revenue on sale of completed homes and lots	\$ 1,922,812	\$ 2,347,124
Gifts and donations	628,681	1,074,669
ReStore sales	1,294,229	1,165,762
Mortgage discount amortization	575,952	480,616
Gain on sale of mortgages receivable	221,044	-
In-kind contributions	605,000	939,139
Grants and other fees for services	79,470	26,580
Interest	1,418	2,426
Agency endowment return	11,897	7,070
Special events	199,732	148,133
Miscellaneous income	41,118	34,734
Total unrestricted support and other revenue	5,581,353	6,226,253
<b>EXPENSES AND LOSSES</b>		
Program services		
Housing	4,232,149	4,732,222
ReStore	912,998	841,114
Supporting activities		
Management and general	145,552	174,342
Fundraising	315,662	185,534
Total expenses	5,606,361	5,933,212
Write off of uncollectible mortgages	-	84,000
Total expenses and losses	5,606,361	6,017,212
Net assets released from restrictions	246,472	187,877
Change in unrestricted net assets	221,464	396,918
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	178,443	67,636
Net assets released from restrictions	(246,472)	(187,877)
Write-off of unconditional promises to give	(9,500)	(23,000)
Agency endowment return	43,092	24,279
Change in temporarily restricted net assets	(34,437)	(118,962)
<b>PERMANENTLY RESTRICTED NET ASSETS</b>		
Contributions	-	15,200
<b>Change in net assets</b>	187,027	293,156
Net assets - beginning of year	7,697,246	7,404,090
<b>Net assets - end of year</b>	<b>\$ 7,884,273</b>	<b>\$ 7,697,246</b>

See accompanying notes.



**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years Ended June 30, 2014 and 2013

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 187,027	\$ 293,156
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	41,241	46,450
Contributions restricted for permanent endowment	-	(15,200)
Amortization of discount on mortgages receivable	(575,952)	(480,616)
Discount on mortgages receivable	771,035	1,029,071
Gain on sale of mortgages receivable	(221,044)	-
Write off of uncollectible mortgages receivable	-	84,000
Write off of unconditional promises to give	9,500	23,000
Amortization of discount on unconditional promises to give	(1,705)	(2,358)
Gain on sale of property and equipment	(10,188)	-
(Increase) decrease in assets		
Accounts receivable	(58,686)	893
Inventory	12,508	(5,748)
Unconditional promises to give	(99,692)	112,735
Homes in progress	(890,896)	(1,488,367)
Increase (decrease) in liabilities		
Accounts payable	123,927	(73,523)
Grants payable	(28,000)	(28,000)
Accrued payroll and related expenses	1,051	15,277
Escrow deposits	40,235	8,380
Net cash flows from operating activities	(699,639)	(480,850)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(31,301)	(17,960)
Purchases of land for development	(580,834)	(456,586)
Proceeds from the sale of property and equipment	16,965	-
Return retained in and transfers to agency endowments	(54,989)	(46,549)
Proceeds from sale of mortgages receivable	191,453	-
Proceeds from sales of investments	16,572	-
Collections on mortgages receivable	812,358	726,017
Net cash flows from investing activities	370,224	204,922
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from permanently restricted contributions	-	15,200
Principal payments on notes payable	(48,595)	(43,578)
Proceeds from notes payable	21,000	-
Net cash flows from financing activities	(27,595)	(28,378)
<b>Change in cash and cash equivalents</b>	(357,010)	(304,306)
Cash and cash equivalents - beginning of year	831,083	1,135,389
<b>Cash and cash equivalents - end of year</b>	\$ 474,073	\$ 831,083

See accompanying notes.

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

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

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

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

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The Organization 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 the Organization 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 statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Accounts Receivable**

The Organization 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.



**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014 and 2013

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**Inventory**

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

**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.

**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.

**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.

**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.

**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.

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014 and 2013

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Mortgages Receivable**

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

In furtherance of its charitable purpose, the Organization sells the homes it constructs to qualified applicants for non-interest-bearing mortgage notes. The value of these notes is then discounted to give the Organization credit for the value of interest not being charged to homeowners. The rate for discounting mortgages receivable is determined by Habitat for Humanity International. 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, the Organization has concluded that realized losses on balances outstanding at year-end will be immaterial.

**Expense Allocation**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the 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**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization's federal exempt organization returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed. With few exceptions, The Organization is no longer subject to such examinations for tax years before 2010.

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014 and 2013

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Sales Tax**

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

**Advertising**

All advertising costs are expensed the first time the advertising takes place. Advertising expense for the years ended June 30, 2014 and 2013 was \$49,302 and \$47,516.

**Reclassifications**

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

**Date of Management's Review**

Management has evaluated subsequent events through October 21, 2014, the date which the financial statements were available to be issued.

NOTE 2—CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash balances at four financial institutions located in Madison, Wisconsin. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2014 and 2013, the Organization's uninsured cash balances total \$115,724 and \$89,297.

NOTE 3—UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consisted of the following at June 30, 2014 and 2013:

	2014	2013
Unconditional promises to give	\$ 200,247	\$ 110,055
Unamortized discount	-	(1,705)
	200,247	108,350
Less unconditional promises to give in one to five years	10,055	45,850
	\$ 190,192	\$ 62,500

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014 and 2013

**NOTE 4—MORTGAGES RECEIVABLE**

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

Mortgages receivable as of June 30, 2014 and 2013 consists of:

	2014	2013
Mortgages receivable	\$10,124,551	\$ 10,244,084
Discount to current value	(4,697,242)	(4,831,664)
Mortgages receivable, net	5,427,309	5,412,420
Current portion of mortgages receivable	(759,666)	(632,313)
Long-term portion of mortgages receivable	\$ 4,667,643	\$ 4,780,107

Mortgages receivable are discounted at a rate of 8% for mortgages initiated before fiscal year 2012 and at rates of 7.50%, 7.39% and 7.58% for mortgages initiated in fiscal years 2012, 2013 and 2014. The discount is recognized by the interest method over the life of the mortgages. Mortgages receivable at June 30, 2014 and 2013 were:

	2014	2013
Less than 60 days past due	\$ 4,981,577	\$ 4,863,424
60 days past due	120,215	120,871
90 days past due	104,462	81,592
More than 90 days past due	221,055	346,533
	\$ 5,427,309	\$ 5,412,420

**NOTE 5—ENDOWMENT**

The Organization'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.

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.

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014 and 2013

NOTE 5—ENDOWMENT (continued)

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) the 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, the 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.

Changes in endowment net assets as of June 30, 2014 and 2013 are as follows:

<b>2014</b>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year	\$ 80,794	\$ 54,548	\$ 238,093	\$ 373,435
Interest and dividends	915	3,315	-	4,230
Investment fees	(980)	(3,550)	-	(4,530)
Net appreciation	11,962	43,327	-	55,289
Investment return	11,897	43,092	-	54,989
Distributions	(3,585)	(12,987)	-	(16,572)
Endowment net assets - end of year	<u>\$ 89,106</u>	<u>\$ 84,653</u>	<u>\$ 238,093</u>	<u>\$ 411,852</u>
<b>2013</b>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year	\$ 73,724	\$ 30,269	\$ 222,893	\$ 326,886
Interest and dividends	1,534	5,267	-	6,801
Investment fees	(912)	(3,130)	-	(4,042)
Net appreciation	6,448	22,142	-	28,590
Investment return	7,070	24,279	-	31,349
Contributions	-	-	15,200	15,200
Endowment net assets - end of year	<u>\$ 80,794</u>	<u>\$ 54,548</u>	<u>\$ 238,093</u>	<u>\$ 373,435</u>

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014 and 2013

NOTE 5—ENDOWMENT (continued)

Endowment net assets composition by type of fund as of June 30, 2014 and 2013 are as follows:

<b>2014</b>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 84,653	\$ 238,093	\$ 322,746
Board-designated endowment funds	89,106	-	-	89,106
Total funds	<u>\$ 89,106</u>	<u>\$ 84,653</u>	<u>\$ 238,093</u>	<u>\$ 411,852</u>
<b>2013</b>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 54,548	\$ 238,093	\$ 292,641
Board-designated endowment funds	80,794	-	-	80,794
Total funds	<u>\$ 80,794</u>	<u>\$ 54,548</u>	<u>\$ 238,093</u>	<u>\$ 373,435</u>

NOTE 6—PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2014 and 2013:

	2014	2013
Land	\$ 69,731	\$ 69,731
Building	229,476	229,476
Leasehold improvements	82,441	72,838
Vehicles	41,076	76,798
Equipment	<u>194,949</u>	<u>180,781</u>
Property and equipment	617,673	629,624
Less accumulated depreciation	<u>301,932</u>	<u>297,166</u>
Property and equipment - net	<u>\$ 315,741</u>	<u>\$ 332,458</u>

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014 and 2013

**NOTE 7—FAIR VALUE MEASUREMENTS**

Fair values of assets measured on a recurring basis at June 30, 2014 and 2013 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)
<b>2014</b>				
Beneficial interest in assets held by MCF	\$ 411,852	\$ -	\$ -	\$ 411,852
<b>2013</b>				
Beneficial interest in assets held by MCF	\$ 373,435	\$ -	\$ -	\$ 373,435

The Organization's beneficial interest in assets held by the Foundation represents an agreement between the Organization and the Foundation in which the Organization 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 the Organization 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:

	2014	2013
Beginning balance	\$ 373,435	\$ 326,886
Change in value of beneficial interest included in change in net assets	54,989	31,349
Distributions	(16,572)	-
Purchases	-	15,200
Ending balance	\$ 411,852	\$ 373,435

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



**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014 and 2013

**NOTE 8—SILENT MORTGAGES**

The Organization 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 the Organization as of June 30, 2014 and 2013 was \$5,251,393 and \$5,244,678.

**NOTE 9—ESCROW DEPOSITS**

The Organization 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. The Organization 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, the Organization'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 on the statement of financial position. The escrow deposits were \$348,249 and \$308,014 as of June 30, 2014 and 2013.

**NOTE 10—NOTES PAYABLE**

The notes payable balances at June 30, 2014 and 2013 are as follows:

	2014	2013
Interest-free note payable to the City of Madison; due upon sale, change in use, or other transfer of property constructed with these funds; collateralized by real estate.	\$ -	\$ 112,500
Interest-free note payable to the Village of Mazomanie, in monthly installments of \$169 through February 12, 2019, collateralized by real estate.	9,474	11,505
Interest-free note payable to Dane County; due upon sale, change in use, or other transfer of property constructed with these funds; collateralized by real estate.	-	34,497
5.5% note payable to Habitat for Humanity International in monthly installments through June 30, 2021, less reserve of \$17,675. Plus, interest-free portion of this note with payments beginning at least 18 months after the note has been activated and funds have been drawn (\$16,410 at June 30, 2013 and \$17,970 at June 30, 2012).	385,074	410,986
Notes payable	394,548	569,488
Current portion	(51,313)	(192,819)
Long-term notes payable	\$ 343,235	\$ 376,669



**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
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NOTE 10—NOTES PAYABLE (continued)

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

2015	51,313
2016	53,818
2017	56,463
2018	59,256
2019	61,530
Thereafter	<u>112,168</u>
 Total	 <u>\$ 394,548</u>

NOTE 11—LINE OF CREDIT

The Organization has 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. The line of credit is collateralized by real estate. As of June 30, 2014 and 2013, the balance was \$600,347 and \$0. Through August 6, 2014, subsequent borrowings on the line of credit were \$ 100,000 and repayments of \$700,347. On August 6, 2014 the Organization 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. As of October 21, 2014, subsequent borrowings on the line of credit were \$519,727.

NOTE 12—OPERATING LEASES

The Organization has operating leases for ReStore facilities and storage. Rent expense for the years ended June 30, 2014 and 2013 was \$181,375 and \$169,723. Future minimum lease payments for years ending June 30 are as follows:

2015	\$ 207,040
2016	234,938
2017	216,538
2018	223,099
2019	230,193
Thereafter	<u>23,304</u>
 Total	 <u>\$ 1,135,112</u>

NOTE 13—TITHE TO HABITAT FOR HUMANITY INTERNATIONAL, INC.

With respect for and in support of Habitat for Humanity International, Inc. the Organization voluntarily remits a tithe of the undesignated public support it received in the prior year. This is used by the international organization for providing housing for the poor around the world. For the years ended June 30, 2014 and 2013, the amounts remitted were \$47,940 and \$40,000. As of June 30, 2014 and 2013, the Organization has an additional commitment of \$28,000 and \$56,000 for future year support to Habitat for Humanity International, Inc.

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
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**NOTE 14—TEMPORARILY RESTRICTED NET ASSETS**

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

	2014	2013
Subsequent years' operations	\$ 101,444	\$ 108,350
Thrivent House Sponsorship	132,500	-
Neighborhood Stabilization Grant	83,000	243,000
Benefit dinner	-	30,136
Time restriction on endowment earnings	84,653	54,548
Temporarily restricted net assets	\$ 401,597	\$ 436,034

**NOTE 15—PERMANENTLY RESTRICTED NET ASSETS**

In 2010, the Organization created an endowment fund at Madison Community Foundation ("MCF") for the benefit of the Organization. The endowment fund assets are to be held as long as the MCF or the Organization is in existence. The income generated from the assets can be used to support the Organization's activities. Permanently restricted net assets at June 30, 2014 and 2013 were \$238,093.

**NOTE 16—RETIREMENT PLAN**

The organization 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 \$21,007 and \$21,052 for the years ended June 30, 2014 and 2013.

**NOTE 17—MORTGAGE SALES**

In fiscal year 2010, the Organization sold 11 mortgages with an outstanding balance of \$524,009 to a financial institution. The mortgages are serviced by the Organization and the outstanding balances on these mortgages were \$311,979 and \$357,314 at June 30, 2014 and 2013.

In April 2011, the Organization sold five mortgages to another financial institution for \$239,547 at no interest or fees. The Organization has guaranteed the mortgages. If a mortgage is 90 days delinquent, the Organization will substitute a mortgage of equal value or buy the note back. The balances outstanding on these mortgages were \$183,231 and \$202,613 at June 30, 2014 and 2013.

At the fiscal year 2012, the Organization sold 13 mortgages with outstanding balances of \$587,793 to another financial institution. The mortgages are serviced by the Organization and the outstanding balances on these mortgages were \$480,408 and \$541,406 at June 30, 2014 and 2013.

During fiscal year 2014, the Organization sold 13 more mortgages with outstanding balances of \$711,722 to two other financial institutions. The mortgages are serviced by the Organization and the outstanding balances on these mortgages were \$701,070 and \$0 at June 30, 2014 and 2013.

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
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**NOTE 17—MORTGAGE SALES (continued)**

In June 2011, two financial institutions each generated a Zero Equivalent Mortgage (ZEM) for a partner family under a program outlines and endorsed by Habitat for Humanity International. Under the ZEM program, each partner family purchases a home from the Organization 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 the Organization 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 the Organization if the Organization had provided a zero percent first mortgage to the family under the Organization's standard mortgage program. The Organization also receives two mortgages that are subordinate to the ZEM mortgage: (1) the standard zero percent "silent mortgages" that the Organization 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 the Organization'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**

	2014	2013
Cash paid for interest	\$ 22,565	\$ 23,773
Noncash investing and financing transactions		
New mortgages issued	1,404,596	1,892,760
Transfer to completed homes from homes in progress	1,390,596	1,892,760
Notes payable assumed by City of Madison or Dane County at sale	146,997	281,960
Debt obtained to acquire homes and land development	600,000	114,480
Mortgages sold for accounts receivable	411,857	-

**NOTE 19—DONATED SERVICES**

The Organization received 30,621 and 33,690 hours of donated services from volunteers who assisted in the construction of homes during the years ended June 30, 2014 and 2013. Management estimates the value of these services to be \$459,315 and \$745,915 for the years ended June 30, 2014 and 2013. All of the donated services received during the year ended June 30, 2014 and 2013 were capitalized as homes and land development in progress. In addition, the Organization received donated professional construction related services with fair values of \$5,232 and \$19,342 during the years ended June 30, 2014 and 2013.

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
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**NOTE 20—CAPITAL CAMPAIGN**

The Organization 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 the Organization 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 70+ home lots in at least four Dane County neighborhoods.