



HABITAT FOR HUMANITY OF OSHKOSH, INC.

**AUDITED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**



Accounting | Analysis | Strategy | Planning

TABLE OF CONTENTS

Page

Independent Auditor's Report	3 -4
---	------

Financial Statements

Statements of Financial Position	5
Statements of Activities	6
Statements of Functional Expenses.....	7
Statements of Cash Flows.....	8
Notes to Financial Statements.....	9-23



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, 2022 and 2021, 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, 2022 and 2021, 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. 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 generally accepted 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 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.

Huberty & Associates, S.C.

Fond du Lac, Wisconsin
January 20, 2023

HABITAT FOR HUMANITY OF OSHKOSH, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Current Assets:			
Cash and cash equivalents		\$ 1,144,379	\$ 573,006
Current maturities of mortgages receivable		35,845	37,689
House construction in process		77,359	72,883
Inventory		19,674	34,125
Total Current Assets		<u>1,277,257</u>	<u>717,703</u>
Property and Equipment, net		1,449,439	1,471,905
Other Assets:			
Beneficial interest in assets held by Community Foundation		60,655	64,020
Mortgages receivable, less current maturities, net of discounts		586,323	590,158
Total Other Assets		<u>646,978</u>	<u>654,178</u>
Total Assets		<u><u>\$ 3,373,674</u></u>	<u><u>\$ 2,843,786</u></u>
<u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities:			
Current maturities of long-term debt		\$ 87,816	\$ 158,530
Accounts payable		28,424	20,029
Homeowner deposits		1,500	1,000
Sales tax payable		1,401	1,626
Accrued wages		14,053	9,782
Accrued payroll taxes		75	75
Accrued property taxes		-	-
Accrued interest		1,122	1,231
Total Current Liabilities		<u>134,391</u>	<u>192,273</u>
Long-term Debt, less current maturities, net of discount		<u>917,950</u>	<u>950,340</u>
Total Liabilities		1,052,341	1,142,613
Net Assets:			
Without donor restrictions:			
Board designated		53,233	77,984
Undesignated		2,098,113	1,495,976
Total without donor restrictions		<u>2,151,346</u>	<u>1,573,960</u>
With donor restrictions		169,987	127,213
Total Net Assets		<u>2,321,333</u>	<u>1,701,173</u>
Total Liabilities and Net Assets		<u><u>\$ 3,373,674</u></u>	<u><u>\$ 2,843,786</u></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, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support:						
Support:						
Contributions - cash	\$ 73,889	\$ 76,391	\$ 150,280	\$ 142,901	\$ 146,683	\$ 289,584
Contributed nonfinancial assets	7,100	-	7,100	35,095	-	35,095
Grants	805,537	-	805,537	206,301	-	206,301
Net assets released from restrictions	33,617	(33,617)	-	81,198	(81,198)	-
Total Support	920,143	42,774	962,917	465,495	65,485	530,980
Revenues:						
Transfers to homeowners	310,600	-	310,600	99,500	-	99,500
Mortgage discount amortization	65,511	-	65,511	45,157	-	45,157
Resale store sales (less direct expenses of \$54,613 and \$43,961, respectively)	330,946	-	330,946	326,654	-	326,654
Fundraising proceeds	59,239	-	59,239	58,012	-	58,012
Interest income	89	-	89	69	-	69
Return (loss) on beneficial interest	(8,356)	-	(8,356)	16,617	-	16,617
Gain on extinguishment of PPP loan	78,374	-	78,374	78,374	-	78,374
Gain on sale of mortgages receivable	88,201	-	88,201			
Second mortgage income	20,493	-	20,493	9,795	-	9,795
Miscellaneous	31,572	-	31,572	23,234	-	23,234
Total Revenues	976,669	-	976,669	657,412	-	657,412
Total Revenues and Other Support	1,896,812	42,774	1,939,586	1,122,907	65,485	1,188,392
Expenses:						
Program services	1,203,618	-	1,203,618	869,649	-	869,649
Management and general	71,351	-	71,351	62,354	-	62,354
Fundraising	44,457	-	44,457	39,811	-	39,811
Total Expenses	1,319,426	-	1,319,426	971,814	-	971,814
Change in Net Assets	577,386	42,774	620,160	151,093	65,485	216,578
Net Assets:						
Beginning of year	1,573,960	127,213	1,701,173	1,422,867	61,728	1,484,595
End of year	\$ 2,151,346	\$ 169,987	\$ 2,321,333	\$ 1,573,960	\$ 127,213	\$ 1,701,173

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, 2022 AND 2021

	2022				2021			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Cost of construction	\$ 381,472	\$ -	\$ -	\$ 381,472	\$ 158,576	\$ -	\$ -	\$ 158,576
Mortgage discount expense	152,392	-	-	152,392	59,928	-	-	59,928
Family selection expense	805	-	-	805	685	-	-	685
Tithe to HFHI	7,380	-	-	7,380	1,600	-	-	1,600
Payroll expenses	326,700	27,690	23,047	377,437	300,021	25,448	21,130	346,599
Insurance	39,707	405	405	40,517	27,071	276	276	27,623
Telephone	6,618	609	380	7,607	9,056	833	521	10,410
IT maintenance	35,909	11,970	-	47,879	16,178	5,393	-	21,571
Building	-	5,049	-	5,049	-	9,783	-	9,783
Office and operating supplies	1,581	297	99	1,977	2,440	457	152	3,049
Postage and printing	21,075	4,215	2,810	28,100	14,343	2,869	1,913	19,125
Advertising	20,104	-	1,058	21,162	31,936	-	1,681	33,617
Dues and subscriptions	4,765	7,148	-	11,913	3,984	5,975	-	9,959
Legal and accounting	20,836	6,945	6,945	34,726	20,045	6,681	6,681	33,407
Property Taxes	2,417	76	51	2,544	-	-	-	-
Rent	1,101	35	23	1,159	1,828	58	39	1,925
Small event expenses	4,151	-	-	4,151	9,721	-	-	9,721
Facilities	4,945	156	104	5,205	12,302	389	259	12,950
Utilities	37,246	1,176	784	39,206	26,079	824	549	27,452
Travel	468	351	351	1,170	32	23	23	78
Vehicle	7,934	-	-	7,934	17,397	-	-	17,397
Bank and credit card fees	5,606	308	246	6,160	7,398	407	325	8,130
Volunteer appreciation	10,475	-	-	10,475	9,065	-	-	9,065
Other ReStore expenses	5	-	-	5	-	-	-	-
Miscellaneous	25	-	-	25	23	-	-	23
Training	-	2,219	-	2,219	-	210	-	210
Interest	35,525	1,122	748	37,395	34,493	1,089	726	36,308
Restore expenses	54,613	-	-	54,613	43,961	-	-	43,961
Fundraising expenses	-	-	6,352	6,352	-	-	4,443	4,443
Depreciation	50,045	1,580	1,054	52,679	51,914	1,639	1,093	54,646
Amortization	8,880	-	-	8,880	5,949	-	-	5,949
Outside services	15,451	-	-	15,451	47,585	-	-	47,585
	<u>1,258,231</u>	<u>71,351</u>	<u>44,457</u>	<u>1,374,039</u>	<u>913,610</u>	<u>62,354</u>	<u>39,811</u>	<u>1,015,775</u>
Less: resale store expenses netted against revenue	<u>54,613</u>	<u>-</u>	<u>-</u>	<u>54,613</u>	<u>43,961</u>	<u>-</u>	<u>-</u>	<u>43,961</u>
Total Expenses	<u>\$ 1,203,618</u>	<u>\$ 71,351</u>	<u>\$ 44,457</u>	<u>\$ 1,319,426</u>	<u>\$ 869,649</u>	<u>\$ 62,354</u>	<u>\$ 39,811</u>	<u>\$ 971,814</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, 2022 AND 2021

	2022	2021
Cash Flows From Operating Activities:		
Change in net assets	\$ 620,160	\$ 216,578
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Discounts on mortgages issued	152,392	59,928
Mortgage discount amortization	(65,511)	(45,157)
Transfers to homeowners	(268,600)	(99,500)
Non-cash contributions received	-	(35,095)
Amortization	8,880	5,949
Gain on extinguishment of first PPP loan	(78,374)	(78,374)
Gain on sale of mortgage receivable	(88,201)	-
Depreciation	52,679	54,646
Loss (Return) on beneficial interest	8,356	(16,617)
Effects of changes in operating assets and liabilities:		
House construction in process	(4,476)	1,153
Inventory	14,451	(29,178)
Accounts payable	8,395	12,168
Homeowner deposits	500	500
Sales tax payable	(225)	108
Accrued wages	4,271	1,709
Accrued payroll taxes	-	(4,377)
Accrued property taxes	-	(4,907)
Accrued interest	(109)	(313)
Net Cash Flows from Operating Activities	<u>364,588</u>	<u>39,221</u>
Cash Flows From Investing Activities:		
Purchase of property and equipment	(30,213)	(10,773)
Acquisition of beneficial interests	(4,991)	(875)
Payments received on mortgages receivable	<u>275,599</u>	<u>87,606</u>
Net Cash Flows from Investing Activities	<u>240,395</u>	<u>75,958</u>
Cash Flows From Financing Activities:		
Proceeds from long-term debt	94,456	52,378
Proceeds from PPP loan	-	78,374
Payments on long-term debt	<u>(128,066)</u>	<u>(84,703)</u>
Net Cash Flows from Financing Activities	<u>(33,610)</u>	<u>46,049</u>
Net Change In Cash and Cash Equivalents	571,373	161,228
Cash and Cash Equivalents:		
Beginning of year	573,006	411,778
End of year	<u><u>\$ 1,144,379</u></u>	<u><u>\$ 573,006</u></u>

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

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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, 2022 AND 2021

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, 2022 and 2021, was \$52,679 and \$54,646, respectively.

Mortgages Receivable

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

The Organization aims to sell homes at no profit by setting the home sale price at the estimated cost to build. The Organization holds a second mortgage for each first mortgage if the fair market value at the time of sale was greater than the sale price of the home. The second mortgage represents the difference between the fair value of the home at the time of the original sale and the actual sale price. These second mortgages are not recorded. The second mortgage will take effect if the homeowner sells, refinances, defaults or the home is no longer their primary residence before a stipulated time period. The second mortgage is collected after the first mortgage is satisfied and after certain other liens are satisfied. The second mortgages are designed to prevent the homeowner from selling the home and reaping a substantial benefit. The value of second mortgages not recorded totaled \$88,518 and \$214,524 at June 30, 2022 and 2021, 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, 2022 and 2021.

Fair Value Measurements

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

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fair Value Measurements - Continued

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

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

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

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.

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.

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Liquidity and Availability of Resources – continued

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.)

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.

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 and trucks. 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, 2022 and 2021, advertising costs totaled \$21,162 and \$33,617, respectively.

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.

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Income Taxes - Continued

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, 2022 and 2021.

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

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

Update 2016-02, *Leases (Topic 842)*, effective for the fiscal year beginning after December 15, 2020. This standard was delayed until annual reporting periods beginning after December 15, 2021 with the issuance of Update 2020-05. This Update results in significant changes to financial reporting and disclosures related to both operating and capital (finance) leases. The new leases standard is intended to increase the transparency and comparability among companies that lease buildings, equipment and other assets by recognizing the assets and liabilities that arise from these lease transactions on the statement of financial position. In conjunction with implementing 2016-02, the Organization will also implement the following Updates related to leases: 2018-01, *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*, 2018-10 *Codification Improvements to Topic 842, Leases* and 2018-11 *Leases (Topic 842): Targeted Improvements*, 2018-20 *Leases (Topic 842): Narrow-Scope Improvements for Lessors* and 2019-01 *Leases (Topic 842): Codification Improvements*.

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

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

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE B– NEW FASB PRONOUNCEMENT/CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2022, the Organization implemented the following statement of financial accounting standards issued by the Financial Accounting Standards Board:

Update 2020-07, *Not-for-profit Entities (Topic 952): Presentation and Disclosures by Not-for-profit Entities for Contributed Nonfinancial Assets*. This Update increases the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosures. There is no effect on net assets in connection with this implementation.

NOTE C – 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>2022</u>	<u>2021</u>
Financial assets, at year-end	\$ 1,827,202	\$ 1,264,873
Less those unavailable for general expenditures within one year, due to:		
Mortgage receivable	586,323	590,158
Funds designated by the board	53,233	77,984
Contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	<u>169,987</u>	<u>127,213</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,017,659</u>	<u>\$ 469,518</u>

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

NOTE D – 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>2022</u>	<u>2021</u>
Total beneficial interests in assets held by Community Foundation	<u>\$ 60,655</u>	<u>\$ 64,020</u>

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE D – BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION– Continued

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

	2022	2021
Realized and unrealized gains (losses)	\$ (9,065)	\$ 16,321
Investment income	1,344	838
Investment fees	(635)	(542)
Net return (loss) on beneficial interest	<u>\$ (8,356)</u>	<u>\$ 16,617</u>

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2022	2021
Vehicles	\$ 88,869	\$ 79,969
Building and improvements	1,334,638	1,313,325
Equipment and furniture	96,214	96,214
Land	312,000	312,000
	<u>1,831,721</u>	<u>1,801,508</u>
Less accumulated depreciation	<u>(382,282)</u>	<u>(329,603)</u>
	<u>\$ 1,449,439</u>	<u>\$ 1,471,905</u>

NOTE F – 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, 2022 and 2021, the total cost of house construction in process was \$77,359 and \$72,883, respectively.

NOTE G – 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, 2022, the carrying value of the non-interest-bearing mortgage loan receivables of \$622,168 is shown net of the total unamortized discount of \$813,156. At June 30, 2021, the carrying value of the non-interest-bearing mortgage loan receivables of \$627,847 is shown net of the total unamortized discount of \$814,476.

Annual collection of mortgages receivables, net of the amortized discount, at June 30, 2022 are due as follows:

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE G – MORTGAGES RECEIVABLE– Continued

2023	\$ 35,845
2024	34,309
2025	34,309
2026	33,637
2027	32,093
Thereafter	451,975
	<u>\$ 622,168</u>

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

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

NOTE H – NET ASSETS

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

	<u>2022</u>	<u>2021</u>
Subject to purpose restrictions:		
Rock the Block program	\$ 164,752	\$ 121,978
Neighborhood Revitalization Initiative	5,235	5,235
	<u>\$ 169,987</u>	<u>\$ 127,213</u>

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

	<u>2022</u>	<u>2021</u>
Neighborhood Revitalization Initiative	\$ 13,570	\$ 13,570
Fund for Restore capital improvement	39,663	64,414
	<u>\$ 53,233</u>	<u>\$ 77,984</u>

NOTE I – LONG-TERM DEBT

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

	<u>2022</u>	<u>2021</u>
Mortgage payable with monthly installments of \$5,708 including		
interest at 4.20%. Mortgage payable was refinanced in May 2018 with monthly installments of \$6,213 including interest at 4.89%. Final payment due in May 2025.	\$ 368,298	\$ 435,746

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, 2022 and 2021 was \$1,674 and \$1,767, respectively. Final payment due in May 2035.

49,351	53,239
--------	--------

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE I – LONG-TERM DEBT – Continued

	<u>2022</u>	<u>2021</u>
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, 2022 and 2021 was \$1,174 and \$1,295, respectively. Final payment due in December 2029.	30,680	34,784
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, 2022 and 2021 was \$2,231 and \$2,269, respectively. Final payment due in February 2049.	80,950	83,985
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.	415,568	426,707
Second Paycheck Protection Program loan with a bank with principal due in February 2026 at an interest rate of 1%. The Paycheck Protection Program allows for loan forgiveness if the Organization meets certain benchmarks during the initial 8-24 weeks of the loan. Loan was forgiven in August 2021.	-	78,374
Note payable secured by mortgage receivable pledged as collateral with monthly installment of \$374 with no interest. The note was discounted at an imputed interest rate of 4.89%. The total discount was \$40,044. The discount is being amortized over thirty years. Amortization for the years ended June 30, 2022 and 2021 was \$1,269 and \$0, respectively. Final payment due in February 2052.	99,226	-

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE I – LONG-TERM DEBT – Continued

	<u>2022</u>	<u>2021</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, 2022 and 2021 was \$2,532 and \$618, respectively. Final payment due in February 2051.	94,912	98,845
	1,138,985	1,211,680
Less current maturities	87,816	158,530
Less discount on non-interest bearing long-term debt	133,219	102,810
	<u>\$ 917,950</u>	<u>\$ 950,340</u>

Amortization expense related to the discount on non-interest-bearing long-term debt was \$8,880 and \$5,949 as of June 30, 2022 and 2021, respectively.

Future maturities of long-term debt are as follows:

2023	\$ 87,816
2024	91,093
2025	661,489
2026	18,844
2027	18,844
Thereafter	260,899
	<u>\$ 1,138,985</u>

NOTE J – 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.

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.

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE J – REVENUE FROM CONTRACTS WITH CUSTOMERS – Continued

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

<u>Segments</u>	2021		
	Transfers to homeowners	Resale store sales	Total
<u>Timing of revenue recognition</u>			
Services transferred at a point in time	\$ 99,500	\$ 326,654	\$ 426,154
Services transferred over time	45,157	-	45,157
	<u>\$ 144,657</u>	<u>\$ 326,654</u>	<u>\$ 471,311</u>

Opening and Closing Balance of Mortgage Receivables

The following table provides information about mortgage receivables balances:

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

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 K – 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, 2022 and 2021, the Organization contributed to HFHI \$7,380 and \$1,600, respectively.

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE L – LEASES

The Organization leases a storage facility on a month-to-month lease.

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

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

2023	\$	852
2024		852
2025		710
	\$	<u>2,414</u>

Total rent expense for these agreements amounted to \$1,159 and \$1,925 for the years ended June 30, 2022 and 2021, respectively.

NOTE M – CONTRIBUTED NONFINANCIAL ASSETS

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

	2022	
	Revenue Recognized	Utilization in Programs/Activities
Roof materials and installation	<u>\$ 7,100</u>	Programs
	2021	
	Revenue Recognized	Utilization in Programs/Activities
Truck	<u>\$ 35,095</u>	Property & Equipment

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

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

For the years ended June 30, 2022 and 2021, there were no donor restrictions on any of the contributed nonfinancial assets received.

NOTE N – SERVICE CONTRACT

In May 2020, the Organization entered into a service agreement for technology services for \$1,020 per month. The agreement ends in April 2021, but automatically renews for one or more additional terms of one year unless either party has intent to terminate. As of the year ended June 30, 2022 the contract was renewed for services of \$1,020 per month with no intent to terminate or end the agreement.

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE O – FAIR VALUE MEASUREMENTS

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

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

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

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

2022				
	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by community foundation	\$ -	\$ -	\$ 60,655	\$ 60,655
2021				
	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by community foundation	\$ -	\$ -	\$ 64,020	\$ 64,020

There were no assets or liabilities measured at fair value on a nonrecurring basis as of June 30, 2022 and 2021.

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

	2022	2021
Level 3 Investments:		
Beginning of year	\$ 64,020	\$ 46,528
Realized gains	874	471
Unrealized gains (losses)	(9,938)	15,850
Purchases, sales, issuances and settlements, net	5,699	1,171
End of year	\$ 60,655	\$ 64,020

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

NOTE P – SUPPLEMENTAL CASH FLOW DISCLOSURES

Cash paid for interest was \$36,621 and \$37,239 for the years ended June 30, 2022 and 2021, respectively.

The Organization received an interest-free loan noting a discount in the amount of \$40,044 and \$47,622 during the years ended June 30, 2022 and 2021, respectively.

HABITAT FOR HUMANITY OF OSHKOSH, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE Q – RESTORE DIRECT EXPENSES

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

	2022	2021
Rent	\$ 1,159	\$ 2,031
Insurance	19,529	9,191
Telephone	3,721	6,567
Office expense	5,970	4,723
Advertising	11,894	15,949
Outside services	8,354	4,251
Professional fees	3,500	3,600
Depreciation	29,622	33,858
Payroll expenses	55,773	113,990
Facilities	23,800	19,837
Utilities	25,103	21,552
Vehicle	4,689	13,256
Cost of goods sold	54,613	33,483
Other	5,620	4,697
Dues and subscriptions	3,735	7,882
Supplies	4,910	6,485
Travel	1,170	72
Bank and credit card fees	6,072	7,414
Training	802	-
Interest	19,555	13,648
	<u>\$ 289,591</u>	<u>\$ 322,486</u>

NOTE R – 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 contributor and 12% of its support from one contributor for the years ended June 30, 2022 and 2021, respectively.

NOTE S – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through January 20, 2023, the date on which the financial statements were available to be issued.