Milwaukee Habitat for Humanity, Inc. and Subsidiary and Greater Milwaukee Community Housing Development Corporation

Financial Report

June 30, 2024

MILWAUKEE HABITAT FOR HUMANITY, INC. AND SUBSIDIARY AND GREATER MILWAUKEE COMMUNITY HOUSING DEVELOPMENT CORPORATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Milwaukee Habitat for Humanity, Inc. and Subsidiary
and Greater Milwaukee Community Housing Development Corporation
Milwaukee, WI

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Milwaukee Habitat for Humanity, Inc. and Subsidiary and Greater Milwaukee Community Housing Development Corporation, which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated 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 Milwaukee Habitat for Humanity, Inc. and Subsidiary and Greater Milwaukee Community Housing Development Corporation as of June 30, 2024 and 2023, and the changes in their net assets and their 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Milwaukee Habitat for Humanity, Inc. and Subsidiary and Greater Milwaukee Community Housing Development Corporation 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 Milwaukee Habitat for Humanity, Inc. and Subsidiary and Greater Milwaukee Community Housing Development Corporation'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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Milwaukee Habitat for Humanity, Inc. and Subsidiary and Greater Milwaukee Community Housing Development Corporation'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 Milwaukee Habitat for Humanity, Inc. and Subsidiary and Greater Milwaukee Community Housing Development Corporation's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2024, on our consideration of Milwaukee Habitat for Humanity, Inc. and Subsidiary and Greater Milwaukee Community Housing Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Milwaukee Habitat for Humanity, Inc. and Subsidiary and Greater Milwaukee Community Housing Development Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Milwaukee Habitat for Humanity, Inc. and Subsidiary and Greater Milwaukee Community Housing Development Corporation's internal control over financial reporting and compliance.

SVA Certified Public Accountants, S.C.

Madison, Wisconsin

October 24, 2024

MILWAUKEE HABITAT FOR HUMANITY, INC. AND SUBSIDIARY AND GREATER MILWAUKEE COMMUNITY HOUSING DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2024 and 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Cash and cash equivalents	$ 5,586,288	2,927,124
Cash and cash equivalents - designated for loan recourse	563,700	453,500
Total cash and cash equivalents	6,149,988	3,380,624
Accounts receivable	6,385	4,384
Unconditional promises to give, short-term	626,755	1,070,505
Grants receivable	1,749,344	913,588
Homeowners' escrow receivable	61,857	58,641
Current maturities of mortgage notes receivable	623,000	623,000
Prepaid expenses	228,433	85,568
Warehouse and ReStore inventory	518,294	688,504
Total current assets	9,964,056	6,824,814
RESTRICTED ASSETS		
Homeowners' escrow	1,270	1,586
Restricted cash - special projects	218,873	158,637
New markets tax credit restricted cash	260,015	29,873
Total restricted assets	480,158	190,096
OTHER ASSETS		
Investments	7,280,538	8,571,690
New markets tax credit - investments	4,142,563	1,335,241
New markets tax credit - other asset/guaranty fee	255,669	29,873
Inventory of properties, net of valuation allowance of $1,012,000 and $790,000 as of June 30, 2024 and 2023, respectively	5,690,032	2,439,764
Unconditional promises to give, net, long-term	946,923	122,141
Mortgage notes receivable, net of allowance for credit losses of $64,000 and $36,000 as of June 30, 2024 and 2023, respectively	2,698,420	2,795,185
Loans receivable - bridge loan program	3,242	3,242
Loans receivable - critical home repair program	339,792	405,069
Property and equipment, net	5,740,890	3,554,384
Website development costs, net	0	3,119
Land held for investment	0	347,750
Operating lease right-of-use assets	1,615,433	1,831,256
Finance lease right-of-use assets	86,919	101,820
Total other assets	28,800,421	21,540,534
TOTAL ASSETS	$ 39,244,635	$ 28,555,444

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

MILWAUKEE HABITAT FOR HUMANITY, INC. AND SUBSIDIARY AND GREATER MILWAUKEE COMMUNITY HOUSING DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)

June 30, 2024 and 2023

	2024	2023
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 496,883	485,406
Bank overdraft	210,040	292,153
Construction payables	974,719	0
Current maturities of notes payable	128,274	59,974
Accrued expenses	342,805	239,760
Environmental remediation liability	244,792	250,544
Deferred revenue, new markets tax credit	255,668	29,873
Refundable advance	112,353	88,486
Current portion of operating lease liabilities	202,359	201,421
Current portion of finance lease liabilities	11,711	10,422
Total current liabilities	2,979,604	1,658,039
LONG-TERM LIABILITIES		
Notes payable, net, less current maturities	1,739,782	218,331
Loans payable, net	5,603,410	1,829,397
Operating lease liabilities, less current portion	1,446,327	1,648,686
Finance lease liabilities, less current portion	80,549	92,260
Total long-term liabilities	8,870,068	3,788,674
TOTAL LIABILITIES	11,849,672	5,446,713
NET ASSETS		
Net assets without donor restrictions	23,735,825	20,832,001
Net assets with donor restrictions	3,659,138	2,276,730
Total net assets	27,394,963	23,108,731
TOTAL LIABILITIES AND NET ASSETS	$ 39,244,635	$ 28,555,444

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

MILWAUKEE HABITAT FOR HUMANITY, INC. AND SUBSIDIARY AND GREATER MILWAUKEE COMMUNITY HOUSING DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2024

	Without donor restrictions	With donor restrictions	Total
Changes in net assets:			
Public support, revenue and gains:			
Contributions	$ 1,069,945	$ 3,411,141	$ 4,481,086
Grant income	4,881,180	0	4,881,180
Donated goods and services	555,734	0	555,734
Special events	689,322	0	689,322
Late fee income	6,668	0	6,668
Sale of properties	2,994,555	0	2,994,555
Net realizable value adjustment - inventory of properties	(222,000)	0	(222,000)
Mortgage discount amortization	372,874	0	372,874
Investment return, net	808,966	0	808,966
Other investment income	78,000	0	78,000
ReStore retail sales	3,887,778	0	3,887,778
ReStore donations, in-kind	3,093,774	0	3,093,774
Loss on sale of land held for investment	(26,004)	0	(26,004)
Critical home repairs income	92,121	0	92,121
Miscellaneous	41,980	0	41,980
Net assets released from restrictions	2,028,733	(2,028,733)	0
Total public support, revenue and gains	20,353,626	1,382,408	21,736,034
Expenses:			
Program services:			
Homebuilding	8,804,301	0	8,804,301
ReStore	6,823,396	0	6,823,396
Total program services	15,627,697	0	15,627,697
Supporting services:			
Management and general	855,404	0	855,404
Fundraising	966,701	0	966,701
Total supporting services	1,822,105	0	1,822,105
Total expenses	17,449,802	0	17,449,802
Change in net assets	2,903,824	1,382,408	4,286,232
Net assets, beginning	20,832,001	2,276,730	23,108,731
Net assets, ending	$ 23,735,825	$ 3,659,138	$ 27,394,963

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

MILWAUKEE HABITAT FOR HUMANITY, INC. AND SUBSIDIARY AND GREATER MILWAUKEE COMMUNITY HOUSING DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2023

	Without donor restrictions	With donor restrictions	Total
Changes in net assets:			
Public support, revenue and gains:			
Contributions	$ 1,697,469	$ 1,845,708	$ 3,543,177
Grant income	2,489,542	0	2,489,542
Donated goods and services	544,807	0	544,807
Special events	760,062	0	760,062
Late fee income	5,953	0	5,953
Sale of properties	3,480,406	0	3,480,406
Net realizable value adjustment - inventory of properties	(424,000)	0	(424,000)
Mortgage discount amortization	422,546	0	422,546
Investment return, net	551,767	0	551,767
Other investment income	27,788	0	27,788
ReStore retail sales	3,850,838	0	3,850,838
ReStore donations, in-kind	3,129,386	0	3,129,386
Critical home repairs income	238,397	0	238,397
Miscellaneous	154,209	0	154,209
Net assets released from restrictions	926,330	(926,330)	0
Total public support, revenue and gains	17,855,500	919,378	18,774,878
Expenses:			
Program services:			
Homebuilding	9,159,541	0	9,159,541
ReStore	6,135,777	0	6,135,777
Total program services	15,295,318	0	15,295,318
Supporting services:			
Management and general	647,552	0	647,552
Fundraising	821,930	0	821,930
Total supporting services	1,469,482	0	1,469,482
Total expenses	16,764,800	0	16,764,800
Change in net assets	1,090,700	919,378	2,010,078
Net assets, beginning	19,741,301	1,357,352	21,098,653
Net assets, ending	$ 20,832,001	$ 2,276,730	$ 23,108,731

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

MILWAUKEE HABITAT FOR HUMANITY, INC. AND SUBSIDIARY
AND GREATER MILWAUKEE COMMUNITY HOUSING DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2024

	Program services			Supporting services			
	ReStore	Homebuilding	Total program services	Management and general	Fundraising	Total supporting services	Total expenses
Expenses:							
Salaries, payroll taxes and fringe benefits	$ 1,828,591	$ 1,666,953	$ 3,495,544	$ 636,489	$ 657,259	$ 1,293,748	$ 4,789,292
Professional fees	38,436	689,829	728,265	0	0	0	728,265
Insurance	63,028	224,340	287,368	40,061	2,671	42,732	330,100
Staff travel and development	10,360	14,802	25,162	13,242	12,227	25,469	50,631
Occupancy	677,038	124,731	801,769	14,951	7,476	22,427	824,196
Audit/accounting	0	0	0	39,050	0	39,050	39,050
Office supplies	4,178	2,812	6,990	5,059	1,715	6,774	13,764
Printing and publications	1,362	743	2,105	1,600	15,554	17,154	19,259
Telephone	36,548	38,989	75,537	2,629	2,190	4,819	80,356
Equipment/maintenance	2,227	4,859	7,086	636	289	925	8,011
Database management	17,973	110,376	128,349	22,075	14,717	36,792	165,141
Completed project costs/cost of sales on properties	0	5,239,822	5,239,822	0	0	0	5,239,822
ReStore cost of sales	3,180,400	0	3,180,400	0	0	0	3,180,400
Volunteer expenses	4,500	33,253	37,753	0	0	0	37,753
Special events	0	11,204	11,204	76	7,573	7,649	18,853
Promotions and advertising	116,943	11,559	128,502	0	20,839	20,839	149,341
Interest expense	0	52,295	52,295	9,156	0	9,156	61,451
Bank and credit card fees	55,796	507	56,303	22,714	33,842	56,556	112,859
Sales tax	204,708	0	204,708	0	0	0	204,708
AmeriCorps	0	39,115	39,115	0	0	0	39,115
Depreciation	119,982	127,429	247,411	1,973	1,973	3,946	251,357
Postage and shipping	56	5,893	5,949	1,179	4,714	5,893	11,842
Fundraising	0	0	0	0	179,039	179,039	179,039
Credit loss expense	0	0	0	28,000	0	28,000	28,000
Cost of goods sold	458,178	0	458,178	0	0	0	458,178
Miscellaneous	3,092	83,190	86,282	16,514	4,623	21,137	107,419
National affiliate/Global Village	0	321,600	321,600	0	0	0	321,600
Total expenses	$ 6,823,396	$ 8,804,301	$ 15,627,697	$ 855,404	$ 966,701	$ 1,822,105	17,449,802

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

MILWAUKEE HABITAT FOR HUMANITY, INC. AND SUBSIDIARY
AND GREATER MILWAUKEE COMMUNITY HOUSING DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2023

	Program services			Supporting services			
	ReStore	Homebuilding	Total program services	Management and general	Fundraising	Total supporting services	Total expenses
Expenses:							
Salaries, payroll taxes and fringe benefits	$ 1,463,102	$ 1,364,679	$ 2,827,781	$ 485,128	$ 510,009	$ 995,137	$ 3,822,918
Professional fees	33,425	413,254	446,679	0	0	0	446,679
Insurance	4,222	252,171	256,393	45,030	3,002	48,032	304,425
Staff travel and development	5,494	16,262	21,756	8,301	3,622	11,923	33,679
Occupancy	579,641	155,192	734,833	35,987	9,134	45,121	779,954
Audit/accounting	0	0	0	25,800	0	25,800	25,800
Office supplies	12,513	2,435	14,948	3,701	1,253	4,954	19,902
Printing and publications	4,384	470	4,854	3,615	29,301	32,916	37,770
Telephone	32,234	33,155	65,389	2,235	1,863	4,098	69,487
Equipment/maintenance	5,634	5,121	10,755	671	305	976	11,731
Database management	23,373	98,459	121,832	19,692	13,128	32,820	154,652
Completed project costs/cost of sales on properties	0	6,128,427	6,128,427	0	0	0	6,128,427
ReStore cost of sales	3,122,000	0	3,122,000	0	0	0	3,122,000
Volunteer expenses	6,076	28,639	34,715	0	0	0	34,715
Special events	0	8,346	8,346	1,440	9,529	10,969	19,315
Promotions and advertising	107,955	7,077	115,032	1,028	37,594	38,622	153,654
Interest expense	0	16,857	16,857	3,597	0	3,597	20,454
Bank and credit card fees	74,409	50	74,459	1,337	12,037	13,374	87,833
Sales tax	193,806	0	193,806	0	0	0	193,806
AmeriCorps	0	80,330	80,330	0	0	0	80,330
Depreciation	122,396	105,859	228,255	1,613	1,613	3,226	231,481
Postage and shipping	43	4,580	4,623	916	3,664	4,580	9,203
Fundraising	0	0	0	0	182,226	182,226	182,226
Bad debt expense	0	0	0	0	0	0	0
Cost of goods sold	341,827	0	341,827	0	0	0	341,827
Miscellaneous	3,243	96,178	99,421	7,461	3,650	11,111	110,532
National affiliate/Global Village	0	342,000	342,000	0	0	0	342,000
Total expenses	$ 6,135,777	$ 9,159,541	$ 15,295,318	$ 647,552	$ 821,930	$ 1,469,482	$ 16,764,800

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

MILWAUKEE HABITAT FOR HUMANITY, INC. AND SUBSIDIARY AND GREATER MILWAUKEE COMMUNITY HOUSING DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 4,286,232	$ 2,010,078
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Credit loss expense	28,000	0
Depreciation	251,357	231,481
Amortization of operating lease right-of-use assets	215,823	214,345
Amortization of finance lease right-of-use assets	14,901	2,483
Amortization of debt issuance costs	7,826	3,540
Mortgage discount amortization	(372,874)	(422,546)
Loss on sale of land held for investment	26,004	0
Net realized and unrealized gains on investments, net	(532,952)	(297,860)
Valuation allowance for loss on homes	222,000	424,000
Increase (decrease) in cash due to changes in:		
Accounts receivable	(2,001)	(500)
Unconditional promises to give	(381,032)	(202,577)
Grants receivable	(835,756)	(673,448)
Homeowners' escrow receivable	(3,216)	26,453
Prepaid expenses	(142,865)	(67,908)
Inventory	(3,479,743)	(1,090,598)
New markets tax credit - other asset/guaranty fee	(225,796)	13,787
Accounts payable	11,477	91,337
Accrued expenses	103,045	(648,318)
Environmental remediation liability	(5,752)	(22,625)
Deferred revenue	225,795	(13,787)
Refundable advance	23,867	3,374
Operating lease liabilities	(201,421)	(195,494)
Net cash used in operating activities	(767,081)	(614,783)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,460,025)	(258,141)
Proceeds from sale of land held for investment	321,746	0
Collections on mortgage notes receivable	619,324	777,094
Collections on bridge loans receivable	0	2,291
Issuance of critical home repair loans receivables	0	(45,119)
Collections on critical home repair loans receivables	65,277	0
Purchase of investment securities	(4,880,792)	(6,989,897)
Proceeds from sale/maturity of investments	6,704,896	6,735,989
Investments in new markets tax credit	(2,807,322)	0
Net cash provided by (used in) investing activities	(1,436,896)	222,217
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of notes payable	1,692,537	35,860
Principal payments on notes payable	(75,539)	(44,115)
Proceeds from issuance of loans payable	3,920,000	0
Bank overdraft	(82,113)	292,153
Payment of debt issuance costs	(181,060)	0
Principal payments on financing lease liabilities	(10,422)	(1,621)
Net cash provided by financing activities	5,263,403	282,277

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

MILWAUKEE HABITAT FOR HUMANITY, INC. AND SUBSIDIARY AND GREATER MILWAUKEE COMMUNITY HOUSING DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
Years ended June 30, 2024 and 2023

	2024	2023
Change in cash, cash equivalents, and restricted cash	$ 3,059,426	$ (110,289)
Cash, cash equivalents, and restricted cash:		
Beginning	3,570,720	3,681,009
Ending	$ 6,630,146	$ 3,570,720
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH TO STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents	$ 6,149,988	$ 3,380,624
Restricted cash	480,158	190,096
Total cash, cash equivalents, and restricted cash	$ 6,630,146	$ 3,570,720
SUPPLEMENTAL DISCLOSURE(S) OF CASH FLOW INFORMATION		
Cash payments for interest	$ 53,625	$ 16,914
SUPPLEMENTAL SCHEDULE(S) OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Issuance of mortgage notes receivable for sale of houses	$ 177,685	$ 41,086
Construction payables capitalized into property and equipment	$ 974,719	$ 0
Operating right-of-use assets obtained in exchange for new operating lease liabilities	$ 0	$ 2,045,601
Finance right-of-use assets obtained in exchange for new finance lease liabilities	$ 0	$ 104,303

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

NOTE A -- Nature of business and significant accounting policies

Nature of business

The consolidated financial statements include the accounts of Milwaukee Habitat for Humanity, Inc., Empower Investments, LLC, and Greater Milwaukee Community Housing Development Corporation (collectively, the organization).

Milwaukee Habitat for Humanity, Inc. (MHFH) is a nonprofit charitable corporation organized to solicit funds and materials from various sources for the purpose of sponsoring new construction or rehabilitation of affordable homes in the Greater Milwaukee community. MHFH sells these homes to individuals who would not, because of income level, qualify for a mortgage from a lending institution, offering affordable mortgages to qualified applicants who have put in significant hours of work into the construction of the home they are purchasing.

The Milwaukee Habitat ReStores recycle overstocked, discontinued, new, or used building materials, furniture, appliances and other supplies donated by manufacturers, stores, contractors, and individuals. These donated items are sold to the public, and income generated from the ReStores is used to support the programs and initiatives of MHFH.

On July 23, 2019, MHFH formed a wholly-owned, single-member limited liability company, Empower Investments, LLC (Empower). Empower was formed to develop and market residential real estate, acting at all times consistently with the basic nonprofit charitable mission of MHFH.

Greater Milwaukee Community Housing Development Corporation (Corporation) was formed in June 2023 as a supporting organization to MHFH. There was no activity in this Corporation for the years ended June 30, 2024 and 2023.

A summary of significant accounting policies follows:

Basis of accounting

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

Basis of presentation

Under accounting principles generally accepted in the United States of America (U.S. GAAP), the organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions have been limited by donor-imposed time or purpose restrictions or are required to be maintained in perpetuity. Included in net assets without donor restrictions are voluntary board-approved designations for specific purposes, projects, or investments.

NOTE A -- Nature of business and significant accounting policies (Continued)

Consolidation policy

The consolidated financial statements include the accounts of the organization. All significant intercompany balances and transactions have been eliminated in consolidation. MHFH and Corporation are consolidated for financial reporting purposes due to the control and economic interest between the two organizations.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Exempt status

MHFH and the Corporation are nonprofit corporations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC. MHFH and the Corporation are also exempt from state income taxes. MHFH and the Corporation believe that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Empower is a limited liability company wholly owned by MHFH. For income tax purposes, the company is considered a disregarded entity whose assets, liabilities, and income are reported on MHFH’s information return.

Cash and cash equivalents

For purposes of reporting cash flows, the organization considers all investments purchased with a maturity of three months or less to be cash equivalents.

The organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable

The organization considers all accounts receivable to be fully collectible. Accordingly, no allowance for credit losses has been developed. If amounts become uncollectible, they will be charged to operations when that determination is made. Accounts receivable are not interest-bearing. A receivable is considered past due if payments have not been received by the organization after 30 days.

NOTE A -- Nature of business and significant accounting policies (Continued)

Promises to give

Unconditional promises to give are recognized as support or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are those that contain a measurable performance or other barrier and a right of return and are not recognized until the conditions on which they depend on have been met.

Inventories

The warehouse inventory consists of donated items which will be used in construction. This inventory has been valued at the estimated net realizable value of the inventory on hand at year-end. ReStore inventory consists of donated items or items purchased by the organization for sale within the ReStores. These items are valued at the estimated selling price of the donation in the period received or cost of the purchased asset on the first-in, first-out (FIFO) method.

Inventory of properties

Inventory of properties consists of single-family homes valued based on the lower of cost or net realizable value as follows:

	2024	2023
Completed homes	$ 217,227	$ 129,059
Homes under construction	6,484,805	3,100,705
Valuation allowance	(1,012,000)	(790,000)
	$ 5,690,032	$ 2,439,764

Mortgages receivable

In furtherance of its charitable purpose, the organization sells the homes it builds and rehabilitates to qualified applicants for affordable rate mortgage notes. The value of these notes is then discounted to give the organization credit for the value of interest not being charged to homeowners. Scheduled mortgage payments range from $100 to $800 per month with maturities ranging from 20 to 30 years. Management provides an allowance for credit losses based on an assessment of historical collectability, the status of individual mortgage notes, and the value of the collateral. One past due mortgage payment initiates delinquent status of a note and results in the organization initiating collection procedures in accordance with the organization's policies. There were no mortgage notes on nonaccrual status as of June 30, 2024 and 2023.

Effective with the adoption of the new credit losses standard, the organization's estimate of its allowance for credit losses include consideration of: past events, including historical loan loss experience and historical concessions; current economic conditions and such other factors, which in management's best judgment, deserve the current recognition in estimating loan losses; and certain forward-looking information, including reasonable and supportable forecasts.

NOTE A -- Nature of business and significant accounting policies (Continued)

The organization classifies mortgage notes as past due if a payment is not received in accordance with the mortgage note terms. The organization's practice is to write off any mortgage note or portion of a mortgage note when the mortgage note is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of underlying collateral, or for other reasons.

Loans receivable

In furtherance of its charitable purpose, the organization issues noninterest-bearing loans to homeowners to repair, weatherize, and preserve homeowner-occupied homes. The value of these loans is then discounted to give the organization credit for the value of interest not being charged to homeowners. Loans receivable are stated at their outstanding unpaid principal balances less the allowance for credit losses (allowance for credit losses is $0 as of June 30, 2024). There were no loans on nonaccrual status as of June 30, 2024 and 2023.

Effective with the adoption of the new credit losses standard, the organization's estimate of its allowance for credit losses include consideration of: past events, including historical loan loss experience and historical concessions; current economic conditions and such other factors, which in management's best judgment, deserve the current recognition in estimating loan losses; and certain forward-looking information, including reasonable and supportable forecasts.

The organization classifies loans as past due if a payment is not received in accordance with the loan terms. The organization's practice is to write off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of underlying collateral, or for other reasons. There were no past due loans as of June 30, 2024 and 2023.

Investments

Investments consist of money market funds, U.S. government and U.S. agency obligations, corporate bonds, other fixed income and exchange traded funds which are reported at fair value.

Gains and losses on dispositions are accounted for on the specific identification basis. Unrealized gains and losses represent the net change in fair value of the investments held during the period. Net realized and unrealized gains and losses are included in the statements of activities.

New Markets Tax Credit (NMTC) – investments in nonmarketable equity securities

The organization has non-controlling investments in limited liability companies with other Habitat for Humanity affiliates to take advantage of the NMTC program. The organization has elected to measure the investments in nonmarketable equity securities using the measurement alternative (i.e. cost plus or minus changes resulting from observable prices in orderly transactions for the identical or a similar investment of the same issuer).

NOTE A -- Nature of business and significant accounting policies (Continued)

Property and equipment

Property and equipment is stated at cost. Depreciation of property and equipment is computed by the straight-line method based on the following estimated useful lives:

	Years
Buildings	20
Building improvements	15 - 40
Equipment	5 - 10
Vehicles	5
Computer equipment	5

Maintenance and repairs of property and equipment are charged to operations, and major improvements are capitalized. Upon retirement, sale or other disposition of equipment, the cost and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

Capitalization policy

The organization’s policy is to capitalize property and equipment with a unit cost in excess of $5,000 and a useful life of at least three years.

Impairment of long-lived assets

The organization reviews long-lived assets for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Environmental remediation costs

The organization accrues for losses associated with environmental remediation obligations when such losses are probable and reasonably estimable. Accruals for estimated losses from environmental remediation obligations generally are recognized no later than completion of the remedial feasibility study. Such accruals are adjusted as further information develops or circumstances change. Costs of future expenditures for environmental remediation obligations are not discounted to their net present value.

Deferred revenue, NMTC

The organization recognizes deferred revenue associated with the NMTC transactions as revenue over the seven-year NMTC term.

NOTE A -- Nature of business and significant accounting policies (Continued)

Debt issuance costs

The organization incurred closing costs and structuring fees related to the NMTC financing (see Note I). Debt issuance costs were $256,993 and $106,208 as of June 30, 2024 and 2023, respectively, and are being amortized on the straight-line method over 360 months, the life of the loan. The organization also incurred debt issuance costs of $30,275 related to the Forward Community Investments, Inc. note (see Note H) and are amortized on the straight-line method over 5 years, the life of the related note.

The use of the straight-line method rather than the effective interest method has no material effect on the financial statements. Amortized costs included in interest expense totaled $7,826 and $3,540 for the years ended June 30, 2024 and 2023, respectively.

Leases - lessee

The organization determines if an arrangement is or contains a lease at inception. The organization has entered into a variety of operating and finance leases for ReStore space and vehicles. Operating and finance leases are included in right-of-use (ROU) assets and lease liabilities in the statements of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term.

The organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less and that do not include an option to purchase the underlying assets that is reasonably certain to be exercised). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

For the lease of ReStore space, the organization has elected to account for the lease and non-lease components as a single lease component. There is variability in future lease payments for the ReStore space as the amount of the non-lease components is dependent on certain factors that are unknown and change from one period to the next. These variable lease payments which are primarily comprised of common area maintenance (CAM), utilities, and real estate taxes that are passed on from the lessor in proportion to the space leased, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

In evaluating contracts to determine if they qualify as a lease, the organization considers factors such as whether it has obtained substantially all of the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

NOTE A -- Nature of business and significant accounting policies (Continued)

The organization has also made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments for its lease of the ReStore space.

In determining the discount rate used to measure the right-of-use asset and lease liability, the organization uses rates implicit in the lease, or if not readily determinable, the organization uses the risk-free rate.

In determining what percentage of the lease constitutes a major part of the economic life of the underlying asset and defining what percentage of the present value of the sum of lease payments equals or exceed substantially all of the fair value of the underlying asset, the organization has elected to define major part as 75% of all classes of underlying assets and to define substantially all as 90% for all classes of underlying assets.

Revenue recognition – contribution transactions

Contributions and grants

The organization recognizes contributions when cash, other assets or a notification of an unconditional promise to give is received and records the amounts as contribution revenue with or without restrictions, depending on the existence and/or nature of any donor restrictions.

Donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished, such as the payment of expenses related to the restriction), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue recognition – contracts with customers

Revenues from ReStore retail sales

A portion of the organization's revenue is derived from ReStore sales during the year.
The revenue is conditioned upon meeting one performance obligation. The sales transaction is completed at a ReStore location, and amounts received are recognized as revenue once the sale has been made (point in time). Once the sale is made, customers take possession of the goods purchased. The organization does have a return policy for the items sold at the ReStores and the amount of returns is not material to the organization.

NOTE A -- Nature of business and significant accounting policies (Continued)

Revenues from sale of properties
A portion of the organization's revenue is derived from home sales during the year. Due to the nature of contracts, there is no variable consideration and only one performance obligation. The revenue is conditioned upon meeting a certain performance obligation, and amounts received are recognized as revenue once the requirement has been met. Once construction is complete on a home and closing procedures have been completed, buyers take possession of the home and the performance obligation is considered to have been met (point in time). Each house sold has a defined purchase price based on a third-party appraisal. Contracts are considered to have commercial substance as they all involve a cash down payment and a signed promissory note, which is paid in accordance with the note terms. All direct materials, direct labor costs, and other direct costs related to construction activities are inventoried, and then charged to expenses upon closing. Costs incurred in connection with completed homes, selling, and administrative costs are charged to expenses as incurred.

Revenues from critical home repairs income
A portion of the organization's revenue is derived from critical home repairs during the year. Due to the nature of contracts, there is no variable consideration and only one performance obligation. The revenue is conditioned upon meeting a certain performance obligation, and amounts received are recognized as revenue once the requirement has been met. The organization recognizes income from critical home repairs when the home repairs have been completed and the mortgage documents are signed (point in time).

Revenue recognition - special events
The organization sells tickets and offers sponsorships for its special events. Ticket sales and sponsorships are refundable and are comprised of an exchange element based on the value of benefits provided to the donors, and a contribution element for the difference between total ticket sales and sponsorships paid and the exchange element. The organization recognizes the exchange and contribution portions of these events in the year the event takes place (point in time). The contribution portion of revenue included in special events on the statements of activities is not material to the financial statements for the years ended June 30, 2024 and 2023.

NOTE A -- Nature of business and significant accounting policies (Continued)

In-kind contributions

The organization received the following in-kind contributions for the years ended June 30:

	2024	2023
Construction materials	$ 363,344	$ 317,848
Professional services	192,390	226,959
Total donated goods and services	555,734	544,807
Inventory – ReStore donations	3,093,774	3,129,386
	$ 3,649,508	$ 3,674,193

The organization's policy related to in-kind contributions is to utilize the assets given to carry out the mission of the organization. If an asset is provided that does not allow the organization to utilize it in its normal course of business, the asset will be disposed or the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

The organization receives donated construction materials for use in home rehabilitation and for sale at the ReStore. The organization has elected to value goods at the estimated fair market value. The estimated fair value of the goods is based on prior year sales data for each particular item. In-kind donated goods, including ReStore donations, for the years ended June 30, 2024 and 2023 totaled $3,457,118 and $3,447,234, respectively.

Donated professional services are reflected as contributions and expenses in the accompanying statements of activities when the services require some level of expertise. The organization received donated legal services relating to property acquisitions and closings for the homebuilding program and based on current market rates for legal services, totaled $192,390 and $226,959 for the years ended June 30, 2024 and 2023, respectively. The organization received donated services from volunteers who assisted in the construction of the homes and other services from volunteers that do not require a specialized skill. No amounts have been reflected in the financial statements for these donated services since the value cannot be quantified by management.

All in-kind contributions received by the organization for the years ended June 30, 2024 and 2023 were considered without donor restrictions and able to be used by the organization as determined by the board of directors and management.

Advertising

All advertising costs are expensed as incurred. Advertising costs totaled $149,341 and $153,654 for the years ended June 30, 2024 and 2023, respectively.

NOTE A -- Nature of business and significant accounting policies (Continued)

Expense allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Each employee of the organization works in a primary program area. Salaries and benefits are allocated on the basis of actual time reported in programs or supporting functions. Occupancy costs, insurance and depreciation are allocated on a square footage basis. Other non-personnel expenses are attributed to individual programs or supporting functions. In certain instances, a portion of the expense is identifiable with a specific program, while the remaining amount is allocated to management and general and/or fundraising.

Sales taxes on revenue-producing transactions

The organization follows the policy of excluding sales taxes collected from a customer from revenues. The obligation is included in accrued expenses until the taxes are remitted to the appropriate taxing authorities.

Adoption of New Accounting Standard – ASU 2016-13 Measurement of Credit Losses on Financial Instruments:

In June 2016, the FASB issued Accounting Standard Update (ASU) 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is the shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the organization that are subject to the guidance of FASB ASC 326 are accounts receivable, mortgage notes receivable, and loans receivable on the statements of financial position.

The organization adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures only.

Reclassifications

One item in the 2023 financial statements has been reclassified to be consistent with the current year's presentation. Bank overdraft of $292,153 was reclassified from accounts payable in the statements of financial position and statement of cash flows.

Subsequent events

These financial statements have not been updated for subsequent events occurring after October 24, 2024, which is the date these financial statements were available to be issued. The organization has no responsibility to update these financial statements for events and circumstances occurring after this date.

NOTE B -- Investments

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and such changes could be material in relation to amounts reported in the statements of financial position.

FASB 820-10-50, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

The fair value measurement for the categories of assets that are measured at fair value on a recurring basis are as follows:

		Fair value measurement using		
	06/30/24	Quoted prices in active markets for identical inputs (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Assets				
Money market funds[1]	$ 124,107	$ 124,107	$ 0	$ 0
Fixed income funds				
U.S. government and U.S. agency obligations[1]	727,311	727,311	0	0
Equity mutual funds[1]	1,547,583	1,547,583	0	0
Corporate bonds[1]	150,122	150,122	0	0
Exchange traded funds[1]	4,731,415	4,731,415	0	0
Total	$ 7,280,538	$ 7,280,538	$ 0	$ 0

NOTE B – Investments (Continued)

	06/30/23	Quoted prices in active markets for identical inputs (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Assets				
Money market funds[1]	$ 364,926	$ 364,926	$ 0	$ 0
Fixed income funds				
U.S. government and				
U.S. agency obligations[1]	2,620,811	2,620,811	0	0
Equity mutual funds[1]	1,329,083	1,329,083	0	0
Exchange traded funds[1]	4,256,870	4,256,870	0	0
Total	$ 8,571,690	$ 8,571,690	$ 0	$ 0

1. The carrying amount reported approximates fair value because the values are derived from quoted prices in active markets for identical assets.

Investment return, net consists of the following for the years ended June 30,

	2024	2023
Interest and dividend income on investments	$ 276,013	253,907
Net unrealized gains	620,333	495,502
Net realized losses	(54,356)	(176,084)
Investment fees	(33,024)	(21,558)
Total investment return, net	$ 808,966	$ 551,767

NOTE C -- Mortgage notes receivable

The balance of mortgage notes receivable as of June 30 consisted of the following:

	2024	2023
Gross mortgage notes receivable	$ 6,160,766	$ 6,602,404
Less: unamortized mortgage discounts	(2,775,346)	(3,148,219)
Less: allowance for credit losses	(64,000)	(36,000)
Net mortgage notes receivable	3,321,420	3,418,185
Less: current portion of mortgage notes receivable	(623,000)	(623,000)
Net mortgage notes receivable, less current maturities	$ 2,698,420	$ 2,795,185

The unamortized discount is the difference between the face amount of the mortgage notes and their present value discounted at a compound interest amount. The discount rates used were 8.02% (effective interest rate of 8.32%) and 7.85% (effective interest rate of 8.14%) in 2024 and 2023, respectively, which represent an approximate independent lender rate as provided by Habitat for Humanity International.

The discount is amortized over the life of the notes using the interest method. Collections of gross mortgage notes receivable are expected to be approximately $623,000 for each of the next five years, with maturities through 2045.

NOTE D -- Credit quality of mortgage notes receivable

The organization provides affordable mortgage notes to partner families. These notes are collateralized by the real estate produced by the organization. Allowances for credit loss accounts are established based on prior collection experience, repayment agreements, value of collateral, and current economic factors which, in management’s judgment, could influence the ability of the partner families to repay the notes per the terms. As of June 30, 2024 and 2023, mortgages represented 8% and 12% of total assets, respectively.

The credit quality indicator is based on days delinquent. As of June 30, 2023, no active mortgage notes have a credit quality concern. The credit quality of mortgage notes is reviewed on a monthly basis for each note. Through the year ended June 30, 2023, mortgage notes are reviewed throughout the life of the note for impairment. There were no impaired notes as of June 30, 2023.

NOTE D -- Credit quality of mortgage notes receivable (Continued)

As of June 30, 2024, the following mortgages and amounts were considered past due:

	Number of delinquent mortgages	Principal balance
30 - 59 days	20	$ 608,314
60 - 89 days	5	308,216
90 - 119 days	0	0
Over 120 days	26	808,957

As of June 30, 2023, the following mortgages and amounts were considered past due:

	Number of delinquent mortgages	Principal balance
30 - 59 days	10	$ 230,700
60 - 89 days	9	379,944
90 - 119 days	0	0
Over 120 days	10	304,108

Effective July 1, 2023, the organization uses a credit loss model to calculate allowances based on its internal loss experience and current conditions and forecasts. The organization records an unallocated reserve that is calculated by applying a loss rate to its portfolio. This loss rate is based upon probability of default, term, and loss history. The allowance is adjusted for expected recoveries of amounts that were previously written off or are expected to be written off. Recoveries cannot exceed the aggregated amount of the previous write-off or expected write-off.

NOTE D -- Credit quality of mortgage notes receivable (Continued)

Macroeconomic variables attributed to the expected credit losses may vary based on historical experiences, portfolio composition and current environment. In addition to a qualitative review of credit risk factors across the portfolio, the organization considers forward-looking macroeconomic variables such as bank rates when quantifying the impact of economic forecasts on its expected allowance for credit losses. The organization also considers the impact of current conditions and economic forecasts relating to the industry. Forward-looking estimates require the use of judgment, particularly in times of economic uncertainty. The organization's allowance at June 30, 2024, reflect the qualitative process described above. Any changes to economic models that occurred after the statement of financial position date will be reflected in future periods.

A roll forward of the organization's allowance for credit losses as of June 30, 2024 is as follows:

Beginning balance	$ 36,000
Provision for credit losses expense	28,000
Ending balance	$ 64,000

NOTE E -- Unconditional promises to give

Unconditional promises to give at June 30 consisted of the following:

	2024	2023
Unconditional promises to give	$ 1,690,921	$ 1,204,505
Less: present value discount	117,243	11,859
Net unconditional promises to give	1,573,678	1,192,646
Less: unconditional promises to give in one to five years	946,923	122,141
Unconditional promises to give in less than one year	$ 626,755	$ 1,070,505

Unconditional promises to give in less than one year are measured at net realizable value which approximates fair value. Unconditional promises to give expected to be received after one year were discounted at a rate of 8.25% as of June 30, 2024 and 2023.

NOTE F -- Designated and restricted assets

Homeowners' escrow
The organization is required to collect monthly escrow deposits from the homeowners for real estate taxes and insurance and pays the respective bills when due. Homeowners' escrow receivables at June 30, 2024 and 2023 were $61,857 and $58,641, respectively.

Special projects
The organization receives contributions from donors that are restricted for specific purposes. Detailed information on the specific purposes is found in Note K.

Loan recourse
The organization designated a percentage of proceeds received from mortgages sold to third party lenders where the organization retains recourse. Cash and cash equivalents designated for loan recourse were $563,700 and $453,500 as of June 30, 2024 and 2023, respectively. These funds are considered board designated.

NMTC – restricted cash
Restricted cash represents cash received as a result of the NMTC transactions and will be used to pay future program expenses.

NOTE G -- Property and equipment, net

Property and equipment, net is comprised of the following:

	2024	2023
Land	$ 1,314,473	$ 1,314,473
Buildings	1,421,012	1,421,012
Building improvements	1,636,040	1,637,402
Vehicles	247,614	223,822
Equipment	223,509	223,509
Computer equipment	63,777	63,777
Construction in progress	2,402,942	0
	7,309,367	4,883,995
Less: accumulated depreciation	1,568,477	1,329,611
	$ 5,740,890	$ 3,554,384

NOTE H -- Notes payable, net

Notes payable, net consist of the following:

	2024	2023
Noninterest-bearing notes payable to Habitat for Humanity International, Inc.; due in monthly payments ranging from $338 to $1,283; maturing no later than December 1, 2029; the notes are uncollateralized.	$ 223,636	$ 132,160
Noninterest-bearing note payable to Wisconsin Housing and Economic Development Authority; secured by residential real estate with monthly payments of $229 and a final payment due July 2024.	773	773
Unsecured notes payable to Neighborhood Improvement Development Corp.; due in monthly payments ranging from $957 to $996; maturing January 31, 2031; the notes bear interest at a rate of 1% (effective interest rate of 1.01%).	117,286	145,372
Forward Community Investments, Inc.; non-recourse; in an amount not to exceed $2,300,000; monthly interest-only payments at 4.75% (effective interest rate of 4.86%) beginning January 1, 2024 through December 1, 2025; commencing January 1, 2026, monthly principal and interest payments of $13,116; due December 1, 2028; secured by a general business security agreement; unamortized debt issuance costs associated with this note totaled $27,247 and $0 as of June 30, 2024 and 2023, respectively.	1,077,724	0
Bader Philanthropies, Inc.; monthly principal and interest payments of $5,640 at a rate of 2% (effective interest rate of 2.02%); due January 17, 2032; the note is uncollateralized.	475,884	0
Total notes payable	1,895,303	278,305
Less: unamortized debt issuance costs	27,247	0
Less: current maturities	128,274	59,974
	$ 1,739,782	$ 218,331

NOTE H -- Notes payable, net (Continued)

Repayment of principal on notes payable as of June 30, 2024, is as follows:

Year ending June 30,	
2025	$ 128,274
2026	170,765
2027	215,121
2028	209,471
2029	961,981
Thereafter	209,691
	$ 1,895,303

NOTE I -- Loans payable, net

Loans payable, net consist of the following:

	2024	2023
HFHI NMTC SUB-CDE III, LLC (see Note O); nonrecourse; semi-annual interest only payments until 2025 at .694151% (effective interest rate of .695356%); semi-annual payments of $44,309, including interest at .694151% (effective interest rate of .695356%), are due starting November 5, 2025 through the maturity date of August 22, 2048; secured by a loan agreement, deposit account control agreement, deposit account pledge agreement, reserve account control agreement and reserve account pledge agreement; CDE has the option to waive the debt in August 2025 so as to participate in the NMTC program; prepayment is not permitted until after August 22, 2025 and then is permitted in whole or in part without penalty; unamortized debt issuance costs associated with this note was $85,556 and $89,097 as of June 30, 2024 and 2023, respectively; interest expense totaled $13,316 and $13,317 for the years ended June 30, 2024 and 2023, respectively.	$ 1,918,494	$ 1,918,494
Balance carried forward	1,918,494	1,918,494

NOTE I -- Loans payable, net (Continued)

	2024	2023
Balance brought forward	$ 1,918,494	$ 1,918,494
Community Benefit Sub CDE 28, LLC (see Note O); nonrecourse; semi-annual interest only payments until March 14, 2031 at 1.500872% (effective interest rate of 1.506504%); semi-annual payments of $101,087, including interest at 1.500872% (effective interest rate of 1.506504%), are due starting November 5, 2031 through the maturity date of March 14, 2054; secured by a loan agreement, deposit account control agreement, deposit account pledge agreement, reserve account control agreement and reserve account pledge agreement; CDE has the option to waive the debt in March 2031 so as to participate in the NMTC program; prepayment is not permitted until after March 14, 2031 and then is permitted in whole or in part without penalty; unamortized debt issuance costs associated with this note was $149,528 and $0 as of June 30, 2024 and 2023, respectively; interest expense totaled $19,879 and $0 for the years ended June 30, 2024 and 2023, respectively.	3,920,000	0
	5,838,494	1,918,494
Less: unamortized debt issuance costs	235,084	89,097
	$ 5,603,410	$ 1,829,397

Repayment of principal on loans payable as of June 30, 2024, is as follows:

Year ending June 30,	
2025	$ 0
2026	75,433
2027	75,957
2028	76,485
2029	77,017
Thereafter	5,533,602
	$ 5,838,494

NOTE J -- Line of credit

The organization has a $500,000 unsecured line of credit. There were no amounts outstanding on the line at June 30, 2024 and 2023. The interest rate is variable based on the prime rate with a floor of 3.50% (8.50% and 8.25% as of June 30, 2024 and 2023, respectively). The line of credit expires on February 17, 2025.

NOTE K -- Net assets with donor restrictions

Net assets with donor restrictions include assets set aside in accordance with donor restrictions as to time or purpose. Net assets with donor restrictions are available for the following purposes or periods as of June 30:

	2024	2023
Internship program	$ 127,757	$ 81,762
Air conditioners	2,322	18,367
Installation of 30 HVAC units	49,800	0
Pantry stocking	0	1,570
Tax foreclosure prevention	294	27,916
Tools	0	8
Solar panels	1,206	0
Education support	1,500	1,500
Warehouse supplies and construction tools	20,077	0
Gratitude Grant / Staff appreciation	7,500	7,500
Charitable gift fund	0	10,014
Church activities	8,417	10,000
Time restrictions on unconditional promises to give (includes grants receivable)	3,440,265	2,118,093
	$ 3,659,138	$ 2,276,730

NOTE L -- Leases

The organization leases one of its ReStore locations and vehicles under operating and finance leases with 7-to-10-year terms. The terms of the leases expire at various dates between March 2024 and July 2031.

NOTE L -- Leases (Continued)

While all of the agreements provide for minimum lease payments, some include payments based on changes in the consumer price index (CPI). Variable payments are not determinable at the lease commencement and are not included in the measurement of the lease assets and liabilities. These payments are recognized in the period in which the related obligation was incurred. The lease agreements do not include any material residual value guarantees or restrictive covenants.

The components of lease expense are as follows for the years ended June 30:

	2024	2023
Operating lease cost	$ 273,053	$ 273,053
Short term lease	7,000	0
Variable lease cost	83,850	58,907
Finance lease cost:		
Amortization of right-of-use assets	14,901	2,483
Interest on lease liabilities	11,274	1,994
Total finance lease cost	26,175	4,477
Total lease cost	$ 390,078	$ 336,437

Supplemental consolidated statement of cash flows information related to leases as of June 30, is as follows:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 258,650	$ 254,202
Operating cash flows from finance leases	11,375	1,001
Financing cash flows from finance leases	10,321	2,615
Noncash financing and investing cash flow:		
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 0	$ 2,045,601
Finance leases	0	104,303

NOTE L -- Leases (Continued)

Supplemental consolidated statement of financial position information related to leases as of June 30 is as follows:

	2024	2023
Weighted average remaining lease term (in years):		
Operating leases	6.99	7.95
Finance leases	5.83	6.83
Weighted average discount rate:		
Operating leases	3.01%	3.02%
Finance leases	11.72%	11.72%

Future minimum lease payments to be paid under this lease as of June 30, 2024, are as follows:

Year ending June 30,	Operating Leases	Finance Lease
2025	$ 248,487	$ 21,696
2026	253,115	21,696
2027	257,835	21,696
2028	262,650	21,696
2029	267,561	21,696
Thereafter	537,979	18,080
Total future minimum lease payments	1,827,627	126,560
Less amount of lease payments representing interest	(178,941)	(34,300)
Present value of future minimum lease payments (lease liabilities)	$ 1,648,686	$ 92,260

NOTE M -- Related party transactions

With respect for and in support of Habitat for Humanity International Inc., the organization voluntarily provides a tithe of the undesignated public support it received in the prior year. This is used by the international organization for providing housing for the poor around the world. For the years ended June 30, 2024 and 2023, the amount of the tithe expense totaled $321,600 and $335,000, respectively.

Habitat for Humanity International Inc. receives contributions on behalf of the organization. For the years ended June 30, 2024 and 2023, the amount of these contributions passed through to the organization from Habitat for Humanity International Inc. totaled $458,714 and $273,750, respectively.

NOTE N -- Defined contribution retirement plan

The organization participates in a defined contribution, individual account retirement plan covering all eligible employees. The organization makes contributions to the plan based on $1,000 per employee. Plan expense was $60,853 and $36,893 for years ended June 30, 2024 and 2023, respectively.

NOTE O -- NMTC investments

Investment in HFHI NMTC Leverage Lender 2018, LLC

The organization, along with other Habitat affiliates, is participating in an investment to take advantage of NMTC financing. The NMTC program permits corporate and individual taxpayers to receive a credit against federal income taxes for making qualified equity investments in qualified CDEs.

In August 2018, the organization invested $1,335,241 in HFHI NMTC Leverage Lender 2018, LLC consisting of cash and qualified investment properties. This investment represents an 8.84% ownership. HFHI NMTC Leverage Lender 2018, LLC contributed its combined resources to Twain Investment Fund 306, LLC (Investment Fund 2) which received additional investment from U.S. Bancorp Community Development Corporation (Bank) as the federal tax credit investor under the NMTC program. As part of the NMTC program, the Investment Fund 2 invested in HFHI NMTC Sub-CDE III, LLC, a qualified CDE. The CDE is the conduit for accomplishing the NMTC program specifics of constructing and selling qualified housing properties to low-income residents. Under the CDE, the organization secured a 30-year loan in the amount of $1,918,494 to be used solely in accordance with the NMTC program compliance requirements. The loan requires semi-annual interest-only payments for years one through seven at a rate of .694151%. Beginning in year eight through year thirty, the principal balance of the loan is reduced by a twenty-three-year amortization at the same rate. The Investment Fund 2 may be subject to tax credit recapture if the NMTC program compliance requirements are not met over the seven-year period.

The ultimate holder of the loan from the CDE is the Bank through its participation in the Investment Fund 2. The Bank is expected to waive the payment of the debt so as to participate in the NMTC program via exercising its put option agreement. Under the terms of the put option agreement, HFHI NMTC Leverage Lender 2018, LLC is expected to purchase the ownership interest of the Bank in the Investment Fund 2. Exercise of the option will effectively allow the organization to extinguish its outstanding debt owed to the Bank.

The organization adjusts the carrying value of nonmarketable equity securities up or down for observable price changes in orderly transactions for identical or similar investments of the same issuer and for impairment, if any (referred to as the measurement alternative). All gains and losses on nonmarketable equity securities, realized and unrealized, if any, are recognized in the statement of activities.

NOTE O -- NMTC investments (Continued)

There was no remeasurement adjustment recognized, as there were no observable transactions identified during the years ended June 30, 2024 and 2023. Determining whether an observed transaction is similar to a security within the organization's portfolio requires judgment based on the rights and obligations of the securities. Recording upward and downward adjustments to the carrying value of the organization's investments in nonmarketable equity securities as a result of observable price changes requires quantitative assessment of the fair value of the organization's investments using various valuation methodologies and involves the use of estimates.

Nonmarketable equity securities under the measurement alternative are also assessed for impairment. When the qualitative assessment indicates that impairment exists, the investment is written down, with impairment recognized in the statement of activities. No impairment was recognized for the years ended June 30, 2024 and 2023.

Investment in HFHI NMTC Leverage Lender 2024, LLC
The organization, along with other Habitat affiliates, is participating in an investment to take advantage of NMTC financing. The NMTC program permits corporate and individual taxpayers to receive a credit against federal income taxes for making qualified equity investments in qualified CDEs.

In March 2024, the organization invested $2,807,323 in HFHI NMTC Leverage Lender 2024, LLC consisting of cash and qualified investment properties. This investment represents an 26.080% ownership. HFHI NMTC Leverage Lender 2024, LLC contributed its combined resources to Twain Investment Fund 782, LLC (Investment Fund 1) which received additional investment from American Express NMTC Homeownership Fund (Bank 2) as the federal tax credit investor under the NMTC program. As part of the NMTC program, the Investment Fund 1 invested in Community Benefit Sub CDE 28, LLC, a qualified CDE. The CDE is the conduit for accomplishing the NMTC program specifics of constructing and selling qualified housing properties to low-income residents. Under the CDE, the organization secured a 30-year loan in the amount of $3,920,000 to be used solely in accordance with the NMTC program compliance requirements. The loan requires semi-annual interest-only payments for years one through seven at a rate of 1.500872%. Beginning in year eight through year thirty, the principal balance of the loan is reduced by a twenty-three-year amortization at the same rate. The Investment Fund 1 may be subject to tax credit recapture if the NMTC program compliance requirements are not met over the seven-year period.

The ultimate holder of the loan from the CDE is the Bank 2 through its participation in the Investment Fund 1. The Bank 2 is expected to waive the payment of the debt so as to participate in the NMTC program via exercising its put option agreement. Under the terms of the put option agreement, HFHI NMTC Leverage Lender 2024, LLC is expected to purchase the ownership interest of the Bank 2 in the Investment Fund 1. Exercise of the option will effectively allow the organization to extinguish its outstanding debt owed to the Bank 2.

NOTE O -- NMTC investments (Continued)

The organization adjusts the carrying value of nonmarketable equity securities up or down for observable price changes in orderly transactions for identical or similar investments of the same issuer and for impairment, if any (referred to as the measurement alternative). All gains and losses on nonmarketable equity securities, realized and unrealized, if any, are recognized in the statement of activities.

There was no remeasurement adjustment recognized, as there were no observable transactions identified during the years ended June 30, 2024 and 2023. Determining whether an observed transaction is similar to a security within the organization’s portfolio requires judgment based on the rights and obligations of the securities. Recording upward and downward adjustments to the carrying value of the organization’s investments in nonmarketable equity securities as a result of observable price changes requires quantitative assessment of the fair value of the organization’s investments using various valuation methodologies and involves the use of estimates.

Nonmarketable equity securities under the measurement alternative are also assessed for impairment. When the qualitative assessment indicates that impairment exists, the investment is written down, with impairment recognized in the statement of activities. No impairment was recognized for the years ended June 30, 2024 and 2023.

NOTE P -- Availability of financial assets and liquidity

The organization receives contributions with donor restrictions to be used in accordance with the associated purpose or time restriction. When a donor’s restriction requires resources to be used in a particular manner or in a future period, the organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the organization’s liquidity management, its policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the organization can draw upon $500,000 of the available line of credit (as further discussed in Note J).

	2024	2023
Cash	$ 5,586,288	$ 2,927,124
Accounts receivable	6,385	4,384
Unconditional promises to give	626,755	1,070,505
Grants receivable	1,749,344	913,588
Mortgage notes receivable	623,000	623,000
Escrow receivable	61,857	58,641
Financial assets available within one year	$ 8,713,629	$ 5,597,242

NOTE Q -- Commitments and contingencies

Wisconsin Lead-Safe Homes grant program

The organization has entered into a grant agreement with the State of Wisconsin Department of Health Services (DHS) for the Lead-Safe Homes grant program to receive $320,500 to support lead-safe homes projects for the period July 1, 2022 to September 30, 2023. As of June 30, 2024 and 2023, $7,468 and $313,032, respectively, was recognized as grant income. Grants receivable specific to this grant was $0 and $45,689 as of June 30, 2024 and 2023, respectively. The organization had entered into a grant agreement with DHS for the Lead-Safe Homes grant program to receive $794,350 to support lead-safe homes projects for the period October 1, 2023 to September 30, 2024. As of June 30, 2024 and 2023, $184,998 and $0, respectively, was recognized as grant income. Grants receivable specific to this grant was $42,901 and $0 as of June 30, 2024 and 2023, respectively.

Lead Hazard Reduction grant program

The organization has entered into a grant agreement with the City of Milwaukee for the Lead Hazard Reduction grant program to receive $3,206,750 (subsequently increased to $7,206,750 in May 2024) to support lead hazard reduction projects. As of June 30, 2024 and 2023, $1,247,254 and $859,099, respectively, was recognized as grant income. Grants receivable specific to this grant was $513,779 and $859,099 as of June 30, 2024 and 2023, respectively.

Equitable Recovery grant program

The organization has entered into a grant agreement with the State of Wisconsin Department of Administration for the Equitable Recovery grant program to receive $1,000,000 to construct 50 new homes in a specific area of Milwaukee. As of June 30, 2024 and 2023, $600,000 and $400,000, respectively, was recognized as grant income. There was no outstanding receivable as of June 30, 2024 and 2023.

Energy Efficiency grant program

The organization has entered into a grant agreement with the City of Milwaukee for the Energy Efficiency grant program to receive $700,000 to make energy efficiency improvements that are integrated with separately funded lead remediation measures. As of June 30, 2024 and 2023, $42,829 and $0, respectively, was recognized as grant income. Grants receivable specific to this grant was $26,435 and $0 as of June 30, 2024 and 2023, respectively.

Neighborhood Investment Fund grant program

The organization has entered into a grant agreement with Milwaukee County for the Neighborhood Investment Fund grant program to receive $4,200,000 to construct 80 single-family homes in the King Park and Midtown Neighborhoods of Milwaukee, Wisconsin. As of June 30, 2024 and 2023, $1,684,543 and $0, respectively, was recognized as grant income. Grants receivable specific to this grant was $781,547 and $0 as of June 30, 2024 and 2023, respectively.

NOTE Q -- Commitments and contingencies

Housing Trust Fund grant

The organization has entered into a grant agreement with the City of Milwaukee for the Housing Trust Fund grant program to receive $1,250,000 to construct 60 new, single-family homes in Milwaukee's Harambee neighborhood and an additional neighborhood to be determined in partnership with the Community Development Alliance. As of June 30, 2024 and 2023, $977,980 and $0, respectively, was recognized as grant income. Grants receivable specific to this grant was $384,682 and $0 as of June 30, 2024 and 2023, respectively.

Construction contract

In connection with the renovations of the organization's office building, the organization entered into a construction contract with CATCON, Inc. in the amount of $2,385,938. Amounts due under the construction contract and included in construction payables were $974,719 as of June 30, 2024. The amount of the remaining commitment under the contract is $312,261 as of June 30, 2024.

NOTE R -- Environmental remediation costs

The organization tested for and found soil contamination at the organization's office location. The organization is working on the clean-up process under the direction of the Wisconsin Department of Natural Resources. The organization estimates the total cost of the remediation will total approximately $300,000. As of June 30, 2024 and 2023, environmental remediation liability was $244,792 and $250,544, respectively.

SUPPLEMENTARY INFORMATION

MILWAUKEE HABITAT FOR HUMANTY, INC. AND SUBSIDIARY
AND GREATER MILWAUKEE COMMUNITY HOUSING DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2024

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance listing number	Pass-Through Entity Identifying number	Federal expenditures
U.S. Department of the Treasury:			
City of Milwaukee			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	SLFRP0157	$ 2,268,063
Wisconsin Department of Administration:			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	SLFRP0135	2,284,543
Total COVID-19 Coronavirus State and Local Fiscal Recovery Funds			4,552,606
U.S. Department of Health Services			
Wisconsin Department of Health Services			
Children's Health Insurance Program			
(COVID-19 Wisconsin Lead-Safe Homes Program)	93.767	N/A	192,466
Total expenditures of federal awards			$ 4,745,072

Note 1 - Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Milwaukee Habitat for Humanity, Inc. and Subsidiary and Greater Milwaukee Community Housing Development Corporation (the organization) under programs of the federal government for the year ended June 30, 2024 and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the organization it is not intended to and does not present the financial position, changes in net assets, or cash flows of the organization.

Note 2 – Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Indirect cost rate

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

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Milwaukee Habitat for Humanity, Inc. and Subsidiary
and Greater Milwaukee Community Housing and Development Corporation
Milwaukee, WI

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Milwaukee Habitat for Humanity, Inc. and Subsidiary and Greater Milwaukee Community Housing and Development Corporation, which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 24, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

SVA Certified Public Accountants, S.C.

Madison, Wisconsin

October 24, 2024

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Milwaukee Habitat for Humanity, Inc. and Subsidiary
and Greater Milwaukee Community Housing and Development Corporation's
Milwaukee, WI

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Milwaukee Habitat for Humanity, Inc. and Subsidiary and Greater Milwaukee Community Housing and Development Corporation's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Milwaukee Habitat for Humanity, Inc. and Subsidiary and Greater Milwaukee Community Housing and Development Corporation's major federal programs for the year ended June 30, 2024. Milwaukee Habitat for Humanity, Inc. and Subsidiary and Greater Milwaukee Community Housing and Development Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Milwaukee Habitat for Humanity, Inc. and Subsidiary and Greater Milwaukee Community Housing and Development Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Milwaukee Habitat for Humanity, Inc. and Subsidiary and Greater Milwaukee Community Housing and Development Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Milwaukee Habitat for Humanity, Inc. and Subsidiary and Greater Milwaukee Community Housing and Development Corporation's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Milwaukee Habitat for Humanity, Inc. and Subsidiary and Greater Milwaukee Community Housing and Development Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Milwaukee Habitat for Humanity, Inc. and Subsidiary and Greater Milwaukee Community Housing and Development Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Milwaukee Habitat for Humanity, Inc. and Subsidiary and Greater Milwaukee Community Housing and Development Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

SVA Certified Public Accountants, S.C.

Madison, Wisconsin

October 24, 2024

MILWAUKEE HABITAT FOR HUMANITY, INC. AND SUBSIDIARY AND GREATER MILWAUKEE COMMUNITY HOUSING DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2024

Section I -- Summary of Auditor's Results

Financial statements

Type of auditor's report issued:	Unmodified opinion
Internal control over financial reporting:	
Material weakness(es) identified?	_____ yes __X__ no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ yes __X__ none reported
Noncompliance material to financial statements noted?	_____ yes __X__ no

Federal awards

Internal control over major programs:	
Material weakness(es) identified?	_____ yes __X__ no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ yes __X__ none reported
Type of auditor's report issued on compliance for major programs:	Unmodified opinion
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	_____ yes __X__ no

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low risk auditee?	_____ yes __X__ no

There were no findings for the year ended June 30, 2024.

There were no findings for the year ended June 30, 2023.

CORRECTIVE ACTION PLAN

Milwaukee Habitat for Humanity, Inc. and Subsidiary
and Greater Milwaukee Community Housing Development Corporation

Audit Firm: SVA Certified Public Accountants, S.C.
Audit Period: Year ended June 30, 2024
Corrective Action Plan Prepared by:
Name: Brian Sonderman
Position: Chief Executive Officer, Milwaukee Habitat for Humanity, Inc.
Telephone Number: 414-562-6100

There were no findings for the year ended June 30, 2024.