

# Habitat for Humanity of Dane County, Inc.

Financial Report

June 30, 2024



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# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## CONTENTS

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	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of financial position	4
Statements of activities	5
Statement of functional expenses - 2024	7
Statement of functional expenses - 2023	8
Statements of cash flows	9
Notes to financial statements	11
SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUE AND EXPENSES BY FUNDING SOURCE	35
SCHEDULE OF CITY OF MADISON COMMUNITY DEVELOPMENT DIVISION FUNDS EXPENDED BY PROGRAM	36
CITY OF MADISON COMMUNITY DEVELOPMENT DIVISION SCHEDULE OF FINDINGS AND QUESTIONED COSTS	37

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## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the accompanying financial statements of Habitat for Humanity of Dane County, Inc., which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Dane County, Inc. as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

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

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

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

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

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

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of revenue and expenses by funding source is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of City of Madison Community Development Division funds expended by program is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*SVA Certified Public Accountants, S.C.*

Madison, Wisconsin

October 25, 2024

## HABITAT FOR HUMANITY OF DANE COUNTY, INC.

### STATEMENTS OF FINANCIAL POSITION

June 30, 2024 and 2023

	2024	2023
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents		
General balance	\$ 1,221,757	\$ 317,252
Escrow deposits	564,450	547,449
Cash and cash equivalents	1,786,207	864,701
Unconditional promises to give	316,900	99,080
Accounts receivable	601,614	95,377
Grants receivable	200,000	35,000
Inventories	236,855	211,285
Prepaid expenses	107,097	60,759
Homes in progress	600,928	839,995
Mortgage receivable	1,134,440	1,040,583
Total current assets	4,984,041	3,246,780
<b>LONG-TERM ASSETS</b>		
New markets tax credit - investment	1,200,000	1,200,000
Property and equipment, net	5,668,522	5,654,554
New markets tax credit - other asset/guaranty fee	10,583	23,282
New markets tax credit - restricted cash	11,986	30,385
Unconditional promises to give	303,305	50,530
Mortgages receivable	3,891,088	4,330,656
Land (developed and undeveloped)	3,151,610	4,492,156
Operating lease right-of-use assets	71,590	301,771
Beneficial interest in assets held by MCF	698,658	660,939
Total long-term assets	15,007,342	16,744,273
<b>TOTAL ASSETS</b>	<b>\$ 19,991,383</b>	<b>\$ 19,991,053</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 245,444	\$ 405,013
Construction payables	0	244,190
Escrow deposits	534,200	529,185
Deferred revenue, new markets tax credit	10,582	23,281
Accrued expenses	151,313	158,915
Current portion of notes payable	122,170	111,151
Lines of credit	35,669	2,600,006
Current portion of operating lease liabilities	41,827	229,548
Total current liabilities	1,141,205	4,301,289
<b>LONG-TERM LIABILITIES</b>		
Notes payable, net	6,152,306	6,257,450
Lines of credit	1,631,315	0
Operating lease liabilities, less current portion	36,003	77,830
<b>TOTAL LIABILITIES</b>	8,960,829	10,636,569
<b>NET ASSETS</b>		
Net assets without donor restrictions	9,830,713	8,626,531
Net assets with donor restrictions:		
Net assets with donor restrictions - time or use	839,498	367,610
Net assets with donor restrictions - perpetual endowment	360,343	360,343
Total net assets with donor restrictions	1,199,841	727,953
Total net assets	11,030,554	9,354,484
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 19,991,383</b>	<b>\$ 19,991,053</b>

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

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## STATEMENTS OF ACTIVITIES

Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Public support, revenue and gains:		
Homebuilding:		
Revenue on sale of completed homes and lots	\$ 5,092,744	\$ 2,654,173
Mortgage discount amortization	325,774	437,190
Gain on sale of mortgages receivable	1,157,190	355,569
Gifts and donations	44,816	1,921
In-kind contributions	1,007,011	377,112
Grants income	63,900	206,587
Program services	<u>608,734</u>	<u>58,460</u>
Total homebuilding	8,300,169	4,091,012
ReStore:		
ReStore sales less cost of goods sold of \$2,352,715 and \$2,228,075	144,123	111,869
Gifts and donations	20,808	16,821
In-kind contributions	<u>2,161,656</u>	<u>2,013,619</u>
Total ReStore	2,326,587	2,142,309
Contributions & other public support:		
Gifts and donations	2,215,014	1,219,642
Special events	<u>30,662</u>	<u>32,826</u>
Total contributions & other public support	2,245,676	1,252,468
Other income:		
Agency endowment return	10,855	5,621
Interest	57,739	44,969
Gain on sale of property and equipment	0	76,681
Miscellaneous income	<u>47,373</u>	<u>48,294</u>
Total other income	<u>115,967</u>	<u>175,565</u>
Total public support, revenue and gains	12,988,399	7,661,354
Expenses:		
Program services:		
Homebuilding	8,866,899	5,722,330
ReStore	<u>1,936,864</u>	<u>1,865,133</u>
Total program services	10,803,763	7,587,463

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

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## STATEMENTS OF ACTIVITIES (Continued)

Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Supporting services:		
Management and general	393,353	296,734
Fundraising	<u>754,327</u>	<u>564,969</u>
Total supporting services	<u>1,147,680</u>	<u>861,703</u>
Total expenses	11,951,443	8,449,166
Net assets released from restrictions	<u>167,226</u>	<u>96,714</u>
Change in net assets without donor restrictions	1,204,182	(691,098)
<b>NET ASSETS WITH DONOR RESTRICTIONS - TIME OR USE</b>		
Contributions	\$ 586,250	\$ 121,125
Net assets released from restrictions	(167,226)	(96,714)
Agency endowment return	<u>52,864</u>	<u>27,397</u>
Change in net assets with donor restrictions - time or use	471,888	51,808
Change in net assets	1,676,070	(639,290)
Net assets, beginning	<u>9,354,484</u>	<u>9,993,774</u>
Net assets, ending	<u><u>\$ 11,030,554</u></u>	<u><u>\$ 9,354,484</u></u>

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



**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year ended June 30, 2024

	Program services			Supporting services			Total expenses
	Homebuilding	ReStore	Total program services	Management and general	Fundraising	Total supporting services	
Expenses:							
Cost of sales	\$ 5,454,107	\$ 0	\$ 5,454,107	\$ 0	\$ 0	\$ 0	\$ 5,454,107
Mortgage discount expense	1,580,845	0	1,580,845	0	0	0	1,580,845
Personnel	1,195,267	1,097,967	2,293,234	241,010	373,027	614,037	2,907,271
Occupancy	166,723	366,438	533,161	9,779	22,331	32,110	565,271
Tools, equipment, and technology	87,952	92,145	180,097	5,786	45,630	51,416	231,513
Depreciation	6,264	168,990	175,254	33,000	0	33,000	208,254
Office expenses	20,027	35,947	55,974	2,150	10,535	12,685	68,659
Publicity	741	74,421	75,162	0	176,329	176,329	251,491
Cost of goods sold	0	2,352,715	2,352,715	0	0	0	2,352,715
Tithe to Habitat for Humanity International, Inc.	40,000	0	40,000	0	0	0	40,000
Professional services	31,460	20,312	51,772	48,553	19,559	68,112	119,884
Volunteer and family	20,465	14,493	34,958	0	0	0	34,958
Travel	7,712	5,280	12,992	11,197	3,680	14,877	27,869
Miscellaneous	(24,942)	60,871	35,929	41,878	103,236	145,114	181,043
Interest	280,278	0	280,278	0	0	0	280,278
<b>Total expenses</b>	<b>8,866,899</b>	<b>4,289,579</b>	<b>13,156,478</b>	<b>393,353</b>	<b>754,327</b>	<b>1,147,680</b>	<b>14,304,158</b>
Less expenses included with revenues on the statements of activities							
Cost of goods sold	0	(2,352,715)	(2,352,715)	0	0	0	(2,352,715)
<b>Total expenses included in the expense section of the statements of activities</b>	<b>\$ 8,866,899</b>	<b>\$ 1,936,864</b>	<b>\$ 10,803,763</b>	<b>\$ 393,353</b>	<b>\$ 754,327</b>	<b>\$ 1,147,680</b>	<b>\$ 11,951,443</b>

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year ended June 30, 2023

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

## HABITAT FOR HUMANITY OF DANE COUNTY, INC.

### STATEMENTS OF CASH FLOWS Years ended June 30, 2024 and 2023

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,676,070	\$ (639,290)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Write-off of unconditional promises to give	26,250	17,450
Depreciation	208,254	135,129
Amortization of operating lease right-of-use assets	230,181	156,636
Amortization of debt issuance costs	3,737	3,735
Agency endowment return	(63,719)	(33,018)
Amortization of discount on mortgages receivable	(325,774)	(437,190)
Discount on mortgages receivable	1,580,845	1,010,872
Gain on sale of mortgages receivable	(1,157,190)	(355,569)
Gain on sale of property and equipment	0	(76,681)
Increase (decrease) in cash due to changes in:		
Unconditional promises to give	(496,845)	(32,605)
Accounts receivable	(506,237)	(52,667)
Grants receivable	(165,000)	73,413
Inventories	(25,570)	52,890
Prepaid expenses	(46,338)	25,040
Homes in progress	(2,695,343)	(2,081,897)
Land (developed and undeveloped)	1,175,531	(288,231)
New markets tax credit - other asset/guaranty fee	12,699	12,699
Accounts payable	(159,569)	148,121
Escrow deposits	5,015	24,262
Accrued expenses	(7,602)	26,405
Deferred revenue	(12,699)	(12,699)
Operating lease liabilities	(229,548)	(151,029)
Net cash used in operating activities	(972,852)	(2,474,224)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(466,412)	(1,243,643)
Proceeds from sale of property and equipment	0	756,777
Proceeds from sale of mortgages notes	2,657,339	940,803
Collections on mortgages receivable	689,916	872,990
Purchase of beneficial interest in assets held by MCF	0	(100)
Proceeds from beneficial interest in assets held by MCF	26,000	25,000
Net cash provided by investing activities	2,906,843	1,351,827
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from notes payable	13,500	576,500
Principal payments on notes payable	(111,362)	(54,141)
Proceeds from lines of credit	250,000	486,348
Payments on lines of credit	(1,183,022)	(233,917)
Net cash provided by (used in) financing activities	(1,030,884)	774,790
Change in cash, cash equivalents, and restricted cash	903,107	(347,607)
Cash, cash equivalents, and restricted cash:		
Beginning	895,086	1,242,693
Ending	\$ 1,798,193	\$ 895,086

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

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## STATEMENTS OF CASH FLOWS (Continued)

Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH TO STATEMENT OF FINANCIAL POSITION</b>		
Cash and cash equivalents	\$ 1,786,207	\$ 864,701
Restricted cash	<u>11,986</u>	<u>30,385</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 1,798,193</u>	<u>\$ 895,086</u>
<b>SUPPLEMENTAL DISCLOSURE(S) OF CASH FLOW INFORMATION</b>		
Cash payments for interest	<u>\$ 528,542</u>	<u>\$ 490,296</u>
<b>SUPPLEMENTAL SCHEDULE(S) OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
New mortgages issued	<u>\$ 3,099,425</u>	<u>\$ 1,876,002</u>
Transfer to completed homes from homes in progress	<u>\$ 3,099,425</u>	<u>\$ 1,876,002</u>
Transfer to homes in progress from land for development	<u>\$ 165,015</u>	<u>\$ 265,313</u>
Construction payables capitalized into property and equipment	<u>\$ 0</u>	<u>\$ 244,190</u>
Purchase of property and equipment financed with note payable	<u>\$ 0</u>	<u>\$ 3,000,000</u>

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

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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

#### **Nature of business**

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

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

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

A summary of significant accounting policies follows:

#### **Basis of accounting**

The financial statements of the organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

#### **Basis of presentation**

Under accounting principles generally accepted in the United States of America (U.S. GAAP), the organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions have been limited by donor-imposed time or purpose restrictions or are required to be maintained in perpetuity. Included in net assets without donor restrictions are voluntary board approved designations for specific purposes, projects, or investments.

#### **Use of estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Exempt status**

The organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) as a public charity and not a private foundation. The organization is also exempt from Wisconsin income tax.

#### **Cash and cash equivalents**

For purposes of reporting cash flows, the organization considers all investments purchased with a maturity of three months or less to be cash equivalents.

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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

The organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

#### Promises to give

Unconditional promises to give are recognized as support or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received.

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

#### Accounts receivable

For the year ended June 30, 2023, the organization considers all accounts receivable to be fully collectible. Accordingly, no allowance for credit losses has been established. If amounts become uncollectible, they will be charged to operations when that determination is made. Accounts receivable bear no interest. A receivable is considered past due if payments have not been received by the organization after 30 days.

Effective July 1, 2024 with the adoption of the new credit losses standard, accounts receivable are carried at original invoice amount, less payments received and an estimate made for credit losses. The organization uses a loss rate model to calculate allowances based on its internal loss experience and current conditions and forecasts. The organization believes that the composition of receivables at year-end is consistent with historical conditions as credit terms and practices. The organization also considers existing economic conditions in its industry and the financial stability of the customers they work with to determine an appropriate estimate of the allowance for credit losses. A receivable is considered past due if payments have not been received by the organization after 30 days. Interest is not charged on past due receivables. There were no past due amounts as of June 30, 2024 and 2023.

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Home repairs	\$ 23,295	\$ 23,722	\$ 37,974
Construction development	<u>575,000</u>	<u>0</u>	<u>0</u>
	<u>\$ 598,295</u>	<u>\$ 23,722</u>	<u>\$ 37,974</u>

#### Inventories

Inventories consist of construction materials that were donated or purchased by the organization.

Inventories are valued at the estimated selling price of the donation in the period received or cost of the purchased asset on the first-in, first-out (FIFO) method.

#### Homes in progress and land (developed and undeveloped)

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

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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

#### **Mortgage receivable**

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

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

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

The organization regularly reviews its portfolio of mortgages receivable and monitors the accounts for delinquencies. Homeowners whose mortgages are more than 30 days past due are considered to be in an early stage of default. During the period of delinquency, the organization contacts the homeowner using collection efforts and establishes a payment plan with the homeowner, if necessary. Thereafter, if forgoing collection efforts are not successful, the organization attempts to enter into a mutually agreed-upon deed-in-lieu of foreclosure with the homeowner. Homeowners whose mortgages are more than 120 days past due, who have not made satisfactory payment arrangements or reached a deed-in-lieu of foreclosure agreement with the organization are subject to foreclosure proceedings. Management provides an allowance for credit losses (allowance for credit losses is \$0 as of June 30, 2024) based on an assessment of historical collectability, the status of individual mortgage notes, and the value of the collateral. There were no mortgages on nonaccrual status as of June 30, 2024 and 2023.

Effective with the adoption of the new credit losses standard, the organization's estimate of its allowance for credit losses include consideration of: past events, including historical loan loss experience and historical concessions; current economic conditions and such other factors, which in management's best judgment, deserve the current recognition in estimating loan losses; and certain forward-looking information, including reasonable and supportable forecasts.

#### **New markets tax credit (NMTC) - investment in nonmarketable equity securities**

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

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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

#### Property and equipment

Property and equipment is stated at cost if purchased or fair value on date of receipt if received as a gift or bequest, less accumulated depreciation. Depreciation of property and equipment is computed by the straight-line method based on the following estimated useful lives. Leasehold improvements are amortized using the straight-line method over the initial term of the lease. Amortization expense is included in depreciation expense.

	<u>Years</u>
Buildings	20 - 40
Improvements	3 - 20
Leasehold improvements	3 - 20
Equipment	3 - 7
Vehicles	4 - 5

Maintenance and repairs of property and equipment are charged to operations, and major improvements are capitalized. Upon retirement, sale or other disposition of equipment, the cost and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

Depreciation expense totaled \$208,254 and \$135,129 for the years ended June 30, 2024 and 2023, respectively.

#### Capitalization policy

The organization's policy is to capitalize property and equipment with a unit cost in excess of \$2,000 and a useful life of more than one year.

#### Impairment of long-lived assets

The organization reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

#### NMTC - restricted cash

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

#### Deferred revenue, NMTC

The organization recognizes deferred revenue associated with the NMTC transactions as revenue over the seven-year NMTC term.

#### Debt issuance costs

Debt issuance costs totaled \$112,099 and are being amortized on the straight-line method over 360 months, the life of the loan. The use of the straight-line method rather than the effective interest method has no material effect on the financial statements. Amortized costs included in interest expense totaled \$3,737 and \$3,735 for the years ended June 30, 2024 and 2023, respectively.



# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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

#### **Revenue recognition – contributions and grants**

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

Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished, such as the payment of expenses related to the restriction), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the organization reports the support as net assets without donor restrictions.

#### **Revenue recognition – contracts with customers**

##### Revenues from ReStore retail sales

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

##### Revenues from sale of properties

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

##### Revenues from home repairs income

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

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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

#### Revenues from construction development income

A portion of the organization's revenue is derived from construction development income from the City of Sun Prairie and the Village of Oregon during the year. Due to the nature of the agreements, there is no variable consideration and only one performance obligation. The revenue is conditioned upon meeting certain milestones (completion of homes within the development) and revenue is recognized over time using the output method.

#### Revenue recognition - special events

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

In the following table, revenue is disaggregated by timing of satisfaction of performance obligations for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Performance obligations satisfied at a point in time	\$ 5,301,263	\$ 2,857,328
Performance obligations satisfied over time	<u>575,000</u>	<u>0</u>
	<u>\$ 5,876,263</u>	<u>\$ 2,857,328</u>

#### In-kind contributions

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

	<u>2024</u>	<u>2023</u>
Construction services	\$ 802,558	\$ 350,873
Professional services	350	1,250
Construction materials	<u>204,103</u>	<u>24,989</u>
Total donated goods and services	1,007,011	377,112
Inventory – ReStore donations	<u>2,161,656</u>	<u>2,013,619</u>
	<u>\$ 3,168,667</u>	<u>\$ 2,390,731</u>

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

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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

The organization receives donated construction materials for use in home rehabilitation and for sale at the ReStore. The organization has elected to value goods at the estimated fair market value. The estimated fair value of the goods is based on prior year sales data for each particular item. In-kind donated goods, including ReStore donations, for the years ended June 30, 2024 and 2023 totaled \$2,365,759 and \$2,038,608, respectively.

Donated services that create or enhance non-financial assets or that require specialized skill, are performed by people with those skills, and would otherwise be purchased, are recognized as contributions at their estimated fair value in the period received. The organization received 25,190 and 23,392 hours of donated services from volunteers who assisted in the construction of homes during the years ended June 30, 2024 and 2023, respectively. As of July 1, 2023, management's estimate of the value of these services was modified to reflect the current market rate of \$31.86 per hour, based on the Independent Sector Value of Volunteer Time Report, an increase from the previous estimate of \$15 per hour for the year ended June 30, 2023, for a total of \$802,558 and \$350,873 for the years ended June 30, 2024 and 2023, respectively. The effect of the change in estimate is increased in-kind revenue and expenses related to volunteer labor. The organization also received donated professional services of \$350 and \$1,250 for the housing program service for the years ended June 30, 2024 and 2023, respectively, also valued at the current market rate for these services.

All in-kind contributions received by the organization for the years ended June 30, 2024 and 2023 were considered without donor restrictions and able to be used by the organization as determined by the board of directors and management.

#### **Sales tax**

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

#### **Expense allocation**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Each employee of the organization works in a primary program area. Salaries and benefits, insurance and rent are allocated on the basis of estimates of time. Other non-personnel expenses are attributed to individual programs or supporting function. In certain instances, a portion of the expense is identifiable with a specific program, while the remaining amount is allocated to management and general and/or fundraising based on estimates of time spent.

#### **Program services**

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

##### Homebuilding

Since its founding in 1987, the organization has built and then sold homes to working, low-income individuals and families. The organization also assists other city and county agencies to provide low-income housing and remodeling assistance.

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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

#### ReStore

The ReStore accepts donations of new and saleable, used building materials such as cabinets, lighting and plumbing fixtures, doors, lumber, flooring, and windows, most of which would otherwise be placed in a landfill. Some materials are used to build houses and the remainder are sold to the public at 50-75% off the retail price.

#### **Advertising**

All advertising costs are expensed the first time the advertising takes place. Advertising expense totaled \$74,000 and \$70,931 for the years ended June 30, 2024 and 2023, respectively.

#### **Leases - lessee**

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

The organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less and that do not include an option to purchase the underlying assets that is reasonably certain to be exercised). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. There were no short-term leases for the years ended June 30, 2024 and 2023.

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

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

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

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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

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

#### Accounting standards update

In June 2016, the FASB issued Accounting Standard Update (ASU) 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is the shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the organization that are subject to the guidance of FASB ASC 326 are accounts receivable and mortgages receivable on the statements of financial position.

The organization adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures only.

#### Subsequent events

These financial statements have not been updated for subsequent events occurring after October 25, 2024, which is the date these financial statements were available to be issued. The organization has no responsibility to update these financial statements for events and circumstances occurring after this date.

### NOTE B -- Unconditional promises to give

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

	<u>2024</u>	<u>2023</u>
Unconditional promises to give	\$ 620,205	\$ 149,610
Less unconditional promises to give in one to five years	<u>303,305</u>	<u>50,530</u>
Unconditional promises to give in less than one year	<u>\$ 316,900</u>	<u>\$ 99,080</u>

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2024

### NOTE C -- Mortgages receivable

Mortgages receivable represent amounts due from the purchasers of houses constructed or renovated by the organization. All mortgages receivable are noninterest bearing and are collateralized by the real estate. Terms of the mortgages range from 7 to 49 years, with various monthly payment amounts. The average mortgage is approximately 25 years. The contracts also contain a provision that if the house is sold, the deferred profit (appraised value at time of sale to homeowner less initial purchase price) will be due and payable to the organization.

Mortgages receivable as of June 30 consisted of the following:

	<u>2024</u>	<u>2023</u>
Mortgages receivable	\$ 9,679,689	\$ 10,405,757
Discount to current value	<u>(4,654,161)</u>	<u>(5,034,518)</u>
Mortgages receivable, net	5,025,528	5,371,239
Current portion of mortgages receivable	<u>(1,134,440)</u>	<u>(1,040,583)</u>
Long-term portion of mortgages receivable	<u>\$ 3,891,088</u>	<u>\$ 4,330,656</u>

Mortgages receivable are discounted at a rate of 8% for mortgages initiated before fiscal year 2012 and at a rate of 7.39%, 7.58%, 7.51%, 7.48%, 7.46%, 7.57%, 7.66%, 7.38%, 7.23%, 7.41%, 7.85%, and 8.02% under unamortized mortgage discounts for mortgages initiated in fiscal years 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, and 2024 respectively. The effective interest rate was 8.32% and 8.14% for the fiscal years ended June 30, 2024 and 2023, respectively. The discount is recognized by the interest method over the life of the mortgages.

The organization monitors credit quality of loans on an ongoing basis using such indicators as days delinquent as a measurement of potential loan loss. As of June 30, 2024 and 2023, no active loans have a credit quality concern. The credit quality of loans is reviewed monthly for each loan.

Mortgage receivable past due balances as of June 30, are as follows:

	<u>2024</u>	<u>2023</u>
30 days past due	\$ 141,423	\$ 82,744
60 days past due	13,265	54,240
90 days past due	0	0
More than 90 days past due	<u>64,941</u>	<u>135,262</u>
	<u>\$ 219,629</u>	<u>\$ 272,246</u>

Effective July 1, 2023, the organization uses a credit loss model to calculate allowances based on its internal loss experience and current conditions and forecasts. The organization records an unallocated reserve that is calculated by applying a loss rate to its portfolio. This loss rate is based upon probability of default, term, and loss history. The allowance is adjusted for expected recoveries of amounts that were previously written off or are expected to be written off. Recoveries cannot exceed the aggregated amount of the previous write-off or expected write-off.

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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

Macroeconomic variables attributed to the expected credit losses may vary based on historical experiences, portfolio composition and current environment. In addition to a qualitative review of credit risk factors across the portfolio, the organization considers forward-looking macroeconomic variables such as bank rates when quantifying the impact of economic forecasts on its expected allowance for credit losses. The organization also considers the impact of current conditions and economic forecasts relating to the industry. Forward-looking estimates require the use of judgment, particularly in times of economic uncertainty. The organization's allowance for credit losses of \$0 as of June 30, 2024, reflect the qualitative process described above. Any changes to economic models that occurred after the statement of financial position date will be reflected in future periods.

### **NOTE D -- Silent mortgages**

The organization holds silent mortgages recorded against properties. A silent mortgage is defined as a mortgage held on a property in a junior position to the primary mortgage. The amount of the silent mortgage is the difference between the appraised value at closing and the first mortgage plus any other funds applied to the sale. These mortgages do not earn interest and have no value unless there is a triggering event, such as the sale or other transfer of title, default under the first mortgage, or refinancing of the first mortgage by a third-party lender or full payment or refinance of the first mortgage. These mortgages are used primarily to protect against predatory lenders and prevent "flipping" a property for short-term gain. Accordingly, since these silent mortgages have no value unless or until a homeowner fails to comply with the covenants and restrictions of the terms of the home sale, the organization does not record the mortgages. The amount of the silent mortgages held by the organization as of June 30, 2024 and 2023 was \$5,612,800 and \$5,594,895, respectively. Included in revenue on sale of completed homes and lots in the statements of activities was a loss on silent mortgages issued of \$87,646 and \$126,327 for the years ended June 30, 2024 and 2023, respectively. Included in revenue on sale of completed homes and lots in the statements of activities was revenue from silent mortgages repaid totaling \$81,580 and \$200,700 for the years ended June 30, 2024 and 2023, respectively.

### **NOTE E -- NMTC investment**

The organization, along with other Habitat for Humanity affiliates, is participating in an investment to take advantage of NMTC financing. The NMTC program permits corporate and individual taxpayers to receive a credit against federal income taxes for making qualified equity investments in qualified community development entities (CDE).

In April 2018, the organization invested \$1,200,000 in HFHI NMTC Leverage Lender 2018, LLC consisting of cash and qualified investment properties. This investment represented a 20.4% ownership as of June 30, 2018. In August 2018, the ownership percentage decreased to 7.95% as three additional Habitat for Humanity affiliates participated in the investment. HFHI NMTC Leverage Lender 2018, LLC contributed its combined resources to Twain Investment Fund 306, LLC (Investment Fund) which received additional investment from U.S. Bancorp Community Development Corporation (Bank) as the federal tax credit investor under the NMTC program.

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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

As part of the NMTC program, the Investment Fund invested in HFHI NMTC Sub-CDE III, LLC, a qualified CDE. The CDE is the conduit for accomplishing the NMTC program specifics of constructing and selling qualified housing properties to low-income residents. Under the CDE, the organization secured a 30-year loan in the amount of \$1,767,037 to be used solely in accordance with the NMTC program compliance requirements. The loan requires semi-annual interest-only payments for years one through seven at a rate of .679239%. Beginning in year eight through year thirty, the principal balance of the loan is reduced by a twenty-three year amortization at the same rate. The Investment Fund may be subject to tax credit recapture if the NMTC program compliance requirements are not met over the seven-year period.

The ultimate holder of the above loan from the CDE to the organization is the Bank through its participation in the Investment Fund. The Bank is expected to waive the payment of the debt so as to participate in the NMTC program via exercising its put option agreement. The Bank may exercise the put option after the end of the seven-year credit period (April 2025).

Under the terms of the put option agreement, HFHI NMTC Leverage Lender 2018, LLC is expected to purchase the ownership interest of the Bank in the Investment Fund. Exercise of the option will effectively allow the organization to extinguish its outstanding debt owed to the Bank.

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

There was no remeasurement adjustment recognized, as there were no observable transactions identified during the year ended June 30, 2024 and 2023. Determining whether an observed transaction is similar to a security within the organization's portfolio requires judgment based on the rights and obligations of the securities. Recording upward and downward adjustments to the carrying value of the organization's investments in nonmarketable equity securities as a result of observable price changes requires quantitative assessment of the fair value of the organization's investments using various valuation methodologies and involves the use of estimates.

Nonmarketable equity securities under the measurement alternative are also assessed for impairment. When the qualitative assessment indicates that impairment exists, the investment is written down, with impairment recognized in the statement of activities. No impairment was recognized for the years ended June 30, 2024 and 2023.



# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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

Property and equipment, net is comprised of the following:

	2024	2023
Land	\$ 1,975,866	\$ 1,975,866
Buildings	2,369,058	2,369,058
Improvements	1,940,478	1,735,353
Leasehold improvements	0	51,691
Vehicles	57,872	57,872
Equipment	281,570	264,473
	6,624,844	6,454,313
Less accumulated depreciation	956,322	799,759
	\$ 5,668,522	\$ 5,654,554

### NOTE G -- Agency endowment

The organization has established an agency endowment at the Madison Community Foundation (MCF). The organization recognizes the fair value of contributions to the agency endowment as support when received. When the organization transfers the agency endowment funds to MCF, it recognizes the transfer as a decrease in cash and the balances are presented in the statements of financial position as an increase to beneficial interest in assets held by MCF.

Under the provisions of MCF's governing instruments and applicable regulations, the Board of Governors of MCF (the Board) have the power to modify any restriction or condition on, or direction as to, the timing, manner, or character of distributions for any specified charitable purposes or foundations if, in the judgment of the Board, such direction restrictions or conditions become, in effect, unnecessary, incapable of fulfillment, or inconsistent with any distribution policy adopted by MCF or with the charitable needs of the greater Madison community.

### NOTE H -- Fair value disclosure

The fair value measurement for the categories of assets that are measured at fair value on a recurring basis are as follows:

	6/30/2024	Fair value measurement using		
		Quoted prices in active markets for identical inputs (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
<u>Assets</u>				
Beneficial interest in assets held by MCF <sup>1</sup>	\$ 698,658	\$ 0	\$ 0	\$ 698,658

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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

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

- The organization's beneficial interest in assets held by MCF represents an agreement between the organization and MCF in which the organization transfers assets to MCF in exchange for future distributions. The beneficial interest is not actively traded and significant other observable inputs are not available. Thus, the fair value of the beneficial interest is measured at proportional share of the underlying assets as reported to the organization by MCF. Little information about those assets is released publicly. The estimated value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

The total purchases/contributions to the beneficial interest in assets held by MCF were \$0 and \$100 for the years ended June 30, 2024 and 2023, respectively.

### NOTE I -- Endowment

The organization's endowment is held by MCF and shall be held as long as MCF or the organization is in existence. The endowment includes both donor-restricted funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including the investment return, are classified and reported based on the existence or absence of donor-imposed restrictions.

The organization has interpreted Wisconsin's enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. However, the organization has notified its donors that they reserve the right to make a distribution from their funds even if the value of the fund drops below the amount of the initial gift. In accordance with Wisconsin's enacted version of UPMIFA, the organization expects it will need to consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the organization, and (7) organization's investment policies.

The organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the original investment of the endowment. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, as approved by the board of directors, all endowment assets are invested in a manner that is intended to produce returns to fund the sustainability of the organization's work while assuming a moderate level of investment risk.

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2024

### NOTE I – Endowment (Continued)

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

	<u>Without donor restrictions</u>	<u>With donor restrictions - time or use</u>	<u>With donor restrictions - perpetual endowment</u>	<u>Total</u>
Endowment net assets - June 30, 2022	\$ 111,131	\$ 181,347	\$ 360,343	\$ 652,821
Contributions	100	0	0	100
Distributions	(4,256)	(20,744)	0	(25,000)
Interest and dividends	3,449	16,814	0	20,263
Investment fees	(1,242)	(6,056)	0	(7,298)
Net appreciation	<u>3,414</u>	<u>16,639</u>	<u>0</u>	<u>20,053</u>
Endowment net assets - June 30, 2023	112,596	188,000	360,343	660,939
Contributions	0	0	0	0
Distributions	(4,429)	(21,571)	0	(26,000)
Interest and dividends	1,474	7,179	0	8,653
Investment fees	(1,258)	(6,128)	0	(7,386)
Net appreciation	<u>10,639</u>	<u>51,813</u>	<u>0</u>	<u>62,452</u>
Endowment net assets - June 30, 2024	<u>\$ 119,022</u>	<u>\$ 219,293</u>	<u>\$ 360,343</u>	<u>\$ 698,658</u>

Endowment net asset composition by type is as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions - time or use</u>	<u>With donor restrictions - perpetual endowment</u>	<u>2024 Total</u>
Donor-restricted endowment funds	\$ 0	\$ 219,293	\$ 360,343	\$ 579,636
Board-designated endowment funds	<u>119,022</u>	<u>0</u>	<u>0</u>	<u>119,022</u>
Total funds	<u>\$ 119,022</u>	<u>\$ 219,293</u>	<u>\$ 360,343</u>	<u>\$ 698,658</u>

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2024

### NOTE I -- Endowment (Continued)

	Without donor restrictions	With donor restrictions - time or use	With donor restrictions - perpetual endowment	2023 Total
Donor-restricted endowment funds	\$ 0	\$ 188,000	\$ 360,343	\$ 548,343
Board-designated endowment funds	112,596	0	0	112,596
Total funds	\$ 112,596	\$ 188,000	\$ 360,343	\$ 660,939

### NOTE J -- Retirement plan

The organization has a SIMPLE IRA retirement plan that covers substantially all employees with at least one month of service. Pension expense totaled \$46,680 and \$43,927 for the years ended June 30, 2024 and 2023, respectively.

### NOTE K -- Lines of credit

The organization opened a \$1,000,000 line of credit with a financial institution at a minimum rate of 4% (3.25% effective January 6, 2022) adjusted to the index rate of the "highest US Prime Rate published in the Wall Street Journal" (Prime) minus .250 percentage points (.210 percentage points effective January 6, 2022). The line of credit expired on January 6, 2023 and was subsequently renewed and was to expire on April 6, 2023. On March 29, 2023, the line of credit was renewed with an available line of \$650,000, and a maturity date of April 29, 2024. On March 29, 2024, the line was extended to June 29, 2024. The line of credit was renewed on June 29, 2024 in the amount of \$1,000,000 with a maturity date of June 29, 2025. Effective June 29, 2024, the interest rate is changed to Prime minus .210 percentage points with a floor of 8.29%. The line of credit is collateralized by homeowner mortgages. As of June 30, 2024 and 2023, \$0 and \$277,000, respectively, has been drawn on the line of credit.

The organization opened a \$2,872,000 line of credit with a financial institution at a minimum rate of 3.94% adjusted to the index rate of Prime minus .250 percentage points (8.50% as of June 30, 2024). The line of credit was to expire on December 1, 2022; however, it was extended and expired on March 1, 2023. On March 1, 2023, the line of credit was renewed and expired on March 1, 2024. The line of credit was subsequently renewed on March 1, 2024, and the line of credit expired on June 1, 2024. On June 1, 2024, the line of credit was renewed and will expire on June 1, 2029. Commencing July 1, 2024, monthly payments of \$14,397, including interest at a rate of 8.29% per month are required. There is no prepayment penalty for repayment before the maturity date. The line of credit is collateralized by 502 Town Hall Drive, Sun Prairie, WI 53590. As of June 30, 2024 and 2023, \$1,666,984 and \$2,323,006, respectively, has been drawn on this line of credit.

In September 2023, the organization opened a \$350,000 line of credit with a financial institution at a minimum rate of 8.75% adjusted to the index rate of Prime plus .250 percentage points (8.50% as of June 30, 2024). The line of credit expired on March 19, 2024 and was not renewed.

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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

Repayment of principal on lines of credit as of June 30, 2024, is as follows:

Year ending June 30,

2025	\$	35,669
2026		38,741
2027		42,077
2028		45,701
2029		1,504,796
Thereafter		<u>0</u>
	\$	<u>1,666,984</u>

### NOTE L -- Operating leases

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

The components of lease expense are as follows for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Operating lease cost	\$ 97,634	\$ 263,715
Variable lease cost	<u>52,197</u>	<u>34,176</u>
Total lease cost	<u>\$ 149,831</u>	<u>\$ 297,891</u>

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

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 95,367	\$ 258,109
Noncash financing and investing cash flow:		
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 0	\$ 555,785

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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

Supplemental statement of financial position information related to leases as of June 30, is as follows:

	<u>2024</u>	<u>2023</u>
Weighted average remaining lease term (in years):		
Operating leases	1.90	1.62
Weighted average discount rate:		
Operating leases	3.97%	3.22%

Future minimum lease payments to be paid under this lease as of June 30, 2024, are as follows:

#### Year ending June 30.

2025	\$ 44,034
2026	<u>36,669</u>
Total future minimum lease payments	80,703
Less amount of lease payments representing interest	<u>(2,873)</u>
Present value of future minimum lease payments (lease liabilities)	<u>\$ 77,830</u>

A settlement and lease cancellation was executed October 12, 2023 for the ReStore West lease. The remaining balance of the right-of-use asset and corresponding lease liability were written off at this time, as appropriate.

### NOTE M -- Billboard lease – lessor

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

Rental income from the billboard leases was \$19,700 and \$18,058 for the years ended June 30, 2024 and 2023, respectively.

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2024

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

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

	2024	2023
Cash received from operating leases		
Operating cash flows from operating leases	\$ 19,700	18,058

The undiscounted cash flows to be received from lease payments on the organization’s operating leases as of June 30, 2024, are as follows:

Year ending June 30.

2025	\$	19,700
2026		19,700
2027		19,700
2028		19,700
2029		19,700
Thereafter		302,200
	<b>\$</b>	<b>400,700</b>

**NOTE N -- Escrow deposits**

The organization maintains separate bank accounts into which it deposits funds received from homeowners pursuant to their mortgages for the payment of real estate taxes, insurance, and homeowners' association fees. The organization uses the accounts for the payment of those charges as they come due. To ensure cash reserves are maintained to fund the escrow deposit liability, the organization's board of directors has required escrow deposits to be placed into separate bank accounts. The cash balance of this account is included in cash and cash equivalents on the statements of financial position. These funds are considered board designated.

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2024

### NOTE O -- Notes payable, net

Notes payable, net consist of the following:

	2024	2023
<p>One Community Bank; nonrecourse; monthly payments of \$5,020, including interest at 3.99% (effective interest rate of 4.06%) through November 30, 2021; monthly payments of \$4,027, including interest at 3.74% (effective interest rate of 3.80%) through November 26, 2026, and interest at the prime rate + 0.49% (no less than 3.75%) through maturity; due November 30, 2028; secured by a general business security agreement; prepayment is permitted in whole or in part subject to a prepayment premium.</p>	\$ 615,129	\$ 639,495
<p>HFHI NMTC SUB-CDE III, LLC (see Note E); nonrecourse; semi-annual interest only payments until 2025 at .679239% (effective interest rate of .681358%); semi-annual payments of \$83,124, including interest at .679239% (effective interest rate of .681358%), are due starting November 5, 2025 through the maturity date of April 19, 2048; secured by a loan agreement, deposit account control agreement, deposit account pledge agreement, reserve account control agreement and reserve account pledge agreement; CDE has the option to waive the debt in April 2025 so as to participate in the NMTC program; prepayment is not permitted until after April 19, 2025 and then is permitted in whole or in part without penalty; unamortized debt issuance costs associated with this note was \$89,057 and \$92,794 as of June 30, 2024 and 2023, respectively; interest expense totaled \$12,002 for each of the years ended June 30, 2024 and 2023.</p>	1,767,037	1,767,037
<p>Balance carried forward</p>	2,382,166	2,406,532



# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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

	2024	2023
Balance brought forward	\$ 2,382,166	\$ 2,406,532
SBA; Economic Injury Disaster Loan (EIDL); original amount of \$160,000, additional proceeds of \$350,000, received in 2022; requested to alleviate economic injury caused by disaster occurring due to the COVID-19 pandemic; interest at 2.75% (effective interest rate of 2.78%); monthly payments of principal and interest of \$2,227 beginning 24 months from the date of the original note (June 14, 2020) due June 14, 2050; collateralized by inventory, equipment, promissory notes, deposit accounts, general intangibles, etc.	482,597	495,941
One Community Bank; nonrecourse; monthly interest payments at 5.240% (effective interest rate of 5.370%) through July 28, 2023; monthly payments of \$18,098, including interest at 5.240% (effective interest rate of 5.370%) through June 28, 2027; one payment of \$2,761,722, including interest at 5.240% (effective interest rate of 5.370%), at maturity on July 28, 2027; collateralized by a mortgage; prepayment is permitted in whole or in part subject to a prepayment premium.	2,946,484	3,000,000
One Community Bank; nonrecourse; monthly payments of \$4,119, including interest at 5.240% (effective interest rate of 5.370%) through June 28, 2027; one payment of \$473,346, including interest at 5.240% (effective interest rate of 5.370%), at maturity on July 28, 2027; collateralized by a mortgage; prepayment is permitted in whole or in part subject to a prepayment premium.	538,786	558,922
Habitat for Humanity International, Inc.; nonrecourse; non-interest bearing; commencing January 1, 2027, monthly payments of \$281 through November 1, 2030; one payment of \$293 due at maturity on December 1, 2030; no prepayment penalty.	13,500	0
	6,363,533	6,461,395
Less unamortized debt issuance costs	89,057	92,794
	\$ 6,274,476	\$ 6,368,601

# HABITAT FOR HUMANITY OF DANE COUNTY, INC.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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

Repayment of principal on notes payable as of June 30, 2024, is as follows:

Year ending June 30,

2025	\$	122,170
2026		199,352
2027		743,606
2028		3,311,139
2029		90,965
Thereafter		<u>1,896,301</u>
	\$	<u>6,363,533</u>

### NOTE P -- Related party transactions

With respect for and in support of Habitat for Humanity International, Inc., the organization voluntarily remits a tithe of the undesignated public support it received in the prior year. These funds are used by the international organization for providing housing for the poor around the world. For the years ended June 30, 2024 and 2023, the amounts remitted totaled \$40,000 and \$30,000, respectively.

Habitat for Humanity International Inc. receives contributions on behalf of the organization. For the years ended June 30, 2024 and 2023, the amount of these contributions passed through to the organization from Habitat for Humanity International Inc. totaled \$153,326 and \$60,991, respectively.

### NOTE Q -- Net assets

Net assets with donor restrictions – time or use

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

	<u>2024</u>	<u>2023</u>
Subsequent years' operations	\$ 620,205	\$ 179,610
Time restriction on endowment earnings	<u>219,293</u>	<u>188,000</u>
	<u>\$ 839,498</u>	<u>\$ 367,610</u>

Net assets with donor restrictions – perpetual endowment

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

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2024

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**NOTE R -- Mortgage sales**

During fiscal year 2023, the organization sold 10 mortgages with outstanding balances of \$1,089,333 to two financial institutions. During fiscal year 2024, the organization sold 25 mortgages with outstanding balances of \$3,135,577 to four financial institutions. The mortgages are serviced by the organization and the outstanding balances were \$3,092,454 and \$1,048,722 as of June 30, 2024 and 2023, respectively.

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

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

	2024	2023
Cash	\$ 1,221,757	\$ 317,252
Accounts receivable	601,614	95,377
Unconditional promises to give	316,900	99,080
Mortgages receivable	1,134,440	1,040,583
	\$ 2,699,711	\$ 1,552,292

The organization receives contributions with donor restrictions to be used in accordance with the associated purpose or time restrictions. When a donor's restriction requires resources to be used in a particular manner or in a future period, the organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

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

During the fiscal years ended June 30, 2024 and 2023, the organization obtained \$580,000 and \$312,400, respectively, in funding from Community Development Block Grants (CDBG) through the City of Madison and Dane County. The funds were loaned directly to homeowners at 0% interest. Since 2016, the 0% loans totaled \$2,989,062 impacting both the homeowners and the organization. The organization is impacted as it reduces the amount it has to finance with a silent mortgage. In addition, the organization has collaborated with local financial institutions who are members of the Federal Home Loan Bank of Chicago (FHLB-Chicago) to get loans directly from FHLB-Chicago to homeowners totaling \$150,000 and \$88,000 for the fiscal years ended June 30, 2024 and 2023, respectively, and totaling \$677,800 since 2016. The FHLB loans are forgiven over five years and benefit both the homeowner and the organization.

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2024

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**NOTE U -- CDFI grant**

In January 2021, the organization was awarded a \$650,000 grant from the CDFI. Of this amount, \$0 and \$215,000 were received during the fiscal years ended June 30, 2024 and 2023, respectively. Since these funds are conditioned on the organization issuing a certain amount of mortgage loans, the funds are not recorded as contribution revenue until the grant conditions are met. For the fiscal year ended June 30, 2023, grant conditions were met in full, and the remaining \$206,587 was recognized as contribution revenue.

## SUPPLEMENTARY INFORMATION

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
**SCHEDULE OF REVENUE AND EXPENSES BY FUNDING SOURCE**  
Year ended June 30, 2024

	City of Madison		Total
	CDD	Other	
<b>PUBLIC SUPPORT, REVENUE AND GAINS</b>			
Revenue on sale of completed homes and lots	\$ 0	\$ 5,092,744	\$ 5,092,744
ReStore sales less cost of goods sold of \$2,352,715	0	144,123	144,123
Mortgage discount amortization	0	325,774	325,774
Gain on sale of mortgages receivable	0	1,157,190	1,157,190
Program services	18,000	654,634	672,634
Agency endowment return	0	10,855	10,855
Gifts and donations	0	2,280,638	2,280,638
In-kind contributions	0	3,168,667	3,168,667
Special events	0	30,662	30,662
Interest	0	57,739	57,739
Miscellaneous income	0	47,373	47,373
Total public support, revenue and gains	18,000	12,970,399	12,988,399
Expenses:			
Program services:			
Homebuilding	18,000	8,848,899	8,866,899
ReStore	0	1,936,864	1,936,864
Total program services	18,000	10,785,763	10,803,763
Supporting services:			
Management and general	0	393,353	393,353
Fundraising	0	754,327	754,327
Total supporting services	0	1,147,680	1,147,680
Total expenses	18,000	11,933,443	11,951,443
Restricted contributions	0	586,250	586,250
Restricted agency endowment return	0	52,864	52,864
Excess revenue (expense)	<u>\$ 0</u>	<u>\$ 1,676,070</u>	<u>\$ 1,676,070</u>

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
SCHEDULE OF CITY OF MADISON DEVELOPMENT DIVISION FUNDS EXPENDED BY PROGRAM  
Year ended June 30, 2024

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CDD OFFICE FUNDS	
CDD Acquisition Funds	\$ 18,000
FUNDS EXPENDED	
Property developer costs	<u>18,000</u>
Excess	<u><u>\$ 0</u></u>

**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
 CITY OF MADISON COMMUNITY DEVELOPMENT DIVISION  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year ended June 30, 2024

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

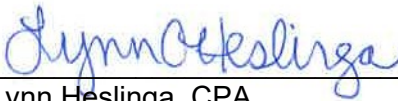


**HABITAT FOR HUMANITY OF DANE COUNTY, INC.**  
CITY OF MADISON COMMUNITY DEVELOPMENT DIVISION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year ended June 30, 2024

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- |  |     |
|--|-----|
| 16. Does the audit include the schedule of real property assets and the debt recorded against each property? | N/A |
| 17. Was a management letter or other document conveying audit comments issued as a result of this audit?     | Yes |

Name and signature of Partner in Charge:

  
\_\_\_\_\_  
Lynn Heslinga, CPA

Date of report

October 25, 2024