



HABITAT FOR HUMANITY OF OSHKOSH, INC.

AUDITED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022



Vesta

Accounting | Wealth | Advisory

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Habitat for Humanity of Oshkosh, Inc.
Oshkosh, Wisconsin

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Habitat for Humanity of Oshkosh, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Oshkosh, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Habitat for Humanity of Oshkosh, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity Oshkosh, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Habitat for Humanity Oshkosh, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity Oshkosh, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2023 on our consideration of the Habitat for Humanity Oshkosh, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Habitat for Humanity Oshkosh Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Habitat for Humanity Oshkosh, Inc.'s internal control over financial reporting and compliance.



Fond du Lac, Wisconsin
December 12, 2023

**HABITAT FOR HUMANITY OF OSHKOSH, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022**

	<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
Current Assets:			
Cash and cash equivalents		\$ 829,211	\$ 1,144,379
Grant receivable		281,249	-
Current maturities of mortgages receivable		30,103	35,845
House construction in process		663,525	77,359
Security deposit		1,800	-
Inventory		14,151	19,674
Total Current Assets		<u>1,820,039</u>	<u>1,277,257</u>
Property and Equipment, net		1,419,983	1,449,439
Other Assets:			
Beneficial interest in assets held by Community Foundation		67,682	60,655
Mortgages receivable, less current maturities, net of discounts		493,344	586,323
Total Other Assets		<u>561,026</u>	<u>646,978</u>
Total Assets		<u>\$ 3,801,048</u>	<u>\$ 3,373,674</u>
	<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:			
Current maturities of long-term debt		\$ 26,360	\$ 87,816
Accounts payable		35,424	28,424
Homeowner deposits		1,500	1,500
Sales tax payable		1,660	1,401
Accrued wages		20,483	14,053
Accrued payroll taxes		-	75
Accrued interest		648	1,122
Total Current Liabilities		<u>86,075</u>	<u>134,391</u>
Long-term Debt, less current maturities, net of discount		<u>533,873</u>	<u>917,950</u>
Total Liabilities		619,948	1,052,341
Net Assets:			
Without donor restrictions:			
Board designated		24,124	53,233
Undesignated		3,015,467	2,098,113
Total without donor restrictions		<u>3,039,591</u>	<u>2,151,346</u>
With donor restrictions		141,509	169,987
Total Net Assets		<u>3,181,100</u>	<u>2,321,333</u>
Total Liabilities and Net Assets		<u>\$ 3,801,048</u>	<u>\$ 3,373,674</u>

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

HABITAT FOR HUMANITY OF OSHKOSH, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:						
Support:						
Contributions - cash	\$ 130,326	\$ 29,988	\$ 160,314	\$ 73,889	\$ 76,391	\$ 150,280
Contributed nonfinancial assets	8,548	-	8,548	7,100	-	7,100
Grants	1,195,442	-	1,195,442	805,537	-	805,537
Net assets released from restrictions	58,466	(58,466)	-	33,617	(33,617)	-
Total Support	1,392,782	(28,478)	1,364,304	920,143	42,774	962,917
Revenues:						
Transfers to homeowners	-	-	-	310,600	-	310,600
Mortgage discount amortization	92,953	-	92,953	65,511	-	65,511
Resale store sales (less direct expenses of \$46,552 and \$54,613, respectively)	301,803	-	301,803	330,946	-	330,946
Fundraising proceeds	74,412	-	74,412	59,239	-	59,239
Interest income	380	-	380	89	-	89
Return (loss) on beneficial interest	6,177	-	6,177	(8,356)	-	(8,356)
Gain on extinguishment of PPP loan	-	-	-	78,374	-	78,374
Gain on sale of mortgages receivable	23,181	-	23,181	88,201	-	88,201
Second mortgage income	1,172	-	1,172	20,493	-	20,493
Miscellaneous	15,833	-	15,833	31,572	-	31,572
Total Revenues	515,911	-	515,911	976,669	-	976,669
Total Revenues and Other Support	1,908,693	(28,478)	1,880,215	1,896,812	42,774	1,939,586
Expenses:						
Program services	880,325	-	880,325	1,203,618	-	1,203,618
Management and general	91,912	-	91,912	71,351	-	71,351
Fundraising	48,211	-	48,211	44,457	-	44,457
Total Expenses	1,020,448	-	1,020,448	1,319,426	-	1,319,426
Change in Net Assets	888,245	(28,478)	859,767	577,386	42,774	620,160
Net Assets:						
Beginning of year	2,151,346	169,987	2,321,333	1,573,960	127,213	1,701,173
End of year	\$ 3,039,591	\$ 141,509	\$ 3,181,100	\$ 2,151,346	\$ 169,987	\$ 2,321,333

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

HABITAT FOR HUMANITY OF OSHKOSH, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2023 AND 2022

	2023				2022			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Cost of construction	\$ 24,087	\$ -	\$ -	\$ 24,087	\$ 381,472	\$ -	\$ -	\$ 381,472
Mortgage discount expense	-	-	-	-	152,392	-	-	152,392
Family selection expense	1,817	-	-	1,817	805	-	-	805
Tithe to HFHI	11,660	-	-	11,660	7,380	-	-	7,380
Payroll expenses	400,244	34,359	27,444	462,047	326,700	27,690	23,047	377,437
Insurance	57,116	583	583	58,282	39,707	405	405	40,517
Telephone	5,875	540	338	6,753	6,618	609	380	7,607
IT maintenance	19,215	6,405	-	25,620	35,909	11,970	-	47,879
Building	-	6,511	-	6,511	-	5,049	-	5,049
Office and operating supplies	2,782	522	174	3,478	1,581	297	99	1,977
Postage and printing	16,706	3,341	2,227	22,274	21,075	4,215	2,810	28,100
Advertising	24,451	-	1,287	25,738	20,104	-	1,058	21,162
Dues and subscriptions	2,705	4,057	-	6,762	4,765	7,148	-	11,913
Legal and accounting	41,183	27,455	-	68,638	20,836	6,945	6,945	34,726
Property Taxes	-	-	-	-	2,417	76	51	2,544
Rent	4,719	149	99	4,967	1,101	35	23	1,159
Small event expenses	2,155	-	-	2,155	4,151	-	-	4,151
Facilities	4,264	135	90	4,489	4,945	156	104	5,205
Utilities	31,842	1,006	670	33,518	37,246	1,176	784	39,206
Travel	2,144	1,607	1,607	5,358	468	351	351	1,170
Vehicle	30,849	-	-	30,849	7,934	-	-	7,934
Bank and credit card fees	5,926	326	260	6,512	5,606	308	246	6,160
Volunteer appreciation	16,604	-	-	16,604	10,475	-	-	10,475
Other ReStore expenses	-	-	-	-	5	-	-	5
Miscellaneous	7,634	-	-	7,634	25	-	-	25
Training	-	1,229	-	1,229	-	2,219	-	2,219
Interest	62,378	1,970	1,313	65,661	35,525	1,122	748	37,395
Restore expenses	46,552	-	-	46,552	54,613	-	-	54,613
Fundraising expenses	-	-	10,974	10,974	-	-	6,352	6,352
Depreciation	54,382	1,717	1,145	57,244	50,045	1,580	1,054	52,679
Amortization	7,313	-	-	7,313	8,880	-	-	8,880
Outside services	42,132	-	-	42,132	15,451	-	-	15,451
	<u>926,877</u>	<u>91,912</u>	<u>48,211</u>	<u>1,067,000</u>	<u>1,258,231</u>	<u>71,351</u>	<u>44,457</u>	<u>1,374,039</u>
Less: resale store expenses netted against revenue	<u>46,552</u>	<u>-</u>	<u>-</u>	<u>46,552</u>	<u>54,613</u>	<u>-</u>	<u>-</u>	<u>54,613</u>
Total Expenses	<u>\$ 880,325</u>	<u>\$ 91,912</u>	<u>\$ 48,211</u>	<u>\$ 1,020,448</u>	<u>\$ 1,203,618</u>	<u>\$ 71,351</u>	<u>\$ 44,457</u>	<u>\$ 1,319,426</u>

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

HABITAT FOR HUMANITY OF OSHKOSH, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 859,767	\$ 620,160
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Discounts on mortgages issued	-	152,392
Mortgage discount amortization	(92,953)	(65,511)
Transfers to homeowners	-	(268,600)
Amortization	7,313	8,880
Gain on extinguishment of first PPP loan	-	(78,374)
Gain on sale of mortgage receivable	(23,181)	(88,201)
Depreciation	57,244	52,679
Loss (Return) on beneficial interest	(6,177)	8,356
Effects of changes in operating assets and liabilities:		
Grants receivable	(281,249)	-
House construction in process	(586,166)	(4,476)
Inventory	5,523	14,451
Security deposit	(1,800)	-
Accounts payable	7,000	8,395
Homeowner deposits	-	500
Sales tax payable	259	(225)
Accrued wages	6,430	4,271
Accrued payroll taxes	(75)	-
Accrued interest	(474)	(109)
Net Cash Flows from Operating Activities	<u>(48,539)</u>	<u>364,588</u>
Cash Flows From Investing Activities:		
Purchase of property and equipment	(27,788)	(30,213)
Acquisition of beneficial interests	(850)	(4,991)
Payments received on mortgages receivable	115,629	275,599
Net Cash Flows from Investing Activities	<u>86,991</u>	<u>240,395</u>
Cash Flows From Financing Activities:		
Proceeds from long-term debt	-	94,456
Payments on long-term debt	(353,620)	(128,066)
Net Cash Flows from Financing Activities	<u>(353,620)</u>	<u>(33,610)</u>
Net Change In Cash and Cash Equivalents	(315,168)	571,373
Cash and Cash Equivalents:		
Beginning of year	1,144,379	573,006
End of year	<u>\$ 829,211</u>	<u>\$ 1,144,379</u>

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

**HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Habitat for Humanity of Oshkosh, Inc., (the “Organization”) is a non-profit organization located in Oshkosh, Wisconsin that is an affiliate of Habitat for Humanity International, Inc. (HFHI). HFHI is a non-denominational Christian not-for-profit 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 HFHI assists with information resources, training, publications, prayer support, and in other ways, the Organization is primarily and directly responsible for its own operations. Such operations are conducted within the Habitat for Humanity of Oshkosh, Inc. area (Winnebago County) and include acquisition of real estate to be improved, purchase of building materials, organization of construction/rehabilitation labor (volunteer and paid) and financing the sale of its completed projects. The Organization targets those in very low-income economic groups, selling homes at no profit and financing them with non-interest-bearing loans.

The Organization is supported primarily through contributions, grants, income from the resale store, and homeowner mortgage payments.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with United States of America generally accepted accounting principles.

Cash and Cash Equivalents

The Organization considers all highly liquid investments available for current use with a maturity of three months or less to be cash equivalents.

ReStore Inventory

The store’s merchandise consists primarily of items that have been donated by building supply stores, construction companies, and individuals in the community. Because many of the donations are the result of overstocked items or are used items, the value of donations is not readily determinable until such merchandise is sold. Therefore, retail inventory from donated items of the store has not been recorded in these financial statements. Retail sales on these donated items are recorded at the point of sale. The remaining inventory which consists of purchased items is stated at the lower of cost or market determined by the first-in first-out method.

Property and Equipment

Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Expenditures for replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed as incurred. The Organization’s capitalization policy is to depreciate all assets with an economic life greater than twelve months with a minimum cost of \$1,000.

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Property and Equipment - Continued

Depreciation for financial statement purposes has been computed using a straight-line method based on a useful life of five to twenty years for building improvements, equipment, furniture and vehicles and forty years for the building. Depreciation charged to operations for the years ended June 30, 2023 and 2022, was \$57,244 and \$52,679, respectively.

Mortgages Receivable

Mortgages receivable consists of non-interest-bearing mortgages which are secured by real estate and are payable in monthly installments over the life of the mortgage. The mortgage loans are discounted to recognize that they do not bear interest using a rate determined annually by Habitat for Humanity International, Inc. Once the rate is determined, it is not revised for any market changes.

The Organization aims to sell homes at no profit by setting the home sale price at the estimated cost to build. The Organization holds a second mortgage for each first mortgage if the fair market value at the time of sale was greater than the sale price of the home. The second mortgage represents the difference between the fair value of the home at the time of the original sale and the actual sale price. These second mortgages are not recorded. The second mortgage will take effect if the homeowner sells, refinances, defaults or the home is no longer their primary residence before a stipulated time period. The second mortgage is collected after the first mortgage is satisfied and after certain other liens are satisfied. The second mortgages are designed to prevent the homeowner from selling the home and reaping a substantial benefit. The value of second mortgages not recorded totaled \$83,609 and \$88,518 at June 30, 2023 and 2022, respectively.

The Organization considers homeowners to be delinquent if they are 30 days past due on their mortgage payment. Every effort is made to assist the homeowners who have been delinquent in their mortgage payments. However, foreclosure proceedings may be initiated and/or the Organization may accept a deed in lieu of foreclosure where homeowners mortgage payments are seriously delinquent. Properties acquired through foreclosure or a deed in lieu of foreclosure are generally refurbished in partnership with, and sold to, other families in need of decent, affordable housing. Consequently, no allowance for credit losses has been established for mortgage receivables as of June 30, 2023 and 2022.

Fair Value Measurements

Fair value is defined as the exchange price (an exit price) that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Accounting standards establish a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

**HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fair Value Measurements – Continued

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted market prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Leases

A lease is defined as a contract that conveys controls of the right to use another entity's nonfinancial asset (the underlying asset) as a specified in the contract for a period of time in an exchange or exchange-like transaction based on FASB ASC 842, Leases.

By definition, short term lease has a maximum term of 12 months or less and does not include a purchase option that the lessee is reasonably certain to exercise. The Organization has elected not to apply ASC 842 to short-term leases. Lease payments are recognized as operating expense straight-line over the lease term.

Net Assets

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

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor- (or certain grantor-) restrictions.

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

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Liquidity and Availability of Resources

The Finance Committee is responsible for the development and management of the Organization's liquidity policy. This includes but is not limited to:

Monitoring available funding to pay all expenses in a timely manner. This includes operational funding as well as funding for capital expenditures, emergency situations and opportunities for growth and expansion.

Developing and maintaining board designated reserve accounts which can all be used to meet operational needs through a simple board resolution.

The Organization receives significant contributions each year from donors. These contributions allow the Organization to meet annual cash needs for general expenditures. The Organization strives to maintain liquid financial assets sufficient to cover at least 180 days of general expenditures. The Organization will maintain a checking account with a balance generally sufficient to pay between 30 and 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in short-term investments. These funds are primarily invested in two ways:

Money market accounts that allow fund transfers to (or from) the checking account to support the Organization financial management.

Certificate of Deposit Account Registry Service (CDARS) with maturity dates no more than two years into the future. CDARS will be laddered so that cash will become available at least every six months. To further ensure liquidity, principal amounts that are invested in each CDARS can be returned to the Organization before the maturity date to meet unexpected expenses. The penalty for early withdrawal is limited to the loss of a percentage of the projected interest that would have been earned at the maturity date.

The Organization has an endowment fund entitled the "The Habitat for Humanity of Oshkosh Fund" that is held and managed by the Oshkosh Area Community Foundation. Income generated from this endowment is available in the fall of each year based on the Foundation's spending policy. The Organization has the opportunity to take the distribution or keep those dollars and add them to the endowment principal.

Once the endowment reaches \$1 million in principal, the principal must not fall below that level. (If this does happen, interest distributions will be discontinued until the principal balance returns to the \$1 million level.)

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Contribution Recognition

Contributions are recognized as revenue when they are received or unconditionally promised. Contributions that are restricted by the donor are reported 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.

Donated services are recognized as contributions 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. Volunteers provided services to the Organization throughout the year that have not been recognized as contributions in the financial statements since the recognition criteria were not met.

Revenue Recognition

The Organization recognizes revenue in accordance with Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*. Accordingly, revenue is recognized when services are rendered in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for the goods or services. The Organization satisfies a performance obligation by transferring services to the customers which is satisfied over the performance period on a straight-line basis and at point in time. See Note I of the Notes to Financial Statements for information regarding the Organization's revenue recognition practices.

Grant revenue is recognized in the period in which the related expenditures are incurred and grant milestone deadlines and requirements are met. Revenue from transfers to homeowners is recognized in the period in which ownership of the home is transferred and is recorded at the gross mortgage amount of payments to be received over the lives of the mortgages. The gross mortgage amount generally approximates the construction cost incurred and paid for by the Organization.

Contributed Nonfinancial Assets

The Organization recognizes various types of non-cash supplies and services including roofing. The contributed assets are recognized as revenue and expenses at fair value when received. The amounts reflected in the accompanying financial statements as contributed support are generally offset by a like amount included in expenses.

Presentation of Sales Tax

Revenues are recorded net of all amounts charged to customers for sales taxes.

Advertising

Advertising costs are charged to operations when incurred. During the years ended June 30, 2023 and 2022, advertising costs totaled \$25,738 and \$21,162, respectively.

**HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Functional Expense Allocations

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. The financial statements report certain categories of expenses that are attributed to program services, management and general, or fundraising. General ledger accounts that can be directly attributed to a category are assigned to that category. Payroll related accounts are allocated based on a time estimate at the discretion of management. All other general accounts that cannot be directly allocated to either category is allocated on the discretion of management.

Income Taxes

As a not-for-profit organization, Habitat for Humanity of Oshkosh, Inc., is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The tax-exempt status is based on the stated purpose of the operations and supporting evidence presented to the Internal Revenue Service with the application for tax-exempt status. Such status is subject to re-evaluation should there be any changes in operation, character, or purpose of the Organization.

The Organization has evaluated tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2023 and 2022.

All years not closed by statute of limitations in jurisdictions remain open for examinations.

Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Accounting Standards Update

During the year ended June 30, 2023, the Organization implemented the following standards issued by the Financial Accounting Standards Board:

Update 2016-02, *Leases (Topic 842)*, This Update results in significant changes to financial reporting and disclosures related to both operating and capital (finance) leases. The new lease standard is intended to increase the transparency and comparability among companies that lease buildings, equipment and other assets by recognizing the assets and liabilities that arise from these lease transactions on the statement of financial position. In conjunction with implementing 2016-02, the Organization will also implement the following Updates related to leases: 2018-01, *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*, 2018-10 *Codification Improvements to Topic 842, Leases* and 2018-11 *Leases (Topic 842): Targeted Improvements*, 2018-20 *Leases (Topic 842): Narrow-Scope Improvements for Lessors* and 2019-01 *Leases (Topic 842): Codification Improvements* and Update 2021-09 *Leases (Topic 842): Discount Rate for*

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Accounting Standards Update – Continued

Leases That Are Not Public Business Entities. There is no effect on net assets in connection with this implementation.

The Financial Accounting Standard Board has issued the following standards which will be effective in subsequent years and are expected to have an impact on the Organization:

Update 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, effective for the fiscal year beginning after December 15, 2022. This standard will require changes in the methodology used to estimate credit losses and will require changes to financial statement presentation and disclosures. In conjunction with implementing 2016-13, the Organization will also implement the following Updates related to this topic: 2018-19 *Codification Improvements to Topic 326, Financial Instruments - Credit Losses*, 2019-05 *Financial Instruments - Credit Losses (Topic 326): Targeted Transition Relief*, 2019-10 *Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, 2019-11 - *Codification Improvements to Topic 326, Financial Instruments - Credit Losses*, 2020-03 *Codification Improvements to Financial Instruments*, and 2022-02 *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*.

The Organization will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

Reclassification

Certain prior year amounts have been reclassified for consistency with current year presentation. These reclassifications had no effect on the reported results of operations.

NOTE B – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor-imposed or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2023</u>	<u>2022</u>
Financial assets, at year-end	\$ 1,701,589	\$ 1,827,202
Less those unavailable for general expenditures within one year, due to:		
Mortgage receivable	493,344	586,323
Funds designated by the board	24,124	53,233
Contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	<u>141,509</u>	<u>169,987</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,042,612</u>	<u>\$ 1,017,659</u>

The Board has designated \$13,570 as a reserve fund as described in the net asset section of Note A. Although the board does not intend to spend these amounts, they are available if deemed necessary.

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE C – BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

Beneficial interest in assets held by community foundation represents amounts held at the Oshkosh Area Community Foundation. The Foundation invests the assets held in the fund. The income and principal may be distributed upon request of the members of the governing body of the Organization, net income, after deducting investing and administration expenses, may be distributed to the Organization according to the spending policy of the Foundation. Upon request of two-thirds (2/3) of the members of the governing body of the Organization, Oshkosh Area Community Foundation Board may authorize, under unusual circumstances, principal distributions.

The agreement governing the assets includes a variance power allowing the Foundation to modify the restrictions on distributions from the funds.

	<u>2023</u>	<u>2022</u>
Total beneficial interests in assets held by Community Foundation	<u>\$ 67,682</u>	<u>\$ 60,655</u>

Return on beneficial interest consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Realized and unrealized gains (losses)	\$ 5,159	\$ (9,065)
Investment income	1,642	1,344
Investment fees	(624)	(635)
Net return (loss) on beneficial interest	<u>\$ 6,177</u>	<u>\$ (8,356)</u>

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Vehicles	\$ 88,869	\$ 88,869
Building and improvements	1,362,426	1,334,638
Equipment and furniture	96,214	96,214
Land	312,000	312,000
	<u>1,859,509</u>	<u>1,831,721</u>
Less accumulated depreciation	<u>(439,526)</u>	<u>(382,282)</u>
	<u>\$ 1,419,983</u>	<u>\$ 1,449,439</u>

NOTE E – HOUSE CONSTRUCTION IN PROCESS AND LAND HELD FOR DEVELOPMENT

The Organization purchases lots and homes for construction and renovation. Costs that are incurred before construction or renovation begins are capitalized as part of the lot or home. After construction or renovation has begun, costs associated with the project are accumulated in a construction in process account on the statements of financial position until the construction or renovation is completed. These homes are then sold to those in need based upon the Organization's selection criteria. As of June 30, 2023 and 2022, the total cost of house construction in process was \$663,525 and \$77,359, respectively.

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE F – MORTGAGES RECEIVABLE

The Organization services the mortgages on the homes constructed and sold to qualifying families. The mortgages are interest free and have been discounted at prevailing market rates for low-income housing at the inception of the mortgages. Discounts are amortized using the straight-line method over the life of the loan. At June 30, 2023, the carrying value of the non-interest-bearing mortgage loan receivables of \$523,447 is shown net of the total unamortized discount of \$697,029. At June 30, 2022, the carrying value of the non-interest-bearing mortgage loan receivables of \$622,168 is shown net of the total unamortized discount of \$813,156.

Annual collection of mortgages receivables, net of the amortized discount, at June 30, 2023 are due as follows:

2024	\$ 30,103
2025	30,103
2026	29,430
2027	27,886
2028	27,886
Thereafter	378,039
	<u>\$ 523,447</u>

Not all mortgages receivables were current on payments as of June 30.

During the year ended June 30, 2023, mortgages with a carrying value of \$24,929 were sold for \$48,110. A gain of \$23,181 was recognized as a result of the sale.

During the year ended June 30, 2022, mortgages with a carrying value of \$68,548 were sold for \$156,749. A gain of \$88,201 was recognized as a result of the sale.

NOTE G – NET ASSETS

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

	<u>2023</u>	<u>2022</u>
Subject to purpose restrictions:		
Rock the Block program	\$ 136,274	\$ 164,752
Neighborhood Revitalization Initiative	5,235	5,235
	<u>\$ 141,509</u>	<u>\$ 169,987</u>

Board designated net assets consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Neighborhood Revitalization Initiative	\$ 13,570	\$ 13,570
Fund for Restore capital improvement	10,554	39,663
	<u>\$ 24,124</u>	<u>\$ 53,233</u>

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE H – LONG-TERM DEBT

Long-term debt consists of the following at June 30:

	<u>2023</u>	<u>2022</u>
Mortgage payable with monthly installments of \$5,708 including interest at 4.20%. Mortgage payable was refinanced in May 2018 with monthly installments of \$6,213 including interest at 4.89%. Final payment made in February 2023.	\$ -	\$ 368,298
Note payable secured by mortgage receivable pledged as collateral with monthly installment of \$324 with no interest. The note was discounted at an imputed interest rate of 4.2%. The total discount was \$28,761. The discount is being amortized over 22 years. Amortization for the years ended June 30, 2023 and 2022 was \$1,582 and \$1,674, respectively. Final payment due in May 2035.	45,463	49,351
Note payable secured by mortgage receivable pledged as collateral with monthly installment of \$342 with no interest. The note was discounted at an imputed interest rate of 4.2%. The total discount was \$18,976. The discount is being amortized over sixteen years. Amortization for the years ended June 30, 2023 and 2022 was \$1,049 and \$1,174, respectively. Final payment due in December 2029.	26,576	30,680
Note payable secured by mortgage receivable pledged as collateral with monthly installment of \$253 with no interest. The note was discounted at an imputed interest rate of 4.89%. The total discount was \$43,400. The discount is being amortized over thirty years. Amortization for the years ended June 30, 2023 and 2022 was \$2,191 and \$2,231, respectively. Final payment due in February 2049.	77,914	80,950
Note payable secured by real estate pledged as collateral with monthly installment of \$2,300 at 3.85% interest. Final payment due in March 2025.	403,986	415,568

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE H – LONG-TERM DEBT – Continued

	<u>2023</u>	<u>2022</u>
Note payable secured by mortgage receivable pledged as collateral with monthly installment of \$374 with no interest. The note was discounted at an imputed interest rate of 4.89%. The total discount was \$40,044. The discount is being amortized over thirty years. Amortization for the years ended June 30, 2023 and 2022 was \$0 and \$1,269, respectively. Final payment made in June 2023.	-	99,226
Note payable secured by mortgage receivable pledged as collateral with monthly installment of \$278 with no interest. The note was discounted at an imputed interest rate of 4.89%. The total discount was \$47,622. The discount is being amortized over thirty years. Amortization for the years ended June 30, 2023 and 2022 was \$2,492 and \$2,532, respectively. Final payment due in February 2051.	92,412	94,912
	<u>646,351</u>	<u>1,138,985</u>
Less current maturities	26,360	87,816
Less discount on non-interest bearing long-term debt	86,118	133,219
	<u>\$ 533,873</u>	<u>\$ 917,950</u>

Amortization expense related to the discount on non-interest-bearing long-term debt was \$7,313 and \$8,880 as of June 30, 2023 and 2022, respectively.

Future maturities of long-term debt are as follows:

2024	\$ 26,360
2025	406,348
2026	14,361
2027	14,361
2028	14,361
Thereafter	170,560
	<u>\$ 646,351</u>

NOTE I – REVENUE FROM CONTRACTS WITH CUSTOMERS

In accordance with Topic 606, the Organization accounts for a customer contract when both parties have approved the contract and are committed to perform their respective obligations, each party's rights can be identified, payment terms can be identified, the contract has commercial substance, and it is probable that the Organization will collect substantially all of the consideration to which it is entitled. Revenue is recognized when, or as, performance obligations are satisfied by transferring control of a promised product or service to a customer.

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE I – REVENUE FROM CONTRACTS WITH CUSTOMERS – Continued

The Organization generates revenue from the following primary activities:

- Transfers to homeowners – houses sold at no profit to families in need
- Resale store sales – sells at a fraction of the retail price preowned home improvement items

Mortgage discount amortization performance obligations are stand-ready and satisfied over time. Mortgage discount is recognized monthly over the life of the mortgage and it includes one distinct performance obligation.

Disaggregation of Revenue

The table below presents net sales disaggregated by timing of revenue recognition and segment for the years ended June 30:

Segments	2023		
	Transfers to homeowners	Resale store sales	Total
<u>Timing of revenue recognition</u>			
Services transferred at a point in time	\$ -	\$ 301,803	\$ 301,803
Services transferred over time	92,953	-	92,953
	<u>\$ 92,953</u>	<u>\$ 301,803</u>	<u>\$ 394,756</u>
Segments	2022		
	Transfers to homeowners	Resale store sales	Total
<u>Timing of revenue recognition</u>			
Services transferred at a point in time	\$ 310,600	\$ 330,946	\$ 641,546
Services transferred over time	65,511	-	65,511
	<u>\$ 376,111</u>	<u>\$ 330,946</u>	<u>\$ 707,057</u>

Opening and Closing Balance of Mortgage Receivables

The following table provides information about mortgage receivables balances:

	At June 30, 2023	At June 30, 2022	At July 1, 2021
Mortgages receivable, net of discounts	\$ 523,447	\$ 622,168	\$ 627,847

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE I – REVENUE FROM CONTRACTS WITH CUSTOMERS – Continued

Practical Expedients

The Organization has elected to apply the following practical expedients when determining revenue from contracts with customers and capitalization of related costs:

- The Organization has elected to not adjust revenue for the effects of a significant finance component when the timing difference between receipt of payment and recognition of revenue is less than one year.
- The Organization has elected to expense incremental costs to obtain a contract when the amortization period of the related asset is expected to be less than one year.

NOTE J – TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL, INC. (HFHI)

The Organization annually remits a portion of its contributions (excluding in-kind contributions) and ReStore net profits to HFHI. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2023 and 2022, the Organization contributed to HFHI \$11,660 and \$7,380, respectively.

NOTE K – LEASES

The Organization leases commercial space that requires 6 month of principal payments of \$1,800 per month. The lease ends in November 2023.

The Organization is also a party to a license agreement for a sign with annual payments of \$1,000 which is a continuing agreement, with automatic one-year renewals.

The Organization leases equipment that requires 60 monthly principal and interest payments of \$71. The lease ends in May 2025. The following schedule by years of future minimum lease payments under the lease at June 30:

2024	\$	852
2025		710
	\$	<u>1,562</u>

Total rent expense for these agreements amounted to \$4,967 and \$1,159 for the years ended June 30, 2023 and 2022, respectively.

**HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE L – CONTRIBUTED NONFINANCIAL ASSETS

For the years ended June 30, contributed nonfinancial assets recognized within the statement of activities included:

	2023	
	Revenue Recognized	Utilization in Programs/Activites
Roof materials and installation	<u>\$ 8,548</u>	Programs
	2022	
	Revenue Recognized	Utilization in Programs/Activites
Roof materials and installation	<u>\$ 7,100</u>	Programs

The Organization used the following valuation techniques and inputs to recognize contributed nonfinancial assets:

Roof materials and installation – Valued at the estimated fair value based on market rates for similar services and materials.

For the years ended June 30, 2023 and 2022, there were no donor restrictions on any of the contributed nonfinancial assets received.

NOTE M – GRANT

In February 2023, the Organization received Neighborhood Investment Fund Grant award from the Wisconsin Department of Administration. In connection with this funding, the Organization entered into a subrecipient agreement with Winnebago County. The grant award amount totals \$2,425,680 to complete existing home builds, complete the development and construction of six-home development in Oshkosh, and purchase and develop land for a 20 home development in Omro, Wisconsin.

Income from this grant is recognized in the period during which the related specified expenses are incurred, provided that the conditions under which the grant was provided have been met. The Organization recognized \$935,016 of grant income in the statement of activities during the year ended June 30, 2023. A grant receivable of \$281,249 representing unreimbursed, eligible costs incurred under the subrecipient agreement was recorded in the statement financial position as of June 30, 2023.

NOTE N – SERVICE CONTRACT

In May 2020, the Organization entered into a service agreement for technology services for \$1,020 per month. The agreement ends in April 2021, but automatically renews for one or more additional terms of one year unless either party has intent to terminate. As of August 2022 the contract was not renewed for services.

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE O – FAIR VALUE MEASUREMENTS

Following is a description of the valuation methodologies used for assets measured at fair value.

Beneficial interest in assets held by community foundation is valued by the respective community foundation as a pro-rata share of the investment pool held by the foundation.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while 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 by level, within the fair value hierarchy, the Organization's beneficial interest in assets held at the Oshkosh Area Community Foundation at fair value as of June 30:

	2023			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by community foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,682</u>	<u>\$ 67,682</u>
	2022			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by community foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,655</u>	<u>\$ 60,655</u>

There were no assets or liabilities measured at fair value on a nonrecurring basis as of June 30, 2023 and 2022.

Information regarding the changes in the fair value of the Organization's Level 3 investments for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Level 3 Investments:		
Beginning of year	\$ 60,655	\$ 64,020
Realized gains	416	874
Unrealized gains (losses)	4,742	(9,938)
Purchases, sales, issuances and settlements, net	1,869	5,699
End of year	<u>\$ 67,682</u>	<u>\$ 60,655</u>

The Oshkosh Area Community Foundation report further explains the fair value measurements and may be obtained from the Foundation.

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE P – SUPPLEMENTAL CASH FLOW DISCLOSURES

Cash paid for interest was \$37,594 and \$36,621 for the years ended June 30, 2023 and 2022, respectively.

The Organization received an interest-free loan noting a discount in the amount of \$0 and \$40,044 during the years ended June 30, 2023 and 2022, respectively.

NOTE Q – RESTORE DIRECT EXPENSES

ReStore direct expenses for the years ended June 30, consist of the following:

	<u>2023</u>	<u>2022</u>
Rent	\$ 4,967	\$ 1,159
Insurance	24,121	19,529
Telephone	3,593	3,721
Office expense	5,410	5,970
Advertising	10,960	11,894
Outside services	14,532	8,354
Professional fees	72	3,500
Depreciation	29,996	29,622
Payroll expenses	165,102	168,713
Facilities	20,372	23,800
Utilities	23,767	25,103
Vehicle	26,839	4,689
Cost of goods sold	46,552	54,613
Other	9,904	5,620
Dues and subscriptions	4,362	3,735
Supplies	8,597	4,910
Travel	4,055	1,170
Bank and credit card fees	6,927	6,072
Training	-	802
Interest	9,085	19,555
	<u>\$ 419,213</u>	<u>\$ 402,531</u>

NOTE R – SIGNIFICANT CONCENTRATIONS

Generally accepted accounting principles require disclosure of information about current vulnerabilities due to certain concentrations. The Organization received 69% of its support from one contributor and 58% of its support from one contributor for the years ended June 30, 2023 and 2022, respectively.

NOTE S – CONTINGENCIES

The Organization has received federal and state funds for specific purpose that are subject to review, audit and risk of funding loss by the grantor agencies. Although such audits could generate disallowances under terms of the grants, management believes all compliance requirements have been met. Management believes that any loss of federal funding will not have a material adverse impact on the Organization's financial position.

**HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE T – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through December 12, 2023, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of Habitat for Humanity of Oshkosh, Inc. (a Wisconsin nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Habitat for Humanity of Oshkosh, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Habitat for Humanity of Oshkosh, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Vesta".

Fond du Lac, Wisconsin
December 12, 2023



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Habitat for Humanity of Oshkosh, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Habitat for Humanity of Oshkosh, Inc.'s major federal programs for the year ended June 30, 2023. Habitat for Humanity of Oshkosh, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Habitat for Humanity of Oshkosh, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Habitat for Humanity of Oshkosh, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Habitat for Humanity of Oshkosh, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Habitat for Humanity of Oshkosh, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Habitat for Humanity of Oshkosh, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is

higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Habitat for Humanity of Oshkosh, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Habitat for Humanity of Oshkosh, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Habitat for Humanity of Oshkosh, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity of Oshkosh, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Fond du Lac, Wisconsin
December 12, 2023

HABITAT FOR HUMANITY OSHKOSH, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>(Accrued) Deferred Revenue 7/1/2022</u>	<u>Grantor Reimbursements</u>	<u>Accrued (Deferred) Revenue 6/30/2023</u>	<u>Expenditures</u>
United States Department of Treasury Passed through Wisconsin Department of Administration Coronavirus State and Local Fiscal Recovery Funds	21.027	*	\$ -	\$ -	\$ 653,767	\$ 281,249	\$ 935,016
United States Department of Housing and Urban Development Passed through Habitat for Humanity International Section 4 Capacity Build for Community Development and Affordable Housing	14.252	*	-	-	6,831	-	6,831
			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 660,598</u>	<u>\$ 281,249</u>	<u>\$ 941,847</u>

* Information not provided by purchaser

**HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023**

NOTE A – BASIS OF PRESENTATION

The accompanying “Schedules of Expenditures of Federal Awards” (“Schedule”) includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2023. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (“Uniform Guidance”). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the net financial position, changes in net assets or cash flows of the Organization. All federal awards received directly from federal agencies as well as federal financial awards passed through other agencies are included on the Schedule.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule is reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represents adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE C – INDIRECT COST RATE

The Organization has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**HABITAT FOR HUMANITY OF OSHKOSH, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weakness?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors’ report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No
Identification of major federal program tested:	

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Fund

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

**HABITAT FOR HUMANITY OF OSHKOSH, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

SECTION IV – OTHER ISSUES

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? No

Does the auditor's report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiencies, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *Uniform Guidance*? No

Was a management letter issued as a result of this audit? Yes

Name and signature of Shareholder

Lauren Price, CPA

Date of report

December 12, 2023

**HABITAT FOR HUMANITY OF OSHKOSH, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023**

Not Applicable.