



HABITAT FOR HUMANITY OF OSHKOSH, INC.

AUDITED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Habitat for Humanity of Oshkosh, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Oshkosh, Inc. as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity Oshkosh, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity Oshkosh, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

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

Fond du Lac, Wisconsin
November 21, 2024

**HABITAT FOR HUMANITY OF OSHKOSH, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 422,845	\$ 829,211
Accounts receivable, net	6,830	-
Grant receivable	370,967	281,249
Prepaid Expenses	12,576	-
Current maturities of mortgages receivable	49,048	30,103
House construction in process	529,643	663,525
Security deposit	1,800	1,800
Inventory	26,778	14,151
Total Current Assets	<u>1,420,487</u>	<u>1,820,039</u>
Property and Equipment, net	1,478,892	1,419,983
Other Assets:		
Beneficial interest in assets held by Community Foundation	111,289	67,682
Mortgages receivable, less current maturities, net of discounts	704,929	493,344
Total Other Assets	<u>816,218</u>	<u>561,026</u>
Total Assets	<u>\$ 3,715,597</u>	<u>\$ 3,801,048</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Current maturities of long-term debt	\$ 406,348	\$ 26,360
Accounts payable	99,262	35,424
Homeowner deposits	-	1,500
Sales tax payable	1,356	1,660
Accrued wages	37,660	20,483
Accrued payroll taxes	5,446	-
Accrued interest	629	648
Total Current Liabilities	<u>550,701</u>	<u>86,075</u>
Long-term Debt, less current maturities, net of discount	<u>133,103</u>	<u>533,873</u>
Total Liabilities	683,804	619,948
Net Assets:		
Without donor restrictions:		
Board designated	-	24,124
Undesignated	2,947,497	3,015,467
Total without donor restrictions	<u>2,947,497</u>	<u>3,039,591</u>
With donor restrictions	84,296	141,509
Total Net Assets	<u>3,031,793</u>	<u>3,181,100</u>
Total Liabilities and Net Assets	<u>\$ 3,715,597</u>	<u>\$ 3,801,048</u>

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

HABITAT FOR HUMANITY OF OSHKOSH, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:						
Support:						
Contributions - cash	\$ 479,937	\$ -	\$ 479,937	\$ 130,326	\$ 29,988	\$ 160,314
Contributed nonfinancial assets	-	-	-	8,548	-	8,548
Grants	719,726	-	719,726	1,195,442	-	1,195,442
Net assets released from restrictions	57,213	(57,213)	-	58,466	(58,466)	-
Total Support	1,256,876	(57,213)	1,199,663	1,392,782	(28,478)	1,364,304
Revenues:						
Transfers to homeowners	700,250	-	700,250	-	-	-
Mortgage discount amortization	43,299	-	43,299	92,953	-	92,953
Resale store sales (less direct expenses of \$21,599 and \$46,552, respectively)	340,043	-	340,043	301,803	-	301,803
Fundraising proceeds	108,728	-	108,728	74,412	-	74,412
Interest income	4,046	-	4,046	380	-	380
Return (loss) on beneficial interest	12,607	-	12,607	6,177	-	6,177
Gain on sale of mortgages receivable	-	-	-	23,181	-	23,181
Second mortgage income	2,607	-	2,607	1,172	-	1,172
Miscellaneous	125	-	125	15,833	-	15,833
Total Revenues	1,211,705	-	1,211,705	515,911	-	515,911
Total Revenues and Other Support	2,468,581	(57,213)	2,411,368	1,908,693	(28,478)	1,880,215
Expenses:						
Program services	2,407,745	-	2,407,745	880,325	-	880,325
Management and general	94,366	-	94,366	91,912	-	91,912
Fundraising	58,564	-	58,564	48,211	-	48,211
Total Expenses	2,560,675	-	2,560,675	1,020,448	-	1,020,448
Change in Net Assets	(92,094)	(57,213)	(149,307)	888,245	(28,478)	859,767
Net Assets:						
Beginning of year	3,039,591	141,509	3,181,100	2,151,346	169,987	2,321,333
End of year	\$ 2,947,497	\$ 84,296	\$ 3,031,793	\$ 3,039,591	\$ 141,509	\$ 3,181,100

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

HABITAT FOR HUMANITY OF OSHKOSH, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2024 AND 2023

	2024				2023			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Cost of construction	\$ 1,071,738	\$ -	\$ -	\$ 1,071,738	\$ 24,087	\$ -	\$ -	\$ 24,087
Mortgage discount expense	435,661	-	-	435,661	-	-	-	-
Family selection expense	2,957	-	-	2,957	1,817	-	-	1,817
Tithe to HFHI	2,900	-	-	2,900	11,660	-	-	11,660
Payroll expenses	497,279	43,281	33,021	573,581	400,244	34,359	27,444	462,047
Insurance	54,380	555	555	55,490	57,116	583	583	58,282
Telephone	6,929	637	398	7,964	5,875	540	338	6,753
IT maintenance	14,645	4,882	-	19,527	19,215	6,405	-	25,620
Building	-	4,415	-	4,415	-	6,511	-	6,511
Office and operating supplies	1,579	296	99	1,974	2,782	522	174	3,478
Postage and printing	16,775	3,355	2,237	22,367	16,706	3,341	2,227	22,274
Advertising	29,290	-	1,542	30,832	24,451	-	1,287	25,738
Dues and subscriptions	3,067	4,600	-	7,667	2,705	4,057	-	6,762
Legal and accounting	37,591	25,061	-	62,652	41,183	27,455	-	68,638
Property Taxes	2,275	72	48	2,395	-	-	-	-
Rent	13,708	433	289	14,430	4,719	149	99	4,967
Small event expenses	1,693	-	-	1,693	2,155	-	-	2,155
Facilities	7,399	234	156	7,789	4,264	135	90	4,489
Utilities	30,640	968	645	32,253	31,842	1,006	670	33,518
Travel	993	746	746	2,485	2,144	1,607	1,607	5,358
Vehicle	16,620	-	-	16,620	30,849	-	-	30,849
Bank and credit card fees	2,825	155	124	3,104	5,926	326	260	6,512
Volunteer appreciation	16,849	-	-	16,849	16,604	-	-	16,604
Other ReStore expenses	5	-	-	5	-	-	-	-
Miscellaneous	2,212	-	-	2,212	7,634	-	-	7,634
Training	-	1,906	-	1,906	-	1,229	-	1,229
Interest	20,516	648	432	21,596	62,378	1,970	1,313	65,661
Restore expenses	21,599	-	-	21,599	46,552	-	-	46,552
Fundraising expenses	-	-	16,857	16,857	-	-	10,974	10,974
Depreciation	67,206	2,122	1,415	70,743	54,382	1,717	1,145	57,244
Amortization	-	-	-	-	7,313	-	-	7,313
Outside services	50,013	-	-	50,013	42,132	-	-	42,132
	<u>2,429,344</u>	<u>94,366</u>	<u>58,564</u>	<u>2,582,274</u>	<u>926,877</u>	<u>91,912</u>	<u>48,211</u>	<u>1,067,000</u>
Less: resale store expenses netted against revenue	<u>21,599</u>	<u>-</u>	<u>-</u>	<u>21,599</u>	<u>46,552</u>	<u>-</u>	<u>-</u>	<u>46,552</u>
Total Expenses	<u>\$ 2,407,745</u>	<u>\$ 94,366</u>	<u>\$ 58,564</u>	<u>\$ 2,560,675</u>	<u>\$ 880,325</u>	<u>\$ 91,912</u>	<u>\$ 48,211</u>	<u>\$ 1,020,448</u>

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

HABITAT FOR HUMANITY OF OSHKOSH, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (149,307)	\$ 859,767
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Discounts on mortgages issued	435,661	-
Mortgage discount amortization	(43,299)	(92,953)
Transfers to homeowners	(700,250)	-
Amortization	6,999	7,313
Gain on sale of mortgage receivable	-	(23,181)
Depreciation	70,743	57,244
Return on beneficial interest	(12,607)	(6,177)
Effects of changes in operating assets and liabilities:		
Accounts receivable	(6,830)	-
Grants receivable	(89,718)	(281,249)
Prepays	(12,576)	
House construction in process	133,882	(586,166)
Inventory	(12,627)	5,523
Security deposit	-	(1,800)
Accounts payable	63,838	7,000
Homeowner deposits	(1,500)	-
Sales tax payable	(304)	259
Accrued wages	17,177	6,430
Accrued payroll taxes	5,446	(75)
Accrued interest	(19)	(474)
Net Cash Flows from Operating Activities	<u>(295,291)</u>	<u>(48,539)</u>
Cash Flows From Investing Activities:		
Purchase of property and equipment	(129,652)	(27,788)
Acquisition of beneficial interests	(31,000)	(850)
Payments received on mortgages receivable	<u>77,358</u>	<u>115,629</u>
Net Cash Flows from Investing Activities	<u>(83,294)</u>	<u>86,991</u>
Cash Flows From Financing Activities:		
Payments on long-term debt	<u>(27,781)</u>	<u>(353,620)</u>
Net Change In Cash and Cash Equivalents	(406,366)	(315,168)
Cash and Cash Equivalents:		
Beginning of year	829,211	1,144,379
End of year	<u>\$ 422,845</u>	<u>\$ 829,211</u>

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

**HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Habitat for Humanity of Oshkosh, Inc., (the “Organization”) is a non-profit organization located in Oshkosh, Wisconsin that is an affiliate of Habitat for Humanity International, Inc. (HFHI). HFHI is a non-denominational Christian not-for-profit organization whose purpose is to create decent, affordable housing for those in need and to make decent shelter a matter of conscience with people everywhere.

Although HFHI assists with information resources, training, publications, prayer support, and in other ways, the Organization is primarily and directly responsible for its own operations. Such operations are conducted within the Habitat for Humanity of Oshkosh, Inc. area (Winnebago County) and include acquisition of real estate to be improved, purchase of building materials, organization of construction/rehabilitation labor (volunteer and paid) and financing the sale of its completed projects. The Organization targets those in very low-income economic groups, selling homes at no profit and financing them with non-interest-bearing loans.

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

Basis of Accounting

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

Cash and Cash Equivalents

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

ReStore Inventory

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

Property and Equipment

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

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Property and Equipment - Continued

Depreciation for financial statement purposes has been computed using a straight-line method based on a useful life of five to twenty years for building improvements, equipment, furniture and vehicles and forty years for the building. Depreciation charged to operations for the years ended June 30, 2024 and 2023, was \$70,743 and \$57,244, respectively.

Accounts Receivable

The carrying amount of accounts receivable is reduced by an allowance for credit losses that reflects management's best estimate of current expected credit losses. Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made in consideration of trends and changes in the overall economic environment. The Organization's allowance for credit losses is \$0 at June 30, 2024 and 2023.

Mortgages Receivable

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

The Organization aims to sell homes at no profit by setting the home sale price at the estimated cost to build. The Organization holds a second mortgage for each first mortgage if the fair market value at the time of sale was greater than the sale price of the home. The second mortgage represents the difference between the fair value of the home at the time of the original sale and the actual sale price. These second mortgages are not recorded. The second mortgage will take effect if the homeowner sells, refinances, defaults or the home is no longer their primary residence before a stipulated time period. The second mortgage is collected after the first mortgage is satisfied and after certain other liens are satisfied. The second mortgages are designed to prevent the homeowner from selling the home and reaping a substantial benefit. The value of second mortgages not recorded totaled \$386,568 and \$83,609 at June 30, 2024 and 2023, respectively.

The Organization considers homeowners to be delinquent if they are 30 days past due on their mortgage payment. Every effort is made to assist the homeowners who have been delinquent in their mortgage payments. However, foreclosure proceedings may be initiated and/or the Organization may accept a deed in lieu of foreclosure where homeowners mortgage payments are seriously delinquent. Properties acquired through foreclosure or a deed in lieu of foreclosure are generally refurbished in partnership with, and sold to, other families in need of decent, affordable housing. Consequently, no allowance for credit losses has been established for mortgage receivables as of June 30, 2024 and 2023.

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fair Value Measurements

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

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

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

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

Leases

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

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

Net Assets

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

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

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

**HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Liquidity and Availability of Resources

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

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

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

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

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

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

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

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

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Contribution Recognition

Contributions are recognized as revenue when they are received or unconditionally promised. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers provided services to the Organization throughout the year that have not been recognized as contributions in the financial statements since the recognition criteria were not met.

Revenue Recognition

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

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

Contributed Nonfinancial Assets

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

Presentation of Sales Tax

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

Advertising

Advertising costs are charged to operations when incurred. During the years ended June 30, 2024 and 2023, advertising costs totaled \$30,832 and \$25,738, respectively.

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Functional Expense Allocations

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

Income Taxes

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

The Organization has evaluated tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2024 and 2023.

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

Estimates

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

Accounting Standards Update

During the year ended June 30, 2024, the Organization implemented the following standards issued by the Financial Accounting Standards Board:

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13 or ASC 326). ASU 2016-13 revises the accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected. The FASB has subsequently issued additional ASUs amending certain aspects of ASU 2016-13.

On July 1, 2022, the Organization adopted the new accounting standard and all or the related amendments using the retrospective method. There is no effect on net assets in connection with this implementation.

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE B – LIQUIDITY AND AVAILABILITY OF RESOURCES

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

	<u>2024</u>	<u>2023</u>
Financial assets, at year-end	\$ 1,665,908	\$ 1,701,589
Less those unavailable for general expenditures within one year, due to:		
Long-term mortgage receivable	704,929	493,344
Funds designated by the board	-	24,124
Contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	<u>84,297</u>	<u>141,509</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 876,682</u>	<u>\$ 1,042,612</u>

NOTE C – BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

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

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

	<u>2024</u>	<u>2023</u>
Total beneficial interests in assets held by Community Foundation	<u>\$ 111,289</u>	<u>\$ 67,682</u>

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

	<u>2024</u>	<u>2023</u>
Realized and unrealized gains (losses)	\$ 11,134	\$ 5,159
Investment income	2,395	1,642
Investment fees	(922)	(624)
Net return (loss) on beneficial interest	<u>\$ 12,607</u>	<u>\$ 6,177</u>

**HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Vehicles	\$ 216,330	\$ 88,869
Building and improvements	1,362,426	1,362,426
Equipment and furniture	98,405	96,214
Land	<u>312,000</u>	<u>312,000</u>
	1,989,161	1,859,509
Less accumulated depreciation	<u>(510,269)</u>	<u>(439,526)</u>
	<u>\$ 1,478,892</u>	<u>\$ 1,419,983</u>

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

The Organization purchases lots and homes for construction and renovation. Costs that are incurred before construction or renovation begins are capitalized as part of the lot or home. After construction or renovation has begun, costs associated with the project are accumulated in a construction in process account on the statements of financial position until the construction or renovation is completed. These homes are then sold to those in need based upon the Organization’s selection criteria. As of June 30, 2024 and 2023, the total cost of house construction in process was \$529,643 and \$663,525, respectively.

HABITAT FOR HUMANITY OF OSHKOSH, INC.
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NOTE F – MORTGAGES RECEIVABLE

The Organization services the mortgages on the homes constructed and sold to qualifying families. The mortgages are interest free and have been discounted at prevailing market rates for low-income housing at the inception of the mortgages. Discounts are amortized using the straight-line method over the life of the loan. At June 30, 2024, the carrying value of the non-interest-bearing mortgage loan receivables of \$753,977 is shown net of the total unamortized discount of \$1,089,385. At June 30, 2023, the carrying value of the non-interest-bearing mortgage loan receivables of \$523,447 is shown net of the total unamortized discount of \$697,029.

Annual collection of mortgages receivables, net of the amortized discount, at June 30, 2024 are due as follows:

2025	\$	49,048
2026		48,736
2027		46,831
2028		46,831
2029		46,850
Thereafter		515,681
		<u>\$ 753,977</u>

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

During the year ended June 30, 2024, there were no mortgages sold.

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

NOTE G – NET ASSETS

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

	<u>2024</u>	<u>2023</u>
Subject to purpose restrictions:		
Rock the Block program	\$ 79,062	\$ 136,274
Neighborhood Revitalization Initiative	5,235	5,235
	<u>\$ 84,297</u>	<u>\$ 141,509</u>

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

	<u>2024</u>	<u>2023</u>
Neighborhood Revitalization Initiative	\$ -	\$ 13,570
Fund for Restore capital improvement	-	10,554
	<u>\$ -</u>	<u>\$ 24,124</u>

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE H – LONG-TERM DEBT

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

	<u>2024</u>	<u>2023</u>
Note payable secured by mortgage receivable pledged as collateral with monthly installment of \$324 with no interest. The note was discounted at an imputed interest rate of 4.2%. The total discount was \$28,761. The discount is being amortized over 22 years. Amortization for the years ended June 30, 2024 and 2023 was \$1,483 and \$1,582, respectively. Final payment due in May 2035.	\$ 41,575	\$ 45,463
Note payable secured by mortgage receivable pledged as collateral with monthly installment of \$342 with no interest. The note was discounted at an imputed interest rate of 4.2%. The total discount was \$18,976. The discount is being amortized over sixteen years. Amortization for the years ended June 30, 2024 and 2023 was \$918 and \$1,049, respectively. Final payment due in December 2029.	22,814	26,576
Note payable secured by mortgage receivable pledged as collateral with monthly installment of \$253 with no interest. The note was discounted at an imputed interest rate of 4.89%. The total discount was \$43,400. The discount is being amortized over thirty years. Amortization for the years ended June 30, 2024 and 2023 was \$2,148 and \$2,191, respectively. Final payment due in February 2049.	74,878	77,914
Note payable secured by real estate pledged as collateral with monthly installment of \$2,300 at 3.85% interest. Final payment due in March 2025.	391,987	403,986

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE H – LONG-TERM DEBT – Continued

	<u>2024</u>	<u>2023</u>
Note payable secured by mortgage receivable pledged as collateral with monthly installment of \$278 with no interest. The note was discounted at an imputed interest rate of 4.89%. The total discount was \$47,622. The discount is being amortized over thirty years. Amortization for the years ended June 30, 2024 and 2023 was \$2,450 and \$2,492, respectively. Final payment due in February 2051.	88,299	92,412
	<u>619,553</u>	<u>646,351</u>
Less current maturities	406,348	26,360
Less discount on non-interest bearing long-term debt	80,102	86,118
	<u>\$ 133,103</u>	<u>\$ 533,873</u>

Amortization expense related to the discount on non-interest-bearing long-term debt was \$6,999 and \$7,313 as of June 30, 2024 and 2023, respectively.

Future maturities of long-term debt are as follows:

2025	\$ 406,348
2026	14,361
2027	14,361
2028	14,361
2029	14,361
Thereafter	155,761
	<u>\$ 619,553</u>

NOTE I – REVENUE FROM CONTRACTS WITH CUSTOMERS

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

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE I – REVENUE FROM CONTRACTS WITH CUSTOMERS – Continued

The Organization generates revenue from the following primary activities:

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

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

Disaggregation of Revenue

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

<u>Segments</u>	2024		
	Transfers to homeowners	Resale store sales	Total
<u>Timing of revenue recognition</u>			
Services transferred at a point in time	\$ 700,250	\$ 340,043	\$ 1,040,293
Services transferred over time	43,299	-	43,299
	<u>\$ 743,549</u>	<u>\$ 340,043</u>	<u>\$ 1,083,592</u>
	2023		
<u>Segments</u>	Transfers to homeowners	Resale store sales	Total
<u>Timing of revenue recognition</u>			
Services transferred at a point in time	\$ -	\$ 301,803	\$ 301,803
Services transferred over time	92,953	-	92,953
	<u>\$ 92,953</u>	<u>\$ 301,803</u>	<u>\$ 394,756</u>

Opening and Closing Balance of Accounts and Mortgage Receivables

The following table provides information about mortgage receivables and account receivables balances:

	At June 30, 2024	At June 30, 2023	At July 1, 2022
Mortgages receivable, net of discounts	\$ 753,977	\$ 523,447	\$ 622,168
Accounts receivables	6,830	-	-

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE I – REVENUE FROM CONTRACTS WITH CUSTOMERS – Continued

Practical Expedients

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

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

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

The Organization annually remits a portion of its contributions (excluding in-kind contributions) and ReStore net profits to HFHI. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2024 and 2023, the Organization contributed to HFHI \$2,900 and \$11,660, respectively.

NOTE K – LEASES

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

The Organization leases space that requires monthly payments \$1,000 which is a continuing agreement, with automatic one-year renewals.

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

2025	710
	<u>\$ 710</u>

Total rent expense for these agreements amounted to \$14,430 and \$4,967 for the years ended June 30, 2024 and 2023, respectively.

**HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE L – CONTRIBUTED NONFINANCIAL ASSETS

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

	<u>2024</u>	
	<u>Revenue Recognized</u>	<u>Utilization in Programs/Activites</u>
Roof materials and installation	<u>\$ -</u>	Programs

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

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

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

For the years ended June 30, 2024 and 2023, there were no donor restrictions on any of the contributed nonfinancial assets received.

NOTE M – GRANT

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

Income from this grant is recognized in the period during which the related specified expenses are incurred, provided that the conditions under which the grant was provided have been met. The Organization recognized \$697,771 and \$935,016 of grant income in the statement of activities during the years ended June 30, 2024 and 2023, respectively. A grant receivable of \$377,797 and \$281,249 representing unreimbursed, eligible costs incurred under the subrecipient agreement was recorded in the statement financial position as of June 30, 2024 and 2023, respectively.

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE N – FAIR VALUE MEASUREMENTS

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

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

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

The following table sets forth by level, within the fair value hierarchy, the Organization's beneficial interest in assets held at the Oshkosh Area Community Foundation at fair value as of June 30:

	2024			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by community foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,289</u>	<u>\$ 111,289</u>
	2023			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by community foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,682</u>	<u>\$ 67,682</u>

There were no assets or liabilities measured at fair value on a nonrecurring basis as of June 30, 2024 and 2023.

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

	<u>2024</u>	<u>2023</u>
Level 3 Investments:		
Beginning of year	\$ 67,682	\$ 60,655
Realized gains	3,981	416
Unrealized gains (losses)	7,153	4,742
Purchases, sales, issuances and settlements, net	32,473	1,869
End of year	<u>\$ 111,289</u>	<u>\$ 67,682</u>

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

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE O – SUPPLEMENTAL CASH FLOW DISCLOSURES

Cash paid for interest was \$21,615 and \$37,594 for the years ended June 30, 2024 and 2023, respectively.

NOTE P – RESTORE DIRECT EXPENSES

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

	2024	2023
Rent	\$ 13,430	\$ 4,967
Insurance	20,626	24,121
Telephone	4,233	3,593
Office expense	367	5,410
Advertising	11,455	10,960
Outside services	19,837	14,532
Professional fees	372	72
Depreciation	32,893	29,996
Payroll expenses	159,374	165,102
Facilities	15,893	20,372
Utilities	20,619	23,767
Vehicle	6,360	26,839
Cost of goods sold	21,009	46,552
Other	1,748	9,904
Dues and subscriptions	3,026	4,362
Supplies	1,142	8,597
Travel	1,947	4,055
Bank and credit card fees	3,025	6,927
Interest	-	9,085
	<u>\$ 337,356</u>	<u>\$ 419,213</u>

NOTE Q – SIGNIFICANT CONCENTRATIONS

Generally accepted accounting principles require disclosure of information about current vulnerabilities due to certain concentrations. The Organization received 58% of its support from one grantor and 69% of its support from one grantor for the years ended June 30, 2024 and 2023, respectively.

NOTE R – CONTINGENCIES

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

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE S – SUBSEQUENT EVENTS

On July 16, 2024, the Organization entered into a line of credit agreement, providing for borrowings of up to \$750,000 at an interest rate of 7.59%.

The Organization has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through November 21, 2024, the date on which the financial statements were available to be issued.