



**AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2020**

**Chicagoland Habitat for Humanity
Audit Report
For the Year Ended June 30, 2020**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Chicagoland Habitat for Humanity
Chicago, Illinois

We have audited the accompanying financial statements of **Chicagoland Habitat for Humanity**, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, cash flows, and functional expenses 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chicagoland Habitat for Humanity as of June 30, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Chicagoland Habitat for Humanity's 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated January 14, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Selden Fox, Ltd.

November 12, 2020

Chicagoland Habitat for Humanity
Statement of Financial Position
June 30, 2020
(With Comparative Totals for 2019)

Assets	2020	2019
Cash	\$ 470,116	\$ 696,873
Investments	-	26,933
Contributions receivable	270,646	277,615
Accounts receivable	11,313	-
Prepaid expenses	14,160	12,943
Intangible assets, net	141,152	203,887
Equipment, net	1,673	738
Security deposit	13,287	13,287
Total assets	\$ 922,347	\$ 1,232,276
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 10,778	\$ 12,062
Accrued staff compensation	11,500	27,500
Accrued paid time off	10,202	20,685
Other accrued expenses	4,788	4,589
PPP loan payable	36,562	-
Total liabilities	73,830	64,836
Net assets:		
Without donor restrictions	577,871	889,825
With donor restrictions	270,646	277,615
Total net assets	848,517	1,167,440
Total liabilities and net assets	\$ 922,347	\$ 1,232,276

See accompanying notes to the financial statements and independent auditor's report.

**Chicagoland Habitat for Humanity
Statement of Activities
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and support:				
Program - VISTA	\$ 10,000	\$ -	\$ 10,000	\$ 34,000
Contributions:				
Corporations	19,801	-	19,801	133,271
Foundations	-	-	-	6,105
Individuals	108,745	-	108,745	228,937
HFHI support	-	-	-	30,000
Event revenue	1,025,181	123,974	1,149,155	986,192
In-kind	482,907	-	482,907	84,244
Net assets released from restrictions	130,943	(130,943)	-	-
Total contributions	1,777,577	(6,969)	1,770,608	1,502,749
Revenues - miscellaneous	-	-	-	474
Total public support and revenues	1,777,577	(6,969)	1,770,608	1,503,223
Direct expenses:				
Program services - affiliate support	1,781,433	-	1,781,433	1,070,769
Management and general	168,851	-	168,851	147,184
Fund-raising	139,246	-	139,246	201,800
Total expenses	2,089,530	-	2,089,530	1,419,753
Change in net assets	(311,953)	(6,969)	(318,922)	83,470
Net assets:				
Beginning of the year	889,824	277,615	1,167,439	1,083,970
End of the year	\$ 577,871	\$ 270,646	\$ 848,517	\$ 1,167,440

See accompanying notes to the financial statements and independent auditor's report.

Chicagoland Habitat for Humanity
Statement of Cash Flows
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (318,922)	\$ 83,470
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	63,682	63,621
Stock donation	26,933	(26,933)
Changes in operating assets and liabilities:		
Receivables	(4,344)	50,171
Prepaid expenses	(1,218)	(8,235)
Accounts payable and accrued expenses	(27,568)	(3,576)
Net cash flows from operating activities	(261,437)	158,518
Cash flows from investing activities:		
Proceeds from the sale of investments	-	-
Purchase of equipment	(1,882)	-
Net cash flows from investing activities	(1,882)	-
Cash flows from financing activities - proceeds from PPP loan	36,562	-
Net change in cash	(226,757)	158,518
Cash, beginning of the year	696,873	538,355
Cash, end of the year	\$ 470,116	\$ 696,873

See accompanying notes to the financial statements and independent auditor's report.

**Chicagoland Habitat for Humanity
Statement of Functional Expenses
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)**

	2020			2019	
	Affiliate Support	Management & General	Fund-raising	Total	Total
Payroll and related expenses:					
Staff compensation	\$ 269,310	\$ 35,908	\$ 53,862	\$ 359,080	\$ 412,123
Payroll taxes	17,318	2,309	3,464	23,091	25,938
Employee benefits	8,555	1,141	1,711	11,407	7,785
Affiliate and other support	1,349,206	-	-	1,349,206	589,793
Accounting and auditing	-	37,234	-	37,234	34,092
Bank fees	-	5,795	-	5,795	7,152
Donor recognition	-	-	380	380	-
Donor research	1,499	-	-	1,499	1,499
Information technology	-	6,016	-	6,016	3,641
Insurance	-	8,257	-	8,257	8,507
Marketing	17,641	-	-	17,641	25,145
Meeting expense	-	239	-	239	917
Occupancy	-	61,535	-	61,535	52,958
Office supplies	-	3,933	-	3,933	2,951
Outside services	-	200	-	200	-
Printing and postage	-	-	4,401	4,401	5,607
Special events:					
Habitat Hero	22,643	-	67,929	90,572	147,800
Young professionals	-	-	1,998	1,998	3,364
First Look for Charity	20,208	-	2,245	22,453	
Telephone	5,251	350	1,400	7,001	5,966
Training	150	-	150	300	2,035
Travel	5,970	853	1,706	8,529	13,655
Depreciation and amortization	63,682	-	-	63,682	63,621
Miscellaneous	-	5,081	-	5,081	5,204
Total expenses	\$ 1,781,433	\$ 168,851	\$ 139,246	\$ 2,089,530	\$ 1,419,753

See accompanying notes to the financial statements and independent auditor's report.

Chicagoland Habitat for Humanity Notes to the Financial Statements

1. Organization and Purpose

Chicagoland Habitat for Humanity (Habitat) works in collaboration with eight Chicago area Habitat for Humanity affiliates located in six Illinois counties. Habitat's primary goal is to distribute funds and increase public awareness with a goal to increase the program capacity of those eight-independent affiliate Habitat for Humanity organizations that build, sell and repair homes for low income families. Habitat established its current operations including a full-time CEO and other staff beginning in 2013, although it was formally incorporated in 1998, as a volunteer effort.

2. Summary of Significant Accounting Policies

Basis of Accounting – The financial statements of Habitat have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. These financial statements have been prepared to focus on Habitat as a whole. Net assets and revenue, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets Without Donor Restrictions – Net assets which are available for fulfillment of Habitat'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-imposed restrictions. Some restrictions could be temporary in nature, such as those that will be met by the actions of Habitat or the passage of time, while some restrictions could be perpetual in nature, in that a donor has stipulated the funds be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law.

Expiration of restrictions on net assets (i.e., the donor-imposed stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Chicagoland Habitat for Humanity
Notes to the Financial Statements (cont'd)

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

Net Assets With Donor Restrictions – Habitat has adopted the following accounting policy with respect to net assets with donor restrictions:

Contributions with Restrictions Met in the Same Year – Contributions received with donor-imposed restrictions that are fulfilled in the same time period in which the contribution is received are reported as unrestricted support.

Use of Estimates – The preparation of financial statements in accordance 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, liabilities, and operations, and the related disclosures at the date of the financial statements and during the reporting period. Significant estimates of these financial statements include the balance of contributions receivable being fully collectible, the determination of the estimated useful life of Habitat's intangible assets and equipment, and the allocation of staff time in the statement of functional expenses. Actual results could differ from those estimates.

Contributions Receivable – Contributions receivable are stated at their present value reduced by an allowance for doubtful accounts. Management's periodic evaluation of the adequacy of the allowance is based on Habitat's experience, known and inherent risks of the applicable receivables, adverse situations that may affect the donor's ability to pay, and current economic conditions. For both the years ended June 30, 2020 and 2019, no allowance was established against specific receivables.

Intangible Assets – Intangible assets are valued at cost. Significant costs incurred for the development of intangible assets are capitalized at cost, while ongoing expenditures to maintain the assets are expensed as incurred. Donated intangible assets are valued at estimated fair value at the date of donation. Amortization is provided on the straight-line method over the estimated useful life of the assets, currently five years.

Equipment – Equipment, valued at cost, is comprised of computer equipment with a cost of \$4,540 and accumulated depreciation of \$2,867 at June 30, 2020. This computer equipment is depreciated over its estimated useful life, currently three years. Depreciation expense for the year ended June 30, 2020, amounted to \$948.

Donated Materials and Equipment – Materials and equipment received as donations are recorded as in-kind revenue and expense, or capitalized if capital in nature, at fair value at the date of receipt.

Income Taxes – Habitat is incorporated as a not-for-profit entity, as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from taxes, except to the extent of any unrelated business income. There was no unrelated business income for the years ended June 30, 2020 and 2019. Accordingly, no provision for income tax is included in the financial statements.

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

Chicagoland Habitat for Humanity
Notes to the Financial Statements (cont'd)

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

Expense Recognition and Allocation – The cost of providing Habitat’s programs and other activities is summarized on a functional basis in the statement of activities and are detailed by their natural classification in the statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited including staff compensation, payroll taxes and employee benefits. These costs are allocated based on the respective amount of time an employee spends between affiliate support, management and general, and fund-raising.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Fund-raising costs are expensed as incurred, even though they may result in contributions received in future years. Additionally, advertising costs are expensed as incurred.

Concentration of Risk – As of June 30, 2020, one unconditional promise to give accounted for 32.74% of contributions receivable (67.94% at June 30, 2019). Any negative change in the economy could have an impact on future contributions and fund-raising efforts.

New Accounting Pronouncement – In 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 Habitat 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 Habitat’s financial position, changes in net assets or cash flows. The primary sources of contributions are from public support and government agencies.

Revenue Recognition – In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*. The ASU’s core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. To accomplish this objective, the standard requires five basic steps: i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The ASU also includes expanded disclosure requirements. This standard is not expected to have a material impact on Chicagoland Habitat for Humanity’s financial statements since contribution revenue is scoped out of the standard. The standard will be adopted in fiscal 2021.

Chicagoland Habitat for Humanity
Notes to the Financial Statements (cont'd)

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

Paycheck Protection Program Loan – In May of 2020, Habitat received \$36,562 of proceeds in the form of a loan under the CARES Act’s Paycheck Protection Program (PPP), which is administered by the U.S. Small Business Association (SBA), which is subject to certain conditions in order to be forgiven by the SBA. Habitat has elected to account for its 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 Habitat 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 Institute’s forgiveness application.

Subsequent Events – Subsequent events have been evaluated through November 12, 2020, which is the date the financial statements were available to be issued.

As a result of the spread of the COVID-19 coronavirus, there are economic uncertainties that exist which could have a negative financial impact on Habitat, including the potential for reduction in future contribution and fund-raising revenue. 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. As disclosed above, in fiscal 2021, management intends to apply to have the Paycheck Protection Program loan forgiven to provide additional liquidity to mitigate the potential negative financial effects of the pandemic.

3. **Cash** – Habitat’s cash is comprised of deposits in one financial institution and a bank sweep account with an investment brokerage and may from time to time exceed available insurance coverage limits. At June 30, 2020 and 2019, the deposit balances were \$571,543 and \$787,852, respectively, of which \$200,731 and \$537,952, respectively, was not covered by federal depository insurance.

4. Liquidity and Availability

As part of Habitat’s informal liquidity management plan, cash deposits are maintained at a reputable financial institution and in readily accessible depository accounts. Assets available to meet cash needs for general expenditures within one year, without contractual or donor restrictions, consist of the following:

	2020	2019
Cash	\$ 470,116	\$ 696,873
Investments	-	26,933
Accounts receivable	11,313	-
Current portion of contributions receivable	237,593	139,682
	\$ 719,022	\$ 863,488

Chicagoland Habitat for Humanity
Notes to the Financial Statements (cont'd)

5. Investments

Investments classified in the statement of financial position as of June 30, 2019, are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>
Common stock	<u>\$ 26,933</u>	<u>\$ 26,933</u>

Common stock valued at \$26,933 was received as a donation on the last trading day of June 2019. The common stock was sold in July 2019.

6. Investments Fair Value Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is broken down into a three-level valuation hierarchy based on the reliability of observable and unobservable inputs as follows:

Level 1 – Valuations are based on quoted prices in active markets for identical assets or liabilities that Habitat has the ability to access at the measurement date.

Level 2 – Valuations are based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations whose significant inputs are observable.

Level 3 – Valuations are based on unobservable inputs for the asset or liability that reflect the reporting entity's own data and assumptions that market participants would use in pricing the asset or liability.

Following is a description of the valuation methodologies used for investments measured at fair value, as well as the general classification of such investments pursuant to the valuation hierarchy.

Common stock is valued using quoted market prices. Accordingly, these assets are categorized in Level 1 of the fair value hierarchy.

Chicagoland Habitat for Humanity
Notes to the Financial Statements (cont'd)

7. Contributions Receivable

The present value of contributions receivable, discounted at 0.16%, is expected to be received as follows:

Fiscal Year Ending June 30,		
2021	\$	237,593
2022		33,106
2023		-
		270,699
Less: present value discount		(53)
	\$	270,646

8. Intangible Assets

Intangible assets at June 30, consisted of the following:

	2020	2019
Website	\$ 20,000	\$ 20,000
Development database	11,550	11,550
Application	313,673	313,673
	345,223	345,223
Accumulated amortization	(204,071)	(141,336)
	\$ 141,152	\$ 203,887

Amortization expense for the year ended June 30, 2020, was \$62,734 (\$62,735 for the year ended June 30, 2019).

Chicagoland Habitat for Humanity
Notes to the Financial Statements (cont'd)

9. Net Assets With Donor Restrictions

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

	2020	2019
Contributions receivable	\$ 270,646	\$ 277,615

The sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes, or by the occurrence of events specified by the donor, were as follows for the year ended June 30, 2020.

Contributions receivable	\$ 130,943
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10. Lease Commitments

Effective November 1, 2015, and subsequently extended on June 5, 2018, Habitat entered into an agreement to lease office space in downtown Chicago. The lease contains an escalation clause and expires on December 31, 2022. Future minimum lease payments under this lease for the years ending June 30, are as follows:

	Amount
2021	\$ 35,756
2022	36,710
2023	18,593
	\$ 91,059

Total rent expense incurred during the fiscal year ended June 30, 2020, was \$61,535, which includes \$29,474 of operating expenses, real estate taxes and storage fees (\$52,958 rent expense incurred during the fiscal year ended June 30, 2019, which included \$22,454 of operating expenses, real estate taxes and storage fees).

11. Related Party Transactions

During the year ended June 30, 2020, Habitat contributed \$1,337,731 of grant funds, equipment, and in-kind services (\$576,729 for the year ended June 30, 2019) to local affiliates and recorded the amount in affiliate and other support on the statement of activities and statement of functional expenses.

Contributions receivable from members of Habitat's Board of Directors and Senior Executives amounted to \$103,618 as of June 30, 2020 (\$188,618 as of June 30, 2019). Contribution revenue from Habitat's Board of Directors and senior executives amounted to \$40,939 for the year ended June 30, 2020 (\$18,427 for the year ended June 30, 2019).

Chicagoland Habitat for Humanity
Notes to the Financial Statements (cont'd)

12. Payroll Protection Program Loan

The PPP Loan, which is in the form of a Note dated May 14, 2020, matures on May 14, 2022, and bears interest at a rate of 1.00% per annum. Under the terms of the PPP, as modified by the Paycheck Protection Program Flexibility Act (PPFPA), principal and interest payments have been deferred. The first payment is deferred for six months after a forgiveness determination and repayment terms have been extended to a five-year period at the same interest rate of 1.00% per annum. These terms may be subject to further changes depending on any related legislation or related regulations. The loan may be forgiven by the SBA if Habitat meets certain conditions of the loan. As described in Note 2, management intends to apply for total loan forgiveness in fiscal year 2021, as soon as Chase Bank begins accepting applications.

13. Select Financial Information (Unaudited)

Chicagoland Habitat for Humanity works exclusively to serve and support the eight Chicagoland area Habitat for Humanity affiliates, so they can build their capacity to serve low income families in the region. Based on data from fiscal year 2019 IRS Form 990 filings, total expenses of the seven of the eight affiliates plus Chicagoland Habitat for Humanity were \$20.0 million (unaudited), with an overall program expense in excess of 84.1% (unaudited) of those expenses.

14. Comparative Prior Year Information

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2019.