DuPage Habitat for Humanity®

AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2019

Selden Fox
Accounting for your future

DuPage Habitat for Humanity, Inc. and Subsidiary
Audit Report
For the Year Ended June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of **DuPage Habitat for Humanity, Inc. and Subsidiary**, which comprise the consolidated statement of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 Subsidiary** as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Selden Fox, Ltd.

February 24, 2020

DuPage Habitat For Humanity, Inc. and Subsidiary
Consolidated Statement of Financial Position
June 30, 2019

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	**$ 393,993**	$ 521,320
Accounts receivable	**73,537**	12,118
Critical home repair receivable	**65,981**	25,130
Government grants receivable	**104,456**	213,511
Other grants receivable	**36,941**	143,750
Contributions receivable	**100,747**	108,135
Mortgages receivable, current	**121,381**	122,056
Inventories - land and construction in progress	**1,763,625**	2,488,290
Inventory - real estate owned	**184,122**	-
Inventory - ReStore	**140,587**	69,346
Prepaid expenses	**33,325**	37,038
Deposits and other assets	**54,505**	51,541
Total current assets	**3,073,200**	3,792,235
Property and equipment:		
Office equipment and furniture	**18,397**	12,932
ReStore equipment	**76,776**	73,211
Software	**57,840**	57,840
Vehicle	**145,019**	19,619
	298,032	163,602
Less accumulated depreciation	**(163,433)**	(147,677)
Total property and equipment, net	**134,599**	15,925
Other assets:		
Investment in limited liability company	**(7,072)**	2,291
Mortgages receivable, noncurrent, net of present value discount	**1,663,491**	1,599,671
Total other assets	**1,656,419**	1,601,962
Total assets	**$ 4,864,218**	$ 5,410,122

See accompanying notes and independent auditor's report.

Liabilities and Net Assets	2019	2018
Liabilities:		
Current liabilities:		
Accounts payable	**$ 108,567**	$ 225,412
Accrued expenses	**83,812**	56,283
Escrow and closing funds held	**34,653**	40,739
Deferred rent	**8,310**	9,279
Notes payable, current	**96,952**	195,248
Total current liabilities	**332,294**	526,961
Long-term liabilities - notes payable, net of current portion	**612,407**	649,393
Total liabilities	**944,701**	1,176,354
Net assets:		
With donor restrictions	**204,683**	398,679
Without donor restrictions	**3,714,834**	3,835,089
Total net assets	**3,919,517**	4,233,768
Total liabilities and net assets	**$ 4,864,218**	$ 5,410,122

DuPage Habitat For Humanity, Inc. and Subsidiary
Consolidated Statement of Activities
For the Year Ended June 30, 2019

	2019	
	Without Donor Restrictions	**With Donor Restrictions**
Changes in net assets:		
Public support and revenue:		
Federal and local government grants	**$ 179,685**	**$ -**
Illinois affordable housing tax credits	**60,000**	**-**
Contributions	**1,072,060**	**124,000**
Net revenue from home sales	**680,324**	**-**
Gain on disposal of mortgaged properties	**176,007**	**-**
Mortgage loan discount amortization	**114,773**	**-**
ReStore operations	**1,193,788**	**-**
In-kind contributions and donated services	**295,536**	**-**
Special events revenue, less cost of direct benefit to donors of $18,676 and $18,422 in 2019 and 2018, respectively	**173,682**	**-**
Critical home repair income, net of subsidy discount of $61,684 in 2019	**44,017**	**-**
Miscellaneous income	**110,319**	**-**
Equity in loss of limited liability company	**(9,363)**	**-**
Net assets released from restrictions	**317,996**	**(317,996)**
Total public support and revenue	**4,408,824**	**(193,996)**
Expenses:		
Program services:		
Homebuilding	**2,812,589**	**-**
ReStore	**855,536**	**-**
Management and general	**473,652**	**-**
Fund-raising	**387,302**	**-**
Total expenses	**4,529,079**	**-**
Change in net assets	**(120,255)**	**(193,996)**
Net assets, beginning of the year	**3,835,089**	**398,679**
Net assets, end of the year	**$ 3,714,834**	**$ 204,683**

See accompanying notes and independent auditor's report.

	2018		
Total	Without Donor Restrictions	With Donor Restrictions	Total
$ 179,685	$ 319,365	$ -	$ 319,365
60,000	-	-	-
1,196,060	747,612	320,321	1,067,933
680,324	381,082	-	381,082
176,007	-	-	-
114,773	205,311	-	205,311
1,193,788	1,217,044	-	1,217,044
295,536	224,215	-	224,215
173,682	162,454	78,358	240,812
44,017	-	-	-
110,319	57,642	-	57,642
(9,363)	(6,486)	-	(6,486)
-	259,552	(259,552)	-
4,214,828	3,567,791	139,127	3,706,918
2,812,589	1,927,675	-	1,927,675
855,536	789,652	-	789,652
473,652	329,855	-	329,855
387,302	420,617	-	420,617
4,529,079	3,467,799	-	3,467,799
(314,251)	99,992	139,127	239,119
4,233,768	3,735,097	259,552	3,994,649
$ 3,919,517	$ 3,835,089	$ 398,679	$ 4,233,768

DuPage Habitat For Humanity, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program Services	
	Homebuilding	ReStore
Construction costs - houses sold	$ 1,347,871	$ -
Salaries and wages	596,344	397,289
Payroll taxes and benefits	97,555	65,189
Professional fees	62,804	-
Home building related expenses	143,168	-
Home repair costs	11,564	-
Tithing to Habitat International	30,000	-
Printing and publications	-	8,864
Postage and shipping	783	-
Supplies and software purchases	4,012	57,675
Repairs and maintenance	230,049	10,714
Rent	69	245,144
Telephone	-	5,627
Donor development	9,462	413
Insurance	63,582	14,219
Travel and entertainment	50,104	16,255
Bank charges and other fees	-	14,424
Education and conferences	17,799	-
Office equipment purchases	2,992	8,868
Real estate tax	47,209	-
Interest expense	45,675	-
Contributions	21,225	-
Reduction of donations	-	-
Miscellaneous	16,245	9,568
Depreciation	14,077	1,287
	$ 2,812,589	$ 855,536

See accompanying notes and independent auditor's report.

Total	Management and General	Fund-raising	**Total**
$ 1,347,871	$ -	$ -	**$ 1,347,871**
993,633	85,233	196,964	**1,275,830**
162,744	16,120	42,006	**220,870**
62,804	181,514	36,109	**280,427**
143,168	-	1,989	**145,157**
11,564	-	-	**11,564**
30,000	-	-	**30,000**
8,864	11,605	1,722	**22,191**
783	2,105	1,576	**4,464**
61,687	10,352	3,541	**75,580**
240,763	886	-	**241,649**
245,213	54,862	-	**300,075**
5,627	18,581	-	**24,208**
9,875	-	84,795	**94,670**
77,801	24,767	2,132	**104,700**
66,359	14,557	8,293	**89,209**
14,424	35,705	-	**50,129**
17,799	5,310	-	**23,109**
11,860	57	-	**11,917**
47,209	-	-	**47,209**
45,675	951	-	**46,626**
21,225	-	-	**21,225**
-	-	2,500	**2,500**
25,813	10,870	5,460	**42,143**
15,364	177	215	**15,756**
$ 3,668,125	$ 473,652	$ 387,302	**$ 4,529,079**

DuPage Habitat For Humanity, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2018

	Program Services	
	Homebuilding	ReStore
Construction costs - houses sold	$ 750,150	$ -
Salaries and wages	432,628	364,744
Payroll taxes and benefits	90,499	67,513
Professional fees	111,231	-
Home building related expenses	55,403	-
Tithing to Habitat International	56,000	-
Printing and publications	-	538
Postage and shipping	1,185	-
Supplies and software purchases	3,072	42,835
Repairs and maintenance	170,990	12,579
Rent	6,778	233,407
Telephone	53	3,717
Donor development	14,434	59
Insurance	120,967	20,162
Travel and entertainment	44,437	14,405
Bank charges and other fees	240	16,167
Education and conferences	4,770	-
Office equipment purchases	14,256	4,909
Real estate tax	15,017	-
Interest expense	22,528	-
Reduction of donations	-	-
Miscellaneous	8,387	8,315
Depreciation	4,650	302
	$ 1,927,675	$ 789,652

See accompanying notes and independent auditor's report.

Total	Management and General	Fund-raising	**Total**
$ 750,150	$ -	$ -	**$ 750,150**
797,372	108,382	177,903	**1,083,657**
158,012	22,966	24,853	**205,831**
111,231	61,349	7,809	**180,389**
55,403	515	4,750	**60,668**
56,000	-	-	**56,000**
538	6,436	1,602	**8,576**
1,185	3,287	17,555	**22,027**
45,907	8,093	3,406	**57,406**
183,569	1,994	-	**185,563**
240,185	25,500	-	**265,685**
3,770	6,796	-	**10,566**
14,493	-	133,494	**147,987**
141,129	36,771	2,921	**180,821**
58,842	5,036	5,659	**69,537**
16,407	32,025	-	**48,432**
4,770	4,577	-	**9,347**
19,165	-	-	**19,165**
15,017	-	-	**15,017**
22,528	-	-	**22,528**
-	-	40,071	**40,071**
16,702	6,128	594	**23,424**
4,952	-	-	**4,952**
$ 2,717,327	$ 329,855	$ 420,617	**$ 3,467,799**

DuPage Habitat For Humanity, Inc. and Subsidiary
Consolidated Statement of Cash Flows
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	**$ (314,251)**	$ 239,119
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	**15,756**	4,952
Donation of home building	**(125,000)**	(175,000)
Donation of equipment	**(125,400)**	-
Mortgage loan discount amortization	**(114,773)**	(205,311)
Change in discount on pledges receivable	**-**	(588)
Reduction of donations - bad debt	**2,500**	40,071
Changes in ReStore inventory for sale	**(71,241)**	37,747
Fair value adjustment for reclaimed home	**(109,922)**	-
Equity in loss of limited liability company	**9,363**	6,486
Present value on mortgages issued for home sales	**(239,290)**	(54,707)
Changes in operating assets and liabilities:		
Accounts receivable	**(102,270)**	9,859
Grants receivable	**215,864**	114,527
Contributions receivable	**4,888**	(51,533)
Home building related inventory	**909,665**	(636,760)
Prepaids and other current assets	**749**	(17,400)
Accounts payable and accrued expenses	**(89,316)**	75,228
Escrow and closing funds held	**(6,086)**	(6,219)
Deferred rent	**(969)**	2,116
Net cash from operating activities	**(139,733)**	(617,413)
Cash flows from investing activities:		
Purchase of property and equipment	**(9,030)**	(4,905)
Additions to real estate owned	**(26,168)**	-
Proceeds from sale of mortgaged property	**-**	-
Principal repayments on mortgage receivables	**242,886**	247,307
Net cash from investing activities	**207,688**	242,402
Cash flows from financing activities:		
Proceeds from notes payable	**-**	350,000
Payments on notes payable	**(195,282)**	(33,588)
Net cash from financing activities	**(195,282)**	316,412
Net change in cash and cash equivalents	**(127,327)**	(58,599)
Cash and cash equivalents, beginning of the year	**521,320**	579,919
Cash and cash equivalents, end of the year	**$ 393,993**	$ 521,320
Noncash investing and financing activities:		
Home building related inventory acquired through the incurrence of debt	**$ 60,000**	**$ -**
Mortgage on reclaimed home converted to home building related inventory	**48,032**	**-**

See accompanying notes and independent auditor's report.

1. Organization and Purpose

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

DuPage Habitat for Humanity, Inc. (Habitat), 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 to establish an affiliate relationship. Subsequent to year end, ReStore of Fox Valley Habitat for Humanity became a subsidiary of DuPage Habitat for Humanity, Inc.

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).

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

General (cont'd)

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. ("DHFH") 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). Habitat 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 Habitat 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 Habitat's tax reporting.

The Organization's tax returns for the years ended June 30, 2016, 2017, and 2018, 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.

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

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.

Inventory ReStore – ReStore inventory is recognized as an asset at its estimated fair value determined at the time it is received. Changes in the ReStore inventory balance at year end are recognized as an adjustment of ReStore operations revenue.

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. Two homes were reclaimed for the year ended June 30, 2019, with one property being sold at a sheriff sale and the second property returned to the Organization by the owner. No homes were reclaimed for the year ended June 30, 2018.

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 or 7 years.

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

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 14). 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 $7,072 at June 30, 2019 (positive investment of $2,291 at June 30, 2018).

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.

In-Kind Contributions and Donated Services – In addition to receiving cash contributions, the Organization 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.

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

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

During the years ended June 30, 2019 and 2018, the Organization received the following unconditional in-kind contributions and donated services:

	2019	2018
Land and building	**$ 125,000**	$ 175,000
Equipment and vehicles	**125,400**	-
Building materials and labor	**29,415**	33,030
Mortgage services	**10,501**	11,185
Miscellaneous	**5,220**	5,000
	$ 295,536	$ 224,215

During the year ended June 30, 2019, the Organization received $54,357 of donated supplies for special events and fund-raisers at June 30, 2019. During the year ended June 30, 2018, the Organization received $100,906 of donated supplies for special events and fund-raisers, including $61,948 related to an event held in the 2019 fiscal year reported as with donor restriction at June 30, 2018.

There were also a substantial number of volunteers who donated a significant amount of their time towards the activities of the Organization for the years ended June 30, 2019 and 2018, the value of which has not been recognized in the consolidated financial statements as they do not meet the criteria for recognition.

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 no warranty costs during the fiscal year 2019, and $4,452 during fiscal year 2018. There were no warranty costs accrued at June 30, 2019 and 2018.

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.

Compensated Absences – The Organization's vacation policy allows employees to accumulate and carry forward a maximum of ten vacation days. As of June 30, 2019 and 2018, the Organization has recognized a liability of $15,866 and $20,416, respectively, for compensated absences.

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 – The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities.* This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization was required to implement this new standard at June 30, 2019. A key change required by ASU 2016-14 is that transactions and balances previously reported as unrestricted and temporarily restricted are now being reported as without donor restrictions and with donor restrictions. The ASU also required the Organization to add a disclosure about the liquidity and availability of funds and disclose information about the Organization's expenses by nature and function. The Organization has adjusted the presentation of these statements retrospectively. These changes had no impact on the amount of previously reported net assets or changes in net assets. Amounts previously reported as unrestricted net assets are now net assets without donor restrictions and amounts previously reported as restricted net assets are now net assets with donor restrictions.

Subsequent Events – Subsequent events have been evaluated through February 24, 2020, 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, have been determined as follows:

	2019	2018
Cash and cash equivalents	**$ 393,993**	$ 521,320
Receivable:		
Accounts	**73,537**	12,118
Critical Home repair	**65,981**	25,130
Grants and contributions	**242,144**	465,396
Mortgages	**121,381**	122,056
Total financial assets	**897,036**	1,146,020
Net assets with donor restrictions	**(204,683)**	(398,679)
Financial assets available for general expenditure over the next twelve months	**$ 692,353**	$ 747,341

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.

4. **Federal and Local Government Grants**

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.

4. **Federal and Local Government Grants** (cont'd)

Neighborhood Stabilization Program (cont'd)

Revenue recognized upon the sale of homes is considered without donor restrictions based on an amended agreement entered into with the County in the year ended June 30, 2014.

The Organization receives a developer fee of ten percent of eligible costs for its services under the NSP. The developer fee was recognized as revenue without donor restriction as the eligible costs were incurred. Revenues were also recognized for direct construction and rehabilitation costs incurred. No grant revenues were recognized under the NSP for the year ended June 30, 2019 ($103,626 for the years ended June 30, 2018).

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 years ended June 30, 2019 and 2018.

4. **Federal and Local Government Grants** (cont'd)

Community Development Block Grants (cont'd)

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. During the year ended June 30, 2019, the Organization received $24,685 and $21,059 from program years 2016 and 2017, respectively. The Organization recognized as revenue $74,685 in fiscal year ended June 30, 2019, consisting of actual reimbursement received for 2016 program year and total awarded for 2017 program year of $24,685 and $50,000, respectively. The balance remaining from the 2016 program year is no longer available as period of time allowed for submission of requests for payment has lapsed.

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 prior to June 30, 2016.

4. **Federal and Local Government Grants** (cont'd)

HOME (cont'd)

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, 2019. Total revenue without donor restrictions recognized under the grant was $115,910 for the year ended June 30, 2018.

Capacity Building for Community Development and Affordable Housing – The Organization was awarded a $100,000 conditional grant by Habitat for Humanity International, which is a re-granting entity for HUD for the Section 4 Capacity Building for Community Development and Affordable Housing Grant (CB grant) for the period of April 1, 2015 to March 31, 2018. The funds are to be used to increase the home building capacity of the Organization through additional staffing positions. The Organization is required to demonstrate a five-to-one match for the grant funds as they are received and progress towards its housing goals until they are met. The Organization is also required to demonstrate a ten-to-one leverage ratio to perform eligible activities and sustain the project. No revenue was recognized under this grant for the year ended June 30, 2019. Total revenue recognized related to the CB grant was $31,667 for the year ended June 30, 2018.

4. **Federal and Local Government Grants** (cont'd)

Federal and local government grants recognized as revenue as of June 30, are as follows:

	2019	2018
NSP	**$ -**	$ 103,626
HOME	**-**	115,910
CB	**-**	31,667
CDBG	**74,685**	-
Other	**105,000**	68,162
	$ 179,685	$ 319,365

5. **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.

5. **Home Sales** (cont'd)

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:

	2019	2018
Fair value of homes sold	**$ 1,210,000**	$ 741,000
Excess of fair value over sales price of home sold	**-**	(36,000)
Grant funds applied	**(106,000)**	(40,000)
Silent third mortgages not recorded	**(226,113)**	(187,989)
Present value discount on first and second mortgages (non-interest)	**(197,563)**	(95,929)
Net revenue from the sale of homes	**$ 680,324**	$ 381,082

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.

6. **Mortgages Receivable**

Applicants purchasing homes from the Organization agree to a mortgage secured by the purchased home. The mortgages are non-interest-bearing and require monthly payments, typically over a 30-year period. To appropriately reflect the economics of the non-interest-bearing mortgage, the Organization discounts the mortgages for financial reporting purposes at the time they are originated using an interest rate that approximates a current market rate of interest for such a mortgage instrument. The discount rates in effect range from 4.0% and 8.78%. That discount is then amortized to income over the term of the mortgage. The Organization recognized $114,773 and $205,311 of income from the mortgage loan discount amortization for fiscal years ended June 30, 2019 and 2018, respectively.

The Organization did originate six new mortgages during the year ended June 30, 2019, net of related discounts, in the amount of $239,290. For the year ended June 30, 2018, the Organization did originate two new mortgages, net of related discounts, in the amount of $54,707. 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.

6. **Mortgages Receivable** (cont'd)

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

	2019	2018
Gross mortgages receivables at face value	**$ 4,421,428**	$ 4,445,007
Less – unamortized discount based on imputed interest rates of 4.0% to 8.78%	**(2,636,556)**	(2,723,280)
Net mortgages receivables	**$ 1,784,872**	$ 1,721,727
Current portion	**$ 121,381**	$ 122,056
Long-term	**1,663,491**	1,599,671
	$ 1,784,872	$ 1,721,727

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

2019	$ 121,381
2020	81,642
2021	81,642
2022	80,062
2023	78,018
Thereafter	1,342,127
Total	$ 1,784,872

6. **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 $3,228,590 which is net of $1,250,295 in mortgage forgiveness as of June 30, 2019, and $3,330,767, which is net of $1,148,118 in mortgage forgiveness as of June 30, 2018.

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 $403,197, which is net of $14,423 in mortgage forgiveness as of June 30, 2019. Third mortgages on homes sold after June 30, 2017, totaled $189,712, which is net of $1,795 in mortgage forgiveness as of June 30, 2018.

Finally, a profit sharing agreement exists on all homes sold by the Organization. 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.

6. **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 2019 or 2018.

The Organization 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, 2019 and 2018. 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.

7. **Mortgages Receivables Servicing**

DuPage Habitat for Humanity mortgages receivables are serviced by Harris Bank at no charge. The Organization received $10,501 and $11,185 of donated services for the years ended June 30, 2019 and 2018, respectively, which are recorded at fair value in the consolidated financial statements.

8. **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, 2019, the Organization made contributions of $30,000 ($56,000 for the year ended June 30, 2018).

During the year ended June 30, 2019, 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 ReStore marketing support totaling $46,145 ($89,968 during the year ended June 30, 2018).

The Organization received grant funds from HFHI, which are sponsored by other organizations, totaling $58,367 for the year ended June 30, 2018.

During the years ended June 30, 2019 and 2018, the Organization received net proceeds from HFHI through the Cars for Homes program totaling $20,970 and $14,729, respectively.

As described in Note 4, HFHI, acting as a re-granting entity for HUD, awarded a capacity building grant to the Organization. The Organization recognized grant revenue of $9,500 and $31,667 related to this grant during the years ended June 30, 2019 and 2018, respectively.

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 9 for more information.

9. **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 14 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. The rent payment per month was $2,000 for the eleven months beginning July 1, 2017 through May 31, 2018. In May 2018, Home Together, LLC entered into a lease for additional space at 1616 East Roosevelt Road in Wheaton, Illinois. The lease runs from May 4, 2018 through May 3, 2021. The Organization's monthly rent was adjusted to $3,500 beginning in June 2018, and for the year ended June 30, 2019. It is anticipated that the rent will be approximately this same amount in future years. For

9. **Operating Leases** (cont'd)

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 and $25,500 for the years ended June 30, 2019 and 2018, respectively.

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. Rent, common area maintenance, and utilities for the years ended June 30, 2019 and 2018, were $246,113 and $231,292, respectively. Minimum future lease payments are $129,597 and $87,826 for the fiscal years ending June 30, 2020 and 2021, respectively.

The Organization entered into a six-month lease on January 21, 2019, for retail space in Downers Grove, Illinois, that has subsequently been 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, payment resumes at $3,500 per month. Minimum future lease payments are $38,500 and $31,500 for the fiscal years ending June 30, 2020 and 2021, respectively.

The Organization leased a copy machine under an operating lease that expired in December 2018. Rent expense for the years ended June 30, 2019 and 2018, was $3,218 and $6,436, respectively.

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, 2019, was $3,630. Minimum future lease payments are $7,260 for the fiscal years ending June 30, 2020, 2021, 2022 and 2023, and $3,630 for the fiscal year ending June 30, 2024.

Minimum future lease payments are as follows at June 30:

	Retail Space	Other	Total
2020	$ 168,097	$ 7,260	$ 175,357
2021	119,326	7,260	126,586
2022	-	7,260	7,260
2023	-	3,630	3,630
	$ 287,423	$ 25,410	$ 312,833

10. **Notes Payable and Lines of Credit**

	2019	2018
<u>DuPage Habitat for Humanity, Inc.</u>		
The Organization maintained a line of credit with Wheaton Bank and Trust Company dated December 20, 2011, and maturing December 20, 2012, with borrowings up to \$200,000; subsequently renewed and expired October 31, 2018, with borrowings up to \$200,000; interest due monthly at the lender's prime rate but not less than 4%.	**\$ -**	\$ 160,000
On June 28, 2016, the Organization obtained a promissory note with HFHI in the amount of \$400,300 with a maturity date of June 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.	**299,359**	334,641
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 (5.50% at June 30, 2018). Proceeds used to acquire property in Hanover Park.	**350,000**	350,000
On September 17, 2018, the Organization obtained a promissory note with donors of property at 110 N. Morgan Avenue, Wheaton, Illinois in the amount of \$60,000 due upon the earlier of the sale of the property by the Organization or one year from the closing of the sale of the property to the Organization. Original principal of \$60,000 payable in lump sum at maturity. The promissory note is noninterest-bearing. Subsequent to year end, the donors contributed \$60,000 of eligible Illinois Affordable Housing Tax Credits to the Organization, which will be used to pay the balance due on the promissory note.	**60,000**	-
	709,359	844,641
Less current portion	**(96,952)**	(195,248)
Net long-term debt	**\$ 612,407**	\$ 649,393

10. **Notes Payable and Lines of Credit** (cont'd)

Minimum future principal payments are as follows at June 30:

2020	$ 96,952
2021	388,740
2022	40,612
2023	42,576
2024	44,634
2025-2026	95,845
Total	$ 709,359

Interest expense and interest paid totaled $44,646 for the year ended June 30, 2019 ($22,528 for the year ended June 30, 2018).

11. **Inventories – Land and Construction in Progress**

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

	2019	2018
Homes under construction (13 properties in 2019 and 14 properties at June 30, 2018)	**$ 1,761,661**	$ 2,486,326
Building supplies	**1,964**	1,964
Total	**$ 1,763,625**	$ 2,488,290

12. **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, 2019 and 2018, contributions receivable are restricted to construction and rehabilitation of homes in the home ownership program. Contributions receivables at June 30, 2019 and 2018, consist of unconditional promises to give cash and are considered current.

When a contribution receivable is deemed uncollectible, it is written off as a reduction of donation expense (contributions unrealized). For the year ended June 30, 2019, the Organization wrote off $2,500 of contributions receivables. For the year ended June 30, 2018, the Organization wrote off $40,071 of contributions receivables.

13. **Net Assets with Donor Restrictions**

Net assets with donor restrictions consist of the following at June 30:

	2019	2018
Unconditional promises to give cash and donate materials and labor for the construction and rehabilitation of homes in the home ownership program.	**$ 204,683**	$ 78,700
Grants for homebuilding costs and Neighborhood Revitalization Programs	**-**	241,621
Donations for future fund-raising events	**-**	78,358
	$ 204,683	$ 398,679

14. **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.

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 $607,273 and $612,532 at June 30, 2019 and 2018, respectively.

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.