

HABITAT FOR HUMANITY CHICAGO, INC.

Financial Statements

June 30, 2020 and 2019

HABITAT FOR HUMANITY CHICAGO, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Habitat for Humanity Chicago, Inc.

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 consolidated statement of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 Habitat for Humanity Chicago, Inc. as of June 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating information on pages 20 to 27 is also presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Barnes, Givens & Barnes, Ltd.

Mount Prospect, Illinois
September 18, 2020

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY

Consolidated Statements of Financial Position

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 1,017,358	\$ 1,661,489
Accounts receivable	74,497	61,494
Contributions receivable	320,522	201,359
Mortgages receivable - short-term, net	76,097	63,638
Donated materials inventory	149,311	-
Prepaid expenses	51,350	24,273
Construction in progress	438,729	333,834
Note receivable - short term	3,192	3,192
Security deposit	39,591	12,647
Total Current Assets	<u>2,170,647</u>	<u>2,361,926</u>
<u>Fixed Assets</u>		
Equipment and furniture	84,541	65,550
Cars and trucks	48,922	48,922
Less: accumulated depreciation	<u>(104,480)</u>	<u>(91,352)</u>
Total Fixed Assets	<u>28,983</u>	<u>23,120</u>
<u>Non-Current Assets</u>		
Mortgages receivable - long-term, net	1,636,834	1,315,996
Note receivable - long-term	77,400	80,592
Intangible assets	<u>17,127</u>	<u>25,031</u>
Total Non-Current Assets	<u>1,731,361</u>	<u>1,421,619</u>
Total Assets	<u>\$ 3,930,991</u>	<u>\$ 3,806,665</u>

See Accompanying Notes to Financial Statements and
Independent Auditors' Report

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY
Consolidated Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts payable and accrued expenses	\$ 330,063	\$ 110,870
Deferred revenue	-	3,204
Notes payable - current, net	221,828	73,679
Total Current Liabilities	551,891	187,753
<u>Long-Term Liabilities</u>		
Notes payable - long-term, net	1,648,715	1,519,217
Total Long-Term Liabilities	1,648,715	1,519,217
Total Liabilities	2,200,606	1,706,970
<u>Net Assets</u>		
Net assets without donor restrictions	1,672,017	1,755,063
Net assets with donor restrictions	58,368	344,632
Total Net Assets	1,730,385	2,099,695
Total Liabilities and Net Assets	\$ 3,930,991	\$ 3,806,665

See Accompanying Notes to Financial Statements and
Independent Auditors' Report

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITYConsolidated Statements of Activities
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>Support and Revenue</u>		
Individuals	\$ 983,416	\$ 390,426
Corporations and foundations	965,852	1,050,978
Nonprofit and religious organizations	107,990	33,400
In-kind donations	181,252	161,786
Sales of homes	1,115,000	636,439
Cost of home sales	(1,385,548)	(636,439)
Special events income	497,252	495,770
Special events expense	(56,702)	(77,974)
Resale store income	810,107	253,641
Resale store expense	(841,596)	(46,535)
Interest	10,691	15,514
Mortgage interest amortization	90,316	146,287
Recovery of mortgage receivable	-	14,765
Gain on foreclosure	100	42,200
Miscellaneous	12,607	86,712
Total Support and Revenue	<u>2,490,737</u>	<u>2,566,970</u>
<u>Operating Expenses</u>		
Program services	2,132,793	2,082,834
Management and general	306,759	268,212
Fundraising	678,060	421,630
Total Operating Expenses	<u>3,117,612</u>	<u>2,772,676</u>
Increase (Decrease) in Net Assets/Net Income (Loss)	(626,875)	(205,706)
Net Assets - Beginning of Year	<u>2,357,260</u>	<u>2,305,401</u>
Net Assets - End of Year	<u>\$ 1,730,385</u>	<u>\$ 2,099,695</u>

See Accompanying Notes to Financial Statements and
Independent Auditors' Report

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY

Consolidated Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ (626,875)	\$ (205,706)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	21,033	19,411
(Increase) decrease in:		
Accounts receivable	(13,003)	(4,761)
Contributions receivable	(119,163)	460,290
Donated materials inventory	(149,311)	-
Prepaid expenses	(27,077)	(1,913)
Note receivable	3,192	2,926
Security deposit	(26,944)	-
Construction in progress	(104,895)	15,694
Increase (decrease) in:		
Accounts payable	219,193	(10,823)
Deferred revenue	(3,204)	1,412
Net Cash Provided by (Used in) Operating Activities	(827,054)	276,530
Cash Flows from Financing Activities		
Loan proceeds/principal payments - net	277,647	1,113,238
Net Cash Provided by (Used in) Financing Activities	277,647	1,113,238
Cash Flows from Investing Activities		
Purchase of fixed assets	(18,992)	-
Purchase of intangible assets	257,565	-
Change in mortgages receivable - net	(333,297)	(143,892)
Net Cash Provided by (Used in) Investing Activities	(94,724)	(143,892)
Net Increase (Decrease) in Cash and Cash Equivalents	(644,131)	1,245,876
Cash and Cash Equivalents - Beginning of Year	1,661,489	415,613
Cash and Cash Equivalents - End of Year	\$ 1,017,358	\$ 1,661,489
* * * * *		
Supplemental Disclosure of Cash Flow Information -		
Cash paid during the year for:		
Income tax	\$ -	\$ -
Interest	\$ 11,576	\$ 9,001

See Accompanying Notes to Financial Statements and
Independent Auditors' Report

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY

Statement of Functional Expenses - Habitat for Humanity Chicago

For the Year Ended June 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 679,793	\$ 177,617	\$ 392,058	\$ 1,249,468
Payroll taxes	52,761	14,697	29,171	96,629
Dues and subscriptions	726	1,117	129	1,972
Insurance	84,740	8,577	10,593	103,910
Marketing	2,623	144	109,674	112,441
Supplies	5,106	13,304	1,697	20,107
Telephone and internet	1,745	2,127	495	4,367
Printing and postage	10,271	597	51,882	62,750
Professional services	132,643	27,940	-	160,583
Auto expense	2,461	-	-	2,461
Rent	52,925	16,098	16,098	85,121
Travel	40,713	1,712	1,254	43,679
Construction costs	57,628	-	-	57,628
Contract labor	93,275	3,480	19,990	116,745
Dedications	761	-	-	761
Family services implementation	-	-	-	-
Neighborhood projects	22,742	-	-	22,742
Global village trip	-	-	-	-
Equipment and maintenance	1,893	4,213	3,971	10,077
Bank fees	245	795	26,638	27,678
Depreciation and amortization	-	21,033	-	21,033
Notes payable amortization	9,684	-	-	9,684
Mortgage discount	571,647	-	-	571,647
Bad debt expense - escrows	1,000	-	-	1,000
Construction in process write-down	132,602	-	-	132,602
Outside services	14,900	2,950	-	17,850
Technology	27,944	7,905	10,527	46,376
Interest expense	-	14	-	14
Training	1,263	966	2,709	4,938
Tithe	115,000	-	-	115,000
Utilities	3,525	1,174	1,174	5,873
Miscellaneous	601	299	-	900
Total Functional Expenses	<u>\$ 2,121,217</u>	<u>\$ 306,759</u>	<u>\$ 678,060</u>	<u>\$ 3,106,036</u>

See Accompanying Notes to Financial Statements and
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HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY

Statement of Functional Expenses - Habitat for Humanity Chicago

For the Year Ended June 30, 2019

	Program Services	Management and General	Fundraising	Total
Salaries and benefits	\$ 625,875	\$ 169,069	\$ 294,196	\$ 1,089,140
Payroll taxes	44,667	9,866	21,707	76,240
Dues and subscriptions	894	504	17,398	18,796
Insurance	37,745	6,260	4,718	48,723
Marketing	6,398	1,464	6,831	14,693
Supplies	3,552	2,412	1,213	7,177
Telephone and internet	2,699	1,917	839	5,455
Printing and postage	5,356	134	2,534	8,024
Professional services	149,198	6,727	-	155,925
Auto expense	2,599	-	-	2,599
Rent	48,458	16,152	16,152	80,762
Travel	31,081	4,108	4,102	39,291
Construction costs	118,860	-	-	118,860
Contract labor	89,913	11,714	7,447	109,074
Dedications	3,079	-	-	3,079
Family services implementation	300	-	-	300
Neighborhood projects	29,334	-	-	29,334
Global village trip	24,061	-	-	24,061
Equipment and maintenance	1,580	1,726	5,787	9,093
Bank fees	-	1,032	28,337	29,369
Depreciation and amortization	-	19,411	-	19,411
Notes payable amortization	9,684	-	-	9,684
Mortgage discount	334,533	-	-	334,533
Bad debt expense - escrows	3,123	-	-	3,123
Construction in process write-down	289,417	-	-	289,417
Outside services	15,077	4,622	-	19,699
Technology	28,091	8,943	6,782	43,816
Interest expense	-	10	-	10
Training	8,384	710	2,206	11,300
Tithe	155,000	-	-	155,000
Utilities	4,141	1,181	1,381	6,703
Miscellaneous	734	250	-	984
Total Functional Expenses	<u>\$ 2,073,833</u>	<u>\$ 268,212</u>	<u>\$ 421,630</u>	<u>\$ 2,763,675</u>

See Accompanying Notes to Financial Statements and
Independent Auditors' Report

HABITAT FOR HUMANITY CHICAGO, INC.

Notes to Financial Statements

June 30, 2020 and 2019

Note A – Organization and Nature of Activities

Habitat for Humanity Chicago, Inc. (“HFHC”) 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. HFHC is an affiliate of Habitat for Humanity International, Inc. (“HFHI”).

In 2006, HFHC merged operations of two other HFHI affiliates: Uptown Habitat for Humanity (Uptown) and Pilsen/Little Village Habitat for Humanity. As part of the merger, HFHC accepted the assets and assumed the liabilities of these affiliates. Nearly all the assets and liabilities of the affiliated organizations had been transferred to HFHC 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 had one General Partner, Winthrop Habitat Development Corporation, which has a 1% interest, and one Limited Partner, Habitat for Humanity Chicago which had a 99% interest. Effective August 17, 2015, all of the assets and liabilities of Winthrop have been transferred to the Winthrop Apartments Cooperative and HFHC has recorded a loss on transfer of \$318,789, which was HFHC’s investment in Winthrop at the time of transfer.

HFHC Funding Company I, LLC (“HFHC Funding”) was incorporated in January 2016 as a limited liability company and has taken title of a basket of mortgages receivable that have assigned as collateral for a Note Payable to PNC. In August 2018, HFHC Funding has taken an additional basket of mortgages receivable that have been assigned as collateral for a Note Payable to Northern Trust. HFHC Funding is a wholly owned subsidiary of HFHC.

Effective November 1, 2019, the ReStore located at 6040 N. Pulaski, Chicago, IL and operated by Habitat for Humanity of Northern Fox Valley has been assumed by the Organization. This option to assume the ReStore was agreed to an original ReStore agreement between these two entities dated April 9, 2013. It was further affirmed in a Memorandum of Understanding dated June 13, 2018. The Organization gave formal notice of its intent to assume the ReStore on October 31, 2018 meeting the minimum one-year notice requirement. Both parties have in place a mutually agreeable management and transition plan. Habitat Northern Fox Valley will continue to receive 50% of the net profits from this ReStore as part of a revenue sharing agreement that is deemed to expire on January 1, 2023. These profits will be shared monthly.

HABITAT FOR HUMANITY CHICAGO, INC.

Notes to Financial Statements

June 30, 2020 and 2019

Note B – Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of HFHC and HFHC Funding (collectively, the “Organization”) have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Consolidation

HFHC 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, HFHC has a wholly owned subsidiary, HFHC Funding, created for the purpose of collateralizing notes from PNC and Northern Trust Banks.

The accompanying consolidated financial statements include the accounts of Habitat for Humanity Chicago and its wholly owned subsidiary, after eliminating all intercompany transactions.

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.

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 or fifteenth 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.

HABITAT FOR HUMANITY CHICAGO, INC.

Notes to Financial Statements

June 30, 2020 and 2019

Note B – Summary of Significant Accounting Policies (continued)

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.

Certificates of Deposit

Certificates of Deposit are comprised of the following and are included in cash and cash equivalents as of June 30, 2019:

<u>Account</u>	<u>Interest %</u>	<u>Maturity</u>	<u>Amount</u>
BMO Harris	2.469%	08/19	\$202,477

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.

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 \$1,000 and \$3,123 for the years ended June 30, 2020 and 2019, respectively.

HABITAT FOR HUMANITY CHICAGO, INC.

Notes to Financial Statements

June 30, 2020 and 2019

Note B – Summary of Significant Accounting Policies (continued)

Donated Materials Inventory

The Organization records inventories at net realizable value. Net realizable value is based on the selling price.

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 \$13,128 and \$11,506 for the years ended June 30, 2020 and 2019, respectively.

Intangible Assets

Intangible assets are valued at cost and are amortized over their useful lives of three years. Amortization expense was \$7,905 for each of the years ended June 30, 2020 and 2019, respectively.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. If the governing board were to designate from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment, those funds would also fall under this category.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

HABITAT FOR HUMANITY CHICAGO, INC.

Notes to Financial Statements

June 30, 2020 and 2019

Note B – Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

In the Statement 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. Contributed legal services of \$130,025 and \$144,591 were recognized as revenue for the for the years ended June 30, 2020 and 2019, respectively. Contributed goods to be used for fund raising purposes for use in the construction program, new office and other operational uses of \$51,227 and \$36,160 were recognized as revenue for the for the years ended June 30, 2020 and 2019, respectively. Numerous volunteers have donated significant amounts of time to the Organization. However, no amounts have been reflected in the financial statements for those services.

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 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, 2020. The Organization has evaluated its tax positions and determined it has no uncertain tax positions at June 30, 2020. The Organization's 2016-2019 tax years are open for examination by the IRS. Should the Organization's tax-exempt status be challenged in the future, all years since inception could be subject to review by the IRS.

HABITAT FOR HUMANITY CHICAGO, INC.

Notes to Financial Statements

June 30, 2020 and 2019

Note D – Mortgages Receivable

As of June 30, 2020 and 2019, the following details the mortgages receivable:

	2020	2019
Total mortgages receivables before adjustments	\$ 4,336,797	\$ 3,494,088
Less: unamortized discount	(2,553,146)	(2,068,791)
Less: allowance for uncollectible accounts	-	-
Less: allowance for past due escrow balances	(70,720)	(45,663)
 Net Mortgages Receivable	 \$ 1,712,931	 \$ 1,379,634
 Amounts due in:		
Less than one year	\$ 183,653	\$ 151,762
One to two years	183,653	151,762
Two to three years	183,653	151,762
Three to four years	183,653	151,762
Four to five years	183,653	151,762
Five years and beyond	3,418,532	2,735,278
	\$ 4,336,797	\$ 3,494,088

Discount rates range from four percent to eight percent.

Note E – Intangibles

At June 30, 2020 and 2019, intangible assets of \$17,127 and \$25,031 on the statement of financial position consist of the following:

	As of June 30, 2020		As of June 30, 2019	
	Carrying Value	Accumulated Amortization	Carrying Value	Accumulated Amortization
Website Redesign	\$ 39,523	\$ 22,396	\$ 39,523	\$ 14,492
 Net Balance		 \$ 17,127		 \$ 25,031

This asset is being amortized over the useful life of 3 years.

HABITAT FOR HUMANITY CHICAGO, INC.

Notes to Financial Statements

June 30, 2020 and 2019

Note F – Notes Receivable

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 at 0% interest. The outstanding balance at June 30, 2020 and 2019 is \$80,592 and \$83,784, respectively.

Note G– Leases

The Organization currently leases office space under a seven-year lease expiring on November 30, 2023. The monthly rent is \$6,324 with a four percent annual increase.

In addition, as described in Note K, 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 which was effective through August 31, 2019. Effective September 1, 2019, the Organization signed a ten-year lease extension for the resale store located at 6040-44 N. Pulaski Road, in Chicago, Illinois.

The estimated future minimum rental and lease obligation for the succeeding years under non-cancelable operating leases in effect as of June 30, 2020 are as follows:

<u>Year Ended June 30,</u>	<u>Office Space</u>	<u>Resale Store</u>
2021	\$ 87,351	\$ 326,275
2022	90,845	332,740
2023	94,479	339,335
2024	40,007	346,062
2025	-	420,104
Thereafter	-	1,187,004
	<u>\$ 312,682</u>	<u>\$ 2,951,520</u>

HABITAT FOR HUMANITY CHICAGO, INC.

Notes to Financial Statements

June 30, 2020 and 2019

Note H – Long-Term Debt

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 and one loan remains 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. As of June 30, 2020 and 2019, \$140,444 and \$160,111 remains payable to Illinois Housing Development Authority, respectively.

On January 29, 2016, HFHC established HFHC Funding and has assigned a basket of mortgages receivable with a value of \$629,685 on December 31, 2015 as means of collateral for a Note Payable to PNC Bank. At the closing date, the HFHC received \$448,699 and will repay the \$629,685 with payments of mortgages receivable quarterly. The loan has an interest rate of 3%. As of June 30, 2020 and 2019, \$376,627 and \$391,723 remains payable to PNC Bank, respectively.

On September 5, 2018, HFHC Funding entered into an agreement with The Northern Trust Company and has assigned a basket of mortgages receivable with a value of \$1,168,891 on August 30, 2018 as means of collateral for a Note Payable to The Northern Trust Company. On September 5, 2018, HFHC received \$1,221,491 and will repay the \$1,168,891 with payments of mortgages receivable monthly. The loan has an interest rate of 0%. As of June 30, 2020 and 2019, \$1,093,620 and \$1,134,677 remains payable to Northern Trust Bank, respectively.

On April 30, 2020, HFHC was granted a loan from Cornerstone Bank in the aggregate amount of \$336,282, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act, which was enacted March 27, 2020. The Loan, which was in the form of a Note dated April 20, 2020 issued by the Cornerstone Bank, matures on April 20, 2022 and bears interest at a rate of 1.0% per annum, payable monthly commencing on November 6, 2020. The Note may be prepaid by the Borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. HFHC intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

HABITAT FOR HUMANITY CHICAGO, INC.

Notes to Financial Statements

June 30, 2020 and 2019

Note H – Long-Term Debt (continued)

As of June 30, 2020 and 2019, the following details the notes payable:

	2020	2019
Note payable to IHDA	\$ 140,444	\$ 160,111
Note payable to PNC Bank	376,627	391,723
Note payable to Northern Trust	1,093,620	1,134,677
Note payable to Cornerstone - PPP	336,282	-
Other	7,500	-
Less: unamortized discount	<u>(83,930)</u>	<u>(93,615)</u>
Net Notes Payable	<u>\$ 1,870,543</u>	<u>\$ 1,592,896</u>

As of June 30, 2020, the amount required to be paid on the notes payable for each of the next five fiscal years and thereafter are as follows:

2021	\$ 246,122
2022	275,987
2023	89,164
2024	89,164
2025	86,807
Thereafter	1,167,230
Less: unamortized discount	<u>(83,931)</u>
Net Notes Payable	<u>\$ 1,870,543</u>

Note I – Net Assets with Donor Restrictions

Net assets with donor restrictions of \$58,638 are available solely for the purpose of building affordable housing. The amount of \$837,155 was released from restricted funds for building affordable housing during the year ended June 30, 2020 as the Organization fulfilled the donor-imposed restrictions.

Net assets with donor restrictions of \$352,132 are available solely for the purpose of building affordable housing. The amount of \$408,095 was released from restricted funds for building affordable housing during the year ended June 30, 2019 as the Organization fulfilled the donor-imposed restrictions.

HABITAT FOR HUMANITY CHICAGO, INC.

Notes to Financial Statements

June 30, 2020 and 2019

Note J – Retirement Plan

The Organization has a 401(k) 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. During the years ended June 30, 2020 and 2019, the Organization made matching contributions to the plan of \$35,700 and \$25,575, respectively.

Note K – 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. For the years ended June 30, 2020 and 2019, net proceeds from the ReStore of \$124,133 and \$253,641 were distributed to the Organization, respectively. Effective November 1, 2019, the Organization has taken over control of the ReStore and is now obligated to share 50% of the net profits from this ReStore as part of a revenue sharing agreement with HFHNFV through January 1, 2023. For the year ended June 30, 2020, net proceeds from the ReStore of \$66,105 were distributed to HFHNFV.

Note L—Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts available include donor restricted amounts that are available for general expenditure in the following year. Amounts not available include amounts with donor-imposed purpose and time restrictions.

	<u>2020</u>	<u>2019</u>
Financial assets, at year-end:		
Cash and cash equivalents	\$ 1,017,358	\$ 1,661,489
Accounts receivable	74,497	61,494
Contributions receivable	320,522	201,359
Note receivable – short term	3,192	3,192
Less contractual or donor-imposed restrictions:		
Donor restrictions for specific purposes	<u>(58,368)</u>	<u>(352,132)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,357,201</u>	<u>\$ 1,575,402</u>

HABITAT FOR HUMANITY CHICAGO, INC.

Notes to Financial Statements

June 30, 2020 and 2019

Note M – Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. At June 30, 2020 and 2019, the Organization had \$737,849 and \$1,327,670 in excess of FDIC insured limit.

Note N – Donated Services

Other than the amounts noted in Note B, there have been no amounts reflected in the financial statements for donated services inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time in the Organization’s program and support service.

Note O – Subsequent Events

The Organization’s operations may be affected by the recent and ongoing outbreak of the coronavirus disease (COVID-19), which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in disruption to the Organization’s donors, volunteers and revenue streams (including attendance at future events), and a decline in value of the Organization’s marketable securities.

In September 2020, HFHC Funding entered into an agreement with The Northern Trust Company and has assigned a basket of mortgages receivable with a value of \$1,430,056 as means of collateral for a Note Payable to The Northern Trust Company

Other than the matters noted above, the Organization has determined that no material events or transactions occurred subsequent to June 30, 2020 and through the date of the independent auditor’s 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

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY

Consolidating Statement of Financial Position

June 30, 2020

	<u>HFHC</u>	<u>HFHC Funding Co. LLC</u>	<u>Eliminations</u>	<u>Total</u>
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash and cash equivalents	\$ 1,017,358	\$ -	\$ -	\$ 1,017,358
Accounts receivable	74,497	-	-	74,497
Contributions receivable	320,522	-	-	320,522
Mortgages receivable, net - short-term	49,746	26,351	-	76,097
Inventory	149,311	-	-	149,311
Prepaid expenses	51,350	-	-	51,350
Construction in progress	438,729	-	-	438,729
Note receivable - short-term	3,192	-	-	3,192
Security deposit	39,591	-	-	39,591
Due from parent	-	918,303	(918,303)	-
Investment in subsidiary	71,163	-	(71,163)	-
Total Current Assets	2,215,459	944,654	(989,466)	2,170,647
<u>Fixed Assets</u>				
Equipment and furniture	84,541	-	-	84,541
Cars and trucks	48,922	-	-	48,922
Less: accumulated depreciation	(104,480)	-	-	(104,480)
Total Fixed Assets	28,983	-	-	28,983
<u>Non-Current Assets</u>				
Mortgages receivable, net - long-term	1,040,078	596,756	-	1,636,834
Note receivable - long-term	77,400	-	-	77,400
Intangible assets, net of amortization	17,127	-	-	17,127
Total Non-Current Assets	1,134,605	596,756	-	1,731,361
Total Assets	\$ 3,379,047	\$ 1,541,410	\$ (989,466)	\$ 3,930,991

See Independent Auditors' Report

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY

Consolidating Statement of Financial Position

June 30, 2020

	<u>HFHC</u>	<u>HFHC Funding Co. LLC</u>	<u>Eliminations</u>	<u>Total</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>Current Liabilities</u>				
Accounts payable and accrued expenses	\$ 330,063	\$ -	\$ -	\$ 330,063
Deferred revenue	-	-	-	-
Due to affiliate	918,303	-	(918,303)	-
Notes payable - current, net	<u>159,441</u>	<u>62,387</u>	<u>-</u>	<u>221,828</u>
Total Current Liabilities	<u>1,407,807</u>	<u>62,387</u>	<u>(918,303)</u>	<u>551,891</u>
<u>Long-Term Liabilities</u>				
Notes payable - long-term, net	<u>240,855</u>	<u>1,407,860</u>	<u>-</u>	<u>1,648,715</u>
Total Long-Term Liabilities	<u>240,855</u>	<u>1,407,860</u>	<u>-</u>	<u>1,648,715</u>
Total Liabilities	<u>1,648,662</u>	<u>1,470,247</u>	<u>(918,303)</u>	<u>2,200,606</u>
<u>Net Assets</u>				
Net assets without donor restrictions	1,672,017	-	-	1,672,017
Net assets with donor restrictions	58,368	-	-	58,368
Partners' equity in LLC	<u>-</u>	<u>71,163</u>	<u>(71,163)</u>	<u>-</u>
Total Net Assets	<u>1,730,385</u>	<u>71,163</u>	<u>(71,163)</u>	<u>1,730,385</u>
Total Liabilities and Net Assets	<u>\$ 3,379,047</u>	<u>\$ 1,541,410</u>	<u>\$ (989,466)</u>	<u>\$ 3,930,991</u>

See Independent Auditors' Report

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY

Consolidating Statement of Financial Position

June 30, 2019

	<u>HFHC</u>	<u>HFHC Funding Co. LLC</u>	<u>Eliminations</u>	<u>Total</u>
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash and cash equivalents	\$ 1,661,489	\$ -	\$ -	\$ 1,661,489
Accounts receivable	61,494	-	-	61,494
Contributions receivable	201,359	-	-	201,359
Mortgages receivable, net - short-term	37,287	26,351	-	63,638
Prepaid expenses	24,273	-	-	24,273
Construction in progress	333,834	-	-	333,834
Note receivable - short-term	3,192	-	-	3,192
Security deposit	12,647	-	-	12,647
Due from parent	-	915,115	(915,115)	-
Investment in subsidiary	41,891	-	(41,891)	-
Total Current Assets	<u>2,377,466</u>	<u>941,466</u>	<u>(957,006)</u>	<u>2,361,926</u>
<u>Fixed Assets</u>				
Equipment and furniture	65,550	-	-	65,550
Cars and trucks	48,922	-	-	48,922
Less: accumulated depreciation	<u>(91,352)</u>	<u>-</u>	<u>-</u>	<u>(91,352)</u>
Total Fixed Assets	<u>23,120</u>	<u>-</u>	<u>-</u>	<u>23,120</u>
<u>Non-Current Assets</u>				
Mortgages receivable, net - long-term	689,171	626,825	-	1,315,996
Note receivable - long-term	80,592	-	-	80,592
Intangible assets, net of amortization	<u>25,031</u>	<u>-</u>	<u>-</u>	<u>25,031</u>
Total Non-Current Assets	<u>794,794</u>	<u>626,825</u>	<u>-</u>	<u>1,421,619</u>
Total Assets	<u>\$ 3,195,380</u>	<u>\$ 1,568,291</u>	<u>\$ (957,006)</u>	<u>\$ 3,806,665</u>

See Independent Auditors' Report

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY

Consolidating Statement of Financial Position

June 30, 2019

	<u>HFHC</u>	<u>HFHC Funding Co. LLC</u>	<u>Eliminations</u>	<u>Total</u>
<u>LIABILITIES AND NET ASSETS</u>				
<u>Current Liabilities</u>				
Accounts payable and accrued expenses	\$ 110,870	\$ -	\$ -	\$ 110,870
Deferred revenue	3,204	-	-	3,204
Due to affiliate	915,115	-	(915,115)	-
Notes payable - current, net	<u>9,982</u>	<u>63,697</u>	<u>-</u>	<u>73,679</u>
Total Current Liabilities	<u>1,039,171</u>	<u>63,697</u>	<u>(915,115)</u>	<u>187,753</u>
<u>Long-Term Liabilities</u>				
Notes payable - long-term, net	<u>56,514</u>	<u>1,462,703</u>	<u>-</u>	<u>1,519,217</u>
Total Long-Term Liabilities	<u>56,514</u>	<u>1,462,703</u>	<u>-</u>	<u>1,519,217</u>
Total Liabilities	<u>1,095,685</u>	<u>1,526,400</u>	<u>(915,115)</u>	<u>1,706,970</u>
<u>Net Assets</u>				
Net assets without donor restrictions	1,755,063	-	-	1,755,063
Net assets with donor restrictions	344,632	-	-	344,632
Partners' equity in LLC	<u>-</u>	<u>41,891</u>	<u>(41,891)</u>	<u>-</u>
Total Net Assets	<u>2,099,695</u>	<u>41,891</u>	<u>(41,891)</u>	<u>2,099,695</u>
Total Liabilities and Net Assets	<u>\$ 3,195,380</u>	<u>\$ 1,568,291</u>	<u>\$ (957,006)</u>	<u>\$ 3,806,665</u>

See Independent Auditors' Report

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY
Consolidating Statement of Activities
For the Year Ended June 30, 2020

	HFHC Without Donor Restrictions	HFHC With Donor Restrictions	HFHC Funding Co. LLC	Eliminations	Total
<u>Support and Revenue</u>					
Individuals	\$ 939,553	\$ 43,863	\$ -	\$ -	\$ 983,416
Corporations and foundations	458,824	507,028	-	-	965,852
Nonprofit and religious organizations	107,990	-	-	-	107,990
In-kind donations	181,252	-	-	-	181,252
Sales of homes	1,115,000	-	-	-	1,115,000
Cost of home sales	(1,385,548)	-	-	-	(1,385,548)
Special events income (including \$18,965 of in-kind donations)	497,252	-	-	-	497,252
Special events expense	(56,702)	-	-	-	(56,702)
Resale store income	810,107	-	-	-	810,107
Resale store expense	(841,596)	-	-	-	(841,596)
Interest	10,691	-	-	-	10,691
Mortgage interest amortization	49,468	-	40,848	-	90,316
Recovery of mortgage receivable	-	-	-	-	-
Gain on foreclosure	100	-	-	-	100
Miscellaneous	12,607	-	-	-	12,607
Total	1,898,998	550,891	40,848	-	2,490,737
Net assets released from restriction	837,155	(837,155)	-	-	-
Total Support and Revenue	2,736,153	(286,264)	40,848	-	2,490,737
<u>Operating Expenses</u>					
Program services	2,121,217	-	11,576	-	2,132,793
Management and general	306,759	-	-	-	306,759
Fundraising	678,060	-	-	-	678,060
Total Operating Expenses	3,106,036	-	11,576	-	3,117,612
Increase (Decrease) in Net Assets Before Net Income (Loss) of Subsidiary - LLC	(369,883)	(286,264)	29,272	-	(626,875)
Net Income (Loss) of Subsidiary - LLC	29,272	-	(29,272)	-	-
Increase (Decrease) in Net Assets	(340,611)	(286,264)	-	-	(626,875)
Net Assets - Beginning of Year	2,012,628	344,632	-	-	2,357,260
Net Assets - End of Year	<u>\$ 1,672,017</u>	<u>\$ 58,368</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,730,385</u>

See Independent Auditors' Report

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY
Consolidating Statement of Activities
For the Year Ended June 30, 2019

	HFHC Without Donor Restrictions	HFHC With Donor Restrictions	HFHC Funding Co. LLC	Eliminations	Total
<u>Support and Revenue</u>					
Individuals	\$ 374,330	\$ 16,096	\$ -	\$ -	\$ 390,426
Corporations and foundations	582,515	468,463	-	-	1,050,978
Nonprofit and religious organizations	33,400	-	-	-	33,400
In-kind donations	161,786	-	-	-	161,786
Sales of homes	636,439	-	-	-	636,439
Cost of home sales	(636,439)	-	-	-	(636,439)
Special events income (including \$18,965 of in-kind donations)	495,770	-	-	-	495,770
Special events expense	(77,974)	-	-	-	(77,974)
Resale store income	253,641	-	-	-	253,641
Resale store expense	(46,535)	-	-	-	(46,535)
Interest	15,514	-	-	-	15,514
Mortgage interest amortization	105,439	-	40,848	-	146,287
Recovery of mortgage receivable	14,765	-	-	-	14,765
Gain on foreclosure	42,200	-	-	-	42,200
Miscellaneous	86,712	-	-	-	86,712
Total	2,041,563	484,559	40,848	-	2,566,970
Net assets released from restriction	408,095	(408,095)	-	-	-
Total Support and Revenue	2,449,658	76,464	40,848	-	2,566,970
<u>Operating Expenses</u>					
Program services	2,073,833	-	9,001	-	2,082,834
Management and general	268,212	-	-	-	268,212
Fundraising	421,630	-	-	-	421,630
Total Operating Expenses	2,763,675	-	9,001	-	2,772,676
Increase (Decrease) in Net Assets Before Net Income (Loss) of Subsidiary - LLC	(314,017)	76,464	31,847	-	(205,706)
Net Income (Loss) of Subsidiary - LLC	31,847	-	(31,847)	-	-
Increase (Decrease) in Net Assets	(282,170)	76,464	-	-	(205,706)
Net Assets - Beginning of Year	2,037,233	268,168	-	-	2,305,401
Net Assets - End of Year	<u>\$ 1,755,063</u>	<u>\$ 344,632</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,099,695</u>

See Independent Auditors' Report

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY

Consolidating Statement of Cash Flows

For the Year Ended June 30, 2020

	<u>HFHC</u>	<u>HFHC Funding Co. LLC</u>	<u>Total</u>
<u>Cash Flows from Operating Activities</u>			
Change in net assets	\$ (656,147)	\$ 29,272	\$ (626,875)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation and amortization	21,033	-	21,033
(Increase) decrease in:			
Accounts receivable	(13,003)	-	(13,003)
Contribution receivable	(119,163)	-	(119,163)
Donated materials inventory	(149,311)	-	(149,311)
Prepaid expenses	(27,077)	-	(27,077)
Note receivable	3,192	-	3,192
Security deposit	(26,944)	-	(26,944)
Construction in progress	(104,895)	-	(104,895)
Increase (decrease) in:			
Accounts payable	219,193	-	219,193
Deferred revenue	(3,204)	-	(3,204)
Net Cash Provided by (Used in) Operating Activities	<u>(856,326)</u>	<u>29,272</u>	<u>(827,054)</u>
<u>Cash Flows from Financing Activities</u>			
Loan proceeds/principal payments - net	<u>333,800</u>	<u>(56,153)</u>	<u>277,647</u>
Net Cash Provided by (Used in) Financing Activities	<u>333,800</u>	<u>(56,153)</u>	<u>277,647</u>
<u>Cash Flows from Investing Activities</u>			
Purchase of fixed assets	(18,992)	-	(18,992)
Assumption of ReStore	257,565	-	257,565
Due to/from parent	3,188	-	3,188
Due to/from affiliate	-	(3,188)	(3,188)
Change in mortgages receivable - net	<u>(363,366)</u>	<u>30,069</u>	<u>(333,297)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(121,605)</u>	<u>26,881</u>	<u>(94,724)</u>
Net Increase (Decrease) in Cash	(644,131)	-	(644,131)
Cash at Beginning of Year	<u>1,661,489</u>	<u>-</u>	<u>1,661,489</u>
Cash at End of Year	<u>\$ 1,017,358</u>	<u>\$ -</u>	<u>\$ 1,017,358</u>

See Independent Auditors' Report

HABITAT FOR HUMANITY CHICAGO, INC. AND RELATED ENTITY

Consolidating Statement of Cash Flows

For the Year Ended June 30, 2019

	<u>HFHC</u>	<u>HFHC Funding Co. LLC</u>	<u>Total</u>
<u>Cash Flows from Operating Activities</u>			
Change in net assets	\$ (237,553)	\$ 31,847	\$ (205,706)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:			
Depreciation and amortization	19,411	-	19,411
(Increase) decrease in:			
Accounts receivable	(4,761)	-	(4,761)
Contribution receivable	460,290	-	460,290
Prepaid expenses	(1,913)	-	(1,913)
Note receivable	2,926	-	2,926
Construction in progress	15,694	-	15,694
Increase (decrease) in:			
Accounts payable	(10,823)	-	(10,823)
Deferred revenue	1,412	-	1,412
Net Cash Provided by (Used in) Operating Activities	<u>244,683</u>	<u>31,847</u>	<u>276,530</u>
<u>Cash Flows from Financing Activities</u>			
Loan proceeds/principal payments - net	<u>(9,983)</u>	<u>1,123,221</u>	<u>1,113,238</u>
Net Cash Provided by (Used in) Financing Activities	<u>(9,983)</u>	<u>1,123,221</u>	<u>1,113,238</u>
<u>Cash Flows from Investing Activities</u>			
Due to/from parent	915,115	(139,866)	775,249
Due to/from affiliate	139,866	(915,115)	(775,249)
Change in mortgages receivable - net	<u>(43,805)</u>	<u>(100,087)</u>	<u>(143,892)</u>
Net Cash Provided by (Used in) Investing Activities	<u>1,011,176</u>	<u>(1,155,068)</u>	<u>(143,892)</u>
Net Increase (Decrease) in Cash	1,245,876	-	1,245,876
Cash at Beginning of Year	415,613	-	415,613
Cash at End of Year	<u>\$ 1,661,489</u>	<u>\$ -</u>	<u>\$ 1,661,489</u>

See Independent Auditors' Report