



CONSOLIDATED AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2020

DuPage Habitat for Humanity, Inc. and Subsidiaries
Audit Report
For the Year Ended June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
DuPage Habitat for Humanity, Inc.
and Subsidiaries
Wheaton, Illinois

We have audited the accompanying consolidated financial statements of **DuPage Habitat for Humanity, Inc. and Subsidiaries**, which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of **DuPage Habitat for Humanity, Inc. and Subsidiaries** as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of an Error

As described in Note 21 to the consolidated financial statements, DHFH corrected an error for an accumulated mortgage discount on receivables not previously recognized related to a sale that had occurred in August 2018. Our opinion is not modified with respect to this matter.

Selden Fox, Ltd.

May 4, 2021

DuPage Habitat For Humanity, Inc. and Subsidiaries
Consolidated Statement of Financial Position
June 30, 2020

Assets	
Current assets:	
Cash and cash equivalents	\$ 1,166,405
Accounts receivable	22,530
Critical home repair receivable	61,229
Pledges receivable	42,275
Mortgages receivable net, current	200,438
Inventories - land and construction in progress	2,112,435
Inventory - ReStore	270,326
Inventory - real estate owned	420,487
Prepaid expenses	14,808
Deposits and other assets	81,481
	4,392,414
 Property and equipment:	
Land and buildings	440,000
Buildings and improvements	1,591,158
Office equipment and furniture	18,864
ReStore equipment	85,697
Software	57,840
Vehicle	145,125
	2,338,684
Less accumulated depreciation	(248,950)
	2,089,734
 Other assets:	
Investment in limited liability company	(15,636)
Mortgages receivable net, noncurrent, net of present value discount	2,410,140
Other assets	9,541
	2,404,045
	2,404,045
 Total assets	\$ 8,886,193

See accompanying notes and independent auditor's report.

Liabilities and Net Assets

Liabilities:

Current liabilities:

Accounts payable	\$ 149,620
Accrued expenses	187,342
Escrow and closing funds held	96,787
Deferred rent	4,181
Paycheck protection program loan payable	410,856
Notes payable, current	<u>455,075</u>

Total current liabilities 1,303,861

Long-term liabilities - notes payable, net of current portion 1,805,850

Total liabilities 3,109,711

Net assets:

Without donor restrictions	3,901,972
With donor restrictions	<u>1,874,510</u>

Total net assets 5,776,482

Total liabilities and net assets \$ 8,886,193

DuPage Habitat For Humanity, Inc. and Subsidiaries
Consolidated Statement of Activities
For the Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Changes in net assets:			
Public support and revenue:			
Federal and local government grants	\$ 5,044	\$ -	\$ 5,044
Illinois affordable housing tax credits	503,708	-	503,708
Contributions	1,642,323	47,500	1,689,823
Contributions - donated merchandise	1,876,091	-	1,876,091
Inherent contribution - acquisitions	(471,516)	1,815,052	1,343,536
In-kind contributions and donated services	25,635	-	25,635
In-kind contributions - donated facilities	51,408	-	51,408
Special events revenue, less cost of direct benefit to donors of \$17,805	426,243	-	426,243
Net revenue from home sales	896,826	-	896,826
Mortgage loan discount amortization	138,883	-	138,883
ReStore operations	1,948,620	-	1,948,620
Critical home repair income, net	19,505	-	19,505
Rental Income	20,328	-	20,328
Forgiveness of debt income	149,270	-	149,270
Miscellaneous income	156,658	-	156,658
Equity in loss of limited liability company	(8,564)	-	(8,564)
Net assets released from restrictions	192,725	(192,725)	-
Total public support and revenue	7,573,187	1,669,827	9,243,014
Expenses:			
Cost of goods sold	1,976,774	-	1,976,774
Program services:			
Homebuilding	2,577,935	-	2,577,935
ReStore	1,749,832	-	1,749,832
Management and general	451,007	-	451,007
Fund-raising	548,704	-	548,704
Total expenses	7,304,252	-	7,304,252
Change in net assets	268,935	1,669,827	1,938,762
Net assets, beginning of the year, as previously reported	3,714,834	204,683	3,919,517
Prior period restatement	(81,797)	-	(81,797)
Net assets, beginning of the year, as restated	3,633,037	204,683	3,837,720
Net assets, end of the year	\$ 3,901,972	\$ 1,874,510	\$ 5,776,482

See accompanying notes and independent auditor's report.

DuPage Habitat For Humanity, Inc. and Subsidiaries
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program Services		
	<u>Homebuilding</u>	<u>ReStore</u>	<u>Total</u>
Advertising	\$ -	\$ 21,447	\$ 21,447
Alarm system/security	-	6,619	6,619
Bank charges	330	2,022	2,352
Building	-	22,292	22,292
Cell phone	-	2,654	2,654
Construction costs - houses sold	764,853	-	764,853
Credit card processing	-	29,365	29,365
Depreciation	34,360	54,852	89,212
Donations to affiliate	-	20,300	20,300
Donor development	8,168	-	8,168
Dues and subscriptions	5,933	3,893	9,826
Education and conferences	7,415	-	7,415
Employee relations	17,459	2,997	20,456
Equipment rental	(156)	56,874	56,718
Home building related costs	46,979	-	46,979
Home repair costs	58,365	-	58,365
Insurance	135,009	14,892	149,901
Insurance contributions	-	105,048	105,048
Interest	29,809	71,382	101,191
Licenses and permits	-	870	870
Miscellaneous	3,619	4,305	7,924
Office supplies	1,970	12,761	14,731
Occupancy	71,621	234,185	305,806
Payroll	681,681	843,469	1,525,150
Payroll taxes and benefits	121,239	63,013	184,252
Postage and delivery	247	25	272
Printing and reproduction	88	228	316
Professional fees	118,511	17,343	135,854
Property development	35,347	-	35,347
Real estate tax	30,943	-	30,943
Reduction of grants and pledges	232,688	-	232,688
Repairs and maintenance	4,143	-	4,143
Retirement contribution	6,958	3,433	10,391
Supplies and software purchases	3,378	-	3,378
Tithing to Habitat International	138,500	-	138,500
Telephone and internet	1,235	14,647	15,882
Tools and equipment	-	5,126	5,126
Trash disposal	2,842	50,100	52,942
Travel, meals and entertainment	8,023	1,831	9,854
Utilities	-	66,986	66,986
Vehicle expense other	1,232	16,189	17,421
Volunteer appreciation	5,146	684	5,830
	<u>2,577,935</u>	<u>1,749,832</u>	<u>4,327,767</u>
Expenses presented separate on the statement of activities - cost of goods sold	-	1,976,774	1,976,774
	<u>\$ 2,577,935</u>	<u>\$ 3,726,606</u>	<u>\$ 6,304,541</u>

See accompanying notes and independent auditor's report.

Management and General	Fund-raising	Total
\$ -	\$ -	\$ 21,447
22	-	6,641
968	130	3,450
707	-	22,999
-	-	2,654
-	-	764,853
1,140	2,301	32,806
635	-	89,847
-	-	20,300
81	97,071	105,320
3,570	2,790	16,186
3,155	1,648	12,218
1,127	7,021	28,604
259	-	56,977
-	-	46,979
-	-	58,365
21,620	2,641	174,162
-	-	105,048
3,577	57	104,825
-	-	870
5,869	-	13,793
2,730	33	17,494
53,676	14	359,496
216,766	301,106	2,043,022
26,694	54,584	265,530
2,917	158	3,347
12,918	2,321	15,555
60,098	67,694	263,646
-	-	35,347
-	-	30,943
-	-	232,688
-	-	4,143
7,030	4,033	21,454
1,187	1,278	5,843
-	-	138,500
21,844	70	37,796
-	-	5,126
-	-	52,942
243	3,693	13,790
1,774	-	68,760
132	-	17,553
268	61	6,159
451,007	548,704	5,327,478
-	-	1,976,774
\$ 451,007	\$ 548,704	\$ 7,304,252

DuPage Habitat For Humanity, Inc. and Subsidiaries
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2020

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Cash flows from operating activities:	
Change in net assets	\$ 1,938,762
Adjustments to reconcile change in net assets to net cash from operating activities:	
Inherent contributions - acquisitions	(1,343,536)
Debt forgiveness income	(149,270)
Depreciation	89,847
Amortization of debt issuance costs	7,542
Mortgage loan discount amortization	(138,883)
Pledges received	(216,750)
Payments received on pledges	174,475
Reduction of pledges - bad debt	100,747
Reduction of grants and donations - bad debt	131,941
Escrow receivable adjustment	9,726
Equity in (income) loss of limited liability company	8,564
Present value on mortgages issued for home sales	(348,026)
Changes in operating assets and liabilities:	
Accounts receivable	65,500
ReStore inventory	(26,947)
Land and construction inventory	(173,937)
Prepays and other assets	30,720
Accounts payable and accrued expenses	(29,569)
Escrow and closing funds held	(19,133)
Deferred rent	(4,129)
	<hr/>
Net cash from operating activities	107,644
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Cash flows from investing activities:	
Purchase of property and equipment	(467)
Additions to real estate owned	(165,826)
Principal repayments on mortgage receivables	247,897
Cash acquired in acquisitions (Note 19)	323,991
	<hr/>
Net cash from investing activities	405,595
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Cash flows from financing activities:	
Proceeds from payroll protection program loan	410,856
Payments on notes payable	(151,683)
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Net cash from financing activities	259,173
	<hr/>
Net change in cash and cash equivalents	772,412
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Cash and cash equivalents, beginning of the year	393,993
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Cash and cash equivalents, end of the year	\$ 1,166,405
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Noncash financing and investing activities:	
Acquisition of Habitat for Humanity - Chicago South Suburbs and Restore of Fox Valley Valley Habitat for Humanity (see Note 19)	
Transfer of mortgage receivable to inventory - real estate owned for repurchased homes	\$ 70,491
	<hr/>

See accompanying notes and independent auditor's report.

DuPage Habitat for Humanity, Inc. and Subsidiaries

Notes to the Consolidated Financial Statements

1. Organization and Purpose

The accompanying financial statements reflect the consolidated operations of DuPage Habitat for Humanity, Inc., DuPage Habitat for Humanity Neighborhood Revitalization Council, Habitat for Humanity – Chicago South Suburbs, and ReStore of Fox Valley Habitat for Humanity (collectively referred to as the Organization). All significant intercompany transactions and balances have been eliminated in consolidation.

DuPage Habitat for Humanity, Inc. (DHFH), a not-for-profit corporation, was incorporated on February 3, 1995. The Organization is an affiliate of Habitat for Humanity International, Inc., a nondenominational Christian non-profit organization whose purpose is to provide home ownership opportunities to limited income families or individuals, and to put the reality of substandard housing in the minds and hearts of DuPage residents in such a powerful way that unattainable home ownership for these families or individuals becomes politically, socially and religiously unacceptable. Although Habitat for Humanity International, Inc. (HFHI) assists with informational resources, training, publications, prayer support, and in other ways, the Organization is primarily and directly responsible for its own operation.

During the year ended June 30, 2012, the Organization launched a new ReStore program. This program recycles used and surplus household and construction materials to reduce the tonnage of waste going into landfills and provide building supplies to the general public at greatly reduced prices. All profits from the sales go to funding the mission of the Organization.

During the year ended June 30, 2015, the Organization established the DuPage Habitat for Humanity Neighborhood Revitalization Council (NRC), a single member wholly-owned subsidiary. The NRC was established for the purpose of developing a Community Housing Development Organization (CHDO), a community-based organization with staff and the capacity to develop affordable housing for the community it serves.

On October 1, 2018, the Organization entered into a Memorandum of Understanding with ReStore of Fox Valley Habitat for Humanity (ReStore) to establish an affiliate relationship. Effective July 1, 2019, ReStore became a subsidiary of DHFH and the operations of the ReStore facility in Addison, Illinois, previously reported within the financial statements of DHFH, were merged in with ReStore.

On March 23, 2020, the Board of Directors for Habitat Chicago South Suburbs (Habitat CSS) approved a corporate resolution establishing a corporate structure whereby Habitat CSS becomes a wholly controlled sister organization of DuPage Habitat for Humanity, Inc., with the Executive Director of DuPage Habitat for Humanity, Inc. assuming the role of Chief Executive of Habitat CSS. The agreement was made retroactive to July 1, 2019. As a result of this transaction, DHFH reorganized by moving all ReStore operations of Habitat CSS under the legal organization of ReStore.

DuPage Habitat for Humanity, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

2. Summary of Significant Accounting Policies

General – The accounts and consolidated financial statements are maintained on the accrual basis of accounting and, accordingly, reflect all significant accounts receivable, payable, and other liabilities.

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions (when applicable), as required by Generally Accepted Accounting Principles (GAAP).

Net Assets Without Donor Restrictions – Net assets which are available for fulfillment of the Organization's mission and which may be expended at the discretion of management and the Board of Directors.

Net Assets With Donor Restrictions – Net assets which are subject to donor or grantor imposed restrictions. Some restrictions could be temporary in nature, such as those that will be met by the actions of the Organization or the passage of time, while some restrictions could be perpetual in nature, in that the donor or grantor has stipulated the funds must be maintained in perpetuity.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Accordingly, actual results could differ from those estimates.

Income Tax Status – DuPage Habitat for Humanity, Inc. was granted an exemption from federal income taxes by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(3). DHFH qualifies for the charitable construction deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The tax-exempt purpose of DHFH and the nature in which it operates is described above. The Organization continues to operate in compliance with its tax-exempt purpose.

The NRC is a wholly-owned corporation with Habitat being the sole shareholder. For tax purposes, this entity is treated as a disregarded entity. Its activities are included in DHFH's tax reporting.

The Organization's tax returns for the years ended June 30, 2017, 2018, and 2019, are open for purposes of Internal Revenue Service or Illinois Department of Revenue examinations.

DuPage Habitat for Humanity, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

2. Summary of Significant Accounting Policies (cont'd)

Income Tax Status (cont'd)

Habitat CSS was granted exemption from federal income taxes by the Internal Revenue Service pursuant to the provisions of the Internal Revenue Code Section 501(c)(3). Habitat CSS qualifies for the charitable contribution deduction and has been classified as an organization that is not a private foundation under Section 509(a)(1). The tax-exempt purpose of Habitat CSS and the nature in which it operates is described above. Habitat continues to operate in compliance with its tax-exempt status.

Habitat CSS's federal tax returns for the years ended June 30, 2017, 2018, and 2019, are open for purposes of Internal Revenue Service examination. Habitat CSS's state tax returns for the years ended June 30, 2017 and 2019, are open for purposes of Illinois Department of Revenue examination. The Illinois tax return for 2018 was not filed as an audit was not performed due to lack of funding. Management received a one-time exemption from filing with the state of Illinois for the year ended June 30, 2018.

ReStore of Fox Valley Habitat for Humanity is a nonprofit corporation as described by Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC and similar provisions of state tax laws. In addition, the corporation has been classified as an organization that is not a private foundation under Section 509(a)(1). ReStore of Fox Valley Habitat for Humanity operates a resale store, which it considers to be a related business activity. The IRC provides for taxation of unrelated business income under certain circumstances. ReStore of Fox Valley Habitat for Humanity reports no unrelated business taxable income; however, such status is subject to final determination upon examination of the related tax returns by the appropriate taxing authorities. ReStore's tax returns for the years ended June 30, 2017, 2018 and 2019, are open for purposes of Internal Revenue Service or Illinois Department of Revenue examinations.

Cash and Cash Equivalents – Cash and cash equivalents consist of bank deposits in federally insured accounts.

For purposes of the consolidated statement of cash flows, the Organization considers all highly liquid instruments, if any, purchased with an original maturity of three months or less to be cash equivalents.

Inventories – Land and Construction-in-Progress – Inventory is valued at the lower of cost or fair value. Inventory primarily consists of purchased and donated houses, construction materials, land and homes under construction issued in the Organization's programs. Inventory is initially capitalized at cost or fair value if donated. This includes all direct and indirect costs incurred to prepare it for sale or use. If it is determined that the capitalized costs of inventory exceed its fair value, the inventory is written down to its fair value. Construction materials are valued at cost using the first-in, first-out (FIFO) method.

DuPage Habitat for Humanity, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

2. Summary of Significant Accounting Policies (cont'd)

Inventory ReStore – ReStore receives contributions of goods and materials (inventory) and processes these contributions as merchandise available for sale in its retail store. Accounting standards require that contributions be recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefits received. Contributions are measured at fair value.

The Organization believes that the inventory of donated goods and materials does not possess an attribute that is easily measurable or verifiable with sufficient reliability to determine inventory value. Instead, the value of inventory at the end of the year is estimated using historical sales of similar inventory. Inventory balances recorded at year-end are comprised mostly of goods donated to the Organization for resale through its retail store.

The estimate of the inventory value of donated goods and material in its retail store is based on an average of daily retail sales multiplied by the estimated shelf life of inventory on hand at June 30. These variables are critical assumptions which significantly affect inventory accounting.

The Organization may carry purchased inventory at a given time, which consists primarily of paint and related supplies. Any purchased inventory on hand is stated at the lower of cost (on the first-in, first-out method) or net realizable value.

Inventory – Real Estate Owned – Reclaimed homes are recorded as real estate owned at fair value at the date of reclamation. Added to these amounts are closing costs and additional costs necessary to ready the homes for resale. Any write-down based on the home's fair value at the date of foreclosure is charged to the allowance for loan losses. Three homes were reclaimed and returned to the Organization during the year ended June 30, 2020.

Property and Equipment – Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost or fair value if donated. The Organization provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives of 5 to 39 years. The Organization generally follows the practice of capitalizing expenditures for fixed assets in excess of \$2,500.

Investment in Limited Liability Company – The Organization is one of two equal members in Home Together, LLC, a non-profit organization formed in 2010, to purchase and share the building used for operations (see Note 18). Due to the Organization's lack of a controlling interest in the subsidiary, its investment is accounted for under the equity method and consolidated financial statements are not presented. The investment account is increased for cash contributions made to the LLC and for the Organization's proportionate share of the LLC's other increase in net assets and decreased for the cash distributions received from the LLC and the Organization's proportionate share of the LLC's other decreases in net assets. The Organization recognized a negative investment in Home Together, LLC on its statement of financial position of \$15,636 at June 30, 2020.

DuPage Habitat for Humanity, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

2. Summary of Significant Accounting Policies (cont'd)

Paycheck Protection Program Loan Payable – The Organization has elected to account for its potentially forgivable Paycheck Protection Program loan payable under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 470, *Debt*. Under this guidance, extinguishment of the loan would be recognized when the Society has been legally released as the primary obligor of the loan. This would occur if and when the United States Small Business Administration approves the Organization's forgiveness application.

Sale to Homeowners and Mortgages Receivable – DHFH and Habitat CSS recognize revenue from the sale of its homes at the fair value of the first mortgages it receives plus the required down payments. The first mortgages are non-interest bearing and require monthly payments, typically over a 30 or 40-year period. The amount of a first mortgage is determined by the lower of (a) actual construction costs incurred, (b) the fair market value of the property, or (c) an ability to pay formula based on the homeowner's gross income. The present value of the first mortgage is determined by discounting the mortgage payments using an interest rate that approximates a current market rate of interest for such a mortgage instrument. The difference between the face amount of each mortgage and its present value is accounted for as a discount. The original discount on the mortgage issued is recorded as a reduction of revenue in the year the mortgage closes, based on the prevailing interest rates for low-income housing. The discount is then amortized and recorded as income over the life of the mortgage on a straight-line basis.

The delinquency of mortgages receivable is based upon past due status in accordance with contractual terms. When a customer misses payments, management will work with the client and encourage the client to refinance their mortgage.

DHFH has not established an allowance for loan losses for its mortgages receivable as there are no probable and reasonably estimable losses related to the mortgage receivables as of June 30, 2020. This conclusion is based in part on the fact that the estimated value of the properties securing the mortgages receivable significantly exceeds the amount recognized as mortgages receivable.

Historically, Habitat CSS has not experienced significant losses on mortgages to individual clients. This is based in part on the fact that the estimated value of the properties securing the mortgage receivables significantly exceeds the amount recognized as mortgages receivable. Management's periodic evaluation to determine if an allowance for doubtful mortgages is necessary is based upon its history, industry and economic conditions, and known risks or adverse situations that may affect the borrower's ability to repay. Habitat has recognized an allowance for loan losses for its mortgage receivables of \$133,650 at June 30, 2020.

DuPage Habitat for Humanity, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

2. Summary of Significant Accounting Policies (cont'd)

Support and Revenue – The Organization reports gifts of cash and other assets as with donor restrictions, if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as without donor restrictions.

The Organization reports gifts of land, buildings, and equipment as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as with donor restrictions. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Government Contributions – Support funded by government contracts, which qualify as conditional promises to give, are recognized when the condition of performing the contracted services is met. Revenue is therefore recognized as earned as the condition of eligible expenses is incurred. These expenditures are subject to audit and acceptance by the respective granting agency, and, because of such audit, adjustments could be required. Management does not anticipate any material adjustments for revenue shown at June 30, 2020.

Donations, Contributed Goods and Donated Services – In addition to receiving cash contributions, the Organization received for its ReStore donations in the form of building materials and supplies, household furnishings, and appliances. The items are processed and displayed at the store. Items which cannot be retailed or reconditioned are sold as salvage. The Organization also receives in-kind contributions and donated services from various donors. In accordance with generally accepted accounting principles, contribution of services are required to be recognized if the services received (a) create or enhance non-financial assets, or (b) require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. In-kind contributions are also required to be recorded at fair value. The Organization recognizes the estimated fair value of these in-kind donations and donated services as an expense or asset if appropriate in its consolidated financial statements, and similarly records a corresponding donation by a like amount.

For the year ended June 30, 2020, the Organization recorded \$51,408 in donated facilities for the ReStore in Chicago Heights, Illinois.

DuPage Habitat for Humanity, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

2. Summary of Significant Accounting Policies (cont'd)

In-Kind Contributions and Donated Services (cont'd)

During the years ended June 30, 2020, the Organization received the following unconditional in-kind contributions and donated services:

Use of facilities	\$ 51,408
Mortgage services	14,503
Professional services	9,660
Miscellaneous	<u>1,472</u>
	<u>\$ 77,043</u>

During the year ended June 30, 2020, the Organization received \$63,580 of donated supplies for special events and fund-raisers at June 30, 2020.

There were also a substantial number of volunteers who donated a significant amount of their time towards the activities of the Organization for the year ended June 30, 2020, the value of which has not been recognized in the consolidated financial statements as they do not meet the criteria for recognition.

Revenue Recognition – The Organization's ReStores recognize revenues from merchandise sales when the products are sold, and the title and risk of loss pass to the customer.

Warranties – The Organization provides a limited one-year warranty in the deed of trust on the sale of a home which is generally for defects in materials and workmanship. Warranty costs are accrued when obligations under the warranty period become probable and can be reasonably estimated. The Organization incurred warranty costs of \$1,568 during the fiscal year 2020.

Advertising and Promotion – The Organization maintains a small supply of promotional books, pamphlets and other merchandise available for public distribution and ministry purposes. Costs related to these materials, including advertising and promotion, are expensed as incurred.

The Organization incurs advertising costs to promote its ReStore activities which are expensed as incurred. Such costs were \$21,447 for the year ended June 30, 2020.

DuPage Habitat for Humanity, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

2. Summary of Significant Accounting Policies (cont'd)

Functional Allocation of Expenses – The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Salaries and wages and payroll taxes and benefits are allocated on the basis of estimates of time and effort. Depreciation expense is allocated based on the program or supporting service benefitting from the underlying asset.

New Accounting Pronouncement – In 2018, the Financial Accounting Standards Board issued ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, effective on July 1, 2019. The new standard requires the Organization to reassess its revenue recognition policy to accurately depict whether a transfer of assets is a contribution or exchange transaction and whether a contribution received (including government grants) is conditional or unconditional. The adoption of this guidance did not have a significant impact on the financial position, changes in net assets or cash flows of the Organization. The primary source of contributions is from individuals and government grants.

Subsequent Events – Subsequent events have been evaluated through May 4, 2021, which is the date the consolidated financial statements were available to be issued.

3. Liquidity and Availability

Financial assets, available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date at June 30, 2020, have been determined as follows:

Cash and cash equivalents	\$ 1,166,405
Receivables:	
Accounts	22,530
Critical Home repair	61,229
Pledges	42,275
Mortgages	200,438
	<hr/>
Total current financial assets	1,492,877
Net assets with donor restrictions	(1,874,510)
	<hr/>
Financial assets available for general expenditure over the next twelve months	\$ (381,633)

DuPage Habitat for Humanity, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

3. Liquidity and Availability (cont'd)

The Organization relies on grants and donor contributions, which may or may not have donor restrictions, to help fund major capital outlays. It manages its day to day operations based on available funds from such contributions or grants, as well as ReStore sales. Included within net assets with donor restrictions is \$1,815,052 received by Habitat CSS from Cook County, Illinois, in prior years. Management intends on seeking release of restrictions without penalty.

4. Contributions Receivable

Unconditional promises to give cash, in-kind contributions and certain qualified donated services are recognized in the consolidated financial statements at the time of commitment based on written documentation or strong verbal assurances from the donor. At June 30, 2020, contributions receivable is restricted to construction and rehabilitation of homes in the home ownership program. Contributions receivables at June 30, 2020, consist of unconditional promises to give cash and donated services and are considered current.

When a contribution receivable is deemed uncollectible, it is written off as a reduction of grants and pledges included with expenses in the statement of activities. For the year ended June 30, 2020, amounts written off consisted of the following:

Unconditional promises to give cash and certain qualified donated services for the construction and rehabilitation of homes in the home ownership program	\$ 108,747
Illinois Housing Development Authority grants for down payment assistance denied in the current year	95,000
Naperville Community Development Block Grant for which funding period lapsed	<u>28,941</u>
	<u>\$ 232,688</u>

5. Mortgages Receivable

The Organization recognized \$138,883 of income from the mortgage loan discount amortization for fiscal year ended June 30, 2020.

DuPage Habitat for Humanity did originate five new mortgages during the year ended June 30, 2020, net of related discounts, in the amount of \$348,026. Habitat CSS did not originate any mortgages for the year ended June 30, 2020. The Organization does not charge homeowners any fees in connection with originating the mortgages and does not defer any costs related to originating the mortgages.

DuPage Habitat for Humanity, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

5. Mortgages Receivable (cont'd)

Mortgages receivables at June 30, 2020, are presented net of unamortized discounts as follows:

	DuPage Habitat for Humanity	Habitat CSS	Total
Gross mortgages receivables at face value	\$ 4,600,134	\$ 1,916,199	\$ 6,516,333
Less unamortized discount based on imputed interest rates of 4.0% to 8.78%	(2,712,503)	(1,059,602)	(3,772,105)
Less allowance for doubtful mortgages receivable	-	(133,650)	(133,650)
Net mortgages receivables	<u>\$ 1,887,631</u>	<u>\$ 722,947</u>	<u>\$ 2,610,578</u>
Current portion	\$ 127,819	\$ 72,619	\$ 200,438
Long-term	<u>1,759,812</u>	<u>650,328</u>	<u>2,410,140</u>
	<u>\$ 1,887,631</u>	<u>\$ 722,947</u>	<u>\$ 2,610,578</u>

Anticipated future principal collections on the discounted first mortgages are estimated as:

Year Ending June 30,	DuPage Habitat for Humanity	Habitat CSS	Total
2021	\$ 126,829	\$ 12,921	\$ 139,750
2022	80,655	14,031	94,686
2023	79,037	15,227	94,264
2024	77,031	16,516	93,547
2025	77,031	17,905	94,936
Thereafter	<u>1,447,048</u>	<u>646,347</u>	<u>2,093,395</u>
	<u>\$ 1,887,631</u>	<u>\$ 722,947</u>	<u>\$ 2,610,578</u>

DuPage Habitat for Humanity, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

5. Mortgages Receivable (cont'd)

In addition, “silent” second mortgages exist on nearly all homes sold by the Organization prior to July 1, 2017. In general, the “silent” second mortgages are established for the difference between (a) the estimated fair value of the home at date of sale (or, in the case of homes funded through certain grants, the cost of the home) and (b) the sales price of the home (the sum of the undiscounted amount of the first mortgage and the down payment made by the homeowner). The “silent” second mortgages are non-interest-bearing and are forgiven ratably beginning in the 83rd month after sale of the home over the remainder of the first mortgage term (beginning with the 61st month after sale for mortgages originated prior to 2009). All second mortgages are forgiven after 30 years. Pursuant to some grant arrangements, the grantor may hold a portion of the “silent” second mortgage or may hold a “silent” third mortgage. The Organization does not record its share of the “silent” second mortgages in the consolidated financial statements. Second mortgages on homes sold prior to July 1, 2017, totaled \$2,891,626 which is net of \$1,307,270 in mortgage forgiveness as of June 30, 2020.

The Organization holds a second mortgage on all homes sold after June 30, 2017, which is due upon satisfaction of the first mortgage. Also, “silent” third mortgages exist on homes sold by the Organization subsequent to June 30, 2017, equal to the interest paid to the financial institution holding the first mortgage. The “silent” third mortgages are non-interest-bearing and are forgiven ratably over term of the first mortgage. All third mortgages are forgiven after 30 years. The Organization does not record its share of the “silent” third mortgages in the consolidated financial statements. Third mortgages on homes sold after June 30, 2017, totaled \$417,417, which is net of \$31,864 in mortgage forgiveness as of June 30, 2020.

Finally, a profit sharing agreement exists on all homes sold by DHFH.. The amount is based on a percentage of the appreciation in value and the length of time the homeowner has owned the house so that the longer the homeowner has owned the home, the lower the percentage of profit due to the Organization. No such profit sharing agreement exists for homes sold by Habitat – CSS.

DuPage Habitat for Humanity, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

5. Mortgages Receivable (cont'd)

Events which trigger payments to be made on the silent second or third mortgages, as applicable, are as follows:

1. Sale of property to a third-party.
2. Transfer of property to someone other than the buyer's spouse.
3. Rental of property to a third-party.
4. Creation of certain trusts which affects the title to the property.
5. Failure to occupy property as main residence.
6. Refinance property without paying off the amount due under the first mortgage note plus the amount for which the buyer has not received credit under the second mortgage noted as of the date of the payoff.
7. Failure to make three payments in a row.
8. Third-party forecloses on the property or files mechanic's lien on the property.
9. Use of property to carry on a business, trade, or profession except as permitted by applicable law or ordinance.
10. Attempt to prepay one of the mortgage notes before maturity of the first mortgage note and the second mortgage note without prepaying both the first mortgage note and the second mortgage note.
11. Failure to perform the terms of either of the first mortgage note or the second mortgage note or either of the first mortgage or the second mortgage and do not cure such failure within any applicable notice or cure period.

In the event that a homeowner disposes of a home or otherwise prepays the first mortgage prior to the end of the term of the first mortgage, the balance of the "silent" mortgages and any sharing of appreciation in the value of the home between the homeowner and the Organization becomes due. Finally, the first mortgage provides the Organization with the right of first refusal, at the then current fair value, to purchase any home that a homeowner has decided to sell. There was no income from partner families selling homes in fiscal 2020.

6. Inventories – Land and Construction in Progress

Land and construction in progress inventory consists of the following at June 30, 2020:

Homes under construction (18 properties in 2020)	\$ 1,562,911
Land held for future development	547,213
Building supplies	2,311
Total	<u>\$ 2,112,435</u>

DuPage Habitat for Humanity, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

7. Inventory - ReStore

Inventory at June 30, 2020, consists of the following:

Purchased inventory	\$ 24,519
Donated goods and materials	<u>245,807</u>
	<u>\$ 270,326</u>

8. Payroll Protection Program Loan Payable

The Organization entered into a \$410,856 loan agreement dated April 18, 2020, to provide for working capital needs, with principal due in monthly installments including interest at 1%. The loan was obtained under the Paycheck Protection Program (PPP) administered by the United States Small Business Administration (SBA). Payments commence the earlier of (a) forgiveness determination by the SBA or (b) ten months after the expiration of the Borrower's covered period, which is 24 weeks after the loan disbursement date. Under the Program rules, the loan will be 100% forgiven if the Society meets certain conditions. The Organization applied for and received forgiveness for the entire balance on February 24, 2021. This will be recognized as income in fiscal year 2021.

Subsequent to year end, the Organization entered into a second loan for \$410,856, dated February 16, 2021, under the Paycheck Protection Program (PPP) administered by the United States Small Business Administration (SBA), with similar terms to the initial loan.

9. Lines of Credit

Habitat for Humanity - CSS

Habitat CSS had a \$50,000 unsecured line of credit with a financial institution for general operating purposes. The variable interest rate was based on the lender's small business lending rate plus a margin of 5%. On July 1, 2019, Habitat CSS had a total of \$50,000 borrowed against this line.

Habitat CSS had a \$100,000 line of credit with a financial institution with an original expiration date of December 2, 2018, secured with a mortgage on a home being rented out by Habitat CSS. The variable interest rate is based on the highest prime rate published by the Wall Street Journal plus 1.5%. On July 1, 2019, Habitat had a total of \$99,270 borrowed against this line.

In the year ended June 30, 2020, the financial institution forgave the balance outstanding on both lines of credit. Habitat CSS recognized debt forgiveness income of \$149,270 in the year ended June 30, 2020.

DuPage Habitat for Humanity, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

10. Long-Term Debt

DuPage Habitat for Humanity, Inc.

On June 28, 2016, the Organization obtained a promissory note with HFHI in the amount of \$400,300 with an original maturity date of June 30, 2026. The Organization was allowed to defer payment of the principal portion due June 30, 2020, due to the pandemic, and extend the maturity date of the note by one quarter to September 30, 2026. Original principal of \$400,300 payable in quarterly installments of \$12,630 which includes interest at 4.75%. Proceeds used to refinance all debt except Wheaton Bank and Trust Company line of credit.

\$ 271,809

On May 29, 2018, the Organization obtained a promissory note with First Eagle Bank in the amount of \$350,000 with a maturity date of May 29, 2021. Original principal of \$350,000 payable in lump sum at maturity. Interest is payable monthly commencing June 29, 2018, at a variable rate equal to the prime rate as published in the Wall Street Journal (3.25% at June 30, 2020). Proceeds used to acquire property in Hanover Park.

350,000

621,809

Less current portion

(388,284)

Net long-term debt

\$ 233,525

Minimum future principal payments are as follows at June 30:

2021	\$	388,284
2022		40,135
2023		42,076
2024		44,110
2025		46,243
2026		48,479
2027		<u>12,482</u>
Total	\$	<u>621,809</u>

Interest expense and interest paid totaled \$29,518 for the year ended June 30, 2020.

DuPage Habitat for Humanity, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

10. Long-Term Debt (cont'd)

Long-term debt at June 30, 2020, consists of the following:

ReStore Habitat for Humanity

Mortgage note payable to a financial lending institution with original principal balance of \$1,800,431; payable in monthly installments of \$10,727, including interest at 3.75%; final installment due March 2023; secured by the real estate of ReStore.

\$ 1,659,226

Less unamortized debt issuance costs

(20,110)

Total debt, net of unamortized debt issuance costs

1,639,116

Less current portion

(66,791)

Net long-term debt

\$ 1,572,325

The mortgage note payable includes a requirement that the ReStore maintain a debt service coverage ratio of no less than 1.25 to 1.00. This covenant was met at June 30, 2020.

Minimum future principal payments are as follows at June 30, 2020:

2021	\$ 66,791
2022	69,375
2023	<u>1,523,060</u>
Total	<u>\$ 1,659,226</u>

Interest expense and interest paid totaled \$64,630 for the year ended June 30, 2020. Amortization of debt issuance costs included within interest expense totaled \$7,542 for the year ended June 30, 2020.

DuPage Habitat for Humanity, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

11. Net Assets with Donor Restrictions

Net assets with donor restrictions for DuPage Habitat for Humanity consists of unconditional promises to give cash and donate materials and labor for the construction and rehabilitation of homes in the home ownership program totaling \$59,458 at June 30, 2020.

Net assets with donor restriction for Habitat for Humanity – Chicago South Suburbs consists of the following at June 30, 2020:

Discounted first mortgages and payments received on those mortgages:		
NSP grant	\$	1,102,573
HOME grant		587,402
Housing opportunities and home ownership		16,685
Home repair		18,392
FDC Foundation Housing Opportunity Grant		20,000
Home build for veteran		35,000
Home build for single mother		35,000
		35,000
	\$	1,815,052

12. Federal and Local Government Grants

DuPage Habitat for Humanity

Neighborhood Stabilization Program – The Organization had been selected by the County of DuPage (County) to act as a developer to acquire and rehabilitate eligible abandoned and foreclosed single family homes under a Neighborhood Stabilization Program (NSP) funded by the Department of Housing and Urban Development (HUD). Homes acquired and rehabilitated under the NSP are then sold by the Organization to qualifying low income individuals under the Organization’s normal terms and conditions. The Organization received NSP funds from the County as it incurred eligible costs. The Organization executes notes to the County as the NSP funds are received from the County. The County releases the Organization from these notes when the related homes are sold by the Organization to eligible individuals. The homeowners execute non-interest-bearing first mortgages to the Organization at the time they purchase the homes. The amount of the first mortgage is determined by the Organization such that, when considering real estate taxes and insurance, the required mortgage payment is affordable to the homeowners in accordance with the Organization’s mission. The homeowners also execute a second mortgage to the Organization that equals the difference between the actual costs of the home and the sum of the first mortgage. The homeowners may have a third mortgage if assistance from the County is received. The second and third mortgages are also non-interest-bearing and are payable only if certain events occur in the future.

DuPage Habitat for Humanity, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

12. Federal and Local Government Grants (cont'd)

DuPage Habitat for Humanity (cont'd)

Community Development Block Grants – The Organization had been awarded grants in prior years by the County from its Housing Development Fund that were used to fund, in part, the Organization's development of 11 homes in its Pioneer Prairie subdivision. These grants were funded through Community Development Block Grants (CDBG) from HUD. The Organization received CDBG funds from the County as it incurred eligible costs. For the portion of the funds used to build homes, the Organization executed notes to the County as the CDBG funds were received from the County. The homeowners executed non-interest-bearing first mortgages to the Organization at the time they purchased the homes. The amount of the first mortgage was determined by the Organization such that, when considering real estate taxes and insurance, the required mortgage payment was affordable to the homeowner in accordance with the Organization's policies.

In addition, the homeowners assumed a pro rata portion of the Organization's note to the County in the form of a third mortgage. The homeowners also executed a second mortgage to the Organization that equaled the difference between (a) the fair value of the home and (b) the sum of the sales price (which is the sum of the first mortgage and the down payment) and the third mortgage. The second and third mortgages were also non-interest-bearing and are payable only if certain events occur in the future.

The Organization recognized the portion of the CDBG grant designated to fund a portion of the infrastructure costs as revenue without donor restrictions in the period it incurred the eligible infrastructure costs. The Organization recognized the portion of the CDBG grant designated to fund a portion of the cost of building the homes as revenue with donor restrictions in the period it incurred the eligible costs and released the restriction at the time of the sale of the home. The Organization does not receive a developer's fee under the CDBG grant agreement. No revenue was recognized as it relates to the prior years' CDBG grants from the County during the year ended June 30, 2020.

The Organization received grants from the City of Naperville's Single Family Home Repair Program funded by CDBG grants from HUD. The City made available \$50,000 to the Organization in program years 2016 and 2017. At June 30, 2019, the Organization recorded a receivable of \$28,941 for the unreimbursed award for the 2017 program year. During the year ended June 30, 2020, the Organization was notified that the funding for the 2017 program year had lapsed, and the balance was written off as a reduction of grants and pledges in the statement of functional expenses.

DuPage Habitat for Humanity, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

12. Federal and Local Government Grants (cont'd)

DuPage Habitat for Humanity (cont'd)

HOME – The Organization was awarded grants by the County from its Housing Development Fund to be used to fund, in part, the Organization's development of 12 townhomes in its Prairie Green subdivision. These grants are funded through HOME Investment Partnerships Act Funds (HOME) from HUD. The Organization received HOME funds from the County as it incurred eligible costs. The Organization executed notes to the County when the HOME grant was executed with the County. The future homeowners then executed non-interest-bearing first mortgages to the Organization at the time they purchased the townhomes. The amount of the first mortgage was determined by the Organization such that, when considering real estate taxes and insurance, the required mortgage payment is affordable to the homeowner in accordance with the Organization's policies. The homeowners also executed a second mortgage to the Organization that equals the difference between (a) the fair value of the townhome and (b) the sum of the sale price (which is the sum of the first mortgage and the down payment) not to exceed \$275,200. The second mortgage is also non-interest-bearing and payable only if certain events occur in the future.

The County released the Organization from 1/12th of the County's mortgage at the time each townhouse was sold to an eligible homeowner. Each townhouse is subject to a Regulatory Land Use Restriction Agreement (RLURA) that will impose resale restrictions on the townhomes for a period of 15 years. The RLURA is intended to ensure that any townhomes resold during that 15-year period will be sold to individuals whose income does not exceed specified levels at a price affordable to such individuals.

The Organization recognized the HOME grant as revenue with donor restrictions in the period it incurred the eligible costs. A portion of the HOME grant, equal to costs incurred for the construction of the home plus a pro rata share of land and general infrastructure costs, was transferred to net assets without donor restrictions at the time of the sale of the home. All revenue related to the HOME grant award for the Prairie Green subdivision has been recognized in prior years.

The Organization received a developer fee of fifteen percent of eligible costs for its services under the HOME agreement. The developer fee was recognized as revenue with donor restrictions as the eligible costs were incurred with a pro rata portion being transferred to net assets without donor restrictions at the time of the sale of the home.

During fiscal year 2018, the Organization received an additional HOME grant of \$500,000 to fund eligible costs related to the acquisition, rehabilitation and resale of at least five residential properties in the Greenbrook Tanglewood area of Hanover Park, Illinois. A portion of eligible costs were incurred during the current year. No revenue was recognized under this grant for the year ended June 30, 2020.

DuPage Habitat for Humanity, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

12. Federal and Local Government Grants (cont'd)

Habit for Humanity – CSS

Funding from Cook County, Illinois

Habitat CSS has been selected by Cook County, Illinois, (County) to act as a developer to acquire and rehabilitate eligible abandoned and foreclosed single family homes under a Neighborhood Stabilization Program (NSP) and Home Investment Partnership Program (HOME) funded by the Department of Housing and Urban Development (HUD). Homes acquired and rehabilitated under these awards are then generally sold by Habitat CSS to qualifying low income individuals under Habitat CSS's normal terms and conditions. Habitat CSS receives NSP and HOME funds from the County as it incurs eligible costs. Habitat CSS then executes notes to the County as the NSP and HOME funds are received. These funds are recorded as refundable advances in the statement of financial position. The County releases Habitat CSS from these notes when the related homes are sold by Habitat CSS and the associated refundable advance is generally recognized as revenue with donor restriction. If the homes are sold to qualified low income individuals, the homeowners execute non-interest bearing first mortgages to Habitat CSS at the time they purchase the homes. The amount of the first mortgage is determined by Habitat CSS such that, when considering real estate taxes and insurance, the required mortgage payment is affordable to the homeowner in accordance with Habitat CSS's mission.

The homeowners also execute two second mortgages, equal in amount, to Habitat CSS and the County, which in the aggregate, equal the difference between the actual cost of the home and the sum of the first mortgage and the down payment. The second mortgages are also non-interest bearing and are payable only if certain events occur in the future.

For homes sold to qualified low income individuals, all amounts paid by the homeowners to Habitat CSS for their mortgages are considered NSP and HOME income and are retained by Habitat CSS with the restriction that such amounts be used by Habitat CSS for other eligible NSP and HOME activity in the County. Upon sale of the home, a portion of the NSP and HOME awards (the carrying amount of the first mortgage on NSP and HOME projects and any payments received under mortgages related to NSP and HOME projects) continues to be reflected as net assets with donor restriction until such time those amounts are depleted for other eligible NSP and HOME activities in the County. The NSP and HOME funding is not designed to be a recurring government program and Habitat CSS may not receive any future grants under this program beyond those described above.

DuPage Habitat for Humanity, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

12. Federal and Local Government Grants (cont'd)

Habit for Humanity – CSS (cont'd)

Funding from Cook County, Illinois (cont'd)

If there are insufficient qualified buyers for homes available, Habitat CSS may sell the rehabilitated homes to non-qualified buyers. If the house is sold at a price below the eligible costs incurred and capitalized, any proceeds received at closing are remitted to the County. Any refundable advance associated with the respective home is forgiven by the County and offset with the eligible capital costs. If the house is sold at a price above the eligible costs incurred, Habitat CSS is obligated to remit proceeds up to the associated refundable advance for that house to the County. The gain would be recognized as revenue with donor restrictions for further reinvestment into the NSP. Additionally, the refundable advance would be offset with capitalized costs associated with the house. No homes were sold to qualified buyers for the year ended June 30, 2020.

Illinois Department of Commerce and Economic Opportunity Funding

In May of 2013, Habitat CSS received an Illinois Department of Commerce and Economic Opportunity (DCEO) grant from the Illinois Facilities Fund (IFF) to acquire, develop, and sell homes in Park Forest and Lansing, Illinois, under the Illinois Disaster Recovery Program (IDRP). Properties acquired must be vacant structures and are subject to prior approval by the sub-grantee. Homes acquired and rehabilitated under this award are then generally sold by Habitat to qualifying low income individuals under Habitat CSS's normal terms and conditions. Habitat CSS receives IDRP funds from the IFF as it incurs eligible costs. All funds received from IFF are in the form of a construction loan that is forgiven upon sale of the eligible property to qualifying low income individuals. As such, all amounts received are recorded as refundable advances in the statement of financial position until such time the homes are sold. Habitat CSS had no such refundable advances at June 30, 2020. If a house is sold at a price above the eligible costs incurred, Habitat CSS is obligated to remit sales proceeds up to the associated refundable advance for that house to the IFF.

DuPage Habitat for Humanity, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

13. Home Sales

Beginning in the year ended June 30, 2018, a financial institution assumes the first mortgage on homes sold by the Organization. The first mortgage amount is based on a front-end ratio of 30%. The front-end ratio is calculated by dividing mortgage-related costs (principal, interest, property taxes and insurance) by gross monthly household income. The purchase price is based upon appraised value. The Organization issues a second and third mortgage to the homeowner on these properties. The amount of the second mortgage is the difference between the appraised value and the sum of the first mortgage, held by the financial institution, and the third mortgage held by the Organization. The second mortgage is interest free and is payable upon satisfaction of the first mortgage. The fair value of the second mortgage was determined by discounting the mortgage payments using the interest rate on the first mortgage issued by the financial institution. The third mortgage is equal to the interest owed to the financial institution over the life of the first mortgage, with the amount owed on the third mortgage reduced proportionately over the life of the first mortgage as payments are made.

Previously, the Organization recognized revenue from the sale of its homes at the fair value of the first mortgages it received plus the required down payments. The first mortgages issued by the Organization to the homeowners were non-interest-bearing and required monthly payments, typically over a 30-year period. The amount of a first mortgage was determined by the Organization such that, when considering real estate taxes and insurance, the required mortgage payment was affordable to the homeowner in accordance with the Organization's policies. The fair value of the first mortgage was determined by discounting the mortgage payments using an interest rate that approximates a current market rate of interest for such a mortgage instrument.

The sales price is the lower of appraised value or cost of construction. The Organization determines the amount of the first mortgage based on the partner family's ability to pay, and a second mortgage is entered into for the difference. The following is a reconciliation of the fair value of homes sold and the revenue recognized on the sale of those homes for the years ended June 30, 2020:

Fair value of homes sold	\$	904,719
Bank receipt for reclaimed home		139,161
Silent third mortgages not recorded		(31,661)
Present value discount on first and second mortgages (non-interest)		(115,393)
		(115,393)
Net revenue from the sale of homes	\$	896,826

The Organization can recover a portion of these subsidies if a homeowner disposes of a home or otherwise prepays the first mortgage prior to the end of the term of the first mortgage.

DuPage Habitat for Humanity, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

14. Mortgages Receivables Servicing

DuPage Habitat for Humanity mortgages receivables are serviced by Harris Bank at no charge. The Organization received \$14,503 of donated services (\$9,775 to DuPage Habitat for Humanity and \$4,843 to Habitat for Humanity – CSS) for the year ended June 30, 2020, which is recorded at fair value in the consolidated financial statements.

15. Operating Leases

On March 1, 2011, the Organization commenced a lease for its office space located at 1600 East Roosevelt in Wheaton, Illinois, with a related party, Home Together, LLC. See Note 18 for information about the formation and mission of Home Together, LLC. The Organization's monthly rent is set annually by the Board of Managers of Home Together, LLC at an amount that approximates 50% of the projected operating costs of Home Together, LLC. In May 2018, Home Together, LLC entered into a lease for additional space at 1616 East Roosevelt Road in Wheaton, Illinois. The lease ran from May 4, 2018 through May 3, 2021, and negotiations are ongoing. The Organization's monthly rent was \$3,500 for the year ended June 30, 2020. It is anticipated that the rent will be approximately this same amount in future years. For financial reporting purposes, the Organization is treating the lease with Home Together, LLC as a five-year operating lease, which corresponds to the term of Home Together, LLC's bank financing used to purchase the property. Office space rent expense was \$42,000 for the year ended June 30, 2020.

The Organization leases retail space for its ReStore operations at 869 South Route 53 in Addison, Illinois, under an operating lease with an original expiration date of February 28, 2016, that was extended in the prior year for five additional years through February 28, 2021, and again through February 28, 2022. Rent, common area maintenance, and utilities for the year ended June 30, 2020, was \$182,777. Minimum future lease payments are \$140,870 and \$106,088 for the fiscal years ending June 30, 2021 and 2022, respectively.

The Organization entered into a six-month lease on January 21, 2019, for retail space in Downers Grove, Illinois, that was subsequently extended through March 31, 2021. Monthly rent expense under the term of this lease is \$3,500, except that at the time the extension was signed in September 2019, only one payment of \$3,500 was required for the period September 15, 2019 through October 31, 2019. Effective November 1, 2019, payments resumed at \$3,500 per month. Minimum future lease payments are \$31,500 for the fiscal year ending June 30, 2021.

The Organization entered into a lease for a copy machine in January 2019 expiring in December 2023. Monthly payments under the lease total \$605. Rent expense for the year ended June 30, 2020, was \$7,260. Minimum future lease payments are \$7,260 for the fiscal years ending June 30, 2021 and 2022, and \$3,630 for the fiscal year ending June 30, 2023.

DuPage Habitat for Humanity, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

15. Operating Leases (cont'd)

On May 5, 2017, Habitat - CSS entered into an agreement to lease office space in Frankfort, Illinois, effective June 1, 2017. The original term of this agreement, which expired June 30, 2019, has been extended through March 31, 2020, and again through March 2021. Habitat also receives free retail space to operate its ReStore in the fiscal year ended June 30, 2019. At June 30, 2020, the future minimum lease payments under the Frankfort office lease are \$9,922 for the years ended June 30, 2021.

Minimum future lease payments are as follows at June 30:

	Retail Space	Other	Total
2021	\$ 140,870	\$ 17,182	\$ 158,052
2022	106,088	7,260	113,348
2023	-	3,630	3,630
	\$ 246,958	\$ 28,072	\$ 275,030

16. Rental Property

Habitat for Humanity - CSS

Habitat CSS constructed a large home for a family of nineteen individuals which was not within the normal scope of the Habitat CSS mission. Because of the unusual nature of this house and the personal financial plight of the family, Habitat CSS retained ownership of the home and has rented it to the family. Gross rents received for the year ended June 30, 2020, amounted to \$20,328.

The building and related costs, reported as other assets on the statement of financial position, are being depreciated over 30 years and have a net book value of \$26,601 at June 30, 2020. Habitat CSS also substantially maintains the property. Depreciation expense, included in total depreciation expense, for the rental property was \$4,330 and for the year ended June 30, 2020.

DuPage Habitat for Humanity, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

17. Related Party Transactions

The Organization annually remits a portion of its contributions (excluding in-kind contributions) to Habitat for Humanity International, Inc. (HFHI). These funds are used to construct homes in economically depressed areas around the world. For the year ended June 30, 2020, the Organization made contributions of \$138,500, including \$113,500 earmarked for the Dominican Republic (\$30,000 for the year ended June 30, 2019).

During the year ended June 30, 2020, the Organization received grant funds, contributions and pass-through funds from HFHI and Chicagoland Habitat for Humanity for unrestricted support, build days support, Stewardship and Organizational Sustainability Initiative (SOSI) fee support, and other support totaling \$211,793.

During 2011, the Organization borrowed \$249,900 from HFHI, securing the loan by pledging mortgages receivable. The loan was refinanced through proceeds from an additional note through HFHI totaling \$400,300 during the year ended June 30, 2016. Refer to Note 10 for further information.

On March 1, 2011, the Organization commenced a lease for office space located at 1600 East Roosevelt in Wheaton, Illinois, with Home Together, LLC. Refer to Note 15 for more information.

Intercompany charges are assessed between the affiliates for revenues received or costs incurred by one affiliate on behalf of another affiliate. As of June 30, 2020, ReStore has reported a related party payable to DuPage Habitat for Humanity of \$208,584 as of June 30, 2020.

18. Home Together, LLC

During the year ended June 30, 2011, Habitat and DuPage Home Ownership Center (DHOC) formed Home Together, LLC to jointly acquire office space for themselves in DuPage County, Illinois. On February 13, 2012, Home Together, LLC received a notice from the Internal Revenue Service that it is a 501(c)(3) organization.

Home Together, LLC has acquired the property located at 1600 East Roosevelt Road in Wheaton, Illinois, for \$625,000. This purchase was funded through a CDBG grant received from HUD in the amount of \$566,888 and a loan from West Suburban Bank in the amount of \$70,000. The grant is in the form of a 20-year non-interest-bearing loan that will be forgiven after 20 years as long as the Organization, Home Together, LLC, and DHOC have complied with the terms of the grant. Specifically, the grant requires that any real property acquired using the grant funds be used to benefit low and moderate income persons for the 20-year term of the forgivable loan. The Organization, DHOC, and Home Together, LLC are jointly obligated for the forgivable loan.

DuPage Habitat for Humanity, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

18. Home Together, LLC (cont'd)

The promissory note with West Suburban Bank has a term of 5 years, a maturity date of March 2016, and a fixed interest rate at 4.25%. Principal is being paid monthly as if the loan was amortized over 20 years, with the balance of the loan due in March of 2016. Effective November 1, 2015, the note was amended increasing the interest rate to 5.25% and extending the maturity date to October 1, 2025. The outstanding balance on the loan was \$601,733 at June 30, 2020.

Home Together, LLC will administer, operate and oversee the use and management of the property, including, without limitation, leasing office space to member organizations, repairing, and maintaining the property. Each member has equal membership interest and is entitled to appoint three managers of the Company.

19. Acquisitions

Effective July 1, 2019, through a Memorandum of Understanding dated October 1, 2018, DHFH assumed responsibility for management and operations of Restore, creating an affiliate relationship, as well as the ability to appoint a majority of the Board members resulting in control of ReStore. In addition, effective July 1, 2019, DHFH also acquired Habitat – CSS as a result of an agreement between the entities giving DHFH responsibility for management and operations and the ability to appoint a majority of the Board members. Both agreements were completed to create efficiencies in the management and operations of similar organizations with similar missions. No consideration was transferred as a result of these agreements. The following is the fair value of assets acquired and liabilities assumed at the acquisition date:

	ReStore	Habitat-CSS	Total
Assets:			
Cash	\$ 200,072	\$ 123,919	\$ 323,991
Accounts receivable	285	-	285
Mortgage receivable	-	748,710	748,710
Inventory - ReStore	84,792	18,000	102,792
Inventory – land and construction	-	200,484	200,484
Prepays and other assets	11,493	23,557	35,050
Property and equipment	2,032,574	-	2,032,574
	2,329,216	1,114,670	3,443,886
Liabilities:			
Accounts payable and accrued expenses	\$ 43,613	\$ 211,760	\$ 255,373
Lines of credit	-	149,270	149,270
Debt	1,695,707	-	1,695,707
	1,739,320	361,030	2,100,350
Inherent contribution	\$ 589,896	\$ 753,640	\$ 1,343,566

DuPage Habitat for Humanity, Inc. and Subsidiaries
Notes to the Consolidated Financial Statements (cont'd)

19. Acquisitions (cont'd)

Mortgages receivable includes gross amount due of \$2,002,651 of which \$133,650 is expected to be uncollectible and \$1,120,291 is recognized as a discount on the interest free loans.

On the statement of activities, the inherent contribution received is recorded as the fair value of the net assets acquired as no consideration was paid and increases net assets with donor restriction by \$1,815,052 and decreases net assets without donor restriction by \$471,516.

20. Risks and Uncertainties

The financial statements were available to be issued on May 4, 2021, with subsequent events being evaluated through this date.

As a result of the spread of the COVID-19 coronavirus and the Governor's executive stay-at-home order, the Organizations were forced to delay building activities and close ReStores for a period of time during the fiscal year ended June 30, 2020. The ongoing effect of the coronavirus has created economic uncertainties which could have a negative financial impact on the Organization, including the potential for reductions in future contributions of merchandise for resale. The full potential impact is unknown at this time. Management is monitoring the situation and will adjust expense levels and assess its financial assets as needed to mitigate negative impacts of the pandemic.

21. Prior Period Restatement

A restatement was made to beginning net assets without donor restrictions for \$81,797 to record the unamortized mortgage discount on property sold in August 2018 not recognized at time of sale in error. Had the error not occurred, changes in net assets without donor restrictions would have decreased by \$81,797 for the year ended June 30, 2019.

DuPage Habitat For Humanities, Inc. & Subsidiaries
Consolidating Statement of Financial Position
June 30, 2020

Assets	<u>DuPage Habitat for Humanity, Inc.</u>	<u>Neighborhood Revitalization Council</u>	<u>CSS Habitat for Humanity</u>	<u>ReStore of Fox Valley Habitat for Humanity</u>	<u>Consolidating</u>	<u>Consolidated Total</u>
Current assets:						
Cash and cash equivalents	\$ 643,198	\$ 30,184	\$ 150,626	\$ 342,397	\$ -	\$ 1,166,405
Accounts receivable	22,530	-	-	-	-	22,530
Critical home repair receivable	61,229	-	-	-	-	61,229
Contributions receivable	42,275	-	-	-	-	42,275
Mortgages receivable, current	127,819	-	72,619	-	-	200,438
Intercompany receivable (payable)	334,941	-	-	-	(334,941)	-
Inventories - land and construction in progress	1,976,019	-	136,416	-	-	2,112,435
Inventory - ReStore	-	-	-	270,326	-	270,326
Inventory - real estate owned	420,487	-	-	-	-	420,487
Prepaid expenses	14,808	-	-	-	-	14,808
Deposits and other assets	54,880	-	26,601	-	-	81,481
Total current assets	<u>3,698,186</u>	<u>30,184</u>	<u>386,262</u>	<u>612,723</u>	<u>(334,941)</u>	<u>4,392,414</u>
Property and equipment:						
Land and buildings	-	-	-	440,000	-	440,000
Buildings and improvements	-	-	-	1,858,307	(267,149)	1,591,158
Office equipment and furniture	18,864	-	-	-	-	18,864
ReStore equipment	-	-	-	145,619	(59,922)	85,697
Software	57,840	-	-	-	-	57,840
Vehicle	145,019	-	-	30,820	(30,714)	145,125
	221,723	-	-	2,474,746	(357,785)	2,338,684
Less accumulated depreciation	(122,313)	-	-	(484,422)	357,785	(248,950)
Total property and equipment, net	<u>99,410</u>	<u>-</u>	<u>-</u>	<u>1,990,324</u>	<u>-</u>	<u>2,089,734</u>
Other assets:						
Investment in limited liability company	(15,636)	-	-	-	-	(15,636)
Mortgages receivable, noncurrent, net of present value discount	1,759,812	-	650,328	-	-	2,410,140
Other assets	9,541	-	-	-	-	9,541
Total other assets	<u>1,753,717</u>	<u>-</u>	<u>650,328</u>	<u>-</u>	<u>-</u>	<u>2,404,045</u>
Total assets	<u>\$ 5,551,313</u>	<u>\$ 30,184</u>	<u>\$ 1,036,590</u>	<u>\$ 2,603,047</u>	<u>\$ (334,941)</u>	<u>\$ 8,886,193</u>

(cont'd)

DuPage Habitat For Humanities, Inc. & Subsidiaries
Consolidating Statement of Financial Position (cont'd)
June 30, 2020

	DuPage Habitat for Humanity, Inc.	Neighborhood Revitalization Council	CSS Habitat for Humanity	ReStore of Fox Valley Habitat for Humanity	Consolidating	Consolidated Total
Liabilities and Net Assets						
Liabilities:						
Current liabilities:						
Accounts payable	\$ 67,763	\$ -	\$ 75,980	\$ 5,877	\$ -	\$ 149,620
Accrued expenses	107,163	47	46,091	34,041	-	187,342
Intercompany payables	-	121,974	4,383	208,584	(334,941)	-
Escrow and closing funds held	25,246	-	71,541	-	-	96,787
Deferred rent	-	-	-	4,181	-	4,181
Paycheck protection program loan payable	410,856	-	-	-	-	410,856
Notes payable, current	388,284	-	-	66,791	-	455,075
Total current liabilities	999,312	122,021	197,995	319,474	(334,941)	1,303,861
Long-term liabilities - notes payable, net of current portion	233,525	-	-	1,572,325	-	1,805,850
Total liabilities	1,232,837	122,021	197,995	1,891,799	(334,941)	3,109,711
Net Assets:						
Without donor restriction	4,259,018	(91,837)	(976,457)	711,248	-	3,901,972
With donor restriction	59,458	-	1,815,052	-	-	1,874,510
Total net assets	4,318,476	(91,837)	838,595	711,248	-	5,776,482
Total liabilities and net assets	\$ 5,551,313	\$ 30,184	\$ 1,036,590	\$ 2,603,047	\$ (334,941)	\$ 8,886,193

See accompanying notes and independent auditor's report.

DuPage Habitat for Humanity, Inc. and Subsidiaries
Consolidating Statement of Activities
For the Year Ended June 30, 2020

	DuPage Habitat for Humanity	Neighborhood Revitalization Council	CSS Habitat for Humanity	ReStore of Fox Valley Habitat for Humanity	Eliminations	Consolidated Total
Changes in unrestricted net assets:						
Public support and revenue:						
Federal and local government grants	\$ 5,044	\$ -	\$ -	\$ -	\$ -	\$ 5,044
Illinois affordable housing tax credits	503,708	-	-	-	-	503,708
Contributions	1,745,029	-	6,843	-	(109,549)	1,642,323
Contributions - donated merchandise	-	-	-	1,876,091	-	1,876,091
Inherent contribution - acquisitions	-	-	-	-	(471,516)	(471,516)
In-kind contributions and donated services	20,792	-	4,843	-	-	25,635
In-kind contributions - donated facilities	-	-	-	51,408	-	51,408
Special events revenue, less cost of direct benefit to donors of \$17,805	426,243	-	-	-	-	426,243
Net revenue from home sales	896,826	-	-	-	-	896,826
Mortgage loan discount amortization	78,193	-	60,690	-	-	138,883
ReStore operations	-	-	-	1,948,620	-	1,948,620
Critical home repair income, net	19,505	-	-	-	-	19,505
Rental Income	-	-	20,328	-	-	20,328
Forgiveness of debt income	-	-	149,270	-	-	149,270
Miscellaneous income	133,058	-	23,442	158	-	156,658
Equity in loss of limited liability company	(8,564)	-	-	-	-	(8,564)
Net assets released from restrictions	192,725	-	-	-	-	192,725
Total public support and revenue	4,012,559	-	265,416	3,876,277	(581,065)	7,573,187
Expenses:						
Cost of goods sold	-	-	-	1,976,774	-	1,976,774
Program services:						
Homebuilding	2,502,036	24,079	51,820	-	-	2,577,935
ReStore	-	-	-	1,859,381	(109,549)	1,749,832
Management and general	265,693	-	103,002	82,312	-	451,007
Fund-raising	548,704	-	-	-	-	548,704
Total expenses	3,316,433	24,079	154,822	3,918,467	(109,549)	7,304,252
Public support and revenue over (under) expenses	696,126	(24,079)	110,594	(42,190)	(471,516)	268,935
Transfer of net assets to entity assuming control of ReStore operations	(137,903)	-	(25,639)	163,542	-	-
Change in unrestricted net assets	558,223	(24,079)	84,955	121,352	(471,516)	268,935

(cont'd)

DuPage Habitat for Humanity, Inc. and Subsidiaries
Consolidating Statement of Activities (cont'd)
For the Year Ended June 30, 2020

	DuPage Habitat for Humanity	Neighborhood Revitalization Council	CSS Habitat for Humanity	ReStore of Fox Valley Habitat for Humanity	Consolidating	Consolidated Total
Changes in net assets with donor restrictions:						
Contributions	\$ 47,500	\$ -	\$ -	\$ -	\$ -	\$ 47,500
Inherent contribution - acquisitions	-	-	-	-	1,815,052	1,815,052
Net assets released from restrictions	(192,725)	-	-	-	-	(192,725)
Change in net assets with donor donor restrictions	(145,225)	-	-	-	1,815,052	1,669,827
Increase (decrease) in net assets	412,998	(24,079)	84,955	121,352	1,343,536	1,938,762
Net assets (deficit), beginning of the year:						
Without donor restrictions, as previously reported	3,782,592	(67,758)	(1,061,412)	589,896	471,516	3,714,834
Prior period adjustment	(81,797)	-	-	-	-	(81,797)
Without donor restrictions, as restated	3,700,795	(67,758)	(1,061,412)	589,896	471,516	3,633,037
With donor restrictions	204,683	-	1,815,052	-	(1,815,052)	204,683
Net assets (deficit), beginning of the year, as restated	3,905,478	(67,758)	753,640	589,896	(1,343,536)	3,837,720
Net assets (deficit), end of the year:						
Without donor restrictions	4,259,018	(91,837)	(976,457)	711,248	-	3,901,972
With donor restrictions	59,458	-	1,815,052	-	-	1,874,510
Net assets (deficit), end of the year	\$ 4,318,476	\$ (91,837)	\$ 838,595	\$ 711,248	\$ -	\$ 5,776,482

See accompanying notes and independent auditor's report.

DuPage Habitat for Humanity Inc. and Subsidiaries
Consolidating Statement of Functional Expenses
For the Year Ended June 30, 2020

	DuPage Habitat for Humanity, Inc.				Habitat for Humanity - Chicago South Suburbs			ReStore of Fox Valley Habitat for Humanity		
	Program Services Homebuilding	Management and General	Fund-raising	Total	Program Services Homebuilding	Management and General	Total	Program Services ReStore	Management and General	Total
Advertising	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,447	\$ -	\$ 21,447
Alarm system/security	-	-	-	-	-	-	-	6,619	22	6,641
Bank charges	330	881	130	1,341	-	-	-	2,022	87	2,109
Building	-	-	-	-	-	-	-	22,292	707	22,999
Cell phone	-	-	-	-	-	-	-	2,654	-	2,654
Construction costs - houses sold	764,853	-	-	764,853	-	-	-	-	-	-
Credit card processing	-	-	2,301	2,301	-	-	-	29,365	1,140	30,505
Depreciation	30,030	-	-	30,030	4,330	-	4,330	54,852	635	55,487
Donations to affiliate	-	-	-	-	-	-	-	129,849	-	129,849
Donor development	8,168	81	97,071	105,320	-	-	-	-	-	-
Dues and subscriptions	5,933	1,715	2,790	10,438	-	-	-	3,893	1,855	5,748
Education and conferences	7,415	3,155	1,648	12,218	-	-	-	-	-	-
Employee relations	17,459	656	7,021	25,136	-	-	-	2,997	471	3,468
Equipment rental	(156)	183	-	27	-	-	-	56,874	76	56,950
Home building related costs	46,979	-	-	46,979	-	-	-	-	-	-
Home repair costs	58,365	-	-	58,365	-	-	-	-	-	-
Insurance	135,009	10,547	2,641	148,197	-	3,225	3,225	14,892	7,848	22,740
Insurance contributions	-	-	-	-	-	-	-	105,048	-	105,048
Interest	29,809	(73)	57	29,793	-	2,860	2,860	71,382	790	72,172
Licenses and permits	-	-	-	-	-	-	-	870	-	870
Miscellaneous	453	-	-	453	2,114	5,927	8,041	4,305	(58)	4,247
Office supplies	1,970	463	33	2,466	-	875	875	12,761	1,392	14,153
Occupancy	71,155	38,466	14	109,635	466	15,210	15,676	234,185	-	234,185
Payroll	658,539	136,795	301,106	1,096,440	2,892	39,981	42,873	843,469	39,990	883,459
Payroll taxes and benefits	118,191	13,493	54,584	186,268	271	10,084	10,355	63,013	3,117	66,130
Postage and delivery	247	2,124	158	2,529	-	778	778	25	15	40
Printing and reproduction	88	8,524	2,321	10,933	-	4,032	4,032	228	362	590
Professional fees	113,343	26,707	67,694	207,744	5,168	12,916	18,084	17,343	20,475	37,818
Property development	-	-	-	-	35,347	-	35,347	-	-	-
Real estate tax	30,943	-	-	30,943	-	-	-	-	-	-
Reduction of grants and pledges	232,688	-	-	232,688	-	-	-	-	-	-
Repairs and maintenance	4,143	-	-	4,143	-	-	-	-	-	-
Retirement contribution	6,958	7,030	4,033	18,021	-	-	-	3,433	-	3,433
Supplies and software purchases	3,378	(131)	1,278	4,525	-	1,318	1,318	-	-	-
Tithing to Habitat International	138,500	-	-	138,500	-	-	-	-	-	-
Telephone and internet	1,235	14,857	70	16,162	-	5,773	5,773	14,647	1,214	15,861
Tools and equipment	-	-	-	-	-	-	-	5,126	-	5,126
Trash disposal	2,842	-	-	2,842	-	-	-	50,100	-	50,100
Travel, meals and entertainment	8,023	220	3,693	11,936	-	23	23	1,831	-	1,831
Utilities	-	-	-	-	-	-	-	66,986	1,774	68,760
Vehicle expense other	-	-	-	-	1,232	-	1,232	16,189	132	16,321
Volunteer appreciation	5,146	-	61	5,207	-	-	-	684	268	952
Total	2,502,036	265,693	548,704	3,316,433	51,820	103,002	154,822	1,859,381	82,312	1,941,693
Expenses presented separate on the statement of activities - cost of goods sold	-	-	-	-	-	-	-	1,976,774	-	1,976,774
Total expenses	\$ 2,502,036	\$ 265,693	\$ 548,704	\$ 3,316,433	\$ 51,820	\$ 103,002	\$ 154,822	\$ 3,836,155	\$ 82,312	\$ 3,918,467

(cont'd)

DuPage Habitat for Humanity Inc. and Subsidiaries
Consolidating Statement of Functional Expenses (cont'd)
For the Year Ended June 30, 2020

	Neighborhood Revitalization Council			Consolidated Totals					
	Program Services		Consolidating	Program Services			Management and General	Fund-raising	Total
	Homebuilding	Total		Homebuilding	ReStore	Total			
Advertising	\$ -	\$ -	\$ -	\$ -	\$ 21,447	\$ 21,447	\$ -	\$ -	\$ 21,447
Alarm system/security	-	-	-	-	6,619	6,619	22	-	6,641
Bank charges	-	-	-	330	2,022	2,352	968	130	3,450
Building	-	-	-	-	22,292	22,292	707	-	22,999
Cell phone	-	-	-	-	2,654	2,654	-	-	2,654
Construction costs - houses sold	-	-	-	764,853	-	764,853	-	-	764,853
Credit card processing	-	-	-	-	29,365	29,365	1,140	2,301	32,806
Depreciation	-	-	-	34,360	54,852	89,212	635	-	89,847
Donations to affiliate	-	-	(109,549)	-	20,300	20,300	-	-	20,300
Donor development	-	-	-	8,168	-	8,168	81	97,071	105,320
Dues and subscriptions	-	-	-	5,933	3,893	9,826	3,570	2,790	16,186
Education and conferences	-	-	-	7,415	-	7,415	3,155	1,648	12,218
Employee relations	-	-	-	17,459	2,997	20,456	1,127	7,021	28,604
Equipment rental	-	-	-	(156)	56,874	56,718	259	-	56,977
Home building related costs	-	-	-	46,979	-	46,979	-	-	46,979
Home repair costs	-	-	-	58,365	-	58,365	-	-	58,365
Insurance	-	-	-	135,009	14,892	149,901	21,620	2,641	174,162
Insurance contributions	-	-	-	-	105,048	105,048	-	-	105,048
Interest	-	-	-	29,809	71,382	101,191	3,577	57	104,825
Licenses and permits	-	-	-	-	870	870	-	-	870
Miscellaneous	1,052	1,052	-	3,619	4,305	7,924	5,869	-	13,793
Office supplies	-	-	-	1,970	12,761	14,731	2,730	33	17,494
Occupancy	-	-	-	71,621	234,185	305,806	53,676	14	359,496
Payroll	20,250	20,250	-	681,681	843,469	1,525,150	216,766	301,106	2,043,022
Payroll taxes and benefits	2,777	2,777	-	121,239	63,013	184,252	26,694	54,584	265,530
Postage and delivery	-	-	-	247	25	272	2,917	158	3,347
Printing and reproduction	-	-	-	88	228	316	12,918	2,321	15,555
Professional fees	-	-	-	118,511	17,343	135,854	60,098	67,694	263,646
Property development	-	-	-	35,347	-	35,347	-	-	35,347
Real estate tax	-	-	-	30,943	-	30,943	-	-	30,943
Reduction of pledges	-	-	-	232,688	-	232,688	-	-	232,688
Repairs and maintenance	-	-	-	4,143	-	4,143	-	-	4,143
Retirement contribution	-	-	-	6,958	3,433	10,391	7,030	4,033	21,454
Supplies	-	-	-	3,378	-	3,378	1,187	1,278	5,843
Tithing to Habitat International	-	-	-	138,500	-	138,500	-	-	138,500
Telephone and internet	-	-	-	1,235	14,647	15,882	21,844	70	37,796
Tools and equipment	-	-	-	-	5,126	5,126	-	-	5,126
Trash disposal	-	-	-	2,842	50,100	52,942	-	-	52,942
Travel, meals and entertainment	-	-	-	8,023	1,831	9,854	243	3,693	13,790
Utilities	-	-	-	-	66,986	66,986	1,774	-	68,760
Vehicle expense other	-	-	-	1,232	16,189	17,421	132	-	17,553
Volunteer appreciation	-	-	-	5,146	684	5,830	268	61	6,159
Total	24,079	24,079	(109,549)	2,577,935	1,749,832	4,327,767	451,007	548,704	5,327,478
Expenses presented separate on the statement of activities - cost of goods sold	-	-	-	-	1,976,774	1,976,774	-	-	1,976,774
Total expenses	\$ 24,079	\$ 24,079	\$ (109,549)	\$ 2,577,935	\$ 3,726,606	\$ 6,304,541	\$ 451,007	\$ 548,704	\$ 7,304,252

See accompanying notes and independent auditor's report.

DuPage Habitat For Humanities, Inc. & Subsidiaries
Consolidating Statement of Cash Flows
June 30, 2020

	DuPage Habitat for Humanity, Inc.	Neighborhood Revitalization Council	CSS Habitat for Humanity	ReStore of Fox Valley Habitat for Humanity	Consolidating	Consolidated Total
Cash flows from operating activities:						
Change in net assets	\$ 412,998	\$ (24,079)	\$ 84,955	\$ 121,352	\$ 1,343,536	\$ 1,938,762
Adjustments to reconcile change in net assets to net cash from operating activities:						
Transfer of net assets between entities	137,903	-	25,639	(163,542)	-	-
Inherent contribution - acquisitions	-	-	-	-	(1,343,536)	(1,343,536)
Debt forgiveness income	-	-	(149,270)	-	-	(149,270)
Depreciation	30,030	-	4,330	55,487	-	89,847
Amortization of debt issuance costs	-	-	-	7,542	-	7,542
Mortgage loan discount amortization	(78,193)	-	(60,690)	-	-	(138,883)
Pledges received	(216,750)	-	-	-	-	(216,750)
Payments received on pledges	174,475	-	-	-	-	174,475
Reduction of pledges - bad debt	100,747	-	-	-	-	100,747
Reduction of grants and donations - bad debt	131,941	-	-	-	-	131,941
Escrow receivable adjustment	-	-	9,726	-	-	9,726
Equity in (income) loss of limited liability company	8,564	-	-	-	-	8,564
Present value on mortgages issued for home sales	(348,026)	-	-	-	-	(348,026)
Cash provided by (applied to) other operating activities:						
Accounts receivable	65,215	-	-	285	-	65,500
ReStore inventory	-	-	-	(26,947)	-	(26,947)
Land and construction inventory	(212,394)	-	38,457	-	-	(173,937)
Prepays and other assets	8,601	-	10,626	11,493	-	30,720
Accounts payable and accrued expenses	(17,453)	-	(8,421)	(3,695)	-	(29,569)
Escrow and closing funds held	(9,407)	-	(9,726)	-	-	(19,133)
Deferred rent	-	-	-	(4,129)	-	(4,129)
Net cash from operating activities	188,251	(24,079)	(54,374)	(2,154)	-	107,644
Cash flows from investing activities:						
Transfer of petty cash	-	-	(28)	28	-	-
Purchase of property and equipment	(467)	-	-	-	-	(467)
Additions to real estate owned	(165,826)	-	-	-	-	(165,826)
Principal repayments on mortgage receivables	171,171	-	76,726	-	-	247,897
Net cash from investing activities	4,878	-	76,698	28	-	81,604

(cont'd)

DuPage Habitat For Humanities, Inc. & Subsidiaries
Consolidating Statement of Cash Flows (cont'd)
June 30, 2020

	DuPage Habitat for Humanity, Inc.	Neighborhood Revitalization Council	CSS Habitat for Humanity	ReStore of Fox Valley Habitat for Humanity	Consolidating	Consolidated Total
Cash flows from financing activities:						
Proceeds from payroll protection program loan	\$ 410,856	\$ -	\$ -	\$ -	\$ -	\$ 410,856
Payments on notes payable	(87,550)	-	-	(64,133)	-	(151,683)
Net change in intercompany accounts	(182,967)	(30,000)	4,383	208,584	-	-
Net cash from financing activities	140,339	(30,000)	4,383	144,451	-	259,173
Net change in cash	333,468	(54,079)	26,707	142,325	-	448,421
Cash and cash equivalents, beginning of the year	309,730	84,263	123,919	200,072	-	717,984
Cash and cash equivalents, end of the year	\$ 643,198	\$ 30,184	\$ 150,626	\$ 342,397	\$ -	\$ 1,166,405

See accompanying notes.