

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAconnect.com

**GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2022**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	4
STATEMENT OF ACTIVITIES	6
STATEMENT OF FUNCTIONAL EXPENSES	7
STATEMENT OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	10
SUPPLEMENTARY INFORMATION	
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS	29
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS	30
DHS COST REIMBURSEMENT AWARD SCHEDULE	31
ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR FINANCIAL STATEMENTS	
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>, AND THE <i>DEPARTMENT OF HEALTH SERVICES AUDIT GUIDE</i>	32
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	34
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	37



INDEPENDENT AUDITORS' REPORT

Board of Directors
Greater Fox Cities Area Habitat for Humanity, Inc.
Menasha, Wisconsin

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Greater Fox Cities Area Habitat for Humanity, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 the Greater Fox Cities Area Habitat for Humanity, Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Greater Fox Cities Area Habitat for Humanity, Inc. and to meet our other ethical responsibilities, in accordance with the 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 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 Greater Fox Cities Area Habitat for Humanity, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 Greater Fox Cities Area Habitat for Humanity, 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 Greater Fox Cities Area Habitat for Humanity, 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 and state 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*, and the accompanying DHS cost reimbursement award schedule, as required by the *Department of Health Services Audit Guide* issued by the state of Wisconsin, are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the Organization's financial disclosure webpage but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2023, on our consideration of Greater Fox Cities Area Habitat for Humanity, 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 Greater Fox Cities Area Habitat for Humanity, 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 Greater Fox Cities Area Habitat for Humanity, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Greater Fox Cities Area Habitat for Humanity, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 24, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.



CliftonLarsonAllen LLP

Appleton, Wisconsin
February 22, 2023

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,319,129	\$ 1,221,612
Certificates of Deposit	401,859	401,695
Other Receivables	22,282	9,309
Contributions and Grants Receivable, Current Portion	278,194	195,938
Mortgage Loans Receivable, Current Portion	222,000	262,000
Prepaid Expenses	50,894	24,952
Inventories:		
Materials	381,608	507,550
Home Construction, Rehabilitation, and Repairs in Process	1,294,364	1,266,252
Property Held for Development/Rehabilitation, Current Portion	592,344	538,116
Beneficial Interest in Assets Held by Community Foundation, Current Portion	525,000	625,210
Total Current Assets	<u>5,087,674</u>	<u>5,052,634</u>
PROPERTY AND EQUIPMENT, Net	3,121,257	3,213,553
OTHER ASSETS		
Contributions and Grants Receivable, Less Current Portion	147,972	97,493
Property Held for Development/Rehabilitation, Less Current Portion	977,473	751,972
Restricted Cash	1,991	13,940
Investment in Joint Venture	1,134,115	1,134,115
Investment in Partnership	48,950	48,950
Beneficial Interest in Assets Held by Community Foundation, Less Current Portion	5,803,846	5,375,777
Mortgage Loans Receivable, Less Current Portion	1,219,248	1,361,206
Rental Properties, Net	916,969	1,042,756
Total Other Assets	<u>10,250,564</u>	<u>9,826,209</u>
 Total Assets	 <u><u>\$ 18,459,495</u></u>	 <u><u>\$ 18,092,396</u></u>

See accompanying Notes to Financial Statements.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.
STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2022
WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2021

	<u>2022</u>	<u>2021</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of Credit	\$ 110,000	\$ -
Notes Payable, Current Maturities	203,238	191,939
Accounts Payable	327,346	133,399
Accrued Payroll	97,779	73,152
Mortgage Escrows	268,038	282,473
Refundable Advances	133,166	111,287
Other Current Liabilities	31,876	56,457
Total Current Liabilities	<u>1,171,443</u>	<u>848,707</u>
NOTES PAYABLE, Less Current Maturities	<u>4,298,954</u>	<u>4,472,511</u>
Total Liabilities	5,470,397	5,321,218
NET ASSETS		
Without Donor Restrictions	11,852,955	11,846,565
With Donor Restrictions	<u>1,136,143</u>	<u>924,613</u>
Total Net Assets	<u>12,989,098</u>	<u>12,771,178</u>
Total Liabilities and Net Assets	<u><u>\$ 18,459,495</u></u>	<u><u>\$ 18,092,396</u></u>

See accompanying Notes to Financial Statements.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2022	2021
SUPPORT AND OTHER REVENUE				
Contributions	\$ 1,536,721	\$ 462,842	\$ 1,999,563	\$ 1,649,900
Grants	1,202,167	114,500	1,316,667	1,277,347
Contributed Nonfinancial Assets	1,182,213	-	1,182,213	1,547,520
Sales to Homebuyers	3,167,260	-	3,167,260	2,170,460
Owner-Occupied Home Repair Services	219,569	-	219,569	339,882
Mortgage Loans Discount Amortization	143,773	-	143,773	184,233
ReStore Sales	1,658,965	-	1,658,965	1,558,666
Return on Beneficial Interest on Assets Held by Community Foundation	(786,215)	-	(786,215)	602,278
Investment and Interest Income	22,338	-	22,338	30,352
Gain on Sale of Mortgage Loans Receivable	1,806,303	-	1,806,303	2,198,091
Gain on Second Mortgages	70,906	-	70,906	103,052
Rent Income	106,917	-	106,917	98,469
Other Income	38,857	-	38,857	7,200
Net Assets Released from Restrictions	365,812	(365,812)	-	-
Total Support and Other Revenue	10,735,586	211,530	10,947,116	11,767,450
EXPENSES				
Program Services - Housing	7,063,438	-	7,063,438	5,442,445
Program Services - ReStore	2,564,720	-	2,564,720	2,493,684
Management and General	648,910	-	648,910	539,339
Fundraising	452,128	-	452,128	407,135
Total Expenses	10,729,196	-	10,729,196	8,882,603
CHANGE IN NET ASSETS	6,390	211,530	217,920	2,884,847
Net Assets - Beginning of Year	11,846,565	924,613	12,771,178	9,886,331
NET ASSETS - END OF YEAR	<u>\$ 11,852,955</u>	<u>\$ 1,136,143</u>	<u>\$ 12,989,098</u>	<u>\$ 12,771,178</u>

See accompanying Notes to Financial Statements.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2021

	Program Services - Housing	Program Services - ReStore	Management and General	Fundraising	Totals	
					2022	2021
Salaries and Wages	\$ 765,564	\$ 519,689	\$ 287,078	\$ 285,152	\$ 1,857,483	\$ 1,642,234
Employee Benefits and Payroll Taxes	169,922	141,901	47,505	41,214	400,542	374,584
Cost of Sales to Homebuyers	3,399,039	-	-	-	3,399,039	2,509,328
Cost of Owner-Occupied Home Repair Services	458,289	-	-	-	458,289	343,708
Closing Costs	60,127	-	-	-	60,127	42,334
Mortgage Loans Discount	1,595,530	-	-	-	1,595,530	1,149,667
Cost of Purchased Goods Sold	-	325,786	-	-	325,786	288,178
Value of Donated Goods Sold	-	1,036,929	-	-	1,036,929	1,012,800
Professional Fees	4,193	1,624	219,606	3,209	228,632	202,210
Office and Technology	54,825	45,571	9,070	15,235	124,701	117,008
Occupancy	75,680	217,296	12,125	5,380	310,481	304,622
Insurance	31,670	16,540	6,981	2,045	57,236	54,930
Property Tax	14,191	23,577	2,713	-	40,481	34,360
Equipment Costs	47,352	27,589	932	843	76,716	76,348
Advertising	30,293	19,538	42,437	70,918	163,186	186,989
Fuel and Travel	47,407	16,917	2,626	3,544	70,494	45,592
Conference and Convention	32,819	4,238	2,863	4,365	44,285	49,513
Tithe and Fees to HFHI	87,622	-	-	-	87,622	79,423
Interest	35,952	55,750	5,126	2,174	99,002	109,891
Credit Card Fees	-	22,632	-	-	22,632	25,692
Depreciation	101,480	61,453	4,853	4,078	171,864	169,911
Other	51,483	27,690	4,995	13,971	98,139	63,281
Total Expenses by Function	<u>\$ 7,063,438</u>	<u>\$ 2,564,720</u>	<u>\$ 648,910</u>	<u>\$ 452,128</u>	<u>\$ 10,729,196</u>	<u>\$ 8,882,603</u>

See accompanying Notes to Financial Statements.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022
WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 217,920	\$ 2,884,847
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used by Operating Activities:		
Depreciation	171,864	169,911
Change in Present Value Discount on Contributions and		
Grants Receivable	3,521	(790)
Return on Beneficial Interest in Assets Held by		
Community Foundation	786,215	(602,278)
Discount on Mortgage Loans Receivable	1,595,530	1,149,667
Amortization of Mortgage Loans Discount	(143,773)	(184,233)
Discount on Notes Payable	(3,516)	(5,516)
Amortization of Notes Payable Discount and Debt Issuance Costs	8,123	11,144
Noncash Sales to Homebuyers	(2,970,482)	(2,000,275)
Noncash Owner-Occupied Home Repairs Services	(168,203)	(276,746)
Noncash Contribution of Property Held for		
Development/Rehabilitation	-	(245,000)
Noncash Contribution of Rental Properties	(3,553)	(2,502)
Gain on Sale of Mortgage Loans Receivable	(1,806,303)	(2,198,091)
Gain on Second Mortgages	(70,906)	(103,052)
Gain on Sale of Property and Equipment	(18,500)	(800)
Decrease (Increase) in:		
Other Receivables	(12,973)	5,409
Contributions and Grants Receivable	(136,256)	198,974
Prepaid Expenses	(25,942)	8,835
Inventories	(12,945)	(697,202)
Increase (Decrease) in:		
Accounts Payable	193,947	(29,059)
Accrued Payroll	24,627	6,459
Mortgage Escrows	(14,435)	(41,622)
Refundable Advances	21,879	45,219
Other Current Liabilities	(24,581)	5,543
Net Cash Used by Operating Activities	<u>(2,388,742)</u>	<u>(1,901,158)</u>

See accompanying Notes to Financial Statements.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED JUNE 30, 2022
WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Certificates of Deposit	\$ (2,753)	\$ (108,373)
Proceeds from Maturities of Certificates of Deposit	2,589	264,515
Purchase of Property and Equipment	(29,403)	(3,490)
Proceeds from Sale of Property and Equipment	18,500	800
Purchase of Beneficial Interest in Assets Held by Community Foundation	(1,114,074)	(2,726,927)
Proceeds from Sale of Mortgage Loans Receivable	3,240,392	4,028,252
Collections Received on Mortgage Loans Receivable	434,797	510,899
Collections on Second Mortgages	70,906	103,052
Purchase of Rental Properties	(89,779)	(106,789)
Net Cash Provided by Investing Activities	<u>2,531,175</u>	<u>1,961,939</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Draws on Line of Credit	110,000	-
Proceeds from Notes Payable	45,918	77,708
Payments on Notes Payable	(212,783)	(210,429)
Net Cash Used by Financing Activities	<u>(56,865)</u>	<u>(132,721)</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	85,568	(71,940)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>1,235,552</u>	<u>1,307,492</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u><u>\$ 1,321,120</u></u>	<u><u>\$ 1,235,552</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u>\$ 90,879</u>	<u>\$ 98,747</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Sales to Homebuyers for which Mortgage Loans Receivable were Obtained	<u>\$ 2,970,482</u>	<u>\$ 2,000,275</u>
Owner-Occupied Home Repairs Services for which Mortgage Loans Receivable were Obtained	<u>\$ 168,203</u>	<u>\$ 276,746</u>
Contribution of Rental Properties	<u>\$ 3,553</u>	<u>\$ 2,502</u>
Transfer of Property Held for Development/Rehabilitation to (from) Rental Properties	<u>\$ (168,954)</u>	<u>\$ 235,394</u>

See accompanying Notes to Financial Statements.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 ORGANIZATION

Nature of Operations

Greater Fox Cities Area Habitat for Humanity, Inc. (the Organization) is a charitable organization located in Menasha, Wisconsin, that is an affiliate of Habitat for Humanity International, Inc. (HFHI). The Organization is a nondenominational Christian nonprofit organization whose purpose is to create safe, decent and affordable housing in partnership with those in need. This is achieved through a wide range of affordable housing solutions.

Although HFHI assists with information resources, the Organization is primarily and directly responsible for its own operations. Such operations are conducted within the Fox Cities area and include: the Homebuyer, Home Repair, Lead Safe Home, Almost Home, Rental and Neighborhood Revitalization programs. In addition, the Organization operates two Habitat ReStore retail outlets. Subsequent to June 30, 2022, the Organization consolidated these into one retail outlet.

Homebuyer Program – Through the Homebuyer program, the Organization constructs new or rehabilitates existing homes and sells those homes to low-income families who pay for the homes through no-interest mortgages. Prospective homebuyers must demonstrate a need for safe, decent and affordable housing, be able and willing to pay for an affordable mortgage and be willing to partner with the Organization by investing “sweat equity” into their home. In addition to working side-by-side with volunteers through the construction of their homes, partner families complete courses in financial literacy, home maintenance, how to be a good neighbor, and a wide range of other courses to set them up to be successful homeowners.

Home Repair Program – The Home Repair program provides easy access to home repair services for low-income homeowners. The Home Repair program provides critical home repairs so that existing homeowners can live in a safe, healthy, and affordable home.

Lead Safe Home Program – The Lead Safe Home program seeks to mitigate the health risks from lead ingestion in the homes of low-income families. Services are provided at no cost to the homeowners who qualify for the program.

Almost Home Program – The Almost Home program provides case management and holistic support for families working toward home ownership and Habitat homeowners at risk of becoming delinquent on their mortgages. Individual and family needs are assessed to establish financial, vocational, educational, and other goals. Almost Home helps participants monitor their progress and guides them to resources to help them meet their goals.

Rental Program – The Rental program creates a unique, temporary housing solution for families in the Almost Home program. The Organization purchases blighted properties and rehabilitates them into safe, decent, and affordable rental properties. Almost Home program participants who are currently living in substandard housing temporarily rent from the Organization while working on their goals toward home ownership.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 ORGANIZATION (CONTINUED)

Nature of Operations (Continued)

Neighborhood Revitalization Program – The Neighborhood Revitalization program provides exterior home repairs for low-income homeowners. Rock the Block® is a multi-day event that kicks off the Organization's Neighborhood Revitalization efforts in a targeted neighborhood. The Organization brings together residents, municipalities, and community partners to complete exterior home repairs for low-income homeowners and community projects to improve and beautify the neighborhood surrounding the homes.

Habitat ReStore – Habitat for Humanity ReStores are nonprofit home improvement stores and donation centers that sell new and donated furniture, appliances, home accessories, building materials and more to the public at a fraction of the retail price. Proudly owned and operated by the Organization, Habitat ReStores provide funding for the Organization's mission, offer affordable home improvement items to the general public, and divert waste from landfills.

Global Homebuilding – Habitat for Humanity's vision is a world where everyone has a decent place to live. By tithing 10% of all contributions without donor restrictions to Habitat's Global Homebuilding program, the Organization partners with developing countries to provide financial and volunteer resources desperately needed to improve their housing conditions (see Note 19).

The Organization is supported primarily through contributions, grants, sales from ReStore, homeowner mortgage payments, and home repair loan payments.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Presentation

The Organization is required to report information regarding its financial position and its activities in the following two classes of net assets:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not restricted by donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets that result from contributions whose use by the Organization is limited by donor-imposed stipulations. Some are temporary in nature and can either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Other donor-imposed stipulations are perpetual in nature and cannot expire by passage of time nor can be fulfilled and removed by actions of the Organization. The Organization had no restrictions that were perpetual in nature at June 30, 2022.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Contributions and Grants Receivable

Unconditional promises to give are recognized as revenue and as assets in the period the promise is received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met.

Inventories

Materials

Materials inventory includes construction materials and ReStore inventory. Construction materials consists of home building materials used in construction of the Organization's homes, substantially all of which are donated, and are recorded at the fair value at the time of donation. At the end of its fiscal year, the Organization estimates the value of construction materials determined by the first-in, first-out method. ReStore inventory includes items purchased by and donated to ReStore. At the end of its fiscal year, the Organization estimates the value of donated ReStore goods on hand based on the estimated retail value. Inventory purchased by ReStore is stated at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

Home Construction, Rehabilitation, and Repairs in Process

Costs incurred in conjunction with home construction and home rehabilitation are recorded as assets until the sale of the home. Costs incurred in conjunction with home repair services are recorded as assets until the project is complete.

Property Held for Development/Rehabilitation

Property held for development/rehabilitation consists of purchased or donated land that will be developed for future home construction, properties acquired for rehabilitation to be sold to new homeowners, and homes that have been donated or re-acquired from previous homeowners that will be sold on the open market. Donated properties are recorded at the fair value at the time of donation. Purchased properties are recorded at the lower of cost and net realizable value.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment and Depreciation

All acquisitions and improvements of property and equipment in excess of \$2,500 are capitalized while all expenditures for repairs and maintenance that do not materially prolong the useful lives of assets are expensed. Purchased property and equipment is recorded at cost. Donated property and equipment is recorded at the approximate fair value at the date of donation.

Restricted Cash

Restricted cash consists of cash restricted for future professional fees related to the investment in joint venture. The breakdown of total cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amount shown in the statement of cash flows at June 30, 2022 consists of the following:

Cash and Cash Equivalents	\$ 1,319,129
Restricted Cash	1,991
Total Cash, Cash Equivalents, and Restricted Cash	<hr/>
Shown in the Statement of Cash Flows	<u>\$ 1,321,120</u>

Investment in Joint Venture

The Organization, along with 11 other Habitat affiliates, invested in a joint venture (HFHI NMTC Leverage Lender 2013-1, LLC) to take advantage of New Markets Tax Credit (NMTC) financing. NMTC financing allows an entity to receive a loan or investment capital from outside investors, who will receive new markets tax credits to be applied against their federal tax liability. For a 7.35% ownership share of the joint venture, the Organization invested \$1,134,115, which was financed with a loan payable to a community development entity (HFHI NMTC Sub-CDE I, LLC, an affiliate of the joint venture) (see Note 13). The Organization carries its investment in joint venture at cost, less impairment, adjusted for observable price changes in orderly transactions for the identical or similar investments of the same issuer. There were no adjustments for impairment or observable price changes during the year ended June 30, 2022. Subsequent to June 30, 2022, the investment in joint venture was liquidated (see Note 23).

Investment in Partnership

The Organization's investment in partnership consists of a minor interest in a limited partnership. The Organization carries its investment in the limited partnership at the fair value as of the date the investment was donated to the Organization (cost), less impairment, adjusted for observable price changes in orderly transactions for the identical or similar investments of the same issuer. The Organization's risk of loss is limited to the carrying amount of the investment. There is not a public market for this investment. There were no adjustments for impairment or observable price changes during the year ended June 30, 2022.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Mortgage Loans Receivable

Mortgage loans receivable consists of loans secured by real estate located in the Fox Cities area of Wisconsin. The loan terms typically include maturities of 12 to 360 months and are noninterest-bearing. Since the mortgage loans are noninterest-bearing, they are discounted using a rate determined annually by HFHI, which is based on a national rate for a home purchaser with a credit risk similar to the homeowners qualified to purchase a home from the Organization. Once the rate is determined, it is not revised for any market changes.

For the Homebuyer program, the Organization sells homes at the appraised value determined by an independent third-party appraisal company. At the time of the home sale, the Organization obtains a first mortgage for each home. The length of the loan is determined by the income of the family with a range of 240 to 360 months. Monthly mortgage payment amounts (including escrow for taxes and insurance) are set based on 25% of the family's gross monthly income. Based on that calculation, if a family is not able to pay off the full loan amount in less than 30 years, then the Organization issues a 0% interest second mortgage that represents the difference between the appraised value and the amount the family can afford to pay over 30 years. The second mortgage would become due if the homeowner sells, refinances, defaults, or the home is no longer their primary residence before a stipulated time period. The second mortgage is forgivable prorata over a 240-month period. If the second mortgage becomes due, it is collected after the first mortgage is satisfied, and after certain other liens are satisfied. Because the use of the second mortgage is unlikely and unknown, the Organization has not recorded a receivable for these second mortgages in the financial statements. The undiscounted value of the second mortgages not recorded in the financial statements totaled approximately \$3,499,000 at June 30, 2022. If a second mortgage becomes due, the Organization includes the proceeds in gain on second mortgages on the statement of activities at the time it is collected.

The mortgage loans for the Home Repair program are based on the Organization's costs to provide the labor, overhead, and materials to complete the home repair. No profit is charged on these projects. The loan terms range from 12 to 84 months based on the debt-to-income ratio for each family.

Refundable Advances

Donor or grantor payments that are conditional and have a right of return are recorded as liabilities. When the condition is substantially met, they are recognized as contributions or grant income.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contribution Recognition

Unconditional contributions are recognized as revenue when they are promised or received, as applicable, and are available for unrestricted use unless specifically restricted by the donor. 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. If 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.

Other Revenue Recognition

The Organization recognizes revenue from sales to homebuyers at the point in time when the home title and risk transfer to the homebuyer, and at the amount the Organization expects to collect. Payment and financing is required at the time of the sale. The Organization offers financing with noninterest-bearing mortgage loans receivable.

The Organization recognizes revenue from owner-occupied home repair services over the time period the repair services are completed, and at the amount the Organization expects to collect. The performance obligation of providing home repair services is recognized as services are simultaneously received and consumed by the homeowner. Payment and financing is required at the completion of the repair service. The Organization offers financing with noninterest-bearing mortgage loans receivable.

The Organization recognizes revenue from ReStore sales at the point in time when the products are transferred to the customer and payment is collected from the customer.

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred. During the year ended June 30, 2022, advertising costs totaled \$163,186.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. These statements report expenses that are attributed to more than one program or supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

Personnel costs, office and technology, occupancy, insurance, fuel and travel, conference and convention, and depreciation are allocated on the basis of estimates of time and effort. Advertising is allocated on the basis of the advertising content.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Presentation of Sales Tax

The Organization collects sales tax from certain customers and remits the entire amount to the appropriate governmental entities. The Organization's accounting policy is to exclude the tax collected and remitted from revenues and expenses.

Income Tax Status

The Organization has received exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code under a group exemption letter granted to Habitat for Humanity International, Inc. by the Internal Revenue Service. The Organization is also exempt from Wisconsin income taxes. Income from certain activities not directly related to the Organization's tax-exempt purpose, however, is subject to taxation as unrelated business income.

Summarized Financial Information

The financial statements include certain prior year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Reclassifications

Certain amounts in the prior year summarized financial information have been reclassified to conform with the current year presentation. Such reclassifications had no effect on previously reported net assets or changes in net assets.

Change in Accounting Principle

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new standard increases transparency and comparability among organizations through enhancements to presentation and disclosure requirements for contributed nonfinancial assets. The Organization adopted ASU 2020-07 on July 1, 2021.

Accounting Standard Update

In February 2016, FASB issued ASU 2016-02, *Leases*, which is a comprehensive lease accounting standard that requires entities that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. The standard is effective for annual periods beginning after December 15, 2021. Management has not yet determined what impact the adoption of this new standard will have on the Organization's financial position or results of operations.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The Organization has evaluated events and transactions for potential recognition of disclosure in the financial statements through February 22, 2023, the date on which the financial statements were available to be issued.

NOTE 3 LIQUIDITY AND AVAILABILITY

As part of the Organization's liquidity management, at times, the Organization enters into agreements for the sale of mortgage loans receivable. Proceeds from these sales are used to fund current operations with excess funds being invested for future operational needs. Continuous fundraising activities ensures an adequate cash balance throughout the year.

The board of directors (the board) has established two funds at the Community Foundation for the Fox Valley Region, Inc. (the Foundation) to help manage liquidity needs (see Note 9). The board has set a policy of retaining three months of operating expenses in the risk reserve fund invested in Fund I at the Foundation (see Note 14). Excess funds from sales of mortgage loans receivable are added to the remainder reserve invested in Fund II at the Foundation (see Note 14). The Organization takes distributions from these funds to cover anticipated cash needs. For the year ending June 30, 2022, the Organization estimates approximately \$525,000 of the remainder fund will be needed to fund the Organization's current operations. If considered necessary, the board could approve additional distributions from these funds. The Organization has only included the portion of the beneficial interest in assets held by the Foundation that it plans to request next year in the financial assets available shown below.

For purposes of analyzing resources available to meet general expenditures within one year, the Organization considers all expenditures related to ongoing activities of providing housing to low-income families and ReStore operations as well as conduct of services undertaken to support those activities to be general expenditures. The Organization receives contributions and grants restricted by donors, and considers contributions and grants restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. At June 30, 2022, all of the restricted contributions received or receivable within one year were included in financial assets available to meet general expenditures within one year. The board has set a policy to invest certain restricted contributions in certificates of deposit or in money markets. In addition, the Organization has a \$1,000,000 line of credit (Note 12) which may be utilized if needed.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 LIQUIDITY AND AVAILABILITY (CONTINUED)

The Organization's financial assets available within one year of June 30, 2022 for general expenditures are as follows:

Cash and Cash Equivalents	\$ 1,319,129
Certificates of Deposit	401,859
Other Receivables	22,282
Contributions and Grants Receivable, Current Portion	278,194
Mortgage Loans Receivable, Current Portion	222,000
Beneficial Interest in Assets Held by Community Foundation, Current Portion	525,000
Total	<u>\$ 2,768,464</u>

NOTE 4 CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances at several banks and credit unions in the Fox Cities area. Aggregate deposits are insured by the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Share Insurance Fund up to \$250,000 per insured depository institution. The Organization's cash deposits may exceed these insured limits at times during the year. The Organization has not experienced any losses on these accounts. Management believes the Organization is not exposed to any significant credit risk on cash.

NOTE 5 CERTIFICATES OF DEPOSIT

The Organization holds certificates of deposit totaling \$401,859 at June 30, 2022. The certificates bear interest rates ranging from 0.5% to 1.0% and have maturities of 6 to 14 months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

NOTE 6 CONTRIBUTIONS AND GRANTS RECEIVABLE

Unconditional contributions and grants receivable at June 30, 2022 consist of the following:

Receivable in Less than One Year	\$ 278,194
Receivable in One to Five Years	155,000
Total Contributions and Grants Receivable	433,194
Less: Discount at a Rate of 4.75%	(7,028)
Present Value of Contributions and Grants Receivable	426,166
Current Portion	278,194
Contributions and Grants Receivable, Less Current Portion	<u>\$ 147,972</u>

The Organization considers all of the contributions and grants receivable at June 30, 2022 to be fully collectible; accordingly, no allowance for uncollectible contributions has been established.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 CONTRIBUTIONS AND GRANTS RECEIVABLE (CONTINUED)

At June 30, 2022, the Organization also had conditional promises to give of approximately \$485,000. The promises to give contain conditions such as providing occupancy to the homebuyer by a specific date, and other conditions, and will be included in the financial statements in future years when the conditions are met.

NOTE 7 INVENTORIES

Inventories at June 30, 2022 consist of the following:

Materials:

ReStore Inventory	\$ 270,916
Construction Materials	110,692
Total Materials	<u>\$ 381,608</u>

Home Construction, Rehabilitation, and Repairs in Process:

Home Construction and Rehabilitation in Process	\$ 1,080,966
Owner-Occupied Home Repairs in Process	213,398
Total Home Construction, Rehabilitation, and Repairs in Process	<u>\$ 1,294,364</u>

Property Held for Home Development, Rehabilitation, and Resale:

Land for Development	\$ 733,770
Homes for Rehabilitation	836,047
Total Property Held for Development/Rehabilitation	<u>\$ 1,569,817</u>

NOTE 8 PROPERTY AND EQUIPMENT, NET

Property and equipment at June 30, 2022 consists of the following:

Land	\$ 754,236
Buildings and Improvements	2,780,367
Office Equipment	289,254
Trucks and Trailers	147,593
Subtotal	<u>3,971,450</u>
Less: Accumulated Depreciation	(850,193)
Total	<u>\$ 3,121,257</u>

Depreciation expense on the above assets was \$121,699 for the year ended June 30, 2022.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

Beneficial interest in assets held by Community Foundation represents amounts held at the Community Foundation for the Fox Valley Region, Inc. (the Foundation). The Organization has two funds at the Foundation called the "Greater Fox Cities Area Habitat for Humanity Fund I" (Fund I) and "Greater Fox Cities Area Habitat for Humanity Fund II" (Fund II). These funds are legal assets of the Foundation with the restriction that the Foundation makes distributions to the Organization. The agreements governing the assets include a variance power allowing the Foundation to modify the restrictions on distributions from the funds.

The funds were established by the board of directors to support the mission of the Organization. Since the funds were created as a result of an internal designation and are not donor-restricted, they are classified and reported as net assets without donor restrictions. Distributions from the funds may be made at the Organization's request.

The Organization works with the Foundation to maximize total return consistent with an acceptable level of risk. Fund I assets are invested to earn a sufficient long-term return with as little volatility as possible while preserving the purchasing power of the assets after withdrawals. Fund II assets are invested to balance mild liquidity needs with a reasonable level of expected appreciation over full market cycles.

Composition of and changes in the funds' net assets for the year ended June 30, 2022 were as follows:

Board-Designated Fund I Net Assets - Beginning of Year	\$ 1,235,117
Net Depreciation	<u>(165,662)</u>
Board-Designated Fund I Net Assets - End of Year	<u><u>\$ 1,069,455</u></u>
Board-Designated Fund II Net Assets - Beginning of Year	\$ 4,765,870
Contributions	1,114,074
Net Depreciation	<u>(620,553)</u>
Board-Designated Fund II Net Assets - End of Year	<u><u>\$ 5,259,391</u></u>

NOTE 10 MORTGAGE LOANS RECEIVABLE

Mortgage loans receivable are recorded at the present value of future payments using a discount rate provided by HFHI. The Organization considers all of the mortgage loans receivable at June 30, 2022 to be fully collectible; accordingly, no allowance for uncollectible accounts has been established.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 MORTGAGE LOANS RECEIVABLE (CONTINUED)

Mortgage loans receivable at June 30, 2022 are scheduled for collection as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 222,000
2024	209,000
2025	193,000
2026	174,000
2027	152,000
Thereafter	<u>1,737,285</u>
Total Mortgage Loans Receivable	2,687,285
Less: Discount at Rates of 7.23% to 8.34%	<u>(1,246,037)</u>
Present Value of Mortgage Loans Receivable	1,441,248
Current Portion	<u>222,000</u>
Mortgage Loans Receivable, Less Current Portion	<u><u>\$ 1,219,248</u></u>

At times, the Organization will enter into agreements for the sale of mortgage loans receivable. During the year ended June 30, 2022, the Organization entered into loan sale agreements for certain mortgage loans receivable with two financial institutions. Under the agreements the Organization sold mortgage loans with recourse totaling \$3,240,392 at the face value of the loans. At the time of the sales, the mortgage loans had unamortized discounts totaling \$1,806,303, resulting in a gain on sale of mortgage loans receivable.

The loan sale agreements contain clauses whereas for any sold mortgage loans receivable that become 90 days past due, the Organization must find a substitute mortgage loan receivable or repurchase the nonperforming loan. The outstanding balance of mortgage loans receivable previously sold with repurchase clauses was approximately \$11,498,000 at June 30, 2022. During the year ended June 30, 2022, the Organization was required to repurchase two previously sold mortgage loans receivable totaling approximately \$233,000 and are included in mortgage loans receivable at June 30, 2022.

The Organization continues to service some of the previously sold mortgage loans receivable by collecting payments from homeowners on behalf of and remitting these payments to the purchasing financial institutions. Mortgage loans receivable serviced for others are not included in the accompanying statement of financial position. The unpaid principal balance of mortgage loans receivable serviced for others was approximately \$2,855,000 at June 30, 2022.

At June 30, 2022, the Organization had no mortgage loans receivable secured by a residential real estate property for which the Organization had begun formal foreclosure proceedings. At June 30, 2022, the Organization did not have possession of any foreclosed residential real estate property.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 RENTAL PROPERTIES, NET

The Organization owns rental properties for use in the Almost Home program. Rental properties consist of the following at June 30, 2022:

Land	\$ 153,700
Rental Houses	893,822
Subtotal	<u>1,047,522</u>
Less: Accumulated Depreciation	<u>(130,553)</u>
Total	<u><u>\$ 916,969</u></u>

Depreciation expense on the above assets was \$50,165 for the year ended June 30, 2022.

NOTE 12 LINE OF CREDIT

The Organization has a line of credit agreement with Nicolet National Bank with an available line of \$1,000,000 of which \$110,000 was outstanding at June 30, 2022. Interest is payable monthly at the prime rate (4.75% at June 30, 2022). Unpaid interest and principal are due April 27, 2023. The line is secured by mortgage loans receivable.

NOTE 13 NOTES PAYABLE

During the year ended June 30, 2022, the Organization received noninterest-bearing notes from HFHI. These noninterest-bearing notes were internally discounted using a rate of 2%. The discounts on these notes totaled \$3,516 and were included in in-kind contributions on the statement of activities. The discounts are amortized over the respective loan periods and are included in interest expense. During the year ended June 30, 2022, the Organization amortized \$4,782 of discounts related to these noninterest-bearing notes.

Following is a summary of notes payable at June 30, 2022:

Description

Habitat for Humanity International, Inc.

Shop fund noninterest-bearing notes due in varying monthly principal installments totaling approximately \$5,423, under repayment terms of 48 months, unsecured.	\$ 236,126
--	------------

Nicolet National Bank

Note payable, noninterest bearing, secured by specific mortgage loans receivable with principal payments due monthly based on scheduled principal payments of the underlying mortgage loans receivable (\$751 at June 30, 2022), with final principal payment due October 2023.	11,464
---	--------

Note payable due in monthly installments of \$1,393, including interest at 4.00%, with a final payment of unpaid principal and interest due November 2023, secured by mortgage loans receivable.	139,457
--	---------

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 13 NOTES PAYABLE (CONTINUED)

Community First Credit Union

Note payable due in monthly installments of \$1,745, including interest at 2.95%, with a final payment of unpaid principal and interest due December 2025, secured by mortgage. \$ 232,807

Note payable due in monthly installments of \$3,098, including interest at 2.00%, with a final payment of unpaid principal and interest due June 2026, secured by mortgage. 453,524

Note payable due in monthly installments of \$10,029, including interest at 2.95%, with a final payment of unpaid principal and interest due December 2022, secured by mortgage. Subsequent to June 30, 2022, the note was extended to March 2028 with monthly installments of \$11,107 including interest at 4.20%. 1,854,572

HFHI NMTC Sub-CDE I, LLC

Note payable, semi-annual interest-only payments through November 2023 at approximately 0.68%, then semi-annual payments of principal and interest through December 2044, secured by certain assets and rights of the Organization. The loan and security agreement contains certain debt covenants. Management believes the Organization was in compliance with these covenants at June 30, 2022. In addition, the loan proceeds are to be used solely for the purpose of constructing and selling qualified housing properties to low income residents. Subsequent to June 30, 2022, the note was extinguished (see Note 23). 1,662,577

Unamortized Debt Issuance Costs	(77,401)
Subtotal	4,513,127
Less: Discount at 2%-3% for Noninterest-Bearing Notes	(10,935)
Net Notes Payable	4,502,192
Current Maturities	203,238
Notes Payable, Less Current Maturities	<u>\$ 4,298,954</u>

During the year ended June 30, 2022, \$3,341 of debt issuance costs were amortized to interest expense.

The future scheduled maturities (adjusted for subsequent events noted above) for the five years succeeding June 30, 2022 for the above notes payable are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 203,238
2024	272,356
2025	158,508
2026	663,659
2027	93,355

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 14 NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at June 30, 2022 consist of the following:

Undesignated	\$ 5,524,109
Board-Designated	6,328,846
Net Assets without Donor Restrictions	<u>\$ 11,852,955</u>

The board-designated net assets without donor restrictions at June 30, 2022 consist of the following:

Risk Reserve - The risk reserve includes funds designated to protect the Organization from unforeseen circumstances that may adversely impact its financial stability, ability to serve families or its sustainability. The risk reserve is held in Fund I in the beneficial interest in assets held by Community Foundation (see Note 9).	\$ 1,069,455
---	--------------

Remainder Reserve - The remainder reserve includes a portion of the proceeds from sales of mortgage loans receivable. The board of directors' approval is required for transfers and for uses other than operations. The remainder reserve is held in Fund II in the beneficial interest in assets held by Community Foundation (see Note 9).	<u>5,259,391</u>
Board-Designated Net Assets without Donor Restrictions	<u>\$ 6,328,846</u>

NOTE 15 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2022 consist of the following:

Time Restrictions:	
Contributions and Grants Receivable	\$ 371,471
Purpose Restrictions:	
Neighborhood Revitalization Program/Rock the Block®	573,666
Home Construction	120,512
ReStore Truck	20,000
Homeowner Education	1,583
ReStore Display	500
Continuous Improvement	33,890
Home Repair Services	10,610
Interpreter Services	3,911
Net Assets with Donor Restrictions	<u>\$ 1,136,143</u>

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 15 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors for the year ended June 30, 2022 as follows:

Expiration of Time Restrictions:	
Contributions and Grants Receivable	\$ 160,933
Satisfaction of Purpose Restrictions:	
Neighborhood Revitalization Program/Rock the Block®	196,680
Home Construction	6,847
Project Management System	1,352
Total Net Assets Released from Restrictions	<u>\$ 365,812</u>

NOTE 16 CONTRIBUTED NONFINANCIAL ASSETS

The Organization received the following contributions of nonfinancial assets for the year ended June 30, 2022:

ReStore Inventory	\$ 995,369
Construction Material	180,374
Volunteer Services	2,954
Noninterest-Bearing Notes Payable	3,516
Total Contributed Nonfinancial Assets	<u>\$ 1,182,213</u>

Contributed ReStore inventory and construction material received by the Organization are recorded as in-kind contribution revenue with a corresponding increase to inventory. Contributed ReStore inventory is valued at the estimated retail value of similar items and is sold in the Organization's ReStore program. Contributed construction material is valued at the estimated purchase price at the time of donation and is used in the Organization's homebuyer, home repair, and rental programs.

The value of noninterest-bearing notes payable received by the Organization is recorded as in-kind contribution revenue and the related interest expense is recorded over the respective loan periods. The Organization estimates the value based on rates that would be charged for similar loans under similar terms. These loans are used in the Organization's homebuyer program.

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. Contributed volunteer services are recorded as in-kind contribution revenue with a corresponding increase in rental properties. Contributed volunteer services are valued at the estimated market rates for similar services and is used in the Organization's rental program to improve rental properties.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 16 CONTRIBUTED NONFINANCIAL ASSETS (CONTINUED)

Many other volunteers provided services to the Organization throughout the year that have not been recognized as contributions in the financial statements because the recognition criteria were not met. The Organization estimates approximately 59,000 volunteer hours were contributed during the year ended June 30, 2022 that did not meet the recognition criteria.

None of the contributed nonfinancial assets had donor-imposed restrictions.

NOTE 17 MULTI-EMPLOYER DEFINED CONTRIBUTION RETIREMENT PLAN

The Organization has a co-employment agreement with Insperity PEO Services, L.P. The Organization participated in the Insperity 401(k) Plan, which is a multi-employer, defined contribution retirement plan qualified under Section 401(k) of the Internal Revenue Code. The plan covers substantially all the Organization's employees who work at least 1,000 hours during the plan year. The plan provides for a matching contribution by the Organization equal to 50% of the employee's contribution up to 3% of the employee's compensation. In addition, the plan provides for a nonelective contribution equal to 3% of the employee's compensation. For the year ended June 30, 2022, the Organization contributed \$81,343 to the plan.

NOTE 18 LEASES

The Organization leases store space, storage space, vehicles, and equipment under operating leases. These lease agreements provide for monthly rentals ranging from \$832 to \$7,900. Rent expense under these leases was \$143,120 for the year ended June 30, 2022. The leases for the store space, vehicles, and equipment expire in October 2023, May 2024, and June 2026, respectively.

Future minimum lease payments under the terms of the noncancelable operating leases with initial terms of one year or more are approximately as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 139,600
2024	73,500
2025	10,300
2026	10,300
Total Minimum Payments Required	<u>\$ 233,700</u>

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 19 TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL, INC.

The Organization annually tithes 10% of its contributions (excluding restricted and in-kind contributions) and ReStore profits to HFHI. These funds are used to construct homes in economically depressed areas around the world. For the year ended June 30, 2022, the Organization tithed \$72,622 to HFHI.

U.S. affiliates are required to pay an annual fee to HFHI to offset a portion of the costs associated with efforts that benefit all affiliates – efforts such as brand protection and promotion, regulatory advocacy and gift-in-kind solicitation. For the year ended June 30, 2022, the Organization paid a fee of \$15,000 to HFHI.

HFHI receives grants from the United States Department of Housing and Urban Development (HUD) in the Self-Help Homeownership Opportunity Program (SHOP). For the year ended June 30, 2022, HFHI made \$127,349 of these grants available to the Organization to purchase land for development and necessary infrastructure improvements. Conditional promises to give included \$83,103 (see Note 6), and refundable advances included \$61,405 related to this program at June 30, 2022.

HFHI receives grants from HUD for the Section 4 Capacity Building Development and Affordable Housing Grant. For the year ended June 30, 2022, HFHI made \$15,094 of these grants available to the Organization for the purpose of building capacity.

For the year ended June 30, 2022, HFHI made additional contributions of \$110,203 and additional in-kind contributions of \$23,137 to the Organization. Contributions and grants receivable included \$15,133 related to these contributions at June 30, 2022.

NOTE 20 EXCHANGE REVENUE

The Organization's revenue disaggregated according to the timing of transfer of goods or services for the year ended June 30, 2022 consists of the following:

Revenue Recognized at a Point in Time:	
Sales to Homebuyers	\$ 3,167,260
ReStore Sales	1,658,965
Other Income	<u>38,857</u>
Total Revenue Recognized at a Point in Time	4,865,082
Revenue Recognized Over Time:	
Owner-Occupied Home Repair Services	<u>219,569</u>
Total Exchange Revenue	<u><u>\$ 5,084,651</u></u>

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 21 FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by function for the year ended June 30, 2022 was as follows:

Program Services	\$ 9,628,158
Supporting Activities:	
Management and General	648,910
Fundraising	452,128
Total	<u>\$ 10,729,196</u>

NOTE 22 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Accounting standards have established a hierarchy of valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 consists of unadjusted quoted prices in active markets for identical assets, Level 2 consists of inputs observable in the marketplace other than quoted prices in active markets for identical assets, and Level 3 consists of significant inputs unobservable in the marketplace.

The Organization's beneficial interest in assets held by Community Foundation is carried at fair value. The fair value is provided by the Foundation and consists of the right to receive cash flows from the Foundation. The fair value provided by the Foundation is considered a Level 3 input. Fair value is determined by allocating a portion of the Foundation's investment pools.

NOTE 23 OPTION AGREEMENT

On August 19, 2015, the Organization's joint venture, HFHI NMTC Leverage Lender 2013-1, LLC (Leveraged Lender), entered into an option agreement with U.S. Bancorp Community Development Corporation (USBCDC), the sole member of the HFHI Investment Fund 1, LLC (the Fund), which is the upstream effective owner of HFHI NMTC Sub-CDE I, LLC. Under this agreement, Leveraged Lender granted USBCDC an option (the Put) to sell all of its ownership interest in the Fund to Leveraged Lender for \$1,000 plus certain closing costs within six months following August 19, 2022. If USBCDC does not sell its ownership interest in the Fund to Leveraged Lender, Leveraged Lender will have the right and option (the Call) to purchase all of the ownership in the Fund within 12 months for the fair value of the ownership interest plus certain closing costs. Exercise of the option would effectively allow the Organization to extinguish its outstanding debt owed to HFHI NMTC Sub-CDE I, LLC.

Subsequent to June 30, 2022, USBCDC exercised its option to sell all of its ownership interest in the Fund to Leveraged Lender. This sale resulted in the dissolution and liquidation of the Organization's investment in joint venture and the cancelation and forgiveness of the note payable to HFHI NMTC Sub-CDE I, LLC. The Organization recognized a gain of approximately \$450,000 on the cancelation and forgiveness of the note payable.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2022

Federal or State Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed- Through to Subrecipients	Total Federal Expenditures
FEDERAL AWARDS				
U.S. Department of Health and Human Services				
Pass-Through Program from:				
Wisconsin Department of Health Services:		435100-G21 /		
Children's Health Insurance Program	93.767	435100-G22	\$ -	\$ 504,664
Total U.S. Department of Health and Human Services			-	504,664
U.S. Department of Housing and Urban Development				
Pass-Through Program from:				
Habitat for Humanity International, Inc:		SH17 020/SH18 032/		
Self-help Homeownership Opportunity Program	14.247	SH19 020/SH20 054	-	169,798
Section 4 Capacity Building for Community Development and Affordable Housing Grant	14.252	HFHI CB18	-	15,094
City of Appleton:				
Community Development Block Grant - Entitlement	14.218	B-21-MC-55-0001	-	105,100
City of Neenah:				
Community Development Block Grant - Entitlement	14.218	B-21-MC-55-0018	-	30,000
Total U.S. Department of Housing and Urban Development			-	319,992
U.S. Department of the Treasury				
Pass-Through Program from:				
Outagamie County, Wisconsin:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	OC-2021NP-68	-	25,000
Total U.S. Department of the Treasury			-	25,000
Total Expenditures of Federal Awards			\$ -	\$ 849,656
STATE AWARDS				
Pass-Through Program from:				
Wisconsin Department of Health Services:		435100-G21 /		
Children's Health Insurance Program		435100-G22	\$ -	\$ 197,444
Total Wisconsin Department of Health Services			-	197,444
Total Expenditures of State Awards			\$ -	\$ 197,444

See accompanying Notes to Schedule of Expenditures of Federal and State Awards.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
JUNE 30, 2022

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal and state award activity of Greater Fox Cities Area Habitat for Humanity, Inc. under programs of the federal and state governments for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of the *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *Department of Health Services Audit Guide*. Because the Schedule presents only a selected portion of the operations of Greater Fox Cities Area Habitat for Humanity, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Greater Fox Cities Area Habitat for Humanity, Inc.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COST RATE

Greater Fox Cities Area Habitat for Humanity, Inc. has elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM

Funds from the Self-Help Homeownership Opportunity Program (SHOP) are awarded 75% as a grant, and 25% as a noninterest-bearing note payable. SHOP grant revenue and the associated notes payable proceeds are included in the federal expenditures presented in the Schedule. The amount reported as federal expenditures in the Schedule for SHOP for the year ended June 30, 2022 was calculated as follows:

SHOP Notes Payable Proceeds	\$ 42,449
SHOP Grant Revenue	<u>127,349</u>
SHOP Federal Expenditures	<u><u>\$ 169,798</u></u>

The balance of SHOP notes payable outstanding at June 30, 2022 totaled \$236,126.

**GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.
WISCONSIN LEAD-SAFE HOMES PROGRAM
DHS COST REIMBURSEMENT AWARD SCHEDULE
JUNE 30, 2022**

DHS Identification Number	435100-G21	435100-G22	
Award Amount	\$ 507,102	\$ 1,278,500	
Award Period	07/15/2020 - 10/20/2021	07/01/2021 - 06/30/2022	
Period of Award within Audit Period	07/01/2021 - 10/20/2021	07/01/2021 - 06/30/2022	Total
A. Expenditures Reported to DHS or Revenue Received	\$ 50,885	\$ 651,223	\$ 702,108
B. Total Operating Costs of Award			
1. Contractor and Materials Expenditures in Rental Properties	\$ 48,905	\$ 65,784	\$ 114,689
2. Contractor and Materials Expenditures in Inventories	-	36,351	36,351
3. Contractor and Materials Expenditures in Cost of Sales	-	394,800	394,800
4. Salaries and Wages	674	55,656	56,330
5. Employee Benefits and Payroll Taxes	125	10,614	10,739
6. Training and Certifications in Conference and Convention	-	14,720	14,720
7. Government Audit in Professional Fees	-	12,600	12,600
8. Occupancy	1,181	58,198	59,379
9. Insurance	-	2,500	2,500
B. Total Operating Costs of Award	<u>\$ 50,885</u>	<u>\$ 651,223</u>	<u>\$ 702,108</u>
C. Less Disallowed Costs	-	-	-
D. Less Program Revenue and Other Offsets to Costs	-	-	-
E. Total Allowable Costs	<u>\$ 50,885</u>	<u>\$ 651,223</u>	<u>\$ 702,108</u>
F. Gain or (Loss)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



INDEPENDENT AUDITORS' 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, AND THE DEPARTMENT OF HEALTH SERVICES AUDIT GUIDE

Board of Directors
Greater Fox Cities Area Habitat for Humanity, Inc.
Menasha, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Department of Health Services Audit Guide* issued by the state of Wisconsin, the financial statements of the Greater Fox Cities Area Habitat for Humanity, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2022, 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 February 22, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Greater Fox Cities Area Habitat for Humanity, 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 Greater Fox Cities Area Habitat for Humanity, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Greater Fox Cities Area Habitat for Humanity, Inc.'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 may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Greater Fox Cities Area Habitat for Humanity, 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*, and the *Department of Health Services Audit Guide*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Appleton, Wisconsin
February 22, 2023



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

Board of Directors
Greater Fox Cities Area Habitat for Humanity, Inc.
Menasha, Wisconsin

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Greater Fox Cities Area Habitat for Humanity, 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 Greater Fox Cities Area Habitat for Humanity, Inc.'s major federal programs for the year ended June 30, 2022. Greater Fox Cities Area Habitat for Humanity, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Greater Fox Cities Area Habitat for Humanity, Inc. complied, in all material respects, with the 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, 2022.

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 (GAAS); 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 *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of Greater Fox Cities Area Habitat for Humanity, 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 Greater Fox Cities Area Habitat for Humanity, 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 Greater Fox Cities Area Habitat for Humanity, Inc.'s federal programs.

Auditors' 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 Greater Fox Cities Area Habitat for Humanity, 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 GAAS, *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 Greater Fox Cities Area Habitat for Humanity, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Greater Fox Cities Area Habitat for Humanity, 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 Greater Fox Cities Area Habitat for Humanity, 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 Greater Fox Cities Area Habitat for Humanity, 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 Auditors' 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 have not been 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.



CliftonLarsonAllen LLP

Appleton, Wisconsin
February 22, 2023

**GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
 - Material weakness(es) identified? _____ Yes X No
 - Significant deficiency(ies) identified? _____ Yes X None Reported
3. Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? _____ Yes X No
 - Significant deficiency(ies) identified? _____ Yes X None Reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
93.767	Children's Health Insurance Program
Dollar threshold used to distinguish between Type A and Type B programs	\$ <u> 750,000 </u>
Auditee qualified as low-risk auditee?	_____ Yes <u> X </u> No

**GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section I – Summary of Auditors' Results (Continued)

Identification of Major State Programs

Identification Number(s)

Name of State Program

435100

Children's Health Insurance Program

Dollar threshold used to distinguish between
Type A and Type B programs

\$ 250,000

Auditee qualified as low-risk auditee?

 Yes X No

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards* and *Department of Health Services Audit Guide*.

Section III – Findings and Questioned Costs – Major Federal and State Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 516(a).

Section IV – Other Issues

1. Does the auditors' 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

2. Does the audit report show audit issues (i.e., material noncompliance, nonmaterial, noncompliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue, or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *Department of Health Services Audit Guide*? No

3. Was a management letter or other document conveying audit comments issued as a result of this audit? No

4. Name and signature of Principal


Steven C. Johnson, CPA

5. Date of report

February 22, 2023

