

**GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2023**



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## 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, 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.

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, 2023, 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.

#### **Emphasis of Matter - Change in Accounting Principle**

As discussed in Note 2 to the financial statements, during the year ended June 30, 2023, the Organization adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

#### **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 *State Single Audit Guidelines* issued by the Wisconsin Department of Administration, 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

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

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 information on the Organization's operations and donors and summarized financial information 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 January 31, 2024, 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 22, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.



**CliftonLarsonAllen LLP**

Appleton, Wisconsin  
January 31, 2024

**GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2023**  
**WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2022**

<b>ASSETS</b>	2023	2022
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,827,029	\$ 1,315,774
Certificates of Deposit	301,688	401,859
Accounts Receivable	12,114	22,282
Contributions and Grants Receivable, Current Portion	189,333	278,194
Mortgage Loans Receivable, Current Portion	206,000	222,000
Prepaid Expenses	73,062	54,249
Inventories:		
Building and ReStore Materials	432,318	381,608
Homes Under Construction and Rehabilitation in Process	1,670,186	1,294,364
Property Held for Development and Rehabilitation, Current Portion	502,667	592,344
Beneficial Interest in Assets Held by Community Foundation, Current Portion	550,000	525,000
Total Current Assets	5,764,397	5,087,674
<b>PROPERTY AND EQUIPMENT, Net</b>	3,061,118	3,121,257
<b>OPERATING RIGHT-OF-USE ASSETS</b>	96,686	-
<b>OTHER ASSETS</b>		
Contributions and Grants Receivable, Less Current Portion	30,793	147,972
Property Held for Development and Rehabilitation, Less Current Portion	1,107,215	977,473
Restricted Cash	-	1,991
Investment in Joint Venture	-	1,134,115
Investment in Partnership	48,950	48,950
Beneficial Interest in Assets Held by Community Foundation, Less Current Portion	6,110,422	5,803,846
Mortgage Loans Receivable, Less Current Portion	1,025,304	1,225,999
Rental Properties, Net	934,677	916,969
Total Other Assets	9,257,361	10,257,315
 Total Assets	 \$ 18,179,562	 \$ 18,466,246

See accompanying Notes to Financial Statements.

**GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.**  
**STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**JUNE 30, 2023**  
**WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2022**

	2023	2022
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Line of Credit	\$ -	\$ 110,000
Operating Lease Liabilities, Current Portion	73,581	-
Notes Payable, Current Maturities	272,051	203,238
Accounts Payable and Accrued Expenses	539,635	432,290
Mortgage Escrows	240,167	268,038
Refundable Advances	635,396	133,166
Deferred Revenue	49,487	31,462
Total Current Liabilities	1,810,317	1,178,194
<b>LONG-TERM LIABILITES</b>		
Operating Lease Liabilities, Less Current Portion	23,105	-
Notes Payable, Less Current Maturities	2,510,560	4,298,954
Total Long-Term Liabilities	2,533,665	4,298,954
Total Liabilities	4,343,982	5,477,148
<b>NET ASSETS</b>		
Without Donor Restrictions	12,457,022	11,852,955
With Donor Restrictions	1,378,558	1,136,143
Total Net Assets	13,835,580	12,989,098
Total Liabilities and Net Assets	\$ 18,179,562	\$ 18,466,246

See accompanying Notes to Financial Statements.

**GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2023**  
**WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2023	2022
<b>SUPPORT AND OTHER REVENUE</b>				
Contributions	\$ 541,747	\$ 1,702,191	\$ 2,243,938	\$ 1,999,563
Grants	2,252,515	-	2,252,515	1,316,667
Contributed Nonfinancial Assets	1,381,101	-	1,381,101	1,182,213
Sales to Homebuyers	2,293,204	-	2,293,204	3,167,260
Owner-Occupied Home Repair Services	112,876	-	112,876	219,569
Mortgage Loans Discount Amortization	125,246	-	125,246	143,773
ReStore Sales	1,290,568	-	1,290,568	1,658,965
Return on Beneficial Interest on Assets Held by Community Foundation	331,576	-	331,576	(786,215)
Investment and Interest Income	46,022	-	46,022	22,338
Gain on Extinguishment of Note Payable	447,816	-	447,816	-
Gain on Sale of Mortgages	1,326,236	-	1,326,236	1,806,303
Gain on Collection of Second Mortgages	32,938	-	32,938	70,906
Rent Income	95,208	-	95,208	106,917
Other Income	99,221	-	99,221	38,857
Net Assets Released from Restrictions	1,459,776	(1,459,776)	-	-
Total Support and Other Revenue	11,836,050	242,415	12,078,465	10,947,116
<b>EXPENSES</b>				
Program Services - Housing	7,616,417	-	7,616,417	7,063,438
Program Services - ReStore	2,318,904	-	2,318,904	2,564,720
Management and General	765,625	-	765,625	648,910
Fundraising	531,037	-	531,037	452,128
Total Expenses	11,231,983	-	11,231,983	10,729,196
<b>CHANGE IN NET ASSETS</b>	604,067	242,415	846,482	217,920
Net Assets - Beginning of Year	11,852,955	1,136,143	12,989,098	12,771,178
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 12,457,022</u>	<u>\$ 1,378,558</u>	<u>\$ 13,835,580</u>	<u>\$ 12,989,098</u>

See accompanying Notes to Financial Statements.



**GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2023**  
**WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2022**

	Program	Program	Management and General	Fundraising	Totals	
	Services - Housing	Services - ReStore			2023	2022
Salaries and Wages	\$ 924,546	\$ 460,242	\$ 456,147	\$ 333,826	\$ 2,174,761	\$ 1,857,483
Employee Benefits and Payroll Taxes	233,865	130,721	76,177	52,132	492,895	400,542
Cost of Sales to Homebuyers	2,898,077	-	-	-	2,898,077	3,381,966
Cost of Owner-Occupied Home Repair Services	1,602,247	-	-	-	1,602,247	451,261
Closing Costs	36,008	-	-	-	36,008	60,127
Mortgage Loans Discount	1,234,201	-	-	-	1,234,201	1,595,530
Cost of Purchased Goods Sold	-	272,300	-	-	272,300	325,786
Value of Donated Goods Sold	-	853,752	-	-	853,752	1,036,929
Professional Fees	82,743	40,037	106,950	32,332	262,062	228,632
Office and Technology	62,487	28,261	19,406	15,734	125,888	126,936
Occupancy	94,558	245,401	12,609	3,640	356,208	350,962
Insurance	33,063	22,867	17,634	2,787	76,351	78,470
Tools and Equipment	71,130	80,363	-	-	151,493	91,554
Advertising	38,572	17,816	43,543	66,429	166,360	163,186
Fuel and Travel	29,452	10,073	2,132	2,933	44,590	42,693
Meetings and Conferences	7,357	3,523	9,477	1,907	22,264	36,132
Tithe and Fees to HFHI	43,952	-	-	-	43,952	87,622
Interest	23,897	59,495	12,784	1,915	98,091	99,002
Credit Card Fees	-	25,696	-	1,536	27,232	22,632
Lead Program Administration	68,671	-	-	-	68,671	21,748
Volunteer Support	14,477	11,940	-	-	26,417	28,129
Depreciation	93,530	53,134	4,163	3,602	154,429	171,864
Other	23,584	3,283	4,603	12,264	43,734	70,010
<b>Total Expenses by Function</b>	<b>\$ 7,616,417</b>	<b>\$ 2,318,904</b>	<b>\$ 765,625</b>	<b>\$ 531,037</b>	<b>\$ 11,231,983</b>	<b>\$ 10,729,196</b>

See accompanying Notes to Financial Statements.

**GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2023**  
**WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2022**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 846,482	\$ 217,920
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used by Operating Activities:		
Depreciation	154,429	171,864
Change in Present Value Discount on Contributions and		
Grants Receivable	4,488	3,521
Return on Beneficial Interest in Assets Held by		
Community Foundation	(331,576)	786,215
Discount on Mortgage Loans Receivable	1,234,201	1,595,530
Amortization of Mortgage Loans Discount	(125,246)	(143,773)
Discount on Notes Payable	(24,501)	(3,516)
Amortization of Notes Payable Discount and Debt Issuance Costs	5,496	8,123
Noncash Sales to Homebuyers	(2,044,615)	(2,970,482)
Noncash Owner-Occupied Home Repairs Services	(97,565)	(168,203)
Noncash Contribution of Property Held for		
Development and Rehabilitation	(150,000)	-
Noncash Contribution of Rental Properties	-	(3,553)
Gain on Extinguishment of Note Payable	(447,816)	-
Gain on Sale of Mortgages	(1,326,236)	(1,806,303)
Gain on Second Mortgages	(32,938)	(70,906)
Gain on Sale of Property and Equipment	(20,000)	(18,500)
Gain on Sale of Rental Properties	(35,676)	-
Decrease (Increase) in:		
Accounts Receivable	10,168	(12,973)
Contributions and Grants Receivable	201,552	(136,256)
Prepaid Expenses	(18,813)	(29,297)
Inventories	(356,513)	(12,945)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	107,345	225,739
Mortgage Escrows	(27,871)	(14,435)
Refundable Advances	502,230	21,879
Deferred Revenue	18,025	(24,995)
Net Cash Used by Operating Activities	(1,954,950)	(2,385,346)

See accompanying Notes to Financial Statements.

**GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2023**  
**WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2022**

	2023	2022
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Certificates of Deposit	\$ (151,604)	\$ (2,753)
Proceeds from Maturities of Certificates of Deposit	251,775	2,589
Purchase of Property and Equipment	(48,822)	(29,403)
Proceeds from Sale of Property and Equipment	20,000	18,500
Purchase of Beneficial Interest in Assets Held by Community Foundation	-	(1,114,074)
Proceeds from Sale of Mortgage Loans Receivable	2,297,024	3,240,392
Collections Received on Mortgage Loans Receivable	279,132	428,046
Collections on Second Mortgages	32,938	70,906
Purchase of Rental Properties	(142,015)	(89,779)
Proceeds from Sale of Rental Properties	154,431	-
Net Cash Provided by Investing Activities	2,692,859	2,524,424
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Draws on Line of Credit	200,000	110,000
Payments on Line of Credit	(310,000)	-
Proceeds from Notes Payable	83,847	45,918
Payments on Notes Payable	(202,492)	(212,783)
Net Cash Used by Financing Activities	(228,645)	(56,865)
<b>NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	509,264	82,213
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	1,317,765	1,235,552
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	\$ 1,827,029	\$ 1,317,765
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash Paid for Interest	\$ 92,595	\$ 90,879
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Sales to Homebuyers for which Mortgage Loans Receivable were Obtained	\$ 2,044,615	\$ 2,970,482
Owner-Occupied Home Repairs Services for which Mortgage Loans Receivable were Obtained	\$ 97,565	\$ 168,203
Contribution of Rental Properties	\$ -	\$ 3,553
Transfer of Property Held for Development and Rehabilitation to (from) Rental Properties	\$ 39,916	\$ (168,954)
Cancellation and Forgiveness of Note Payable, Net	\$ 1,585,176	\$ -
Dissolution and Liquidation of Investment in Joint Venture	\$ 1,134,115	\$ -

See accompanying Notes to Financial Statements.

**GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**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 a Habitat ReStore retail outlet. During the year ended June 30, 2023, the Organization consolidated its two retail outlets 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, 2023**

**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.

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 20).

Habitat ReStore – Habitat for Humanity ReStore is a nonprofit home improvement store and donation center that sells 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 ReStore provides funding for the Organization’s mission, offers affordable home improvement items to the general public, and diverts waste from landfills.

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, 2023.

**GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**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**

**Building and ReStore 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.

**Homes Under Construction and Rehabilitation in Process**

Costs incurred in conjunction with home construction and home rehabilitation are recorded as assets until the sale of the home.

**Property Held for Development and Rehabilitation**

Property held for development and 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, 2023**

**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.

**Leases**

The Organization leases store space, office equipment, and vehicles. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating right-of-use (ROU) assets and operating lease liabilities on the statement of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statement of financial position.

The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

**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, 2023.

**GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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%-30% 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 \$3,668,000 at June 30, 2023. If a second mortgage becomes due, the Organization includes the proceeds in gain on collection of second mortgages on the statement of activities at the time it is collected. During the year ended June 30, 2023, the Organization changed its policy regarding second mortgages. Effective with home build applications approved during the year ended June 30, 2023, the second mortgage is no longer forgivable. At June 30, 2023, there were no second mortgages issued subject to this revised policy.

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.**  
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**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. 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. Amounts received in advance of title transfer are deferred and included in deferred revenue in the statement of financial position.

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. Amounts received in advance of the repair service activities are deferred and included in deferred revenue in the statement of financial position.

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, 2023, advertising costs totaled \$166,360.

**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, meetings and conferences, 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.**  
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**JUNE 30, 2023**

**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, 2022, 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 Principles**

**Leases**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective July 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption, with certain practical expedients available.

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has not elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization's ROU assets.

**GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.**  
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**JUNE 30, 2023**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Change in Accounting Principles (Continued)**

**Leases (Continued)**

The Organization elected the available practical expedients to account for existing operating leases as operating leases, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022 a lease liability of \$232,938, which represents the present value of the remaining operating lease payments of \$239,972, discounted using a risk free rate of 2.84% to 2.88%, and a right-of-use asset of \$232,938.

The standard had an impact on the statement of financial position but did not have an impact on the statement of activities, nor the statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

**Donor-Restricted Contributions**

During the year ended June 30, 2023, the Organization changed its accounting policy regarding donor-restricted contributions to better reflect the volume of these types of contributions received by the Organization. Prior to the year ended June 30, 2023, donor-restricted contributions were reported as increases in net assets without donor restrictions if the restriction expired in the reporting period. During the year ended June 30, 2023, the Organization began recognizing donor-restricted contributions as increases in net assets with donor restrictions regardless of whether the restriction expired in the reporting period.

**Accounting Standard Update**

In June 2016, FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which modifies the measurement of expected credit losses on financial instruments. The standard's main goal is to improve financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets. The standard is effective for annual periods beginning after December 15, 2022. Management has not yet determined what impact the adoption of this new standard will have on the Organization's financial position and results of operations.

**Subsequent Events**

The Organization has evaluated events and transactions for potential recognition of disclosure in the financial statements through January 31, 2024, the date on which the financial statements were available to be issued.

**GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**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 15). Excess funds from sales of mortgage loans receivable are added to the remainder reserve invested in Fund II at the Foundation (see Note 15). The Organization takes distributions from these funds to cover anticipated cash needs. For the year ending June 30, 2023, the Organization estimates approximately \$550,000 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, 2023, 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 13) which may be utilized if needed.

The Organization's financial assets available within one year of June 30, 2023 for general expenditures are as follows:

Cash and Cash Equivalents	\$ 1,827,029
Certificates of Deposit	301,688
Accounts Receivable	12,114
Contributions and Grants Receivable, Current Portion	189,333
Mortgage Loans Receivable, Current Portion	206,000
Beneficial Interest in Assets Held by Community Foundation, Current Portion	550,000
Total	<u>\$ 3,086,164</u>

**GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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 \$301,688 at June 30, 2023. The certificates bear interest rates ranging from 0.70% to 4.43% and have maturities of 5 to 12 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, 2023 consist of the following:

Receivable in Less than One Year	\$ 189,333
Receivable in One to Five Years	33,333
Total Contributions and Grants Receivable	222,666
Less: Discount at a Rate of 8.25%	(2,540)
Present Value of Contributions and Grants Receivable	220,126
Current Portion	189,333
Contributions and Grants Receivable, Less Current Portion	\$ 30,793

The Organization considers all of the contributions and grants receivable at June 30, 2023 to be fully collectible; accordingly, no allowance for uncollectible contributions has been established.

At June 30, 2023, the Organization also had conditional promises to give of approximately \$1,159,000. 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.

**GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7 INVENTORIES**

Inventories at June 30, 2023 consist of the following:

Building and ReStore Materials:	
ReStore Inventory	\$ 250,743
Construction Materials	181,575
Total Building and ReStore Materials	<u>\$ 432,318</u>
Home Construction and Rehabilitation in Process	<u>\$ 1,670,186</u>
Property Held for Home Development and Rehabilitation:	
Land for Development	\$ 710,594
Homes for Rehabilitation	899,288
Total Property Held for Development and Rehabilitation	<u>\$ 1,609,882</u>

**NOTE 8 PROPERTY AND EQUIPMENT, NET**

Property and equipment at June 30, 2023 consists of the following:

Land	\$ 754,236
Buildings and Improvements	2,798,540
Office Equipment	296,155
Trucks and Trailers	81,680
Subtotal	<u>3,930,611</u>
Less: Accumulated Depreciation	(869,493)
Total	<u>\$ 3,061,118</u>

Depreciation expense on the above assets was \$108,961 for the year ended June 30, 2023.

**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.

**GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 9 BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION  
(CONTINUED)**

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, 2023 were as follows:

Board-Designated Fund I Net Assets - Beginning of Year	\$ 1,069,455
Net Appreciation	86,312
Board-Designated Fund I Net Assets - End of Year	\$ 1,155,767
Board-Designated Fund II Net Assets - Beginning of Year	\$ 5,259,391
Net Appreciation	245,264
Board-Designated Fund II Net Assets - End of Year	\$ 5,504,655

**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, 2023 to be fully collectible; accordingly, no allowance for uncollectible accounts has been established.

Mortgage loans receivable at June 30, 2023 are scheduled for collection as follows:

Year Ending June 30,	Amount
2024	\$ 206,000
2025	183,000
2026	165,000
2027	147,000
2028	136,000
Thereafter	1,423,059
Total Mortgage Loans Receivable	2,260,059
Less: Discount at Rates of 7.23% to 8.34%	(1,028,755)
Present Value of Mortgage Loans Receivable	1,231,304
Current Portion	206,000
Mortgage Loans Receivable, Less Current Portion	\$ 1,025,304

**GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 10 MORTGAGE LOANS RECEIVABLE (CONTINUED)**

At times, the Organization will enter into agreements for the sale of mortgage loans receivable. During the year ended June 30, 2023, 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 \$2,297,024 at the face value of the loans. At the time of the sales, the mortgage loans had unamortized discounts totaling \$1,326,236, resulting in a gain on sale of mortgages.

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 \$12,898,000 at June 30, 2023.

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 \$2,452,000 at June 30, 2023.

At June 30, 2023, 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, 2023, the Organization did not have possession of any foreclosed residential real estate property.

**NOTE 11 RENTAL PROPERTIES, NET**

The Organization owns rental properties for use in the Almost Home program. Rental properties at June 30, 2023 consist of the following:

Land	\$ 131,700
Rental Houses	832,703
Construction in Process	120,280
Subtotal	<u>1,084,683</u>
Less: Accumulated Depreciation	<u>(150,006)</u>
Total	<u><u>\$ 934,677</u></u>

Depreciation expense on the above assets was \$45,468 for the year ended June 30, 2023.



**GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 12 ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts Payable and Accrued expenses at June 30, 2023 consists of the following:

Accounts Payable	\$ 286,261
Accrued Payroll	123,052
Other Accrued Expenses	130,322
Total Accounts Payable and Accrued Expenses	\$ 539,635

**NOTE 13 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 there was no outstanding balance at June 30, 2023. Interest is payable monthly at the prime rate (8.25% at June 30, 2023). Unpaid interest and principal are due April 27, 2024. The line is secured by mortgage loans receivable.

**NOTE 14 NOTES PAYABLE**

During the year ended June 30, 2023, the Organization received noninterest-bearing notes from HFHI. These noninterest-bearing notes were internally discounted using a rate of 8.25%. The discounts on these notes totaled \$24,501 and were included in contributed nonfinancial assets 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, 2023, the Organization amortized \$5,496 of discounts related to these noninterest-bearing notes.

Following is a summary of notes payable at June 30, 2023:

Description

**Habitat for Humanity International, Inc.**

Shop fund noninterest-bearing notes due in varying monthly principal installments totaling approximately \$5,360, under repayment terms of 48 months, unsecured. \$ 269,820

**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, 2023), with final principal payment due October 2023. Subsequent to June 30, 2023, this note payable was paid in full. 2,456

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. Subsequent to June 30, 2023, this note payable was paid in full. 106,100

**GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 14 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.	\$ 218,524
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.	425,165
Note payable due in monthly installments of \$11,107, including interest at 4.20%, with a final payment of unpaid principal and interest due March 2028, secured by mortgage.	<u>1,790,486</u>
Subtotal	2,812,551
Less: Discount at 2%-8.25% for Noninterest-Bearing Notes	(29,940)
Net Notes Payable	<u>2,782,611</u>
Current Maturities	272,051
Notes Payable, Less Current Maturities	<u><u>\$ 2,510,560</u></u>

During the year ended June 30, 2023, \$77,401 of debt issuance costs were written off and netted in the gain on extinguishment of note payable on the statement of activities (see Note 24).

The future scheduled maturities for the five years succeeding June 30, 2023 for the above notes payable are as follows:

Year Ending June 30,	Amount
2024	\$ 272,051
2025	163,916
2026	684,653
2027	113,863
2028	1,567,089

**NOTE 15 NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions at June 30, 2023 consist of the following:

Undesignated	\$ 5,732,667
Board-Designated	<u>6,724,355</u>
Net Assets without Donor Restrictions	<u><u>\$ 12,457,022</u></u>

**GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 15 NET ASSETS WITHOUT DONOR RESTRICTIONS (CONTINUED)**

The board-designated net assets without donor restrictions at June 30, 2023 consist of the following:

<b>Operating Reserve</b> - The operating reserve includes funds designated for increased capacity to serve additional families in the upcoming year. The operating reserve is held entirely in cash in FDIC insured bank accounts.	\$ 63,933
<b>Risk Reserve</b> - 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).	1,155,767
<b>Remainder Reserve</b> - 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>5,504,655</u>
Board-Designated Net Assets without Donor Restrictions	<u><u>\$ 6,724,355</u></u>

**NOTE 16 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at June 30, 2023 consist of the following:

Time Restrictions:	
Contributions and Grants Receivable	\$ 3,500
Purpose Restrictions:	
Neighborhood Revitalization Program/Rock the Block®	926,145
Home Construction	359,633
Almost Home	5,709
Continuous Improvement	71,000
Veteran Projects	10,100
Interpreter Services	<u>2,471</u>
Net Assets with Donor Restrictions	<u><u>\$ 1,378,558</u></u>

**GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 16 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, 2023 as follows:

Satisfaction of Purpose Restrictions:	
Neighborhood Revitalization Program/Rock the Block®	\$ 698,447
Home Construction	650,713
ReStore Truck	20,000
Continuous Improvement	31,303
Almost Home	39,291
Home Repair Services	10,610
Interpreter Services	1,440
Other	7,972
Total Net Assets Released from Restrictions	<u>\$ 1,459,776</u>

**NOTE 17 CONTRIBUTED NONFINANCIAL ASSETS**

The Organization received the following contributions of nonfinancial assets for the year ended June 30, 2023:

ReStore Inventory	\$ 837,415
Construction Materials	369,185
Property Held for Development and Rehabilitation	150,000
Noninterest-Bearing Notes Payable	24,501
Total Contributed Nonfinancial Assets	<u>\$ 1,381,101</u>

Contributed ReStore inventory, construction materials, and property held for development and rehabilitation received by the Organization are recorded as contributed nonfinancial assets 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 materials and property held for development and rehabilitation are 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 contributed nonfinancial assets 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.

**GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 17 CONTRIBUTED NONFINANCIAL ASSETS (CONTINUED)**

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. No contributed volunteer services were received during the year ended June 30, 2023.

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, 2023 that did not meet the recognition criteria.

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

**NOTE 18 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, 2023, the Organization contributed \$98,427 to the plan.

**NOTE 19 OPERATING LEASES**

The Organization leases store space, office equipment, and vehicles for various terms under long-term non-cancelable operating lease agreements. The leases expire at various dates through 2026. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Additionally, the agreements generally require the Organization to pay real estate, insurance, and repairs.

In addition, the Organization also leases vehicles under short-term agreements that are less than 12 months.

**GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 19 OPERATING LEASES (CONTINUED)**

The following table provides quantitative information concerning the Organization's leases:

Lease Cost:	
Operating lease cost	\$ 141,118
Short-term lease cost	37,634
Total lease cost	<u>\$ 178,752</u>
Other Information:	
Operating cash flows used by operating leases	\$ 141,118
Right-of-use assets obtained in exchange for operating lease liabilities:	\$ 232,938
Weighted-average remaining lease term	1.5 years
Weighted-average discount rate	2.85%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023 is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 75,050
2025	11,902
2026	11,902
Total Undiscounted Cash Flows	<u>98,854</u>
Less: Imputed Interest	2,168
Total Present Value	<u>96,686</u>
Operating Lease Liabilities, Current Portion	<u>73,581</u>
Operating Lease Liabilities, Less Current Portion	<u>\$ 23,105</u>

Subsequent to June 30, 2023, the Organization leased an additional vehicle with total undiscounted cash flows of approximately \$77,000. These payments are not included in the above table.

**NOTE 20 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, 2023, the Organization tithed \$28,952 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, 2023, the Organization paid a fee of \$15,000 to HFHI.

**GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 20 TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL, INC.**  
**(CONTINUED)**

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, 2023, HFHI made \$167,673 of these grants available to the Organization to purchase land for development and necessary infrastructure improvements. Conditional promises to give included \$120,679 (see Note 6), and refundable advances included \$146,796 related to this program at June 30, 2023.

For the year ended June 30, 2023, HFHI made additional contributions of \$49,434 and additional contributed nonfinancial assets of \$74,414 to the Organization. Conditional promises to give included \$52,000 (see Note 6), and refundable advances included \$20,000 related to these contributions at June 30, 2023.

**NOTE 21 EXCHANGE REVENUE**

The Organization's revenue disaggregated according to the timing of transfer of goods or services for the year ended June 30, 2023 consists of the following:

Revenue Recognized at a Point in Time:	
Sales to Homebuyers	\$ 2,293,204
ReStore Sales	1,290,568
Other Income	99,221
Total Revenue Recognized at a Point in Time	<u>3,682,993</u>
Revenue Recognized Over Time:	
Owner-Occupied Home Repair Services	112,876
Total Exchange Revenue	<u><u>\$ 3,795,869</u></u>

**NOTE 22 FUNCTIONAL CLASSIFICATION OF EXPENSES**

Expenses by function for the year ended June 30, 2023 was as follows:

Program Services	\$ 9,935,321
Supporting Activities:	
Management and General	765,625
Fundraising	531,037
Total	<u><u>\$ 11,231,983</u></u>

**GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE 23 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 24 GAIN ON EXTINGUISHMENT OF NOTE PAYABLE**

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).

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.

During the year ended June 30, 2023, 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 \$447,816 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, 2023**

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
<b>FEDERAL AWARDS</b>				
<b>U.S. Department of Health and Human Services</b>				
Pass-Through Program from:				
Wisconsin Department of Health Services:				
Children's Health Insurance Program	93.767	37906 / 42660 / 44416	\$ -	\$ 1,527,991
Total U.S. Department of Health and Human Services			-	1,527,991
<b>U.S. Department of Housing and Urban Development</b>				
Pass-Through Program from:				
Habitat for Humanity International, Inc:				
Self-help Homeownership Opportunity Program	14.247	SH17 020/SH18 032/ SH19 020/SH20 054/ SH21 068	-	223,564
City of Appleton:				
Community Development Block Grant - Entitlement	14.218	B-21-MC-55-0001	-	41,900
Total U.S. Department of Housing and Urban Development			-	265,464
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 1,793,455</u>
<b>STATE AWARDS</b>				
Pass-Through Program from:				
<b>Wisconsin Department of Health Services:</b>				
Children's Health Insurance Program		37906 / 42660 / 44416	\$ -	\$ 526,951
Total Wisconsin Department of Health Services			-	526,951
Total Expenditures of State Awards			<u>\$ -</u>	<u>\$ 526,951</u>

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, 2023**

**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, 2023. 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 *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. 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, 2023 was calculated as follows:

SHOP Notes Payable Proceeds	\$	55,891
SHOP Grant Revenue		167,673
SHOP Federal Expenditures	\$	223,564

The balance of SHOP notes payable outstanding at June 30, 2023 totaled \$269,820.

**GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.  
WISCONSIN LEAD-SAFE HOMES PROGRAM  
DHS COST REIMBURSEMENT AWARD SCHEDULE  
JUNE 30, 2023**

DHS Identification Number	37906	42660	44416	
<b>Award Amount</b>	<b>\$ 1,278,500</b>	<b>\$ 533,222</b>	<b>\$ 1,141,778</b>	
<b>Award Period</b>	<b>07/01/2021 - 11/22/2022</b>	<b>07/01/2022 - 09/30/2022</b>	<b>10/01/2022 - 09/30/2023</b>	
<b>Period of Award within Audit Period</b>	<b>07/01/2022 - 11/22/2022</b>	<b>07/01/2022 - 09/30/2022</b>	<b>10/01/2022 - 06/30/2023</b>	<b>Total</b>
<b>A. Expenditures Reported to DHS or Revenue Received</b>	\$ 431,103	\$ 510,122	\$ 1,113,717	\$ 2,054,942
<b>B. Total Operating Costs of Award</b>				
1. Contractor and Materials Expenditures in Rental Properties	\$ -	\$ 19,021	\$ -	\$ 19,021
2. Contractor and Materials Expenditures in Inventories	-	-	45,313	45,313
3. Contractor and Materials Expenditures in Cost of Sales	318,227	356,132	808,247	1,482,606
4. Salaries and Wages	35,959	45,578	80,618	162,155
5. Employee Benefits and Payroll Taxes	5,607	7,977	14,123	27,707
6. Training and Certifications	18,415	2,748	13,978	35,141
7. Government Audit in Professional Fees	-	-	12,900	12,900
8. Occupancy	52,136	70,239	136,574	258,949
9. Insurance	759	900	1,964	3,623
10. Advertising	-	7,527	-	7,527
<b>B. Total Operating Costs of Award</b>	<b>\$ 431,103</b>	<b>\$ 510,122</b>	<b>\$ 1,113,717</b>	<b>\$ 2,054,942</b>
<b>C. Less Disallowed Costs</b>	-	-	-	-
<b>D. Less Program Revenue and Other Offsets to Costs</b>	-	-	-	-
<b>E. Total Allowable Costs</b>	<b>\$ 431,103</b>	<b>\$ 510,122</b>	<b>\$ 1,113,717</b>	<b>\$ 2,054,942</b>
<b>F. Gain or (Loss)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



**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**

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, 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, 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 January 31, 2024.

***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*.

***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.



**CliftonLarsonAllen LLP**

Appleton, Wisconsin  
January 31, 2024



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

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

**Report on Compliance for Each Major Federal and State Program**

***Opinion on Each Major Federal and State 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* and the *State Single Audit Guidelines* that could have a direct and material effect on each of Greater Fox Cities Area Habitat for Humanity, Inc.'s major federal and state and programs for the year ended June 30, 2023. Greater Fox Cities Area Habitat for Humanity, Inc.'s major federal and state 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 and state programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal and State 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), and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. Our responsibilities under those standards, the Uniform Guidance, and the *State Single Audit Guidelines* 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 and state 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 and state 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*, the Uniform Guidance, and the *State Single Audit Guidelines* 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 and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, and the *State Single Audit Guidelines*, 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 and state 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 and state 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 and state 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 and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Appleton, Wisconsin  
January 31, 2024



**GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2023**

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***Section I – Summary of Auditors’ Results***

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***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***

<b>Assistance Listing Number(s)</b>	<b>Name of Federal Program or Cluster</b>
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?	_____ X _____ Yes <span style="margin-left: 100px;">_____ No</span>

**GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

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**Section I – Summary of Auditors’ Results (Continued)**

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**Identification of Major State Programs**

Identification Number(s)	Name of State Program
37906, 42660, 44416	Children’s Health Insurance Program
Dollar threshold used to distinguish between Type A and Type B programs	\$ <u>250,000</u>
Auditee qualified as low-risk auditee?	<u>  X  </u> Yes <u>      </u> No

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**Section II – Financial Statement Findings**

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

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

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

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**Section IV – Other Issues**

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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 *State Single Audit Guidelines*?  
Wisconsin Department of Health Services 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 January 31, 2024



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