



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

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY  
INFORMATION**

June 30, 2016 and 2015

## CONTENTS

Independent Auditor's Report .....	1
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses .....	5
Statements of Cash Flows .....	6
Notes to Financial Statements .....	7
Schedule of Revenue and Expenses by Funding Source .....	19
Schedule of CDD Office Funds Expended by Program .....	20
City of Madison Community Development Division Schedule of Finding and Questioned Costs .....	21



## 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, 2016 and 2015, 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Report on Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 19-20 is presented for

**Janesville Office:**  
101 E. Milwaukee Street  
Suite 425  
Janesville, WI 53545  
P: (608) 756-4020

**Baraboo Office:**  
123 Second Street  
P.O. Box 150  
Baraboo, WI 53913  
P: (608) 356-3966  
F: (608) 356-2966

**Milwaukee Office:**  
W229 N1433 Westwood Drive  
Suite 105  
Waukesha, WI 53186  
P: (262) 522-7555  
F: (262) 522-7550

**Madison Office:**  
2110 Luann Lane  
Madison, WI 53713  
P: (608) 274-4020  
F: (608) 274-0775

[www.wegnercpas.com](http://www.wegnercpas.com)  
[info@wegnercpas.com](mailto:info@wegnercpas.com)  
(888) 204-7665

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.

*Wegner CPAs LLP*

Wegner CPAs, LLP  
Madison, Wisconsin  
September 30, 2016

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2016 and 2015

	2016	2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		
General balance	\$ 750,432	\$ 341,857
Escrow deposits	350,757	333,530
	<hr/>	<hr/>
Cash and cash equivalents	1,101,189	675,387
Unconditional promises to give	399,078	244,881
Accounts receivable	72,492	103,516
Inventory	240,330	218,725
Homes in progress	1,736,942	703,589
Land (developed and undeveloped)	591,498	968,814
Mortgages receivable	629,365	763,700
	<hr/>	<hr/>
Total current assets	4,770,894	3,678,612
<b>LONG TERM ASSETS</b>		
Unconditional promises to give	378,582	318,010
Mortgages receivable	4,627,989	4,743,162
Beneficial interest in assets held by MCF	441,152	442,582
	<hr/>	<hr/>
Total long term assets	5,447,723	5,503,754
Property and equipment - net	538,057	500,587
	<hr/>	<hr/>
<b>Total assets</b>	<b>\$ 10,756,674</b>	<b>\$ 9,682,953</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 293,524	\$ 220,591
Escrow deposits	350,757	333,530
Accrued payroll and related expenses	111,908	82,659
Notes payable	85,098	83,934
	<hr/>	<hr/>
Total current liabilities	841,287	720,714
<b>LONG TERM LIABILITIES</b>		
Notes payable	426,889	519,254
	<hr/>	<hr/>
Total liabilities	1,268,176	1,239,968
<b>NET ASSETS</b>		
Unrestricted	8,361,000	7,494,029
Temporarily restricted	846,155	682,613
Permanently restricted	281,343	266,343
	<hr/>	<hr/>
Total net assets	9,488,498	8,442,985
	<hr/>	<hr/>
<b>Total liabilities and net assets</b>	<b>\$ 10,756,674</b>	<b>\$ 9,682,953</b>

See accompanying notes.

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years ended June 30, 2016 and 2015

	2016	2015
<b>UNRESTRICTED NET ASSETS</b>		
<b>REVENUE AND SUPPORT</b>		
Revenue on sale of completed homes and lots	\$ 1,852,204	\$ 2,021,811
ReStore sales less cost of goods sold of \$1,576,003 and \$1,452,660	81,185	75,468
Mortgage discount amortization	446,170	324,060
Gain on sale of mortgages receivable	305,425	164,806
Program services	50,518	42,686
Agency endowment return	(3,356)	537
Gifts and donations	1,159,204	913,338
In-kind contributions	2,160,036	2,029,444
Special events	48,545	77,902
Interest	1,718	1,063
Miscellaneous income	6,959	3,904
<b>Total unrestricted revenue and support</b>	<b>6,108,608</b>	<b>5,655,019</b>
<b>EXPENSES</b>		
Program services		
Housing	3,607,947	4,028,367
ReStore	1,123,822	1,089,298
Supporting activities		
Management and general	190,178	163,270
Fundraising	592,257	422,943
<b>Total expenses</b>	<b>5,514,204</b>	<b>5,703,878</b>
Net assets released from restrictions	272,567	298,305
Change in unrestricted net assets	866,971	249,446
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	484,210	577,378
Net assets released from restrictions	(272,567)	(298,305)
Write-off of unconditional promises to give	(35,000)	-
Agency endowment return	(13,101)	1,943
<b>Change in temporarily restricted net assets</b>	<b>163,542</b>	<b>281,016</b>
<b>PERMANENTLY RESTRICTED NET ASSETS</b>		
Contributions	15,000	28,250
<b>Change in net assets</b>	<b>1,045,513</b>	<b>558,712</b>
Net assets - beginning of year	8,442,985	7,884,273
<b>Net assets - end of year</b>	<b>\$ 9,488,498</b>	<b>\$ 8,442,985</b>

See accompanying notes.

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
Years ended June 30, 2016 and 2015

	Housing	ReStore	Management and General	Fundraising	2016 Total
Cost of houses sold	\$ 1,933,710	\$ -	\$ -	\$ -	\$ 1,933,710
Cost of goods sold - ReStore	-	1,576,003	-	-	1,576,003
Mortgage discount expense	665,881	-	-	-	665,881
Personnel	686,435	568,607	154,587	278,490	1,688,119
Occupancy	71,196	376,208	3,370	13,588	464,362
Tools, equipment, and technology	48,633	49,404	1,797	29,828	129,662
Office expenses	11,988	16,443	1,661	8,047	38,139
Publicity	12,069	59,704	-	183,913	255,686
Tithe to Habitat for Humanity International	71,300	-	-	-	71,300
Professional services	22,891	9,803	21,207	52,298	106,199
Volunteer and family	17,633	9,762	-	-	27,395
Travel	5,858	3,736	4,434	8,750	22,778
El Salvador trip expenses	17,853	-	-	-	17,853
Miscellaneous	20,707	30,155	3,122	17,343	71,327
Interest	21,793	-	-	-	21,793
<b>Total expenses</b>	<b>3,607,947</b>	<b>2,699,825</b>	<b>190,178</b>	<b>592,257</b>	<b>7,090,207</b>
Less expenses included with revenue on the statements of activities	-	(1,576,003)	-	-	(1,576,003)
<b>Total expenses included in the expenses section of the statements of activities</b>	<b>\$ 3,607,947</b>	<b>\$ 1,123,822</b>	<b>\$ 190,178</b>	<b>592,257</b>	<b>\$ 5,514,204</b>
	Housing	ReStore	Management and General	Fundraising	2015 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
Occupancy	625,290	559,591	121,639	207,640	1,514,160
Tools, equipment, and technology	64,495	328,161	6,281	9,088	408,025
Office expenses	40,317	42,608	2,021	8,390	93,336
Publicity	14,113	16,793	3,637	6,482	41,025
Tithe to Habitat for Humanity International	1,231	73,483	-	101,674	176,388
Professional services	25,400	-	-	-	25,400
Volunteer and family	26,580	12,232	13,024	75,357	127,193
Travel	16,285	10,324	-	-	26,609
El Salvador trip expenses	4,113	3,177	7,773	6,540	21,603
Miscellaneous	30,131	-	-	-	30,131
Interest	62,160	42,929	8,895	7,772	121,756
	39,601	-	-	-	39,601
<b>Total expenses</b>	<b>4,028,367</b>	<b>2,541,958</b>	<b>163,270</b>	<b>422,943</b>	<b>7,156,538</b>
Less expenses included with revenue on the statements of activities	-	(1,452,660)	-	-	(1,452,660)
<b>Total expenses included in the expenses section of the statements of activities</b>	<b>\$ 4,028,367</b>	<b>\$ 1,089,298</b>	<b>\$ 163,270</b>	<b>422,943</b>	<b>\$ 5,703,878</b>

See accompanying notes.

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years ended June 30, 2016 and 2015

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,045,513	\$ 558,712
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Write-off of unconditional promises to give	35,000	-
Depreciation	80,536	67,552
Contributions restricted for permanent endowment	(15,000)	(28,250)
Amortization of discount on mortgages receivable	(446,170)	(324,060)
Discount on mortgages receivable	665,881	937,848
Foreclosures on mortgages receivable	129,824	-
Gain on sale of mortgages receivable	(305,425)	(164,806)
(Increase) decrease in assets		
Unconditional promises to give	(249,769)	(362,644)
Accounts receivable	31,024	367,027
Inventory	(21,605)	(160,931)
Homes in progress	(1,930,587)	(1,045,409)
Increase (decrease) in liabilities		
Accounts payable	72,933	(10,470)
Escrow deposits	17,227	(14,719)
Accrued payroll and related expenses	29,249	6,356
Grants payable	-	(28,000)
Net cash flows from operating activities	(861,369)	(201,794)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(118,006)	(252,398)
Purchases of land for development	(2,600)	(78,196)
Purchase of improvements on homes in progress	(36,530)	-
Return retained in agency endowments	16,430	(2,480)
Contributions to agency endowment	(15,000)	(28,250)
Proceeds from sale of mortgages receivable	878,372	499,106
Collections on mortgages receivable	640,706	628,784
Net cash flows from investing activities	1,363,372	766,566
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for investment in the permanent endowment	15,000	28,250
Payments on line of credit	-	(1,171,662)
Principal payments on notes payable	(91,201)	(40,017)
Proceeds from line of credit	-	819,971
Net cash flows from financing activities	(76,201)	(363,458)
<b>Change in cash and cash equivalents</b>	425,802	201,314
Cash and cash equivalents - beginning of year	675,387	474,073
<b>Cash and cash equivalents - end of year</b>	<u>\$ 1,101,189</u>	<u>\$ 675,387</u>

See accompanying notes.



**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 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**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of the statements 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, 2016 and 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, 2016 and 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 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 Dane has built and then sold homes to working, low-income individuals and families. Habitat Dane 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.

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

---

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Advertising**

All advertising costs are expensed the first time the advertising takes place. Advertising expense for the years ended June 30, 2016 and 2015 was \$55,937 and \$52,070.

**Date of Management's Review**

Management has evaluated subsequent events through September 30, 2016, the date which the financial statements were available to be issued.

NOTE 2—CONCENTRATIONS OF CREDIT RISK

Habitat Dane maintains cash balances at four financial institutions located in the Madison, Wisconsin area. 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, 2016 and 2015, Habitat Dane's uninsured cash balance totaled \$89,857 and \$243,985.

NOTE 3—UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2016 and 2015 consisted of the following:

	2016	2015
Unconditional promises to give	\$ 777,660	\$ 562,891
Less unconditional promises to give in one to five years	378,582	318,010
Unconditional promises to give in less than one year	\$ 399,078	\$ 244,881

NOTE 4 – CONDITIONAL PROMISE TO GIVE

Habitat Dane received a conditional promise to give of \$250,000 from a donor for the Capital Campaign in 2015 based on Habitat Dane meeting a specific fundraising target for the Capital Campaign. Habitat Dane met the condition during 2016 and the promise to give was included in gifts and donations on the statements of activities for the year ending June 30, 2016.

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.

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

NOTE 5—MORTGAGES RECEIVABLE (continued)

Mortgages receivable at June 30, 2016 and 2015 consisted of the following:

	2016	2015
Mortgages receivable	\$10,042,910	\$10,608,311
Discount to current value	(4,785,556)	(5,101,449)
Mortgages receivable, net	5,257,354	5,506,862
Current portion of mortgages receivable	(629,365)	(763,700)
Long term portion of mortgages receivable	\$ 4,627,989	\$ 4,743,162

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% and 7.48% for mortgages initiated in fiscal years 2013, 2014, 2015 and 2016. The discount is recognized by the interest method over the life of the mortgages. Mortgages receivable aging at June 30, 2016 and 2015 was as follows:

	2016	2015
Less than 60 days past due	\$ 5,031,008	\$ 5,079,237
60 days past due	88,127	138,348
90 days past due	-	70,489
More than 90 days past due	138,219	218,788
	\$ 5,257,354	\$ 5,506,862

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, 2016 and 2015 was \$5,332,016 and \$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.

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

NOTE 7—ENDOWMENT (continued)

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.

Changes in endowment net assets as of June 30, 2016 and 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - June 30, 2014	\$ 89,106	\$ 84,653	\$ 238,093	\$ 411,852
Contributions	-	-	28,250	28,250
Interest and dividends	856	3,101	-	3,957
Investment fees	(1,061)	(3,847)	-	(4,908)
Net appreciation	742	2,689	-	3,431
Endowment net assets - June 30, 2015	89,643	86,596	266,343	442,582
Contributions	-	-	15,000	15,000
Interest and dividends	1,089	4,291	-	5,380
Investment fees	(964)	(3,792)	-	(4,756)
Net depreciation	(3,454)	(13,600)	-	(17,054)
Endowment net assets - June 30, 2016	<u>\$ 86,314</u>	<u>\$ 73,495</u>	<u>\$ 281,343</u>	<u>\$ 441,152</u>

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

NOTE 7—ENDOWMENT (continued)

Endowment net assets composition by type of fund as of June 30, 2016 and 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total
Donor-restricted endowment funds	\$ -	\$ 73,495	\$ 281,343	\$ 354,838
Board-designated endowment funds	86,314	-	-	86,314
<b>Total funds</b>	<b>\$ 86,314</b>	<b>\$ 73,495</b>	<b>\$ 281,343</b>	<b>\$ 441,152</b>
	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total
Donor-restricted endowment funds	\$ -	\$ 86,596	\$ 266,343	\$ 352,939
Board-designated endowment funds	89,643	-	-	89,643
<b>Total funds</b>	<b>\$ 89,643</b>	<b>\$ 86,596</b>	<b>\$ 266,343</b>	<b>\$ 442,582</b>

NOTE 8—PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2016 and 2015 consisted of the following:

	2016	2015
Land	\$ 69,731	\$ 69,731
Building	284,276	229,476
Leasehold improvements	349,451	303,346
Vehicles	44,569	47,543
Equipment	212,050	194,949
Property and equipment	960,077	845,045
Less accumulated depreciation	422,020	344,458
Property and equipment - net	<b>\$ 538,057</b>	<b>\$ 500,587</b>

NOTE 9—RETIREMENT PLAN

Habitat Dane has a SIMPLE IRA retirement plan that covers substantially all employees with at least one month of service. Pension expense for the year ended June 30, 2016 and 2015 was \$25,172 and \$22,906.

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

NOTE 10—FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at June 30, 2016 and 2015 are as follows:

	<u>Fair Value</u>	<u>Quoted Price in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Beneficial interest in assets held by MCF 2016	<u>\$ 441,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 441,152</u>
Beneficial interest in assets held by MCF 2015	<u>\$ 442,582</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 442,582</u>

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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 442,582	\$ 411,852
Change in value of beneficial interest included in change in net assets	(16,430)	2,480
Permanently restricted contributions	<u>15,000</u>	<u>28,250</u>
Ending balance	<u>\$ 441,152</u>	<u>\$ 442,582</u>

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

NOTE 11—LINE OF CREDIT

On August 6, 2014 Habitat Dane opened a \$1,000,000 line of credit with a 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, 2017. The line of credit is collateralized by homeowner mortgages. There was no outstanding balance at June 30, 2016 and 2015. As of September 30, 2016 there has been no borrowing.



**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

**NOTE 12—OPERATING LEASES**

Habitat Dane has operating leases for two ReStore facilities, a storage facility and two copiers. Lease expense for the years ended June 30, 2016 and 2015 was \$261,033 and \$214,688. Future minimum lease payments for years ending June 30 are as follows:

2017	\$	168,116
2018		95,917
2019		98,017
2020		6,817
2021		1,136
		1,136
Total	\$	370,003

Habitat Dane exercised its option to purchase one ReStore facility on August 5, 2016. As of September 30, 2016, Habitat Dane was coordinating the various details of the transaction.

**NOTE 13—ESCROW DEPOSITS**

Habitat Dane maintains separate bank accounts at two 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 the accounts 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 separate bank accounts. The cash balance of this account is included in cash and cash equivalents on the statement of financial position. The escrow deposits at June 30, 2016 and 2015 were \$350,757 and \$333,530.

**NOTE 14—NOTES PAYABLE**

The notes payable balances at June 30, 2016 and 2015 consisted of the following:

	2016	2015
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 \$697 Through July 2021	21,518	28,050
3.99% note payable to Summit Credit Union, with monthly installments of \$8,211 through February 2022, collateralized by mortgages receivable.	490,469	567,693
Notes payable	511,987	603,188
Current portion	(85,098)	(83,934)
Long term notes payable	\$ 426,889	\$ 519,254

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

NOTE 14—NOTES PAYABLE (continued)

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

2017	\$	85,098
2018		88,367
2019		91,768
2020		95,287
2021		97,107
Thereafter		<u>54,360</u>
 Total	 \$	 <u><u>511,987</u></u>

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 years ended June 30, 2016 and 2015, the amounts remitted were \$71,300 and \$25,400.

NOTE 16—NET ASSETS

Temporarily restricted net assets at June 30, 2016 and 2015 are available for the following purposes or periods:

	2016	2015
Subsequent years' operations	\$ 593,599	\$ 372,867
Thrivent House Sponsorship	72,500	66,250
Materials for future building projects	106,561	156,900
Time restriction on endowment earnings	<u>73,495</u>	<u>86,596</u>
 Temporarily restricted net assets	 <u><u>\$ 846,155</u></u>	 <u><u>\$ 682,613</u></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, 2016 and 2015 were \$281,343 and \$266,343.

NOTE 17—MORTGAGE SALES

During fiscal year 2016, Habitat Dane sold 14 mortgages with outstanding balances of \$1,108,551 to two financial institutions. The mortgages are serviced by Habitat Dane and the outstanding balances at June 30, 2016 on these mortgages was \$1,051,302.

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

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016 and 2015

---

NOTE 17—MORTGAGE SALES (continued)

During fiscal year 2014, Habitat Dane sold 13 mortgages with outstanding balances of \$711,722 to two financial institutions. The mortgages are serviced by Habitat Dane and the outstanding balances on these mortgages at June 30, 2016 and 2015 was \$600,315 and \$650,693.

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 at June 30, 2016 and 2015 was \$386,237 and \$433,323.

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 at June 30, 2016 and 2015 was \$84,796 and \$185,193.

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 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

	2016	2015
Cash paid for interest	\$ 21,793	\$ 40,111
Noncash investing and financing transactions		
New mortgages issued	1,313,680	1,656,425
Transfer to completed homes from homes in progress	1,313,680	1,656,425
Transfer to homes in progress from land for development	379,916	146,802
Notes payable refinanced	-	352,343
Line of credit payments financed by notes payable	-	248,657

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

---

---

**NOTE 19—DONATED SERVICES**

Habitat Dane received 27,919 and 16,548 hours of donated services from volunteers who assisted in the construction of homes during the years ended June 30, 2016 and 2015. Management estimates the value of these services for the years ended June 30, 2016 and 2015 to be \$429,192 and \$280,770. Habitat Dane received donated professional construction related services during the years ended June 30, 2016 and 2015 with fair values of \$5,101 and \$8,471. Donated construction services received during the years ended June 30, 2016 and 2015 were capitalized as homes in progress. Habitat Dane also received donated marketing and advertising services promoting the capital campaign for the year ended June 30, 2016 valued at \$62,628 that were included fund raising costs reported in the statements of activities.

**NOTE 20—CAPITAL CAMPAIGN**

Habitat Dane began planning for an 18 month capital campaign at the end of fiscal year 2014. The silent phase began at the beginning of fiscal year 2015 with the seating of the campaign cabinet and the initial major donor meetings beginning. This campaign allows 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. Habitat Dane completed the campaign in June 2016.

**NOTE 21—LETTER OF CREDIT**

As a requirement to develop the Renaissance on the Park develop Habitat Dane was require by the City of Fitchburg to obtain a letter of credit to ensure completion of the development. Habitat Dane established an Irrevocable Letter of Credit with a financial institution on June 21, 2016 for \$610,000, which matures on June 21, 2017. This letter of credit is secured by mortgages receivable and will terminate upon completion of the development project.

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
**SCHEDULE OF REVENUE AND EXPENSES BY FUNDING SOURCE**  
Year ended June 30, 2016

	City of Madison CDD	Other	Total
<b>REVENUE AND SUPPORT</b>			
Revenue on sale of completed homes and lots	\$ -	\$ 1,852,204	\$ 1,852,204
ReStore sales less cost of goods sold of \$1,576,003 and \$1,452,660	-	81,185	81,185
Mortgage discount amortization	-	446,170	446,170
Gain on sale of mortgages receivable	-	305,425	305,425
Program services	10,800	39,718	50,518
Agency endowment return	-	(3,356)	(3,356)
Gifts and donations	-	1,159,204	1,159,204
In-kind contributions	-	2,160,036	2,160,036
Special events	-	48,545	48,545
Interest	-	1,718	1,718
Miscellaneous income	-	6,959	6,959
<b>Total unrestricted revenue and support</b>	<b>10,800</b>	<b>6,097,808</b>	<b>6,108,608</b>
<b>EXPENSES</b>			
Program services			
Housing	10,800	3,597,147	3,607,947
ReStore	-	1,123,822	1,123,822
Supporting activities			
Management and general	-	190,178	190,178
Fundraising	-	592,257	592,257
<b>Total expenses</b>	<b>-</b>	<b>5,514,204</b>	<b>5,514,204</b>
Restricted contributions	-	499,210	499,210
Write-off of unconditional promise to give	-	(35,000)	(35,000)
Restricted investment return	-	(13,101)	(13,101)
<b>Excess revenue (expense)</b>	<b>\$ -</b>	<b>\$ 1,045,513</b>	<b>\$ 1,045,513</b>

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
**SCHEDULE OF CDD OFFICE FUNDS EXPENDED BY PROGRAM**  
Year ended June 30, 2016

---

---

CDD OFFICE FUNDS	
CDD Acquisition Funds	\$ 10,800
FUNDS EXPENDED	
Property developer costs	<u>10,800</u>
Excess	<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, 2016

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

Signature of Partner in Charge  
Name of Partner in Charge  
Date of report

  


---

Glenn Miller, CPA