

**THE THIRTIETH LEGISLATURE  
APPLICATION FOR GRANTS  
CHAPTER 42F, HAWAII REVISED STATUTES**

Type of Grant Request:

Operating                       Capital

Legal Name of Requesting Organization or Individual: Db:

Hawaii Habitat for Humanity Association, Inc.

Amount of State Funds Requested: \$ 117,000

Brief Description of Request (Please attach word document to back of page if extra space is needed):

These funds will be used to develop, market and implement the Hawaii Village Build program for four local Habitat for Humanity direct service organizations that will host volunteer groups from around the world to help build homes for low income Hawaii families who will own them. Volunteer labor is most important in Habitat's mission. In Hawaii, there is a shortage of ongoing volunteers for the program. This program will provide financial and volunteer resources to Habitat across the state from participation and will be fully sustainable in year 2 of the program.

Amount of Other Funds Available:

State: \$ 117,000

Federal: \$ \_\_\_\_\_

County: \$ \_\_\_\_\_

Private/Other: \$ 73,100

Total amount of State Grants Received in the Past 5 Fiscal Years:

\$ 0

Unrestricted Assets:

\$ 669,858

New Service (Presently Does Not Exist):  Existing Service (Presently in Operation):

Type of Business Entity:

501(C)(3) Non Profit Corporation

Other Non Profit

Other

Mailing Address:

2051 Young Street #82

City:

Honolulu

State:

HI

Zip:

96826

Contact Person for Matters Involving this Application

Name:  
Jean Lilley

Title:  
Executive Director

Email:  
jean@hawaiihabitat.org

Phone:  
808.847.7676

Federal Tax ID#:

State Tax ID#

  
Authorized Signature

Jean Lilley, Executive Director  
Name and Title

January 13, 2020  
Date Signed

**received**  
OVIU 1/13/20

## Application Submittal Checklist

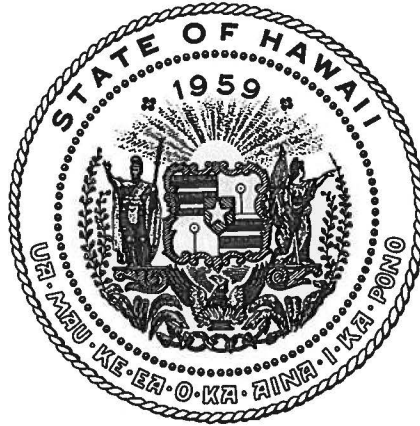
*The following items are required for submittal of the grant application. Please verify and check off that the items have been included in the application packet.*

- 1) Certificate of Good Standing (If the Applicant is an Organization)
- 2) Declaration Statement
- 3) Verify that grant shall be used for a public purpose
- 4) Background and Summary
- 5) Service Summary and Outcomes
- 6) Budget
  - a) Budget request by source of funds ([Link](#))
  - b) Personnel salaries and wages ([Link](#))
  - c) Equipment and motor vehicles ([Link](#))
  - d) Capital project details ([Link](#))
  - e) Government contracts, grants, and grants in aid ([Link](#))
- 7) Experience and Capability
- 8) Personnel: Project Organization and Staffing

  
AUTHORIZED SIGNATURE

JEAN LILLEY, EXECUTIVE DIRECTOR  
PRINT NAME AND TITLE

1/13/20  
DATE



## Department of Commerce and Consumer Affairs

### CERTIFICATE OF GOOD STANDING

I, the undersigned Director of Commerce and Consumer Affairs  
of the State of Hawaii, do hereby certify that

**HAWAII HABITAT FOR HUMANITY ASSOCIATION, INCORPORATED**

was incorporated under the laws of Hawaii on 08/21/1996 ;  
that it is an existing nonprofit corporation; and that,  
as far as the records of this Department reveal, has complied  
with all of the provisions of the Hawaii Nonprofit Corporations  
Act, regulating domestic nonprofit corporations.



IN WITNESS WHEREOF, I have hereunto set  
my hand and affixed the seal of the  
Department of Commerce and Consumer  
Affairs, at Honolulu, Hawaii.

Dated: January 13, 2020

Director of Commerce and Consumer Affairs

**DECLARATION STATEMENT OF  
APPLICANTS FOR GRANTS PURSUANT TO  
CHAPTER 42F, HAWAII REVISIED STATUTES**

The undersigned authorized representative of the applicant certifies the following:

- 1) The applicant meets and will comply with all of the following standards for the award of grants pursuant to Section 42F-103, Hawaii Revised Statutes:
  - a) Is licensed or accredited, in accordance with federal, state, or county statutes, rules, or ordinances, to conduct the activities or provide the services for which a grant is awarded;
  - b) Complies with all applicable federal and state laws prohibiting discrimination against any person on the basis of race, color, national origin, religion, creed, sex, age, sexual orientation, or disability;
  - c) Agrees not to use state funds for entertainment or lobbying activities; and
  - d) Allows the state agency to which funds for the grant were appropriated for expenditure, legislative committees and their staff, and the auditor full access to their records, reports, files, and other related documents and information for purposes of monitoring, measuring the effectiveness, and ensuring the proper expenditure of the grant.
  
- 2) If the applicant is an organization, the applicant meets the following requirements pursuant to Section 42F-103, Hawaii Revised Statutes:
  - a) Is incorporated under the laws of the State; and
  - b) Has bylaws or policies that describe the manner in which the activities or services for which a grant is awarded shall be conducted or provided.
  
- 3) If the applicant is a non-profit organization, it meets the following requirements pursuant to Section 42F-103, Hawaii Revised Statutes:
  - a) Is determined and designated to be a non-profit organization by the Internal Revenue Service; and
  - b) Has a governing board whose members have no material conflict of interest and serve without compensation.

Pursuant to Section 42F-103, Hawaii Revised Statutes, for grants used for the acquisition of land, when the organization discontinues the activities or services on the land acquired for which the grant was awarded and disposes of the land in fee simple or by lease, the organization shall negotiate with the expending agency for a lump sum or installment repayment to the State of the amount of the grant used for the acquisition of the land.

Further, the undersigned authorized representative certifies that this statement is true and correct to the best of the applicant's knowledge.

Hawaii Habitat for Humanity Association  
(Typed Name of Individual or Organization)

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(Signature)	(Date)
<u>Jean Lilley</u>	<u>Executive Director</u>
(Typed Name)	(Title)



## Application for Grants

*If any item is not applicable to the request, the applicant should enter "not applicable".*

### **I. Certification – Please attach immediately after cover page**

#### **1. Certificate of Good Standing (If the Applicant is an Organization)**

If the applicant is an organization, the applicant shall submit one (1) copy of a certificate of good standing from the Director of Commerce and Consumer Affairs that is dated no earlier than December 1, 2019.

#### **2. Declaration Statement**

The applicant shall submit a declaration statement affirming its compliance with Section 42F-103, Hawaii Revised Statutes. ([Link](#))

Hawaii Habitat for Humanity is and will be compliant with this Section upon receipt of grant funding from the State of Hawaii.

#### **3. Public Purpose**

The applicant shall specify whether the grant will be used for a public purpose pursuant to Section 42F-102, Hawaii Revised Statutes. ([Link](#))

Hawaii Habitat for Humanity will use the grant funds for a public purpose and has provided the information necessary in the submission attached, as required in this Section of the HRS.

### **II. Background and Summary**

This section shall clearly and concisely summarize and highlight the contents of the request in such a way as to provide the State Legislature with a broad understanding of the request. Please include the following:

#### **1. A brief description of the applicant's background;**

Founded in 1996, Hawaii Habitat for Humanity Association (Hawaii Habitat) is a resource development and support organization that connects, strengthens and accelerates the work of local Habitat for Humanity program offices – or “affiliates” – throughout Hawaii. Hawaii Habitat supports five Habitat affiliates across the state through programs that support the local affiliates’ work and increase their capacity to serve more families through Habitat’s unique self-help homeownership model. As a Habitat State Support Organization, Hawaii Habitat

provides resource development, technical assistance and training opportunities, advocacy and disaster preparedness support across the state.

2. The goals and objectives related to the request;

Our request is for funding support of a new program within the state of Hawaii. While this program is new in Hawaii, it replicates a program that Habitat for Humanity International (HFHI) has discontinued to Habitat affiliates within the US, called Global Village. Habitat's Global Village program provided opportunities for volunteer groups to deliver volunteer and financial support to Habitat affiliates across the US. Hawaii affiliates were active in this program and found that it provided not only much needed funding but even more valuable volunteer labor that helped them build capacity across the board within their communities. Habitat affiliates in Kauai and Hawaii Island have reported a loss of more than 60% of their volunteer labor force due to this discontinued program. In discussions with the Global Village team at HFHI, Hawaii Habitat has been given the approval to not only start our own program, but also to replicate the existing program within the Habitat network.

In November 2018, Hawaii Habitat hired an AmeriCorps VISTA member to develop infrastructure of the program and implementation plan. This work has included developing policy and procedures for visiting groups and the Habitat affiliates hosting these groups. It has also include a marketing strategic plan, setting up the online presence and the portal for groups to sign up for the program, as well as a fundraising platform for individual volunteer members. The launch date is January 20, 2020. This will be a soft launch to our current network and that of the Hawaii Habitat affiliate groups.

Financial support is requested for the next steps in the outreach and marketing of teams from the US Mainland to support the Habitat work in Hawaii. Marketing and promotion activities will be made to the Habitat network across the country through Habitat affiliates and State Support Organizations. Also within the plan is connecting with Universities, Community Colleges and other higher education schools (like vocational and technical education facilities) as well as churches and community groups.

The goals and objectives in FY 2020-2021 for this new program for Hawaii Habitat are:

Goal 1: Promote the program through Habitat for Humanity network, colleges and universities and church communities across the country

Objectives:

- Attend key events as an exhibitor or vendor to promote

- Connect with college and university student affairs offices, as well as fraternities and sororities on campuses through voice, video and face-to-face conversations
- Attend national church conferences to connect with the faith community and promote group leaders
- Attend Habitat for Humanity State Support Organization conferences as an exhibitor to introduce the program to Habitat affiliate leaders and volunteers

Goal 2: Host a minimum of 20 US volunteer groups throughout the state of Hawaii (five per Habitat affiliate)

Objectives:

- Groups will have 10 -15 people who will work at host sites a minimum of five full days
- Each group will provide financial support for Habitat through donations that will be built into their trip costs – approximately \$600/person
- Each Habitat affiliate will show a change in production schedules of their homes, which will enable them to expedite their work
- Each Habitat affiliate will also receive donations to help expand their program – a minimum of \$120,000 total in year 1.

Goal 3: Self-sustainability

Objective:

- Hawaii Habitat will collect approximately \$100 per volunteer donation amounts to help cover the cost of being a sending organization, this would be a minimum of \$20,000 in the first year, as the program is rolling out.
- Increase the number of volunteer groups to 20 per affiliate in year two of the program, for a total of at least 2000 volunteers, each year this will increase at 5% until the affiliates have reached their hosting capacity.
- Within the first two years, Hawaii Habitat will cover its costs for the program, which will be self-sustaining from donations received within the program

3. The public purpose and need to be served;

Hawaii Village Build will fulfill two purposes: 1) Habitat affiliate needs for volunteers and financial support; 2) Volunteer groups desires for providing meaningful work in communities of need in Hawaii by building homes with low income Habitat partner families, who become the homeowners.

Habitat affiliates across the state of Hawaii are challenged to find enough volunteer to build at capacity and fill the needs of the community. It is especially difficult to find volunteers who can commit to working during the week. These

mid-week builds are essential for the affiliates to increase their services and their building program.

Not only are the volunteers important to the program, but so are the funds that the volunteer groups bring with them. Each volunteer raises a certain amount of funds to cover their costs and an additional donation to the Habitat. These funds are essential to help leverage the funds for the next group of projects Habitat will start.

4. Describe the target population to be served; and

Hawaii Village Build will support all Hawaii's Habitat affiliates by providing much needed labor, as well as funds to help cover the construction costs. Volunteer groups of 10-15 people will visit a host Habitat for a week to 10 days and provide construction labor, which substantially decreases the time for the construction because of the consistent labor for their entire visit. These groups may be college students on a spring or summer break who want to provide community service while visiting places they have not been to before. They could also be church groups, as well as groups within the Habitat network across the country, who want to expand their community of service to Hawaii. We hope to eventually promote this program to volunteers in other countries, making it a more international program and providing Hawaii visitors a chance to work within our communities.

The population that will benefit most from this program are families earning between 30-80% of the area median income (roughly families of four people earning between \$28,000 and \$75,000 annually). Habitat partner families qualify through the local Habitat affiliate based on their need, ability to pay a monthly mortgage and their willingness to partner with Habitat. Habitat Partner families submit applications that are similar to traditional mortgage applications and must meet certain standards to qualify. Family members are required to provide sweat equity, which includes financial and homeownership education, construction work alongside volunteers on their own home as well as other Habitat homes, or other responsibilities that fit within their schedules or physical abilities. Habitat affiliates will then sell the home to the Partner families for the cost of construction of the home, a much-reduced cost because of the volunteer labor for most of the construction, which makes it affordable for the very low-income families. No family will pay more than 30% of their monthly income for their housing costs with Habitat's homeownership program.

In addition to our usual build cycle and including these groups in the ongoing plans, we will also use Hawaii Village Build program for special appeals for groups to work with us in disaster recovery.

5. Describe the geographic coverage.

This program is a statewide program and will benefit all the islands of Hawaii through services provided by Hawaii Habitat, as well as our five local Habitat affiliates:

- Habitat for Humanity Hawaii Island
- Habitat for Humanity Leeward Oahu
- Habitat for Humanity Maui
- Honolulu Habitat for Humanity
- Kauai Habitat for Humanity

### **III. Service Summary and Outcomes**

The Service Summary shall include a detailed discussion of the applicant's approach to the request. The applicant shall clearly and concisely specify the results, outcomes, and measures of effectiveness from this request. The applicant shall:

1. Describe the scope of work, tasks and responsibilities;

#### **Scope of Work and Tasks**

While Habitat's Global Village program has a 20-year history of providing volunteer groups experiences both within the US and on a global scope, Habitat affiliates in Hawaii have been destination sites through the program for only five years, some affiliates less. Habitat for Humanity International discontinued the domestic Global Village program in December 2018, which has an impact on Hawaii's affiliates both financially and labor needs. With the ongoing challenges of finding enough volunteer labor within their service areas, Habitat in Hawaii was reliant upon the extra help they received through this program. The five affiliates approached Hawaii Habitat as the state support organization and asked if there was something similar that we could offer together.

In partnership with four of these affiliates, Hawaii Habitat has committed to taking the lead in becoming a "sending organization" for volunteer groups to provide services across the state. We have named the program "Hawaii Village Build," developed the policies, procedures, insurance requirements and added a portal to the website for any interested parties. The local Habitat affiliates already have volunteer leaders through Habitat's Global Village program, who still want to bring groups to Hawaii. We are working to make it work for these groups on a temporary basis until we have the program fully operational. The scope of work that we propose for funding will be the national marketing campaign for the project. While we hope to develop a significant national market, for US groups, we will also plan for expansion into the international market.

The following is the proposed scope of work for funding this program:

- Contract with a marketing consultant
  - Develop marketing campaign with detailed plan and national rollout timeline



- Develop marketing materials: printed collateral, web collateral, exhibits and displays, media releases, etc.
- Contact organizations that would provide volunteers and volunteer leaders for Hawaii Village Build program
  - Colleges and Universities (student and faculty)
  - Churches and faith communities
  - Habitat conference planners (regional and national)
  - Others as identified in plan
- Contact event coordinators
  - Gather appropriate information for exhibitors
  - Prioritize and budget events for most impact
  - Send appropriate materials and information needed
  - Develop and exhibition plan
- Determine internal needs and improvements needed to manage the program
- Identify and hire staff to manage program
  - Create job description
    - Salary, benefits and computer/software needs
  - Advertise position
  - Interview candidates
  - Hire
- Identify permanent office location (currently temporary)
  - Set up office with furniture, equipment and technology needs
- Develop a sustainability plan
  - Goal for self-sustainability expected within the first year of the program

### Responsibilities

Hawaii Habitat for Humanity will become the “sending” organization for this program. Hawaii Habitat will provide the business plan, develop supporting documents, receive and process applications, provide an online portal to match affiliates with volunteer groups and administer the ongoing program.

Habitat affiliates in Hawaii will become “host” organizations providing the jobsites, project management, liability insurance, accommodations, transportation and coordinate cultural and visitor experiences within their itineraries. They will introduce the volunteer groups to the families who have partnered with Habitat to own the homes, as well as other key volunteers, staff and community leaders.

Volunteer group leaders will connect with both Hawaii Habitat and the host Habitat affiliate to receive group leader orientation and their responsibilities including communication with their group members regarding the requirements of a volunteer at the site (appropriate attire, footwear and safety gear), what to expect, what their costs will cover, etc.

Volunteers will provide construction labor and jobsite responsibilities based on their skills and knowledge (though no experience is necessary). Volunteers will work with the team leader to raise their own funds (through a portal on Hawaii Habitat's website) as well as provide preferences for cultural experience options.

2. Provide a projected annual timeline for accomplishing the results or outcomes of the service;

The following chart shows a visual timeline for a 12-month period expected to cover the marketing and national roll-out of the Hawaii Village Build program. We anticipate that the outcome will be that we will have groups from all over the country participate in the program across the state. These groups will access the program through a portal on the homepage on Hawaii Habitat for Humanity Association's website. All materials needed, including payment instructions for groups to sign up, will be available. The outcomes will result from the marketing campaign suggested above, in groups showing interest in working in Hawaii's communities alongside Hawaii's families and community volunteers to build homes in partnership with Hawaii's low income families. The timeline tasks are described in the above Scope of Work.

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Step 1: Develop collateral materials needed, update website information and access, create display and exhibit items, write media releases for phases of the program												
Step 2: Project rollout – implementing the plan. Schedule/attend events, send marketing information and promote the web portal for signing up groups												
Step 3: Provide services needed to both volunteer groups signing up and affiliates hosting them – tweak the program as needed for more efficiency												
Step 4: Locate and move into permanent office space to accommodate the program needs (storage of logo items and office space for personnel)												
Step 5: Develop job description and hire staff to manage and administer program: advertise position, interview candidates, hire												
Step 6: Develop sustainability plan for program.												

3. Describe its quality assurance and evaluation plans for the request. Specify how the applicant plans to monitor, evaluate, and improve their results; and

While we are replicating an existing program offered by Habitat for Humanity Internationally, we are borrowing many of the materials that they have developed for their global program. One of the great pieces in this program is the evaluation process. Hawaii Habitat will be in a unique situation to objectively evaluate the experience of both the volunteer groups and individuals, as well as the affiliates' experiences with these groups. We will offer evaluation forms, either online or

via mail (depending on the volunteer preferences) to participating volunteers in our program. We will review the evaluations and contact volunteer leaders if necessary, to clarify any issues, and will then assess the situation for changes or tweaks needed. We will also have quarterly evaluations with the Habitat host affiliates for review of the program and changes that will accommodate their needs as well. Part of the full evaluation process will be to share the feedback we receive it from volunteers with the host affiliates. Together we will work to make the program most efficient, effective and an educational and purposeful experience for both the host affiliate and the volunteer groups.

4. List the measure(s) of effectiveness that will be reported to the State agency through which grant funds are appropriated (the expending agency). The measure(s) will provide a standard and objective way for the State to assess the program's achievement or accomplishment. Please note that if the level of appropriation differs from the amount included in this application that the measure(s) of effectiveness will need to be updated and transmitted to the expending agency.

Hawaii Habitat will provide quarterly reports to the State agency regarding the activities of the program and the results. Our report will include the number of volunteer groups committing to Hawaii Village Build trips, the amount of funds they provide through the program and the number of return volunteer group leaders who will sign up in the future. Program effectiveness will be reported showing the increase in capacity and production comprehensively across the state.

Hawaii Habitat will adjust the budget as needed based on the funding level provided.

#### **IV. Financial**

##### **Budget**

1. The applicant shall submit a budget utilizing the enclosed budget forms as applicable, to detail the cost of the request.
  - a. Budget request by source of funds ([Link](#))
  - b. Personnel salaries and wages ([Link](#))
  - c. Equipment and motor vehicles ([Link](#))
  - d. Capital project details ([Link](#))
  - e. Government contracts, grants, and grants in aid ([Link](#))
2. The applicant shall provide its anticipated quarterly funding requests for the fiscal year 2021.

Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total Grant
\$ 29,250	\$29,250	\$29,250	\$29,250	\$117,000

3. The applicant shall provide a listing of all other sources of funding that they are seeking for fiscal year 2021.

Hawaii Habitat will request or provide funds from private sources to supplement and leverage this program, estimated at \$73,100.

4. The applicant shall provide a listing of all state and federal tax credits it has been granted within the prior three years. Additionally, the applicant shall provide a listing of all state and federal tax credits they have applied for or anticipate applying for pertaining to any capital project, if applicable.

N/A

5. The applicant shall provide a listing of all federal, state, and county government contracts, grants, and grants in aid it has been granted within the prior three years and will be receiving for fiscal year 2021 for program funding.

N/A

6. The applicant shall provide the balance of its unrestricted current assets as of December 31, 2019.

See attached financial statements

## **V. Experience and Capability**

### **1. Necessary Skills and Experience**

The applicant shall demonstrate that it has the necessary skills, abilities, knowledge of, and experience relating to the request. State your experience and appropriateness for providing the service proposed in this application. The applicant shall also provide a listing of verifiable experience of related projects or contracts for the most recent three years that are pertinent to the request.

Since its founding, Hawaii Habitat has worked in partnership with the Habitat affiliates in Hawaii to secure funding and provide financial and administrative infrastructure as well as technical expertise. Because we represent Hawaii's cadre of Habitat for Humanity program offices in their entirety, we have been able to facilitate partnerships with organizations and agencies seeking impact on a statewide—rather than local—scale. Hawaii Habitat has successfully administered grants from state, federal, and foundation funders in support of the affiliates' work and provided services that help them build capacity and respond to their communities.



In the last three years, Hawaii Habitat has provided the following services in support of Habitat affiliates across the state:

- **Mortgage Securitization Program:** Hawaii Habitat in partnership with Krambo Corporation, has developed and implemented a mortgage sales program. Habitat affiliates currently carry 0% mortgages with up to a 30-year terms. This program allows the affiliates to turn those mortgages into cash, whereas the mortgages are sold to Hawaii Habitat, who in turn sells the mortgages to banks who are willing to purchase them at a discount. To date, affiliates have sold \$1.3 million in mortgages, which increase their cash flow with funds they can use at their discretion. Monthly mortgage payments (which do not change) from the families are still collected by the affiliates but transferred to the bank for payment on the program.
- **Advocacy – Cost of Home:** Hawaii Habitat is the leader in advocacy efforts for Habitat for Humanity in Hawaii. Our national organization rolled out a new campaign in 2019 called the Cost of Home, with the premise that no family should pay more than half of their income in housing. Hawaii Habitat has received a small grant from Habitat's Government Relations and Advocacy department to implement the awareness in Hawaii, where 1 in 5 families are cost burdened by housing (paying more than 50% of their income). Our advocacy work includes tracking and providing testimony on bills as they go through the legislative process each year. We are especially active on bills like the Homeownership Revolving Fund legislation that will provide sources of funding to nonprofits building ownership housing for low income families.
- **Western Region Conference –** in partnership with Washington State, Oregon and California. As part of our commitment to Hawaii's Habitat affiliates to provide training and technical assistance, we have partnered with our colleagues in the western US to provide a bi-annual conference for affiliate leaders, staff and volunteers with learning tracks that will provide information that they need to increase their capacity and efficiency. Hawaii's attendance at the last two conferences, has been impressive with an average of three representatives from each of our five affiliates. The next conference is in April 2020, in Portland, OR.
- **Disaster relief and support:** Three of our affiliates are still involved in working with victims of disasters from 2018. The island of Kauai, from flooding in April 2018; Hawaii Island from a summer lava flow and Maui from flooding and fires due to Hurricane Lane aftermath. Hawaii Habitat worked with the affiliates in hooking them up with other service providers and finding much needed resources to help families rebuild their homes and their lives. We are still working with the state to develop properties and support for all victims of disaster throughout the state and continue to be involved in programs like FEMA's Voluntary Organizations Active in Disasters (VOAD) group as well as the Hawaii Emergency Management Agency (HIEMA).
- **Lastly, Hawaii Habitat for Humanity is a certified Community Development Financial Institution (CDFI).** In 2018, Hawaii Habitat received a technical assistance grant from the Department of Treasury to grow our lending practices and expand our current loan fund with \$2.5 million revolving to support the construction activities of affiliates across the state. The funds were originally

grants from State GIA funds in 2007 and 2008, as well as from the Office of Hawaiian Affairs in 2008 and 2009. They continue to revolve as loans of up to \$40,000, 0% interest, 20-year loans specifically for the construction of homes. Affiliates repay the fund through the homeowner payments they receive. In 2019, Hawaii Habitat has also developed a Bridge Loan program for the affiliates to tap, for short term loans to carry them through the valleys of funding sources. To date, we have lent \$300,000 to affiliates who are waiting for confirmed funding to be released. The terms range from three months to 12 months.

## **2. Facilities**

The applicant shall provide a description of its facilities and demonstrate its adequacy in relation to the request. If facilities are not presently available, describe plans to secure facilities.

Hawaii Habitat for Humanity Association has for the past six years become and operated as a virtual office. The Executive Director works from an office in her home as do contractors, who have helped support our programs. Currently, we are leasing an office space for one year, due to expire in July 2020. In order to accommodate the expansion of service by the organization, which will include this program, Hawaii Habitat will need to look for permanent office space for additional personnel and storage. While the business will remain virtual, in the sense that most files are electronically kept with a server back-up, a space for additional personnel will be necessary for effective management of the expanded programs, which will also financially support the office expenses, which have been a challenge in the past.

## **VI. Personnel: Project Organization and Staffing**

### **1. Proposed Staffing, Staff Qualifications, Supervision and Training**

The applicant shall describe the proposed staffing pattern and proposed service capacity appropriate for the viability of the request. The applicant shall provide the qualifications and experience of personnel for the request and shall describe its ability to supervise, train and provide administrative direction relative to the request.

Hawaii Habitat will hire a second full time employee to implement and manage the Hawaii Village Build program. We anticipate that this will not be a full time responsibility, however, will include other marketing and communications responsibilities to this position, to match with the needs of the Hawaii Village Build program. Currently, Hawaii Habitat is delighted to have two Americorps VISTA worker through the State of Hawaii's Americorps program. One of the VISTA employee is currently assigned the Hawaii Village Build program as her project for her one-year term with Hawaii Habitat. After completing her one-year term, she extended for a second year and will continue this project. There may be an opportunity to either hire this VISTA employee. This VISTA worker is currently a Resource Development Specialist and

including the Hawaii Village Build program is also providing services in social media communication, as well as traditional communications services (including updating content on the website).

The second VISTA employee is currently assigned to work on housing policy and advocacy as her project for her one-year term with Hawaii Habitat. This VISTA worker is currently a Housing Policy Specialist.

Hawaii Habitat's Executive Director oversees all the programs, administration, fundraising and communications of the organization. She works with a 16-member board of directors (including representatives from each of the five affiliates), to provide services and support that will help the affiliates meet their needs, as well as advocacy work with government leaders to provide resources and legislation that will support the work of affordable housing developers and builders. Her capacity to provide services and support to the affiliates is limited by her capacity as the only employee. Thus, the need to find programs that will support affiliates and sustain Hawaii Habitat is critical. Hawaii Village Build has the capacity to provide such a formula.

## **2. Organization Chart**

The applicant shall illustrate the position of each staff and line of responsibility/supervision. If the request is part of a large, multi-purpose organization, include an organization chart that illustrates the placement of this request.

Please see the attached Hawaii Habitat organizational chart.

## **3. Compensation**

The applicant shall provide an annual salary range paid by the applicant to the three highest paid officers, directors, or employees of the organization by position title, not employee name.

Executive Director: \$85,000 annual salary

Two Americorps VISTA members: \$16,000 for both (Hawaii Habitat's commitment, which supplements an amount provided through the state of Hawaii).

There are no other full-time employees.

## **VII. Other**

### **1. Litigation**

The applicant shall disclose any pending litigation to which they are a party, including the disclosure of any outstanding judgement. If applicable, please explain.

We are currently in litigation with an organization formerly known as Molokai Habitat for Humanity in collecting on the loans they receive from Hawaii Habitat's loan fund. A judgment in our favor was filed against the organization in December 2018. We are in the process collecting some of the funds totaling \$292,000, through mortgage payments from Habitat families on Molokai.

There are no judgements against Hawaii Habitat at this time.

## **2. Licensure or Accreditation**

The applicant shall specify any special qualifications, including but not limited to licensure or accreditation that the applicant possesses relevant to this request.

Hawaii Habitat is an accredited Community Development Financial Institution through the US Department of Treasury and was approved for annual recertification by the Department for 2020.

## **3. Private Educational Institutions**

N/A

The applicant shall specify whether the grant will be used to support or benefit a sectarian or non-sectarian private educational institution. Please see [Article X, Section 1, of the State Constitution](#) for the relevance of this question.

## **4. Future Sustainability Plan**

The applicant shall provide a plan for sustaining after fiscal year 2020-21 the activity funded by the grant if the grant of this application is:

- (a) Received by the applicant for fiscal year 2020-21, but
- (b) Not received by the applicant thereafter.

With our current operational funds, Hawaii Habitat is developing the business plan, policies and procedures and the basic infrastructure of the Hawaii Village Build program with the help of staff from Habitat affiliates across the state.

Hawaii Habitat intends to use the funds from this grant for marketing and implementing this program through Fiscal year 2021 (July 2020-June 2021). We intend that the program will be self-sustaining from the fees we receive from the volunteer groups that participate in the program. A small percentage of the donation amount made by each volunteer will be used by Hawaii Habitat to cover our expenses and help us expand the program to the capacity of the hosting affiliates. The plans that are created and implemented from these grant funds, will include expanding our reach from domestic US groups to international

groups. We believe it will be a popular program, based on the numbers of groups hosted in the past by our affiliates through the now international-only Habitat for Humanity International Global Village program.



## BUDGET REQUEST BY SOURCE OF FUNDS

Period: July 1, 2020 to June 30, 2021

Applicant: Hawaii Habitat for Humanity Association

BUDGET CATEGORIES	Total State Funds Requested (a)	Total Federal Funds Requested (b)	Total County Funds Requested (c)	Total Private/Other Funds Requested (d)
<b>A. PERSONNEL COST</b>				
1. Salaries	36,000			30,000
2. Payroll Taxes & Assessments	4,500			5,200
3. Fringe Benefits				5,000
<b>TOTAL PERSONNEL COST</b>	<b>40,500</b>			<b>40,200</b>
<b>B. OTHER CURRENT EXPENSES</b>				
1. Airfare, Inter-Island	1,500			
Airfare, Mainland	10,000			
2. Insurance				
3. Lease/Rental of Equipment				
4. Lease/Rental of Space				5,000
5. Staff Training	2,000			8,000
6. Supplies				4,500
7. Telecommunication	600			600
8. Utilities				4,800
9. Marketing Consultant	20,000			5,000
10. Printed Marketing materials/banners	5,000			
11. Online portal for HVB Program	2,400			
12. Program market products (t-shirts/hats, etc.)	10,000			
13. Videos and advertisements	10,000			
14. Vender fees at key events	5,000			2,500
15. Travel accommodations for events	10,000			2,500
16				
17				
18				
19				
20				
<b>TOTAL OTHER CURRENT EXPENSES</b>	<b>76,500</b>			<b>32,900</b>
<b>C. EQUIPMENT PURCHASES</b>				
<b>D. MOTOR VEHICLE PURCHASES</b>				
<b>E. CAPITAL</b>				
<b>TOTAL (A+B+C+D+E)</b>	<b>117,000</b>			<b>73,100</b>
<b>SOURCES OF FUNDING</b>		Budget Prepared By:		
(a) Total State Funds Requested	117,000	Jean Lilley	808-847-7676	
(b) Total Federal Funds Requested		Name (Please type or print) <span style="float: right;">Phone</span>		
(c) Total County Funds Requested		January 13, 2020		
(d) Total Private/Other Funds Requested	73,100	Signature of Authorized Official <span style="float: right;">Date</span>		
<b>TOTAL BUDGET</b>	<b>190,100</b>	Jean Lilley, Executive Director Name and Title (Please type or print)		

## BUDGET JUSTIFICATION - PERSONNEL SALARIES AND WAGES

Period: July 1, 2020 to June 30, 2021

Applicant: Hawaii Habitat for Humanity

POSITION TITLE	FULL TIME EQUIVALENT	ANNUAL SALARY A	% OF TIME ALLOCATED TO GRANT REQUEST B	TOTAL STATE FUNDS REQUESTED (A x B)
Marketing and Program Manager	1	\$55,000.00	50.00%	\$ 27,500.00
Executive Director	1	\$85,000.00	10.00%	\$ 8,500.00
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
				\$ -
<b>TOTAL:</b>				<b>36,000.00</b>

**JUSTIFICATION/COMMENTS:**

The Marketing/Program Manager position will manage the Hawaii Village Build project in addition to other projects and programs currently administered by Hawaii Habitat. The Executive Director will supervise the Marketing/Program Manager position.

## BUDGET JUSTIFICATION - EQUIPMENT AND MOTOR VEHICLES

Period: July 1, 2020 to June 30, 2021

Applicant: Hawaii Habitat for Humanity Association

DESCRIPTION EQUIPMENT	NO. OF ITEMS	COST PER ITEM	TOTAL COST	TOTAL BUDGETED
N/A			\$ -	
			\$ -	
			\$ -	
			\$ -	
			\$ -	
<b>TOTAL:</b>				

**JUSTIFICATION/COMMENTS:**

DESCRIPTION OF MOTOR VEHICLE	NO. OF VEHICLES	COST PER VEHICLE	TOTAL COST	TOTAL BUDGETED
N/A			\$ -	
			\$ -	
			\$ -	
			\$ -	
			\$ -	
<b>TOTAL:</b>				

**JUSTIFICATION/COMMENTS:**

## BUDGET JUSTIFICATION - CAPITAL PROJECT DETAILS

Period: July 1, 2020 to June 30, 2021

Applicant: Hawaii Habitat for Humanity Association

FUNDING AMOUNT REQUESTED						
TOTAL PROJECT COST	ALL SOURCES OF FUNDS RECEIVED IN PRIOR YEARS		STATE FUNDS REQUESTED	OTHER SOURCES OF FUNDS REQUESTED	FUNDING REQUIRED IN SUCCEEDING YEARS	
	FY: 2018-2019	FY: 2019-2020	FY:2020-2021	FY:2020-2021	FY:2021-2022	FY:2022-2023
PLANS						
LAND ACQUISITION						
DESIGN						
CONSTRUCTION						
EQUIPMENT						
<b>TOTAL:</b>						
<b>JUSTIFICATION/COMMENTS:</b>						
N/A						

**GOVERNMENT CONTRACTS, GRANTS, AND / OR GRANTS IN AID**

Applicant: Hawaii Habitat for Humanity Association

Contracts Total: -

	<b>CONTRACT DESCRIPTION</b>	<b>EFFECTIVE DATES</b>	<b>AGENCY</b>	<b>GOVERNMENT ENTITY</b> (U.S. / State / Haw / Hon / Kau / Mau)	<b>CONTRACT VALUE</b>
1	N/A				
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
25					
26					



# Hawaii Habitat for Humanity Association

## BALANCE SHEET

As of December 31, 2019

	TOTAL
<b>ASSETS</b>	
Current Assets	
Bank Accounts	
FHB Checking ..7332	87.00
FHB Checking...3633	4,448.70
FHB Savings...7805	8,123.96
Schwab Brokerage Account	536,025.52
TIAA 0810004763 (Old Everbk)	207,135.74
<b>Total Bank Accounts</b>	<b>\$755,820.92</b>
Accounts Receivable	
Bad Debt	2,151.24
Current Portion of Loans Receivable	-414,203.43
Loans Receivable HFHMFC	1,457,802.42
<b>Total Accounts Receivable</b>	<b>\$1,045,750.23</b>
Other Current Assets	
Due From Affiliates	482,650.43
Unamortized Discount HFHMFC	-524,358.98
<b>Total Other Current Assets</b>	<b>\$ -41,708.55</b>
<b>Total Current Assets</b>	<b>\$1,759,862.60</b>
Other Assets	\$1,344,154.00
<b>TOTAL ASSETS</b>	<b>\$3,104,016.60</b>
<b>LIABILITIES AND EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	\$6,474.29
Credit Cards	\$97.37
Other Current Liabilities	\$526.56
<b>Total Current Liabilities</b>	<b>\$7,098.22</b>
Long-Term Liabilities	\$945,305.67
<b>Total Liabilities</b>	<b>\$952,403.89</b>
Equity	\$2,151,612.71
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$3,104,016.60</b>

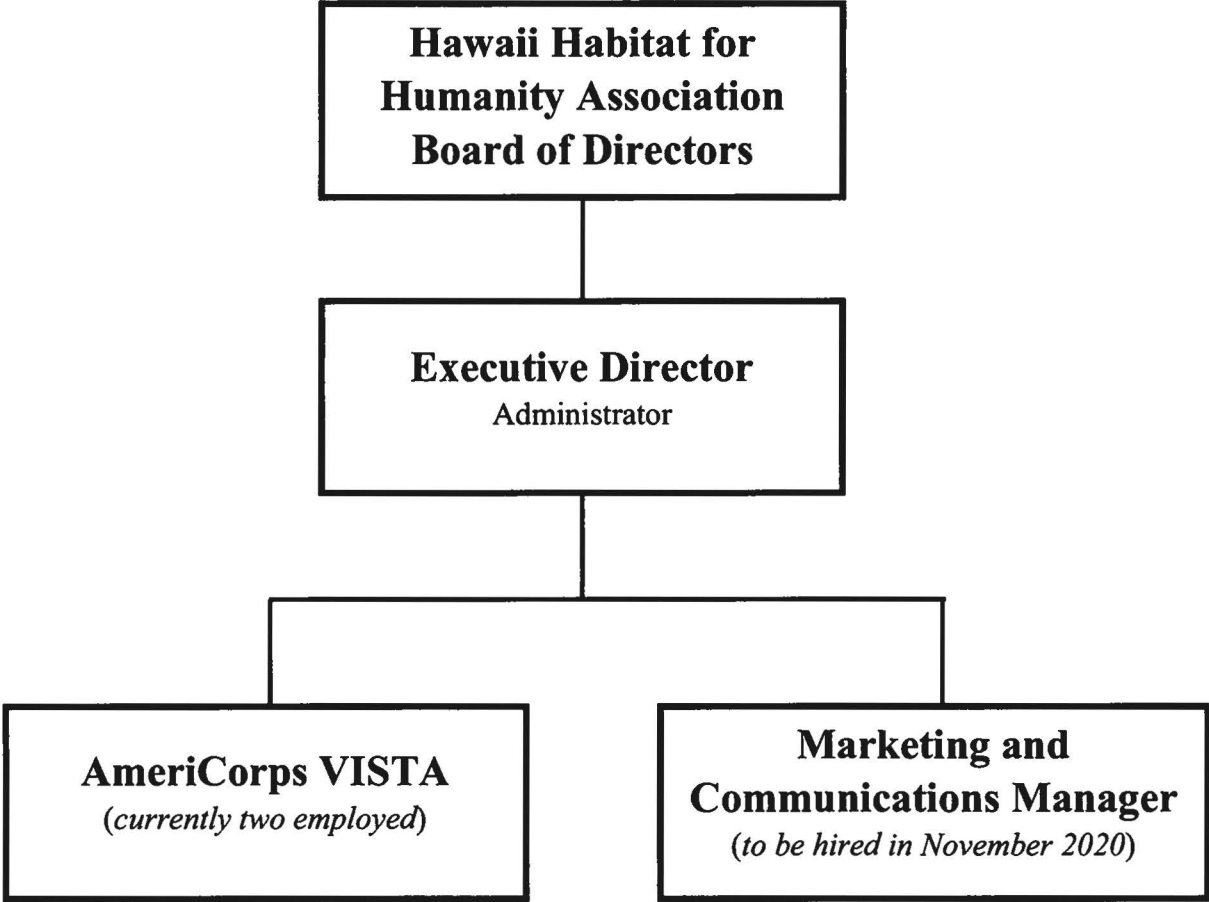
# Hawaii Habitat for Humanity Association

## PROFIT AND LOSS

July - December, 2019

	TOTAL
Income	
Combined Fed Campaign	997.16
Contributions Income	
Unrestricted	52,342.64
<b>Total Contributions Income</b>	<b>52,342.64</b>
<b>Total Income</b>	<b>\$53,339.80</b>
<b>GROSS PROFIT</b>	<b>\$53,339.80</b>
Expenses	
Bank Service Charges	76.04
Dues and Subscriptions	100.00
Office Expenses	
Office Supplies	50.00
<b>Total Office Expenses</b>	<b>50.00</b>
<b>OPERATING EXPENSES</b>	
<b>MISC &amp; OTHER EXPENSES</b>	
Insurance	2,045.50
Membership and Dues	225.00
Misc Travel & Meeting Expense	1,606.26
Parking	6.50
Telephone & Internet	363.05
<b>Total MISC &amp; OTHER EXPENSES</b>	<b>4,246.31</b>
<b>OFFICE EXPENSES</b>	
Bank Fees	106.08
Computer	3,144.73
Office Space Rental	397.87
Office Supplies	97.37
Postage & Delivery	27.30
Software	125.15
<b>Total OFFICE EXPENSES</b>	<b>3,898.50</b>
<b>PROFESSIONAL FEES</b>	
Accountant	1,528.79
Audit	5,200.00
<b>Total PROFESSIONAL FEES</b>	<b>6,728.79</b>
<b>Total OPERATING EXPENSES</b>	<b>14,873.60</b>
<b>PERSONNEL EXPENSES</b>	
Executive Director	35,416.70
Taxes & Benefits	8,423.75
Vista Volunteer-Training Coordinator	1,815.86
<b>Total PERSONNEL EXPENSES</b>	<b>45,656.31</b>
Professional Fees	
Consulting	15,000.00
<b>Total Professional Fees</b>	<b>15,000.00</b>

	TOTAL
Program Expense	
Advertising/Promotional	27.50
Hawaii Village Build	10,000.00
<b>Total Program Expense</b>	<b>10,027.50</b>
Travel & Meeting Expenses	
Airline Travel	1,458.67
Conference Registrations & Fees	115.00
Parking	1.50
<b>Total Travel &amp; Meeting Expenses</b>	<b>1,575.17</b>
<b>Total Expenses</b>	<b>\$87,358.62</b>
<b>NET OPERATING INCOME</b>	<b>\$ -34,018.82</b>
Other Income	
Interest Income	5,755.75
<b>Total Other Income</b>	<b>\$5,755.75</b>
<b>NET OTHER INCOME</b>	<b>\$5,755.75</b>
<b>NET INCOME</b>	<b>\$ -28,263.07</b>



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**HAWAII HABITAT FOR**  
**HUMANITY ASSOCIATION, INC.**  
**AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS FOR THE  
YEARS ENDED JUNE 30, 2019 AND 2018  
AND INDEPENDENT AUDITOR'S REPORT

# Alex J. Smith

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CERTIFIED PUBLIC ACCOUNTANT

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Hawaii Habitat for Humanity Association, Inc. and Subsidiary:

### **Report on the Consolidated Financial Statements**

I have audited the accompanying consolidated financial statements of Hawaii Habitat for Humanity Association, Inc. and Subsidiary (a not-for-profit organization), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, 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 Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these consolidated financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.



The Board of Directors  
Hawaii Habitat for Humanity Association, Inc. and Subsidiary

**Opinion**

In my opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hawaii Habitat for Humanity Association, Inc. and Subsidiary as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "M. K. CPA". The signature is written in a cursive style with a large initial "M" and a smaller "K".

Honolulu, Hawaii  
September 16, 2019

**HAWAII HABITAT FOR HUMANITY ASSOCIATION, INC. AND SUBSIDIARY**

**Consolidated Statements of Financial Position**

**June 30, 2019 and 2018**

<b>Assets</b>	<b>2019</b>	<b>2018</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 661,039	\$ 769,127
Fees and support due from affiliates, net	32,000	20,000
Current portion of loans receivable	591,438	410,663
<b>Total current assets</b>	<b><u>1,284,477</u></b>	<b><u>1,199,790</u></b>
<b>Noncurrent assets</b>		
Cash restricted for revolving loan fund	206,750	466,600
Loans receivable, net	2,014,390	2,087,325
Security deposit	700	-
<b>Total noncurrent assets</b>	<b><u>2,221,840</u></b>	<b><u>2,553,925</u></b>
<b>Total assets</b>	<b><u>\$ 3,506,317</u></b>	<b><u>\$ 3,753,715</u></b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 7,974	\$ 6,240
Accrued payroll liabilities	498	75
Current portion of long-term debt	81,088	85,563
<b>Total current liabilities</b>	<b><u>89,560</u></b>	<b><u>91,878</u></b>
<b>Non current liabilities</b>		
Long-term debt	1,025,274	1,081,492
<b>Total liabilities</b>	<b><u>1,114,834</u></b>	<b><u>1,173,370</u></b>
<b>Net assets</b>		
Without donor restrictions	669,858	742,607
With donor restrictions	1,721,625	1,837,738
<b>Total net assets</b>	<b><u>2,391,483</u></b>	<b><u>2,580,345</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 3,506,317</u></b>	<b><u>\$ 3,753,715</u></b>

The accompanying notes are an integral part of these financial statements.

**HAWAII HABITAT FOR HUMANITY ASSOCIATION, INC. AND SUBSIDIARY**

**Consolidated Statements of Activities**

**Years Ended June 30, 2019 and 2018**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenues:						
Support from affiliates	\$ 112,000	\$ -	\$ 112,000	\$ 12,000	\$ -	\$ 12,000
Amortization of loan discount	-	86,568	86,568	-	84,147	84,147
Loan processing fees	36,000	-	36,000	20,000	-	20,000
Interest and investment income	17,327	-	17,327	8,047	-	8,047
Contributions	4,712	-	4,712	1,039,866	-	1,039,866
Grants	-	3,750	3,750	1,550	38,905	40,455
Combined Federal Campaign	2,685	-	2,685	4,090	-	4,090
Mortgage finance program fee	-	-	-	23,005	-	23,005
Other income	125	-	125	40	-	40
Total public support and revenues	<u>172,849</u>	<u>90,318</u>	<u>263,167</u>	<u>1,108,598</u>	<u>123,052</u>	<u>1,231,650</u>
Net assets released from restrictions:						
Satisfaction of program restrictions	206,431	(206,431)	-	107,380	(107,380)	-
Total public support, revenues, and net assets released from restrictions	<u>379,280</u>	<u>(116,113)</u>	<u>263,167</u>	<u>1,215,978</u>	<u>15,672</u>	<u>1,231,650</u>
Expenses						
Program services	257,174	-	257,174	181,768	-	181,768
Supporting activities:						
Management and general	181,639	-	181,639	76,211	-	76,211
Fundraising	13,216	-	13,216	11,471	-	11,471
Total expenses	<u>452,029</u>	<u>-</u>	<u>452,029</u>	<u>269,450</u>	<u>-</u>	<u>269,450</u>
Change in net assets	(72,749)	(116,113)	(188,862)	946,528	15,672	962,200
Net assets, beginning of year	742,607	1,837,738	2,580,345	(203,921)	1,822,066	1,618,145
Net assets, end of year	<u>\$ 669,858</u>	<u>\$ 1,721,625</u>	<u>\$ 2,391,483</u>	<u>\$ 742,607</u>	<u>\$ 1,837,738</u>	<u>\$ 2,580,345</u>

The accompanying notes are an integral part of these financial statements.

**HAWAII HABITAT FOR HUMANITY ASSOCIATION, INC. AND SUBSIDIARY**  
**Consolidated Statements of Functional Expenses**  
**Years Ended June 30, 2019 and 2018**

	<u>Supporting Activities</u>			<u>Total Expenses 2019</u>	<u>Supporting Activities</u>			<u>Total Expenses 2018</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>		<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Expenses:								
Original discounts on loans	\$ 176,535	\$ -	\$ -	\$ 176,535	\$ 97,380	\$ -	\$ -	\$ 97,380
Salaries & related expenses	52,577	46,005	10,953	109,535	47,478	41,544	9,891	98,913
Bad debt expense	-	100,000	-	100,000	-	-	-	-
Professional fees	17,200	23,167	-	40,367	29,043	9,263	-	38,306
Travel & meetings	5,374	4,702	1,120	11,196	6,119	5,354	1,275	12,748
Office expenses	3,610	3,159	752	7,521	1,223	1,070	255	2,548
Rent	1,336	1,169	278	2,783	-	-	-	-
Insurance	-	1,948	-	1,948	-	3,090	-	3,090
Communications	542	474	113	1,129	238	208	50	496
Tithe	-	1,000	-	1,000	-	500	-	500
Return grant funds	-	-	-	-	-	10,000	-	10,000
Other	-	15	-	15	287	5,182	-	5,469
<b>Total expenses</b>	<b><u>\$ 257,174</u></b>	<b><u>\$ 181,639</u></b>	<b><u>\$ 13,216</u></b>	<b><u>\$ 452,029</u></b>	<b><u>\$ 181,768</u></b>	<b><u>\$ 76,211</u></b>	<b><u>\$ 11,471</u></b>	<b><u>\$ 269,450</u></b>

The accompanying notes are an integral part of these financial statements.

**HAWAII HABITAT FOR HUMANITY ASSOCIATION, INC. AND SUBSIDIARY**

**Consolidated Statements of Cash Flows**

**Years Ended June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Cash received from service recipients	\$ 48,000	\$ 23,005
Cash received from contributors	11,147	1,096,411
Cash from interest and other income	17,452	8,087
Cash paid for employees	(109,112)	(98,838)
Cash paid to other vendors	(76,925)	(73,157)
	<u>(109,438)</u>	<u>955,508</u>
Cash flows from financing activities:		
Net revolving loan fund payments from/(to) affiliates	(258,500)	(39,825)
Change in cash restricted for revolving loan fund	259,850	(466,600)
Cash from/(to) line of credit	-	(10,000)
	<u>1,350</u>	<u>(516,425)</u>
Net change in cash	(108,088)	439,083
Cash, beginning of year	769,127	330,044
Cash, end of year	<u>\$ 661,039</u>	<u>\$ 769,127</u>
Reconciliation of change in net assets to net cash provided (used) by operating activities:		
Change in net assets	\$ (188,862)	\$ 962,200
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Amortization of loan discount	(86,568)	(84,147)
Original discounts on loans	176,535	97,380
Increase in fees & support due from affiliates	(12,000)	(20,000)
Increase in security deposit	(700)	-
Increase in accounts payable	1,734	-
Increase in accrued payroll liabilities	423	75
	<u>\$ (109,438)</u>	<u>\$ 955,508</u>

The accompanying notes are an integral part of these financial statements.

**HAWAII HABITAT FOR HUMANITY ASSOCIATION, INC. AND SUBSIDIARY**

**Notes to Consolidated Financial Statements**

**Years ended June 30, 2019 and 2018**

**NATURE OF ORGANIZATION**

Hawaii Habitat for Humanity Association, Inc. (Hawaii Habitat) is a nonprofit organization incorporated under the laws of the State of Hawaii on August 21, 1996. Hawaii Habitat is an affiliate of Habitat for Humanity International, Inc. (Habitat International), a nondenominational Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, Hawaii Habitat is primarily and directly responsible for its own operations.

Hawaii Habitat operates in the State of Hawaii, and its services relate primarily to fundraising and support for the Habitat for Humanity affiliates and chapters in the State of Hawaii. Hawaii Habitat is supported primarily through grants, fundraising, and fees for processing and administering loans to the Hawaii affiliates.

Hawaii Habitat is governed by a Board of Directors, with a maximum of twenty-one (21) voting members who serve three (3) year terms. The voting members shall consist of one (1) member from each recognized Affiliate or Chapter in the State of Hawaii, who shall be chosen by the Board of Directors of the respective affiliates or chapters. The Hawaii Habitat Board may also elect up to fourteen (14) members from the community who are not elected by Affiliates or Chapters. The Executive Director is appointed by and is responsible to the Board for overall operations of Hawaii Habitat, and serves as an ex-officio member of the Board.

HFHM Funding Company I, LLC (HFHMFC) was incorporated on May 13, 2015 and is solely owned by Hawaii Habitat. HFHMFC was formed to acquire, hold, and use as collateral secured loans from Habitat for Humanity Maui, Inc. (HHM) to generate loan funds from HomeStreet Bank (see NOTE 5), that will be transferred to HHM, less a percentage discount earned by HFHMFC. HHM continues to service the original homeowner secured notes. HFHMFC is considered a disregarded entity for federal income tax purposes. Its assets, liabilities, and income and expense items have been consolidated in these financial statements.

**NOTE 1. SIGNIFICANT ACCOUNTING POLICIES**

**Principles of consolidation**

The consolidated financial statements include the accounts of Hawaii Habitat, and HFHMFC (the Organization). All material intercompany transactions and balances have been eliminated in consolidation.

**Basis of presentation**

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with the AICPA Audit and Accounting Guide, "Not-for-Profit Organizations."



**HAWAII HABITAT FOR HUMANITY ASSOCIATION, INC. AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements, Continued**  
**Years ended June 30, 2019 and 2018**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES, Continued

**Accounting pronouncement adopted**

During the year ended June 30, 2019, Hawaii Habitat adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Not-For-Profit Entities (Topic 958) Presentation of Financial Statements of Not-For-Profit Entities*. The ASU amended the current reporting model for nonprofit organizations and enhances required disclosures including net asset classification, the functional allocation of expenses and information about liquidity, financial performance, and cash flows.

**Cash and cash equivalents**

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents.

**Fees and support due from affiliates**

Hawaii Habitat management has estimated an allowance for uncollectible fees and support based any specific known uncertain balances. (See NOTE 2.)

**Loans receivable**

A portion of loans receivable consists of non-interest bearing loans to the Hawaii affiliates, which were funded by the Office of Hawaiian Affairs (OHA) and State of Hawaii Housing Finance and Development Corporation. Hawaii Habitat is required to use the funds for a revolving loan fund, where repaid loan proceeds are again loaned out at zero-percent to Hawaii affiliates for home construction. The non-interest bearing loans were discounted based on prevailing rates at the inception of the loans. The discount is amortized over the life of the loans using the straight-line method and represents the interest impact due to the time value of money concept. (See also NOTE 2).

**Capital assets**

Capital assets are carried at cost, or at fair market value at the time of donation. Maintenance and repairs are charged to expense, and betterments are capitalized. Depreciation is provided over the estimated useful lives on a straight-line basis. Currently the only capital assets (computer equipment and office furniture) are the personal assets of staff.

If donors stipulate how long contributions of property and equipment are to be maintained, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

**Donated assets and services**

Support arising from donated goods, property and services is recorded at its estimated fair value. Such contributions may be reflected in the consolidated financial statements if the services received (a) create or enhance nonfinancial assets or (b) required specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

HAWAII HABITAT FOR HUMANITY ASSOCIATION, INC. AND SUBSIDIARY  
Notes to Consolidated Financial Statements, Continued  
Years ended June 30, 2019 and 2018

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES, Continued

Net assets

Hawaii Habitat's 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 grantor restrictions.

*Net assets with Donor Restrictions* – net assets subject to donor or grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, for example contributed assets that may or will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, for example stipulating that resources be maintained in perpetuity. Law may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, laws extend to donor-imposed restrictions. (See NOTE 7).

Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Hawaii Habitat reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. The expirations of donor-imposed restrictions are recognized 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.

Functionalized expense allocation

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related expenses, office expenses, travel and meetings, and communications which are allocated on the basis of estimates of time and effort.

**HAWAII HABITAT FOR HUMANITY ASSOCIATION, INC. AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements, Continued**  
**Years ended June 30, 2019 and 2018**

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES, Continued

Leases

Leases which meet the criteria of Accounting Standards Codification (ASC) 840-10-25-1 are classified as capitalized leases. Capitalized leased assets and the related obligations are recorded at amount equal to the lessor of the present value of the minimum lease payments or the fair value of the leased asset at the beginning of the lease. Interest expense relating to the lease obligations is recorded to effect constant rates of interest over the terms of the lease.

Leases which do not meet the aforementioned criteria are classified as operation leases and the related rental are charged to expense as incurred.

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes

No provision has been made for federal or state income taxes because Hawaii Habitat has obtained tax exempt status under Internal Revenue Code Section 501 (c)(3) and applicable provisions of the Hawai'i Revised Statutes.

The Organization follows Accounting Standards Codification Topic (ASC 740), *Income Taxes*, which prescribes a recognition threshold and measurement attribute for the consolidated financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest, and penalties, disclosure, and transition. Management believes that no such uncertain tax position exists for the Organization at June 30, 2019 and 2018.

Subsequent Events

Management of the Organization has evaluated events and transactions subsequent to June 30, 2019 for potential recognition or disclosure in the consolidated financial statements. Except as disclosed in NOTE 10, the Organization did not have subsequent events that required recognition or disclosure in the consolidated financial statements for the fiscal year ended June 30, 2019. Subsequent events have been evaluated through the date of the auditor's report, which is the date the financial statements were available to be issued.

Reclassifications

Certain reclassifications have been made to the 2018 consolidated financial statements to conform to the 2019 presentation.

**HAWAII HABITAT FOR HUMANITY ASSOCIATION, INC. AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements, Continued**  
**Years ended June 30, 2019 and 2018**

**NOTE 2. FEES AND SUPPORT DUE FROM AFFILIATES**

A summary of fees and support due from affiliates as of June 30, 2019 and 2018, follows:

	<u>2019</u>	<u>2018</u>
Fees and support due from affiliates	\$ 132,000	\$ 20,000
Less allowance for doubtful accounts	(100,000)	-
Fees and support due from affiliates, net	<u>\$ 32,000</u>	<u>\$ 20,000</u>

**NOTE 3. LOANS RECEIVABLE**

Hawaii Habitat serves as the administrator for loans from the Office of Hawaiian Affairs (OHA) to Habitat for Humanity affiliates in the State of Hawaii, therefore Loans receivable represents a pass through of the long-term debt loan balances (See NOTE 5), including service fees if applicable. Hawaii Habitat has also received grant funds from OHA and the State of Hawaii to create a revolving loan fund, and these funds have been loaned to Hawaii affiliates and are included in the summary of loans receivable below.

A summary of the loans receivable as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
HFHM Funding Company - Maui Habitat	\$ 1,668,398	\$ 1,744,485
Habitat Hawaii Island	721,750	621,750
Maui Habitat	496,500	360,750
Molokai Habitat	292,450	292,450
Kauai Habitat	253,500	279,726
Honolulu Habitat	250,250	187,250
Leeward Habitat	210,650	251,650
Hale Aloha 'O Hilo Habitat	79,500	79,500
	<u>3,972,998</u>	<u>3,817,561</u>
Less: Unamortized discounts between 3.50% and 8.14%	1,367,170	1,299,573
Present value of loans receivable	<u>2,605,828</u>	<u>2,517,988</u>
Less: Current portion	224,588	217,449
Overdue amounts	234,850	213,214
Total long-term loans receivable, net of discount	<u>\$ 2,146,390</u>	<u>\$ 2,087,325</u>

**NOTE 4. LINE OF CREDIT**

Hawaii Habitat maintains a revolving line of credit with First Hawaiian Bank, up to \$40,000, with interest at 6.375%, and maturing on June 30, 2022. The line was not being utilized on June 30, 2019 or 2018.

**HAWAII HABITAT FOR HUMANITY ASSOCIATION, INC. AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements, Continued**  
**Years ended June 30, 2019 and 2018**

**NOTE 5. LONG-TERM DEBT**

Long-term debt at June 30, 2019 and 2018, consisted of the following:

	2019	2018
HomeStreet Bank – through HFHM Funding Company I, LLC, secured by 10 non-interest bearing mortgages from Maui Habitat. Monthly payments of \$6,341, discounted at 3.5% and 3.0%. (See NOTE 6).	\$ 1,668,398	\$ 1,744,485
OHA, 5 promissory notes, no service fee, quarterly payments of \$250 per loan, payable within 20 years upon escrow close of each home under agreement.	14,000	17,750
OHA, 3 promissory notes, 1.5% service fee, quarterly payments of \$538 per loan (including service fee), payable within 10 years upon escrow close of each home under agreement.	-	3,226
	1,682,398	1,765,461
Less discount on notes at 3.5%	576,036	598,406
Present value of long-term debt	1,106,362	1,167,055
Less current installments of long-term debt	81,088	85,563
	\$ 1,025,274	\$ 1,081,492

Maturities on the long-term debt for the next five years ended June 30, are as follows:

<u>Year ending June 30:</u>	
2020	\$ 81,088
2021	81,088
2022	80,088
2023	77,088
2024	76,088
Thereafter	1,286,958
	\$1,682,398

**NOTE 6. HFHM FUNDING COMPANY I, LLC (See also NATURE OF ORGANIZATION)**

On May 28, 2015, HFHM Funding Company I, LLC (HFHMFC) purchased 8 non-interest bearing mortgage loans from Habitat for Humanity Maui, Inc. (HHM) for a discounted amount of \$908,474 (discounted at 3.5% less a 1% fee for services). Also, on May 28, 2015, HFHMFC received funds from HomeStreet Bank in exchange for a Note Purchase agreement at the principle balance of \$1,577,751 (the stated principle balance of the 8 mortgage loans from HHM as of May 28, 2015.) The funds received from HomeStreet Bank are secured by payments from the 8 mortgage loans, and the discounted amount received from HomeStreet Bank was \$1,015,600 (discounted at 3.5%).

**HAWAII HABITAT FOR HUMANITY ASSOCIATION, INC. AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements, Continued**  
**Years ended June 30, 2019 and 2018**

**NOTE 6. HFHM FUNDING COMPANY I, LLC, Continued**

And on June 26, 2018, HFHMFC purchased 2 non-interest bearing mortgage loans from HHM for a discounted amount of \$230,709 (discounted at 3.0% less a 1% fee for services). Also, on June 26, 2018, HFHMFC received funds from HomeStreet Bank in exchange for a Note Purchase agreement at the principle balance of \$346,657 (the stated principle balance of the 2 mortgage loans from HHM as of June 26, 2018.) The funds received from HomeStreet Bank are secured by payments from the 2 mortgage loans, and the discounted amount received from HomeStreet Bank was \$253,714 (discounted at 3.0%).

HHM continues to service the mortgage loans under this agreement, and makes the applicable monthly payments to HomeStreet Bank on behalf of HFHMFC. Should a homeowner default on their mortgage loan, HFHMFC can require HHM to repurchase the mortgage at its discounted value, or the parties can agree to substitute a different mortgage loan with adjustments and payments for differences in the outstanding principle balance.

During the year ended June 30, 2017, HHM assumed the payments for a mortgage under this agreement in which the homeowner had ceased making payments. HHM will acquire the related property and find a new homeowner to either assume the prior mortgage, or sign a new mortgage that will be included in the agreement, and adjusted for any difference from the prior mortgage.

The loans purchased from HHM are recognized in Loans Receivable (see NOTE 3) at their net realizable value, and a corresponding liability to HomeStreet Bank is recognized in Long-Term Debt also at the net discounted value (see NOTE 5) for the Note Purchase agreement.

**NOTE 7. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes as of June 30, 2019 and 2018:

Revolving loan funds:	2019	2018
Original loan funds – waiting to be distributed	\$ -	\$ -
Original loan funds – outstanding loans	1,342,000	1,465,250
Original loan funds – payments due from affiliates	235,000	191,650
Repaid original funds – outstanding loans	716,250	376,500
Repaid original funds – waiting to be loaned again	206,750	466,600
	2,500,000	2,500,000
Discount to recognize present value of loans	(791,134)	(701,167)
Restricted revolving loan funds	1,708,866	1,798,833
Community Development Financial Institutions Fund-TA	12,759	38,905
	\$ 1,721,625	\$ 1,837,738



**HAWAII HABITAT FOR HUMANITY ASSOCIATION, INC. AND SUBSIDIARY**  
**Notes to Consolidated Financial Statements, Continued**  
**Years ended June 30, 2019 and 2018**

**NOTE 8. LIQUIDITY AND AVAILABILITY**

Hawaii Habitat’s financial assets available within one year of the statement of financial position date for general expenditures are as follows as of June 30, 2019 and 2018:

	2019	2018
Cash and cash equivalents	\$ 661,039	\$ 769,127
Fees and support due from affiliates, net	32,000	20,000
	\$ 693,039	\$ 789,127

As part of Hawaii Habitat’s liquidity management plan, excess cash is invested in short-term investments, certificates of deposit and money market funds. To help manage unanticipated liquidity needs, Hawaii Habitat has a line of credit with a commercial bank (see NOTE 4).

**NOTE 9. OPERATING LEASE**

Hawaii Habitat entered into a thirteen (13) month office space rental beginning November 1, 2018, with a \$0 monthly base rent, and a share of monthly common area maintenance fees, which totaled \$398 per month. Prior to this office space, the Hawaii Habitat employees had used home offices, therefore no recognition of an in-kind contribution for the below market office rent has been calculated.

Rental expense under the above lease for the year ended June 30, 2019, was \$2,784.

**NOTE 10. SUBSEQUENT EVENTS**

Molokai Habitat became disaffiliated with Habitat International in June 2018, and legally changed their name to Molokai Housing and Family Help (MHFH) as of July 31, 2018. Hawaii Habitat has subsequently been working with MHFH with the goal of transferring the former Molokai Habitat homeowner mortgages to Hawaii Habitat, and to be serviced by Maui Habitat. Management believes this plan of action will be successful, and allow for continued payments on the revolving loan funds due from the former Molokai Habitat. As of the date of this audit report, related agreements had been discussed with all the involved parties, but had not been signed.