

**RACINE HABITAT FOR HUMANITY, INC.**

Audited Financial Statements  
with  
Independent Auditor's Report  
For the Year Ended June 30, 2021  
with  
Summarized Financial Information  
For the Year Ended June 30, 2020

**Racine Habitat for Humanity, Inc.**

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June 30, 2021 and 2020	7-21

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November 24, 2021

To the Board of Directors  
Racine Habitat for Humanity, Inc.  
Racine, Wisconsin

## Independent Auditor's Report

### Report on the Financial Statements

We have audited the accompanying financial statements of Racine Habitat for Humanity, Inc. (a Nonprofit Organization), which comprise the Statement of Financial Position as of June 30, 2021, and the related Statement of Activities, Statement of Cash Flows, and Statement of 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 company'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 company'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.

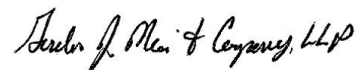
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Racine Habitat for Humanity, Inc., as of November 19, 2021, and the results of their operations 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 the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 12, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Gordon J. Maier & Company, LLP  
Certified Public Accountants

**Racine Habitat for Humanity, Inc.**  
**Statement of Financial Position**  
**June 30, 2021**  
**With Summarized Financial Information**  
**June 30, 2020**

	2021	Restated 2020
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents (Note 1)	\$ 573,658	\$ 408,574
Other Receivables	5,504	7,277
Prepaid Expenses	5,474	4,646
Mortgage Escrow Deposits Held (Note 1)	267,029	259,288
Mortgage Notes Receivable - Current Portion (Notes 1 & 4)	52,719	90,718
<b>Total Current Assets</b>	<u>904,384</u>	<u>770,503</u>
<b>Property and Equipment (Note 1)</b>		
Land	32,400	32,400
Building and Improvements	161,168	155,591
Furniture and Equipment	120,378	123,378
Vehicles	62,981	68,436
	<u>376,927</u>	<u>379,805</u>
<b>Less: Accumulated Depreciation</b>	148,603	136,253
<b>Net Property and Equipment</b>	<u>228,324</u>	<u>243,552</u>
<b>Other Assets</b>		
Land Held for Development, Net (Note 1)	9,659	7,350
Construction in Progress, Net (Notes 1 & 5)	550,106	473,733
Mortgage Notes Receivable, Net (Notes 1 & 4)	1,711,631	1,646,001
Beneficial Interest in Assets Held by the Racine Community Foundation, Inc. (Note 3)	89,981	68,540
Investments (Notes 1 & 2)	755,075	593,439
<b>Total Other Assets</b>	<u>3,116,452</u>	<u>2,789,063</u>
<b>Total Assets</b>	<u>\$ 4,249,160</u>	<u>\$ 3,803,118</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 28,699	\$ 21,250
Accrued Expenses	9,411	8,903
PPP - Loan	43,945	42,400
Mortgage Escrow Deposits (Note 1)	267,029	259,288
<b>Total Current Liabilities</b>	<u>349,084</u>	<u>331,841</u>
<b>Net Assets</b>		
Without Donor Restrictions		
Undesignated	3,535,359	3,071,647
Designated	89,981	68,540
With Donor Restrictions (Note 6)	274,736	331,090
<b>Total Net Assets</b>	<u>3,900,076</u>	<u>3,471,277</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 4,249,160</u>	<u>\$ 3,803,118</u>

The Accompanying Notes are an integral  
part of these Financial Statements.

**Racine Habitat for Humanity, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**  
**With Summarized Financial Information for the Year Ended June 30, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2021 Totals</b>	<b>Restated 2020 Totals</b>
<b>Public Support and Revenue</b>				
Home Sales and Financing	\$ 382,352	\$ -	\$ 382,352	\$ 353,223
ReStore Sales	323,850	-	323,850	258,708
Contributions	63,794	122,300	186,094	144,683
In-Kind Donations	341,456	-	341,456	286,328
Grants	12,409	150,000	162,409	298,667
Fundraising - Playhouse	-	-	-	8,077
Other Income	45,331	-	45,331	2,502
Investment Gain (Loss)	183,028	-	183,028	56,478
<b>Total Public Support and Revenue</b>	<u>1,352,220</u>	<u>272,300</u>	<u>1,624,520</u>	<u>1,408,666</u>
<b>Net Assets Released from Restrictions</b>	<u>328,654</u>	<u>(328,654)</u>	<u>-</u>	<u>-</u>
<b>Expenses</b>				
<b>Program Services</b>				
Construction	715,815	-	715,815	731,221
ReStore	440,932	-	440,932	367,504
<b>Total Program Services</b>	<u>1,156,747</u>	<u>-</u>	<u>1,156,747</u>	<u>1,098,725</u>
<b>Support Services</b>				
Management and General	38,974	-	38,974	35,798
Fundraising	-	-	-	515
<b>Total Expenses</b>	<u>1,195,721</u>	<u>-</u>	<u>1,195,721</u>	<u>36,313</u>
<b>Changes in Net Assets</b>	<u>485,153</u>	<u>(56,354)</u>	<u>428,799</u>	<u>273,628</u>
<b>Net Assets – July 1, as Previously Stated</b>	3,130,145	331,090	3,461,235	3,197,649
<b>Prior Period Adjustment (Note 15)</b>	10,042	-	10,042	-
<b>Net Assets – July 1, as Restated</b>	3,140,187	331,090	3,471,277	3,197,649
<b>Net Assets - June 30,</b>	<u>\$ 3,625,340</u>	<u>\$ 274,736</u>	<u>\$ 3,900,076</u>	<u>\$ 3,471,277</u>

The Accompanying Notes are an integral  
part of these Financial Statements.

**Racine Habitat for Humanity, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2021**  
**With Summarized Financial Information for the Year Ended June 30, 2020**

	<b>2021</b>	<b>2020</b>
<b>Cash Flows from Operating Activities</b>		
Changes in Net Assets	\$ 428,799	\$ 273,628
Adjustments to Reconcile Changes in Net Assets to		
Net Cash Provided by Operating Activities		
Depreciation	18,519	17,797
Unrealized (Gains) on Investments	(161,638)	(51,682)
Discount on Mortgage Originations	118,086	129,616
Amortization of Discount on Mortgages	(172,352)	(143,223)
Home Sales Through Mortgages Issued	(210,000)	(210,000)
Loss on Disposal of Asset	2,285	
Impairment of Construction in Progress and		
Land Held for Development	-	-
Change in Interest in Assets Held by the Racine		
Community Foundation, Inc.	(21,441)	(764)
(Increase) Decrease in Operating Assets		
Other Receivables	1,773	1,927
Prepaid Expenses	(828)	491
Mortgage Escrow Deposits Held	(7,741)	(11,378)
Land Held for Development	(2,309)	19,870
Construction in Progress	(76,373)	(91,820)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	7,449	(12,053)
Accrued Expenses	508	(5,490)
Mortgagee Escrow Deposits	7,741	9,625
<b>Total Adjustments</b>	<u>(496,321)</u>	<u>(347,084)</u>
<b>Net Cash Used in Operating Activities</b>	<u>(67,522)</u>	<u>(73,456)</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of Property and Equipment	(5,577)	(26,055)
Collection of Mortgage Notes Receivable	241,183	272,890
<b>Net Cash Provided by Investing Activities</b>	<u>235,606</u>	<u>246,835</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds on PPP Loan	43,945	42,400
<b>Net Increase (Decrease) in Cash</b>	168,084	215,779
<b>Cash and Cash Equivalents - July 1,</b>	<u>405,574</u>	<u>192,795</u>
<b>Cash and Cash Equivalents - June 30,</b>	<u>\$ 573,658</u>	<u>\$ 408,574</u>

The Accompanying Notes are an integral  
part of these Financial Statements.

**Racine Habitat for Humanity, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2021**  
**With Summarized Financial Information for the Year Ended June 30, 2020**

----- Program Services -----

	<b>Construction</b>	<b>ReStore</b>	<b>Total Program Services</b>
Building Maintenance	\$ 3,817	\$ 477	\$ 4,294
Cost of ReStore Sales	-	323,800	323,800
Cost of Home Sales	284,119	-	284,119
Depreciation (Note 1)	14,815	1,852	16,667
Discount on Mortgage Originations	118,086	-	118,086
Dues, Publications and Training	3,936	492	4,428
Hand Tools and Supplies	3,704	463	4,167
Homeowner Assistance	1,800	-	1,800
Impairment of Construction in Progress and Land Help for Development	-	-	-
Insurance	11,083	1,386	12,469
Miscellaneous Expense	281	35	316
Office Expense	20,961	2,620	23,581
Professional Fees	12,578	1,572	14,150
Promotions and Advertising (Note 1)	787	98	885
Rent Expense	-	78,158	78,158
Salaries, Wages, and Payroll Taxes	207,523	25,940	233,463
Tithe to Habitat for Humanity International, Inc. (Note 9)	8,000	1,000	9,000
Utilities	11,035	1,379	12,414
Vehicle Expenses	7,632	953	8,585
Volunteer Expenses	1,914	239	2,153
Warehouse Expenses	1,916	239	2,155
Loss on Disposal of Asset	1,828	229	2,057
<b>Total Operating Expenses</b>	<u>\$ 715,815</u>	<u>\$ 440,932</u>	<u>\$ 1,156,747</u>



--- Supporting Services ---

	<b>Management and General</b>	<b>Fundraising</b>	<b>2021 Total</b>	<b>Restated 2020 Total</b>
\$	477	\$ -	\$ 4,771	\$ 2,583
	-	-	323,800	258,708
	-	-	284,119	307,895
	1,852	-	18,519	17,797
	-	-	118,086	129,616
	492	-	4,920	1,814
	463	-	4,630	3,777
	-	-	1,800	2,118
	-	-	-	3,984
	1,386	-	13,855	17,676
	35	-	351	180
	2,620	-	26,201	27,901
	1,572	-	15,722	23,938
	98	-	983	640
	-	-	78,158	71,645
	25,940	-	259,403	227,720
	1,000	-	10,000	10,000
	1,379	-	13,793	13,569
	953	-	9,538	7,467
	239	-	2,392	3,650
	239	-	2,394	2,360
	229	-	2,286	-
<b>\$</b>	<b>38,974</b>	<b>\$ -</b>	<b>\$ 1,195,721</b>	<b>\$ 1,534,151</b>

The Accompanying Notes are an integral part of these Financial Statements.

**Racine Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

**Note 1. Summary of Significant Accounting Policies**

**Organization**

Racine Habitat for Humanity, Inc. (Organization), is a not-for-profit organization formed on June 16, 1988, to build and rehabilitate homes that are then resold at favorable terms to qualified families. The Organization is affiliated with Habitat for Humanity International, Inc., which was organized for religious, charitable, and educational purposes in order to implement the gospel of Jesus Christ by working with economically disadvantaged people to help them create a better human habitat in which to live and work. The Organization is exempt from Federal income taxes under its present method of operating as provided in Section 401(c)(3) of the Internal Revenue Code. Having qualified for exemption under provisions of the Internal Revenue Code, the Organization is also exempt from Wisconsin income taxes as provided in Chapter 181 of the Wisconsin Statutes.

The Organization's primary program activity is the construction, rehabilitation, sale, and financing of houses for individuals in need in the City of Racine and nearby areas. These individuals participate in the construction of their own homes and other homes constructed through the efforts of the Organization.

The Organization also operates a store (ReStore) that sells recycled materials, including new and used home building materials and furnishings. Substantially all ReStore inventory is donated.

**Basis of Presentation**

Financial statement presentation follows the standards of FASB ASC 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets of the Organization and changes therein are classified and reported as follows:

**Net Assets without Donor Restrictions**

**Undesignated:** Net assets that are not subject to donor-imposed restrictions or Board-imposed stipulations.

**Designated:** Net assets subjected to stipulations imposed by the Board of Directors and determined to be unavailable for general use.

**Net Assets with Donor Restrictions**—Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization and/or the passage of time.

This information is an integral part of these Financial Statements.

**Racine Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

**Note 1. Summary of Significant Accounting Policies (cont.)**

**Contributions and Grants**

All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Restricted contributions received are considered net assets with donor restrictions until expenses are incurred in compliance with the donor's restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as without donor restrictions.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Significant estimates used in preparing these financial statements include those assumed in the valuing of investments at fair value. An estimate regarding a possible loss on these investments cannot be made due to the fluctuating nature of market conditions. It is at least reasonably possible that the estimates will change within the next year depending on market conditions.

**Cash and Cash Equivalents**

Cash and cash equivalents are defined as cash and investments that have an original maturity date of less than three months. For the purpose of the Statement of Cash Flows, the Organization considers cash and cash equivalents as currency on hand, demand deposits, money markets, and certificates of deposit with original maturities of three months or less.

**Property and Equipment**

Expenditures for the acquisitions of property and equipment are capitalized at cost. The fair value of donated property at the date of the gift is similarly capitalized. It is the Organization's policy to capitalize all property and equipment expenditures greater than \$1,000 with useful lives of at least one year. Certain expenditures less than \$1,000 may be capitalized at the discretion of management. Expenditures for minor maintenance and repairs of property and equipment to maintain facilities in operating condition are generally expensed as incurred. Major replacements and repairs are capitalized.

**Racine Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

**Note 1. Summary of Significant Accounting Policies (cont.)**

**Property and Equipment...(cont.)**

Depreciation is computed by the straight-line method over the following estimated useful lives:

	<b>Years</b>
Building and Improvements	3–40
Furniture and Equipment	5
Vehicles	5

Depreciation expense for the years ended June 30, 2021 and 2020, totaled \$18,519 and \$17,797, respectively.

**Mortgage Notes Receivable**

The Organization’s portfolio of mortgage notes receivable includes first and second trust deeds for direct loans made by the Organization. The first mortgage notes receivable consist of non–interest bearing residential home loans made to qualified borrowers. Each mortgage note receivable is secured with real estate and payable in monthly installments over the term of the note, generally ranging from twenty to thirty years. In accordance with accounting principles generally accepted in the United States of America, these non–interest bearing mortgages have been discounted based on prevailing rates for low-income housing at the inception of each mortgage.

The mortgage notes receivable resulting from the second trust deeds are referred to as “silent.” The primary purpose of these silent mortgages is to allow the Organization to capture a portion of any equity appreciation over and above a specified amount if the home is sold or transferred to a nonqualified homeowner before a certain number of years, usually ten, to protect the homeowner by preventing predatory lenders from paying off the first mortgage and saddling the homeowner with an onerous new mortgage. These silent mortgage notes receivable typically bear no interest and are forgiven if the homeowner lives in the home for a certain period of time and complies with all other covenants and restrictions per the deed of trust. Accordingly, since these silent mortgage notes receivable have no value unless or until a homeowner fails to comply with the covenants and restrictions of the terms of the home sale, the Organization does not record a value for these silent mortgage notes receivable.

**Allowance for Mortgage Notes Receivable**

The Organization uses established underwriting criteria to ensure that only families who meet the Organization’s financial and credit criteria are approved to be partner families and receive a non–interest bearing mortgage loan from the Organization. This includes a thorough review of each prospective homeowner’s credit report, sources of income, and financial history.

The Organization regularly reviews its portfolio notes receivable and monitors the accounts for delinquencies. Homeowners whose mortgages are sixteen days past due are considered to be in an early stage of default. During the period of delinquency of sixteen to ninety days past due, the Organization contacts the borrower using collection efforts and establishes a payment plan with the homeowner, if necessary.

This information is an integral part of these Financial Statements.

**Racine Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

**Note 1. Summary of Significant Accounting Policies (cont.)**

**Allowance for Mortgage Notes Receivable (cont.)**

Thereafter, if foregoing collection efforts are not successful, the Organization attempts to enter into a mutually agreed-on mortgage modification followed by a deed-in-lieu of foreclosure with the homeowner if a modification cannot be agreed on. Homeowners whose mortgages are more than ninety days past due, who have not made satisfactory payment arrangements or reached a deed-in-lieu of foreclosure agreement with the Organization, are subject to foreclosure proceedings. For the year ended June 30, 2021, the Organization did not execute any deed-in-lieu of foreclosure agreements.

Non-interest bearing mortgages originated are discounted at the time of sale based on historical experience from the Organization's portfolio mortgages and on prevailing market rates. This results in the net mortgage receivables balances being less than 50% of the home's fair market value. Therefore, the Organization believes that losses resulting from nonpayment of mortgage notes receivable, given its collateral value, are not likely. Accordingly, the Organization does not record an allowance for mortgage notes receivable losses.

Mortgage notes receivable are considered impaired when, based on current information, it is probable that the Organization will not collect all amounts due in accordance with the terms of the agreement. The Organization has determined that there are no impaired loans as of June 30, 2021 and 2020.

**Donated Services**

Donated materials are recorded in the financial statements as assets and revenue or capitalized at their estimated fair market value on the date the materials are received. Donated services are recognized as contributions in accordance with FASB ASC 958, *Not-for-Profit Entities*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

The Organization receives a significant amount of donated services from a substantial number of unpaid volunteers. In addition, the prospective homeowners are required to contribute 300 hours of sweat equity toward the construction of homes. No amounts have been recognized in the financial statements for these services since they do not meet the criteria for recognition under FASB ASC 958, *Not-for-Profit Entities*.

The Organization received the following donated materials and services, which are recorded in contributions and donations on the Statement of Activities, as of June 30:

	2021	2020
Professional Services—Engineering	\$ 490	\$ 6,525
Professional Services—Auditing Services	4,265	12,002
Professional Services—Attorney Fees	280	—
Professional Services—Electric	2,818	—
Materials—Appliances	9,851	—
Materials—Supplies	595	9,094
<b>Total</b>	<u>\$ 18,299</u>	<u>\$ 27,621</u>

This information is an integral part of these Financial Statements.

**Racine Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

**Note 1. Summary of Significant Accounting Policies (cont.)**

**Donated Services....(cont.)**

The Organization also receives donated home furnishings and building and home improvement materials, which are sold in the home improvement store (ReStore) operated by the Organization. Donated merchandise is valued at its estimated fair value. Cost of goods sold is recognized at the estimated fair value of donated merchandise sold, plus the costs to prepare the merchandise for sale. The Organization has not recognized inventory for these items as they are unique and have uncertainty about existence of value until there is a willing buyer and they are sold. Donated merchandise that is unsuitable for sale is recognized as revenue upon sale to a salvage dealer.

**Concentration of Risks**

**Cash**

The Organization maintains its cash accounts at various banks in Racine, Wisconsin. Accounts in the banks are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2021 and 2020, the Organization had \$577,327 and \$415,111, respectively, on deposit of which \$185,964 and \$0- were not insured by the FDIC.

**Investments**

The Organization maintains its investments at Vanguard. Securities held in the brokerage account are held in custody by Vanguard Brokerage Services, a division of Vanguard Marketing Corporation. Vanguard Marketing Corporation is a member of the Securities Investor Protection Corporation (SIPC), which protects securities of its members up to \$500,000, including \$250,000 for cash. Vanguard Marketing Corporation has secured additional coverage from certain insurers at Lloyd's of London and London Company Insurers for eligible customers with an aggregate limit of \$250 million, incorporating a customer limit of \$49.5 million for securities and \$1.75 million for cash. At June 30, 2021 and 2020, the Organization had \$755,075 and \$593,439, respectively, on deposit of which \$0- and \$0- were not insured by either the SIPC or the additional coverage secured by Vanguard Marketing Corporation.

**Home Sales**

Revenue is recognized on the sale of homes when the title passes to eligible purchasers by the completed contract method. The amount of home sale revenue the Organization records is the total of the cash down payment and the face value of the non-interest bearing mortgage note receivable. Due to subsidies provided by grants and contributions, the sale price of a home sold for the years ended June 30, 2021 and 2020, was approximately 74% and 68%, respectively, of the Organization's cost to construct the home.

**Land Held for Development**

Land held for development consists of purchased or donated land that will be developed for future home construction. Properties are valued at the lower of cost or market. A valuation allowance of \$8,544 and \$8,544 has been recorded as of June 30, 2021 and 2020, respectively.

This information is an integral part of these Financial Statements.

**Racine Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

**Note 1. Summary of Significant Accounting Policies (cont.)**

**Construction in Progress**

Construction in progress represents costs incurred to build or rehabilitate single-family homes for eventual sale to partner families. In the event development is no longer deemed to be probable, the costs previously capitalized are expensed. The Organization's projects consist of new single-family homes and major rehabilitations of existing homes acquired by the Organization.

Costs of homes sold consist of capitalized home construction costs and certain other related costs associated with the sale of each home. Costs include all direct labor and benefits, materials, subcontract costs, and allocations of indirect construction costs. General and administrative costs are charged to expenses as incurred.

**Investments**

Investments are measured at fair value in the Statement of Financial Position. Investment income is reported in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions or law. Realized gains or losses are determined by specific identification.

**Mortgagee Escrow Deposits**

Mortgagee escrow deposits result from required payments made by all mortgage holders to cover the payment of real estate taxes and homeowner's insurance. The amounts held in trust are placed into separate interest-bearing accounts on behalf of each mortgagee. The activity and balances for each account are reported to each mortgagee on a quarterly basis.

**Advertising Costs**

The Organization follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the years ended June 30, 2021 and 2020, totaled \$983 and \$640, respectively.

**Functional Allocation of Expenses**

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated by management's use of estimates.

**Uncertain Tax Positions**

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business income tax (UBIT).

This information is an integral part of these Financial Statements.

**Racine Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

**Note 1. Summary of Significant Accounting Policies (cont.)**

**Uncertain Tax Positions (cont.)**

The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended June 30, 2021 and 2020. Accordingly, there is no accrued interest or penalties associated.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2018, 2019, and 2020 are subject to examination by the Internal Revenue Service, generally for three years after they were filed. None of the Organization's federal or state returns are currently under examination.

**Note 2. Fair Value Measurements**

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

**Mutual Funds**—Valued at the net asset value (NAV) of shares on the last trading day of the year.

**Interest in Assets Held by the Racine Community Foundation, Inc.**—Valued at net asset value (NAV) per unit as reported by the Racine Community Foundation, Inc.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth the balances of assets at fair value as of June 30, 2021 and 2020:

<b>Assets Valued at Net Asset Value</b>	<b>As of June 30, 2021</b>	<b>As of June 30, 2020</b>
	\$ 845,058	\$ 661,979

This information is an integral part of these Financial Statements.



**Racine Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

**Note 3. Beneficial Interest in Assets Held by the Racine Community Foundation, Inc.**

In 1996, Racine Habitat for Humanity, Inc., established the Endowment Fund at the Racine Community Foundation, Inc. The fund was established to support the designated purposes of Racine Habitat for Humanity, Inc. The investment returns, net of trustee fees, are allocated to Racine Habitat for Humanity, Inc.'s endowment fund based on the endowment's average monthly balance in relationship to total funds invested by the Foundation. Investment income of the fund is distributed to Racine Habitat for Humanity, Inc., in such amounts and at such times as its Board of Directors, or their designee, may request.

Distributions of any fund principal amounts may be made for emergency purposes only and must be approved by at least 75% of Racine Habitat for Humanity, Inc.'s Board of Directors after the approval of the Board of Directors of Racine Community Foundation, Inc. If the Board of Directors of Racine Community Foundation, Inc., proposes to exercise its variance power, the exercise of that power shall not be effective earlier than at least thirty days after Racine Community Foundation, Inc., notifies Racine Habitat for Humanity, Inc., in writing of its intent and the manner in which Racine Community Foundation, Inc., proposes to vary the purposes, uses, or methods of administration of the fund. During the notice period, Racine Habitat for Humanity, Inc., may advise Racine Community Foundation, Inc., of its views regarding the proposed exercise of variance power and take such actions it deems appropriate. Racine Community Foundation, Inc., shall not exercise the variance power without taking into account the views of Racine Habitat for Humanity, Inc. As of June 30, 2021 and 2020, the Organization held \$89,891 and \$67,776, respectively, in beneficial interest in assets held by Racine Community Foundation, Inc.

The balance of the Board designated funds is reported as Board Designated Net Assets on the Statement of Financial Position.

The endowment fund held by Racine Community Foundation, Inc., is in pooled investment accounts. Investments held by the Foundation include common stocks, U.S. treasury notes, mutual funds, and other fixed income accounts. The investment returns, net of trustee fees, are allocated to Racine Habitat for Humanity, Inc.'s endowment fund based on the endowment's average monthly balance in relationship to total funds invested by the Foundation.

**Racine Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

**Note 3. Beneficial Interest in Assets Held by the Racine Community Foundation, Inc. (cont.)**

The endowment fund's investment returns are composed of the following:

Investment Income	\$ 830
Net Realized and Unrealized Gains (Losses)	21,392
Administrative Fees	<u>(781)</u>
	<u>\$ 21,441</u>

In addition, the Organization is the sole income beneficiary of an agency endowment fund held by Racine Community Foundation, Inc. As of June 30, 2021 and 2020, the fair value of the net assets held by Racine Community Foundation, Inc., in the agency endowment fund has been reported by Racine Community Foundation, Inc., to be \$58,513 and \$44,571, respectively. Distribution of the investment income to the Organization is made on an annual basis. The Organization's interest in the agency endowment fund at Racine Community Foundation, Inc., is not recognized in the Organization's financial statements because the Board of Directors of Racine Community Foundation, Inc., has variance power over substantially all of these assets. There were no distributions made from the assets held by Racine Community Foundation, Inc. for which the Organization is the designated beneficiary for the years ended June 30, 2021 and 2020.

**Note 4. Mortgage Notes Receivable**

Mortgage notes receivable consist primarily of non-interest bearing notes with terms between twenty and thirty years. These non-interest bearing mortgages have been discounted based on prevailing market rates for low-income housing at the inception of each mortgage, ranging from 7.23% to 9.00% per annum, as of June 30, 2021 and 2020.

The discount on each mortgage is amortized using the effective interest method. Mortgages that originated during 2021 and 2020 were discounted using an interest rate of 7.23% and 7.38% per annum, respectively. During the years ended June 30, 2021 and 2020, mortgage loan discount amortization recognized within home sales on the Statement of Activities was \$118,086 and \$129,616, respectively.

This information is an integral part of these Financial Statements.

**Racine Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

**Note 4. Mortgage Notes Receivable** (cont.)

Mortgage notes receivable consist of the following as of June 30:

	<b>2021</b>	<b>2020</b>
Mortgage Notes Receivable	\$ 3,644,561	\$ 3,730,333
<b>Less: Unamortized Discount to Present Value</b>	<u>1,880,211</u>	<u>1,993,614</u>
Mortgage Notes Receivable, Net	<u>\$ 1,764,350</u>	<u>\$ 1,736,719</u>

Payments on mortgage notes receivable as of June 30, 2021, are estimated to be received as follows:

2021	\$ 195,778
2022	190,951
2023	187,976
2024	185,764
2025	185,026
Thereafter	<u>2,699,066</u>
<b>Total Mortgage Notes Receivable</b>	<u>\$3,644,561</u>

The following tables set forth the aging of the customer financing loan receivable as of June 30:

**2021 Delinquency Period**

<b>30-59 Days</b>	<b>60-89 Days</b>	<b>Greater than 90 Days</b>	<b>Total Delinquent</b>	<b>Current</b>	<b>Total Balance at Year End</b>
\$ 3,938	\$ 989	\$ 6,903	\$ 11,830	\$ 1,764,350	\$ 1,752,520
<u>3,938</u>	<u>989</u>	<u>6,903</u>	<u>11,830</u>	<u>1,764,350</u>	<u>1,752,520</u>

**2020 Delinquency Period**

<b>30-59 Days</b>	<b>60-89 Days</b>	<b>Greater than 90 Days</b>	<b>Total Delinquent</b>	<b>Current</b>	<b>Total Balance at Year End</b>
\$ 3,727	\$ 1,714	\$ 6,565	\$ 12,006	\$ 1,736,719	\$ 1,724,713
<u>3,727</u>	<u>1,714</u>	<u>6,565</u>	<u>12,006</u>	<u>1,736,719</u>	<u>1,724,713</u>

This information is an integral part of these Financial Statements.

**Racine Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

**Note 5. Construction in Progress**

Construction in progress consists of accumulated acquisition, construction, and/or rehabilitation costs for homes being built or remodeled for program families. Construction in progress activity is as follows:

	<b>2021</b>	<b>2020</b>
Construction in Progress – Beginning of Year, Net	\$ 473,733	\$ 382,063
Costs Incurred	360,491	423,049
Cost of Homes Sold	<u>(284,119)</u>	<u>(331,380)</u>
Construction in Progress – End of Year, Net	<u>\$ 550,106</u>	<u>\$ 473,733</u>
Construction in Progress	\$ 571,309	\$ 494,935
<b>Less:</b> Reserve for Impairments	<u>21,203</u>	<u>21,203</u>
Construction in Progress, Net	<u>\$ 550,106</u>	<u>\$ 473,733</u>

**Note 6. Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted to the following purposes or periods:

<b>For the Year Ended June 30, Subject to Expenditure for Specified Purpose</b>	<b>2021</b>	<b>2020</b>
Program Activities		
Construction for 1937 Racine Street	\$ —	\$ 62,314
Construction for 2223 Mead Street	—	63,907
Construction for 2105 Mead Street	—	11,480
Construction for 618 13th Street	—	85,522
HFH Conference and Training	1,368	2,367
Crisis Fund	—	500
Construction for 2211 Mead Street	119,994	—
Construction for 2221 Racine Street	148,299	—
ReStore Business Plan	5,000	—
Tools	<u>75</u>	<u>—</u>
<b>Total Net Assets with Donor Restrictions</b>	<u>\$ 274,736</u>	<u>\$ 331,090</u>

**Note 7. ReStore**

ReStore activity during the years ended June 30, 2021 and 2020, consisted of the following:

	<b>2021</b>	<b>2020</b>
ReStore Cash Sales	\$ 323,850	\$ 258,708
ReStore In-Kind Donations	323,157	258,708
ReStore Program Expenses	<u>(323,157)</u>	<u>(368,508)</u>
<b>Total</b>	<u>\$ 323,850</u>	<u>\$ 148,908</u>

This information is an integral part of these Financial Statements.

**Racine Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

**Note 8. Operating Lease**

The Organization currently leases a facility on a month-to-month basis for their ReStore under a lease with a third party that requires the Organization to make monthly payments of \$6,513 as of June 30, 2021.

Total rent paid for the years ended June 30, 2021 and 2020, totaled \$78,158 and \$71,645, respectively.

**Note 9. Related Party Transactions**

The Organization tithes and remits a discretionary portion of its unrestricted contributions (excluding in-kind contributions) to Habitat for Humanity International, Inc., on an annual basis. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2021 and 2020, the Organization remitted \$10,000 and \$10,000, respectively, to Habitat for Humanity International, Inc.

**Note 10. Comparative Financial Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. 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 Organization's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

**Note 11. Endowment**

Racine Habitat for Humanity, Inc., has established endowment funds. The funds were established to support the designated purposes of Racine Habitat for Humanity, Inc.

**Return Objectives and Risk Parameters (Investment Policy)**

See Note 3 under Beneficial Interest in Assets Held by Racine Community Foundation, Inc., for the return objectives and risk parameters (investment policy).

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, Racine Community Foundation, Inc., relies on total return strategy in which investment returns are achieved through pooled investment accounts. The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

See Note 3 under Beneficial Interest in Assets Held by Racine Community Foundation, Inc., for the investment policy for the assets held at Racine Community Foundation, Inc.

This information is an integral part of these Financial Statements.

**Racine Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

**Note 11. Endowment (cont.)**

**Endowment Net Asset Composition by Type of Fund as of June 30, 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board Designated Endowment Funds	<u>\$ 89,981</u>	<u>\$ -</u>	<u>\$ 89,981</u>

**Changes in Endowment Net Assets for the Year Ended June 30, 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment Net Assets, Beginning of Year	<u>\$ 68,540</u>	<u>\$ -</u>	<u>\$ 68,540</u>
Investment Return			
Investment Income	830	-	830
Net Depreciation (Realized and Unrealized)	<u>21,392</u>	<u>-</u>	<u>21,392</u>
Total Investment Return	<u>22,222</u>	<u>-</u>	<u>22,222</u>
Contributions	<u>-</u>	<u>-</u>	<u>-</u>
Appropriation of Endowment Assets For Expenditure	<u>(781)</u>	<u>-</u>	<u>(781)</u>
Endowment Net Assets, End of Year	<u>\$ 89,981</u>	<u>\$ -</u>	<u>\$ 89,981</u>

This information is an integral part of these Financial Statements.

**Racine Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

**Note 11. Endowment (cont.)**

**Spending Policy and How the Investment Objectives Relate to Spending Policy (cont.)**

**Endowment Net Asset Composition by Type of Fund as of June 30, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board Designated Endowment Funds	<u>\$ 68,540</u>	<u>\$ -</u>	<u>\$ 68,540</u>

**Changes in Endowment Net Assets for the Year Ended June 30, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment Net Assets, Beginning of Year	<u>\$ 67,776</u>	<u>\$ -</u>	<u>\$ 67,776</u>
Investment Return			
Investment Income	924	-	924
Net Depreciation (Rrealized and Unrealized)	<u>514</u>	<u>-</u>	<u>514</u>
Total Investment Return	<u>1,438</u>	<u>-</u>	<u>1,438</u>
Contributions	<u>-</u>	<u>-</u>	<u>-</u>
Appropriation of Endowment Assets For Expenditure	<u>(674)</u>	<u>-</u>	<u>(674)</u>
Endowment Net Assets, End of Year	<u>\$ 68,540</u>	<u>\$ -</u>	<u>\$ 68,540</u>

**Note 12. Subsequent Events**

Management has evaluated all subsequent events through November 24, 2021, for possible inclusion for a disclosure in the financial statements. The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Organization, COVID-19 will impact the various parts of its 2021/2022 operations and financial results, including revenues, support, expenses, and cash flows. Management believes the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing,

This information is an integral part of these Financial Statements.

**Racine Habitat for Humanity, Inc.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

**Note 13. Liquidity and Availability of Resources**

As of June 20, 2021, the Organization had \$631,881 of financial assets available in order to meet cash needs for general expenditures within one year of the statement of financial position date consisting of substantially cash of \$573,658 and accounts receivable of \$58,223.

The Organization has addressed and is managing the cash flow for Racine Habitat for Humanity, Inc., and uses a variety of tools. The Organization has developed and instituted a monthly cash flow management report in dashboard form to assist in Board awareness surrounding liquidity and it is discussed at every Board meeting. The Board continually assesses the necessity and timing of the accounts payable, monitor their budget monthly, and have prepared a budget with planned reserves for 2022, which they are working to execute.

**Note 14. Expense Allocation**

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

**Note 15. Prior Period Adjustment**

During the current fiscal year, it was discovered that costs related to the porch located at 1501 Villa Street were recognized as expenses rather than additions to Property and Equipment during the fiscal year 2020. A correction has been made to properly record the additions. This resulted in the total assets being understated by \$10,042 and the expense overstated by \$10,042.

**Note 11. Debt**

During the fiscal year ending June 30, 2021, the Organization had received loan proceeds from SBA in the amount of \$43,945, pursuant to the Paycheck Protection Program (PPP), which was enacted March 27, 2020. The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), provides for loans to qualifying organizations for amounts up to 2.5 times the average monthly payroll expenses of the qualifying organization.

The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the elected eight-week or twenty-four-week period.

As of June 30, 2021, the balance of the loan was \$43,945. The loan, which was issued on March 16, 2021, matures on March 16, 2023. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP. While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, it is possible that actions taken by the Organization could cause ineligibility for forgiveness of the loan, in whole or in part.

The PPP loan that the Organization received during the fiscal year ended June 30, 2020, has been forgiven on December 28, 2020, in the amount of \$42,400. Accordingly, this has been reflected in the Statement of Activities as Other Income.

This information is an integral part of these Financial Statements.