

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY

Financial Statements

June 30, 2015

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY

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INDEPENDENT AUDITORS' REPORT

Board of Directors

Habitat for Humanity Chicago, Inc. and Related Entity

We have audited the accompanying consolidated financial statements of Habitat for Humanity Chicago, Inc. (an Illinois not-for-profit corporation) and Related Entity (collectively, the "Organization"), which comprise of the statement of financial position as of June 30, 2015, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements. The financial statements of the Related Entity, Winthrop Habitat Limited Partnership ("Winthrop") as of December 31, 2014, were audited by other auditors whose report dated April 13, 2015, expressed an unqualified opinion on those 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 Habitat for Humanity Chicago, Inc. as of June 30, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Barnes, Givens & Barnes, Ltd.

Mount Prospect, Illinois
October 12, 2015

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY
Consolidated Statement of Financial Position
June 30, 2015

ASSETS

Current Assets

Cash and cash equivalents	\$ 784,520
Accounts receivable	10,672
Contributions receivable	711,400
Mortgages receivable - net	593,524
Prepaid expenses	14,441
Construction in progress	700,594

Total Current Assets	2,815,151
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Property and Equipment, net

Building	1,276,874
Equipment and furniture	38,792
Cars and trucks	35,422
Land	22,500
Less: accumulated depreciation	(1,043,279)

Total Fixed Assets	330,309
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Total Assets	\$ 3,145,460
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable and accrued expenses	\$ 116,525
Notes payable - current, net	27,716
Tenant security deposits	10,050

Total Current Liabilities	154,291
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Long-Term Liabilities

Notes payable - long-term, net	273,272
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Total Long-Term Liabilities	273,272
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Total Liabilities	427,563
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Net Assets

Unrestricted	1,675,227
Temporarily restricted	1,042,670

Total Net Assets	2,717,897
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Total Liabilities and Net Assets	\$ 3,145,460
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See Accompanying Notes and Independent Auditors' Report.

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY**Consolidated Statement of Activities****For the Year Ended June 30, 2015****Support and Revenue**

Individuals	\$ 275,313
Corporations and foundations	1,448,104
Nonprofit and religious organizations	580
Affiliated organizations	36,546
Sales of homes	363,000
Cost of home sales	(332,900)
Special events income	195,747
Special events expense	(69,842)
Resale store income	-
Resale store expense	(63,389)
Interest	675
Mortgage interest amortization	50,232
Recovery of mortgage receivable	3,986
Gain on foreclosure	35,000
Rental revenue - net	171,580
Miscellaneous	1,401
	<hr/>
Total Support and Revenue	2,116,033

Operating Expenses

Program services	1,387,271
Management and general	120,208
Fundraising	152,115
Administrative	32,692
Operating	5,362
Maintenance	24,114
Materials and supplies	9,863
Salaries and wages	10,684
Utilities	12,902
Taxes and insurance	26,983
Financing	1,712
Depreciation	47,137
	<hr/>
Total Operating Expenses	1,831,043

Increase (Decrease) in Net Assets/Net Income (Loss)	284,990
Net Assets - Beginning of Year	<hr/> 2,432,907
Net Assets - End of Year	<hr/> <hr/> \$ 2,717,897

See Accompanying Notes and Independent Auditors' Report.

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY**Consolidated Statement of Cash Flows****For the Year Ended June 30, 2015****Cash Flows from Operating Activities**

Change in net assets	\$ 286,495
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	52,967
(Increase) decrease in:	
Accounts receivable	(8,138)
Contribution receivable	(551,231)
Prepaid expenses	8,695
Construction in progress	163,687
Increase (decrease) in:	
Accounts payable	58,336
Tenant security deposits	270
	<hr/>
Net Cash Provided by (Used in) Operating Activities	11,081

Cash Flows from Financing Activities

Mortgage principal payments	(17,559)
Loan principal payments	(9,982)
	<hr/>
Net Cash Provided by (Used in) Financing Activities	(27,541)

Cash Flows from Investing Activities

Purchase of fixed assets	(1,506)
Change in mortgage receivable - net	(97,268)
	<hr/>
Net Cash Provided by (Used in) Investing Activities	(98,774)

Net Increase (Decrease) in Cash	(115,234)
Cash at Beginning of Year	899,754
	<hr/>
Cash at End of Year	\$ 784,520

See Accompanying Notes and Independent Auditors' Report.

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY

Notes to the Financial Statements

June 30, 2015

Note A – Organization and Nature of Activities

Habitat for Humanity Chicago, Inc. (the “Organization”) was incorporated in July 2002 as a not-for-profit organization in order to sponsor projects in the metropolitan Chicago, Illinois area, ranging from rehabilitation of existing housing to construction of new housing to providing people of modest means the opportunity of home ownership. The Organization is an affiliate of Habitat for Humanity International, Inc. (HFHI). Effective July 1, 2014, the Organization officially changed its name from Windy City Habitat for Humanity to Habitat for Humanity Chicago.

Although a formal merger agreement existed, in 2006 the Organization merged operations of two other HFHI affiliates: Uptown Habitat for Humanity (Uptown) and Pilsen/Little Village Habitat for Humanity. As part of the merger, the Organization accepted the assets and assumed the liabilities of these affiliates. Nearly all the assets and liabilities of the affiliated Organizations had been transferred to the Organization by June 30, 2008.

Winthrop Habitat Limited Partnership (“Winthrop”) was formed as a Limited Partnership under the laws of the State of Illinois, on December 30, 1992, for the purpose of construction and operating a rental housing project. The Project consists of 18 units located in Chicago, Illinois, and is currently operating under the name of 5530 N. Winthrop, IHDA Development No. HTF-149.

Winthrop has one General Partner, Winthrop Habitat Development Corporation, which has a 1% interest, and one Limited Partner, Habitat for Humanity Chicago which has a 99% interest.

Note B – Summary of Significant Accounting Policies

Basis of Accounting

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

Basis of Consolidation

Habitat for Humanity Chicago is engaged in the sponsorship of projects in the metropolitan Chicago, Illinois area, ranging from rehabilitation of existing housing to construction of new housing to providing people of modest means the opportunity of home ownership. In addition, through its wholly owned subsidiary, Winthrop Habitat Limited Partnership (“Winthrop”), the Organization owns an 18 unit rental apartment building located in Chicago, Illinois for low and moderate income tenants.

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY

Notes to the Financial Statements

June 30, 2015

Note B – Summary of Significant Accounting Policies (continued)

Basis of Consolidation (continued)

The accompanying consolidated financial statements include the accounts of Habitat for Humanity Chicago and its wholly owned subsidiary, after eliminating all intercompany transactions. The accounts of Winthrop Habitat Limited Partnership are consolidated as of its fiscal year-end of December 31, 2014. No events occurred between December 31, 2014 and June 30, 2015 that materially affected the Organization's financial position, results of operations, or cash flows.

Basis of Presentation

Information regarding the financial position and activities of the Organization are reported in three classes of net assets as applicable: unrestricted, temporarily restricted, and permanently restricted. These classes of net assets are based on the existence or absence of externally (donor) imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- **Unrestricted Net Assets**—Unrestricted net assets are not subject to donor-imposed stipulations. They include all activities of the Organization as it currently does not receive any restricted resources. Board designated amounts are part of unrestricted net assets.
- **Temporarily Restricted Net Assets**—Temporarily restricted net assets are subject to donor-imposed stipulations that can be removed through the passage of time (time restrictions) or actions of the Organization (purpose restrictions).
- **Permanently Restricted Net Assets**—Permanently restricted net assets are subject to the restrictions imposed by donors who require that the principal of these classes of net assets be invested in perpetuity and only the investment income can be expended.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and activities and the related disclosures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY
Notes to the Financial Statements
June 30, 2015

Note B – Summary of Significant Accounting Policies (continued)

Revenue and Cost Recognition

The Organization recognizes revenue from all homebuilding activities at the closing of the sale. During construction, all direct material and labor costs and those indirect costs, including insurance and real estate taxes, related to acquisition and construction are capitalized. Capitalized costs are charged to earnings upon closing. Selling, general and administrative costs are charged to expenses as incurred.

Mortgage Note Agreements contain provisions so that the Organization is entitled to a portion of the economic appreciation (the "Shared Appreciation") of a mortgage property, if such property is sold, or if the related mortgage is defaulted on or entirely repaid, prior to a date established in the mortgage note agreement. This date is generally the tenth anniversary of the mortgage note. Shared appreciation is defined as the difference between the fair market value of the property sold before the end of the mortgage term or on a defaulted mortgage and is recognized upon collection from sale of the mortgage to a third party or resale of the underlying property.

Cash and Cash Equivalents

Cash equivalents are considered to be highly liquid depository accounts with a maturity of less than one year. Deposits held in all non-interest bearing transactional bank accounts and interest-bearing accounts are aggregated by entity and are fully insured up to \$250,000.

Construction in Progress

The land costs, materials, supplies, holding costs, and labor costs associated with each property are capitalized until the property is sold. At that time, the Organization recognizes revenue. The Organization also evaluates and adjusts the value of the property based upon the perceived fair market value of property at the time of measurement.

Mortgages Receivable, Present Value Discount and Allowance for Doubtful Accounts

As part of its program services, the Organization sells new homes at a price which may be below the cost of construction and the market value of the homes. In connection with these sales, the Organization provides financing to the buyers through interest-free mortgages with a repayment term ranging from 15 to 30 years. Collateral for each of the loans is the property associated with the loan. The mortgages also have a shared appreciation provision which is effective if the owners sell the property before a stipulated date. Each mortgage balance is adjusted to present value using the imputed interest method, and the initial discount valuation is amortized over the life of the loan.

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY

Notes to the Financial Statements

June 30, 2015

Note B – Summary of Significant Accounting Policies (continued)

Mortgages Receivable, Present Value Discount and Allowance for Doubtful Accounts (continued)

The Organization uses the allowance method to estimate uncollectible mortgages receivable. Management reviews all individual mortgage receivable balances that exceed ninety (90) days from payment due date and based on the assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. The Organization recognized bad debt expenses related to mortgage receivables of \$6,885 for the year ended June 30, 2014.

Fixed Assets

The Organization capitalizes all expenditures of \$500 or more for property and equipment. Items are stated at cost if purchased and at their estimated fair market value if donated. Depreciation expense is recognized as a cost of rendering services and included as an element of expense in the Organization's operations. Depreciation is computed under the straight-line method of depreciation and is treated as an expense. Assets are being depreciated over an estimated life of five years. Depreciation expense was \$5,830 for the year ended June 30, 2015.

Winthrop computes depreciation under the straight-line method of depreciation and is treated as an expense. Assets are being depreciated over an estimated life of five to twenty seven and a half years. Depreciation expense was \$47,137 for the year ended December 31, 2014.

Functional Allocation of Expenses

In the schedule of functional expenses, all expenses are allocated to the appropriate programs and supporting services on the basis of actual expense. Certain expenses that are joint among all programs are allocated evenly across all of the programs.

Donated Materials and Services

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. No contributed services were recognized as revenue for the year ended June 30, 2015. Numerous volunteers have donated significant amounts of time to the Organization. However, no amounts have been reflected in the financial statements for those services.

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY

Notes to the Financial Statements

June 30, 2015

Note C - Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization recognizes the amount of taxes payable or refundable annually. Income taxes are accounted for using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax-basis carrying amounts. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period in which the enactment date occurs. A valuation allowance is provided for deferred tax assets if it is more likely than not that temporary differences will not be realized.

Effective January 1, 2009, the Organization adopted FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. That standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in financial statements. It also provides guidance for de-recognition, classification, interest, and penalties, accounting in interim periods, disclosure, and transition. The cumulative effect of this change in accounting principle had no effect on the Organization's financial statements. The FASB has determined that a non-profit organization asserting that it is tax exempt is an uncertain tax position challengeable by the IRS.

In assessing the recognition of deferred tax assets, management considers whether it is more likely than not that some portion of or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the period in which deferred tax assets are deductible, management believes it is more likely than not that the Organization would realize the benefits of deductible temporary differences, net of existing valuation allowances.

The Organization recognizes interest and penalties related to unrecognized tax benefits within the provision for income taxes on continuing operations in the accompanying statement of activities.

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY

Notes to the Financial Statements

June 30, 2015

Note C - Income Taxes (continued)

The Organization did not experience a significant increase or decrease in the total amounts of unrecognized tax benefits during the fiscal year ended June 30, 2015. Income tax returns filed by the Organization are subject to examination by tax authorities until November 15, 2018.

Management believes that the Organization has appropriate support for all positions taken on its tax returns and that the annual tax provision includes amounts sufficient to pay any assessments of tax, interest, and penalties. Nonetheless, any amounts ultimately paid upon resolution of issues raised by taxing authorities may differ materially from the amounts accrued for each year.

The Organization files Form 990, Return of Organization Exempt from Income Tax with the Federal government.

Management has determined that the Organization has no income tax liability as of June 30, 2015.

Note D – Mortgage Receivable

As of June 30, 2015, the following details the mortgage receivable:

	<u>2015</u>
Total mortgage receivables before adjustments	\$ 2,104,408
Less: unamortized discount	(1,137,704)
Less: allowance for uncollectible accounts	(344,052)
Less: allowance for past due escrow balances	<u>(29,128)</u>
Net Mortgage Receivable	<u>\$ 593,524</u>
Amounts due in:	
Less than one year	\$ 116,507
One to two years	116,507
Two to three years	116,507
Three to four years	116,507
Four to five years	116,507
Five years and beyond	<u>1,521,873</u>
	<u>\$ 2,104,408</u>

Discount rates range from four percent to eight percent.

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY

Notes to the Financial Statements

June 30, 2015

Note E- Leases

The Organization leases office space under a two year lease expiring on November 30, 2016. The Organization has the option to renew the lease for an additional two, two year options providing the Organization gives the lessor 45 day written notice prior to the end of the lease term. The monthly rent is \$2,575 with a three percent annual increase.

In addition, as described in Note I, the Organization has entered into an agreement with Habitat for Humanity of Northern Fox Valley ("HFHNFV") as a party to the lease of a resale store that opened in November 2014. The Organization is joint and severally liable for lease payments, but the agreement is the HFHNFV will be making the lease payments through the first term of the lease. The lease is effective through August 31, 2019 with two optional five year extensional periods.

The estimated future minimum rental and lease obligation for the succeeding years under non-cancelable operating leases in effect as of June 30, 2015 are as follows:

<u>Year Ended June 30,</u>	<u>Office Space</u>	<u>Resale Store</u>
2016	\$ 31,750	\$ 292,800
2017	13,750	298,656
2018	-	304,629
2019	-	310,722
2020	-	51,957
Thereafter	-	-
	<u>\$ 45,500</u>	<u>\$ 1,258,764</u>

Note F – Long-Term Debt

Habitat for Humanity Chicago

During the fiscal years ended June 30, 2007 and 2006, assets and liabilities of two affiliated Habitat organizations were transferred to the Organization.

Two loans transferred had been provided to the former Habitat organization by Habitat for Humanity International ("HFHI") (a related party) in the original amount of \$1,074,500 and one loan from the Illinois Housing Development Authority ("IHDA") in the original amount of \$590,000. The loans are non-interest bearing and are due on demand. On October 31, 2013, HFHI forgave the outstanding loans and the Organization, and forgiveness of debt of \$127,560 was recognized on the Statement of Activities. As of June 30, 2015, \$268,778 remains payable to Illinois Housing Development Authority.

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY
Notes to the Financial Statements
June 30, 2015

Note F – Long-Term Debt (continued)

As of June 30, 2015, the following details the notes payable:

	2014
Notes payable to IHDA	\$ 268,778
Less: unamortized discount	<u>(132,352)</u>
Net Notes Payable	<u>\$ 136,426</u>

As of June 30, 2015, the amount required to be paid on the notes payable for each of the next five fiscal years and thereafter are as follows:

2016	\$ 19,667
2017	19,667
2018	19,667
2019	19,667
Thereafter	190,110
Less: unamortized discount	<u>(132,352)</u>
Net Notes Payable	<u>\$ 136,426</u>

Winthrop Habitat Limited Partnership

A mortgage note, dated June 1, 1998, is held by IHDA in the original amount of \$500,000. The note bears interest at 1.0% per annum. Monthly installments of \$1,608 for principal and interest are based on 30-year amortization of the original note balance. The loan matures on August 1, 2022. The note is collateralized by real estate held for lease and an assignment of rents and leases. As of December 31, 2014, the outstanding balance was \$164,562, of which \$17,734 is due within the next year.

As of December 31, 2014, the amount required to be paid on the notes payable for each of the next five fiscal years and thereafter are as follows:

2015	\$ 17,734
2016	17,912
2017	18,092
2018	18,274
2019	18,457
Thereafter	74,093
Less: current maturities	<u>(17,734)</u>
Net Long-Term Portion	<u>\$ 146,828</u>

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY

Notes to the Financial Statements

June 30, 2015

Note G – Temporarily Restricted Net Assets

Temporarily restricted net assets of \$1,042,670 are available solely for the purpose of building affordable housing. The amount of \$198,330 was released from restricted funds for building affordable housing during the year ended June 30, 2015 as the Organization fulfilled the donor-imposed restrictions.

Note H - Related Party Transactions

In prior periods, the Organization advanced funds to Winthrop to provide working capital. During the year, no advances or repayments have been made to Winthrop. At June 30, 2015, Winthrop owed the Organization \$95,753. These amounts have been eliminated in consolidation.

Note I – Retirement Plan

The Organization has a 403(b) retirement plan, which allows eligible employees to defer payment of taxes on a portion of their salary by making contributions to the plan through payroll deductions. At the discretion of management, the Organization may make matching contributions. The Organization did not make any matching contributions to the plan as of June 30, 2015.

Note J – Significant Agreements

The Organization and Habitat for Humanity of Northern Fox Valley ("HFHNFV") have entered into an agreement which holds that HFHNFV will open and operate a ReStore in Chicago, Illinois with the expectation that the store will generate net profits for both HFHNFV and the Organization and that eventually the Organization will acquire the ReStore from HFHNFV. The Organization will have the right from and after December 31, 2017 through December 30, 2022 to purchase the Chicago ReStore. Net proceeds from the ReStore will be distributed solely to HFHNFV to reimburse its investment until the unreimbursed investments of HFHNFV and the Organization are equal. Thereafter, net profits will be distributed equally between HFHNFV and the Organization.

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY
Notes to the Financial Statements
June 30, 2015

Note K – Subsequent Events

On August 17, 2015 the Organization transferred 100% of its partnership interest in Winthrop to the Winthrop Apartments Cooperative. The outstanding receivable balance of \$95,753 from Winthrop as of June 30, 2015 has been converted to an installment note, payable over 84 months with a final payment of outstanding principle on August 1, 2022.

Other than the matter mentioned above, the Organization has determined that no material events or transactions occurred subsequent to June 30, 2015 and through the date of the independent auditors' report, the date the financial statements were available for issuance, that would require adjustments to and/or additional disclosure to the financial statements.

SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
Habitat for Humanity Chicago, Inc. and Related Entity

We have audited the consolidated financial statements of Habitat for Humanity Chicago, Inc. and Related Entity (collectively, the "Organization") as of and for the year ended June 30 2015, and our report thereon dated October 12, 2015, which expressed an unqualified opinion on those financial statements, appears on page 1-2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information on pages 17 to 19 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the net assets, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. The Schedule of Functional Expenses – Habitat for Humanity Chicago on page 16 is also presented for purpose of additional analysis and is not a required part of the consolidated financial statements. The consolidating and other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information on pages 17 to 19 and the supplementary information on page 16 are fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Barnes, Givens & Barnes, Ltd.

Mount Prospect, Illinois
October 12, 2015

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY
Schedule of Functional Expenses - Habitat for Humanity Chicago
For the Year Ended June 30, 2015

	Program Services	Management and General	Fundraising	Total
Salaries and Benefits	\$ 316,069	\$ 69,046	\$ 97,006	\$ 482,121
Dues and Subscriptions	-	391	-	391
Insurance	43,474	11,991	5,434	60,899
Marketing	1,021	-	1,227	2,248
Payroll Taxes	44,523	6,917	8,020	59,460
Supplies	2,339	1,101	1,190	4,630
Telephone and Internet	1,829	660	611	3,100
Postage and Shipping	653	54	8,722	9,429
Professional Services	8,322	11,250	-	19,572
Auto Expense	9,874	-	125	9,999
Rent	20,043	6,681	6,681	33,405
Travel	10,590	1,889	3,226	15,705
Construction Costs	62,269	-	-	62,269
Contract Labor	88,168	-	7,883	96,051
Dedications	3,060	-	-	3,060
Family Services Implementation	8,589	-	-	8,589
Equipment Repairs	1,291	4,553	408	6,252
Bank Fees	-	1,804	3,464	5,268
Depreciation	4,081	583	1,166	5,830
Bad Debt Expense - mortgages	6,885	-	-	6,885
Bad Debt Expense - escrows	3,025	-	-	3,025
Construction in Process Write-Down	482,737	-	-	482,737
Technology	20,120	1,066	4,796	25,982
Interest Expense	220,384	-	-	220,384
Training	2,594	905	1,958	5,457
Tithe	21,700	-	-	21,700
Miscellaneous	3,631	1,317	198	5,146
Total Expenses	\$ 1,387,271	\$ 120,208	\$ 152,115	\$ 1,659,594

See Independent Auditors' Report on Supplementary Information.

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY
Consolidating Statement of Financial Position
June 30, 2015

	<u>HFHC</u>	<u>Winthrop</u>	<u>Eliminations</u>	<u>Total</u>
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash and cash equivalents	\$ 493,649	\$ 290,871	\$ -	\$ 784,520
Accounts receivable	9,957	715	-	10,672
Contributions receivable	711,400	-	-	711,400
Mortgages receivable - net	593,524	-	-	593,524
Prepaid expenses	11,130	3,311	-	14,441
Construction in progress	700,594	-	-	700,594
Due from affiliate	95,753	-	(95,753)	-
Investment in subsidiary	318,789	-	(318,789)	-
Total Current Assets	<u>2,934,796</u>	<u>294,897</u>	<u>(414,542)</u>	<u>2,815,151</u>
<u>Fixed Assets</u>				
Building	-	1,276,874	-	1,276,874
Equipment and furniture	26,960	11,832	-	38,792
Cars and trucks	35,422	-	-	35,422
Land	-	22,500	-	22,500
Less: accumulated depreciation	<u>(50,637)</u>	<u>(992,642)</u>	<u>-</u>	<u>(1,043,279)</u>
Total Fixed Assets	<u>11,745</u>	<u>318,564</u>	<u>-</u>	<u>330,309</u>
Total Assets	<u><u>\$ 2,946,541</u></u>	<u><u>\$ 613,461</u></u>	<u><u>\$ (414,542)</u></u>	<u><u>\$ 3,145,460</u></u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>Current Liabilities</u>				
Accounts payable and accrued expenses	\$ 92,218	\$ 24,307	\$ -	\$ 116,525
Due to affiliate	-	95,753	(95,753)	-
Notes payable - current, net	9,982	17,734	-	27,716
Tenant security deposits	<u>-</u>	<u>10,050</u>	<u>-</u>	<u>10,050</u>
Total Current Liabilities	<u>102,200</u>	<u>147,844</u>	<u>(95,753)</u>	<u>154,291</u>
<u>Long-Term Liabilities</u>				
Notes payable - long-term, net	<u>126,444</u>	<u>146,828</u>	<u>-</u>	<u>273,272</u>
Total Long-Term Liabilities	<u>126,444</u>	<u>146,828</u>	<u>-</u>	<u>273,272</u>
Total Liabilities	<u>228,644</u>	<u>294,672</u>	<u>(95,753)</u>	<u>427,563</u>
<u>Net Assets</u>				
Unrestricted net assets	1,675,227	-	-	1,675,227
Temporarily restricted net assets	1,042,670	-	-	1,042,670
Partners' equity	<u>-</u>	<u>318,789</u>	<u>(318,789)</u>	<u>-</u>
Total Equity	<u>2,717,897</u>	<u>318,789</u>	<u>(318,789)</u>	<u>2,717,897</u>
Total Liabilities and Net Assets	<u><u>\$ 2,946,541</u></u>	<u><u>\$ 613,461</u></u>	<u><u>\$ (414,542)</u></u>	<u><u>\$ 3,145,460</u></u>

See Independent Auditors' Report on Supplementary Information.

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY
Consolidating Statement of Activities/Loss
For the Year Ended June 30, 2015

	HFHC Unrestricted	HFHC Restricted	Winthrop	Eliminations	Total
<u>Support and Revenue</u>					
Individuals	\$ 275,313	\$ -	\$ -	\$ -	\$ 275,313
Corporations and foundations	563,104	885,000	-	-	1,448,104
Nonprofit and religious organizations	580	-	-	-	580
Affiliated organizations	36,546	-	-	-	36,546
Sales of homes	363,000	-	-	-	363,000
Cost of home sales	(332,900)	-	-	-	(332,900)
Special events income	195,747	-	-	-	195,747
Special events expense	(69,842)	-	-	-	(69,842)
Resale store income	-	-	-	-	-
Resale store expense	(63,389)	-	-	-	(63,389)
Interest	675	-	-	-	675
Mortgage interest amortization	50,232	-	-	-	50,232
Recovery of mortgage receivable	3,986	-	-	-	3,986
Gain on foreclosure	35,000	-	-	-	35,000
Rental revenue - net	-	-	171,580	-	171,580
Miscellaneous	27	-	1,374	-	1,401
Total	1,058,079	885,000	172,954	-	2,116,033
Released from Restriction	198,330	(198,330)	-	-	-
Total Support and Revenue	1,256,409	686,670	172,954	-	2,116,033
<u>Operating Expenses</u>					
Program services	1,387,271	-	-	-	1,387,271
Management and general	120,208	-	-	-	120,208
Fundraising	152,115	-	-	-	152,115
Administrative	-	-	32,692	-	32,692
Operating	-	-	5,362	-	5,362
Maintenance	-	-	24,114	-	24,114
Materials and supplies	-	-	9,863	-	9,863
Salaries and wages	-	-	10,684	-	10,684
Utilities	-	-	12,902	-	12,902
Taxes and insurance	-	-	26,983	-	26,983
Financing	-	-	1,712	-	1,712
Depreciation	-	-	47,137	-	47,137
Total Operating Expenses	1,659,594	-	171,449	-	1,831,043
Increase (Decrease) in Net Assets/Net Income (Loss) Before Equity in Net Income (Loss) of Subsidiary	(403,185)	686,670	1,505	-	284,990
Net Income (Loss) of Subsidiary	1,505	-	-	(1,505)	-
Increase (Decrease) in Net Assets/Net Income (Loss)	(401,680)	686,670	1,505	(1,505)	284,990
Net Assets - Beginning of Year	2,076,907	356,000	317,284	(317,284)	2,432,907
Net Assets - End of Year	\$ 1,675,227	\$ 1,042,670	\$ 318,789	\$ (318,789)	\$ 2,717,897

See Independent Auditors' Report on Supplementary Information.

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY

Consolidating Statement of Cash Flows

For the Year Ended June 30, 2015

	HFHC	Winthrop	Total
<u>Cash Flows from Operating Activities</u>			
Change in net assets	\$ 284,990	\$ 1,505	\$ 286,495
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation	5,830	47,137	52,967
(Increase) decrease in:			
Accounts receivable	(9,549)	1,411	(8,138)
Contribution receivable	(551,231)	-	(551,231)
Prepaid expenses	8,834	(139)	8,695
Construction in progress	163,687	-	163,687
Increase (decrease) in:			
Accounts payable	56,447	1,889	58,336
Tenant security deposits	-	270	270
	<u>(40,992)</u>	<u>52,073</u>	<u>11,081</u>
Net Cash Provided by (Used in) Operating Activities			
<u>Cash Flows from Financing Activities</u>			
Mortgage principal payments	-	(17,559)	(17,559)
Loan principal payments	(9,982)	-	(9,982)
	<u>(9,982)</u>	<u>(17,559)</u>	<u>(27,541)</u>
Net Cash Provided by (Used in) Financing Activities			
<u>Cash Flows from Investing Activities</u>			
Investment in subsidiary	(1,506)	-	(1,506)
Change in mortgages receivable - net	(97,268)	-	(97,268)
	<u>(98,774)</u>	<u>-</u>	<u>(98,774)</u>
Net Cash Provided by (Used in) Investing Activities			
Net Increase (Decrease) in Cash	(149,748)	34,514	(115,234)
Cash at Beginning of Year	643,397	256,357	899,754
Cash at End of Year	<u>\$ 493,649</u>	<u>\$ 290,871</u>	<u>\$ 784,520</u>

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