

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

Financial Report

June 30, 2025



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**MILWAUKEE HABITAT FOR HUMANITY, INC. AND SUBSIDIARIES
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 Subsidiaries
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 Subsidiaries and Greater Milwaukee Community Housing Development Corporation, which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, 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 Subsidiaries and Greater Milwaukee Community Housing Development Corporation as of June 30, 2025 and 2024, 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 Subsidiaries 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.

Correction of Error

As discussed in Note S to the financial statements, a certain error resulting in understatement of amounts previously reported for grants receivable and grant income as of June 30, 2024, was discovered by the management of the organization during the current year. Accordingly, amounts reported for grants receivable and grant income have been restated in the 2024 financial statements now presented to correct the error. Our opinion is not modified with respect to this matter.

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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 Subsidiaries 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 Subsidiaries 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 Subsidiaries 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 November 25, 2025, on our consideration of Milwaukee Habitat for Humanity, Inc. and Subsidiaries 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 Subsidiaries 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 Subsidiaries and Greater Milwaukee Community Housing Development Corporation's internal control over financial reporting and compliance.

SVA Certified Public Accountants, S.C.

Madison, Wisconsin

November 25, 2025

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2025 and 2024

	2025	Restated 2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Cash and cash equivalents	\$ 6,049,570	5,710,395
Cash and cash equivalents - designated for loan recourse	674,200	563,700
Total cash and cash equivalents	6,723,770	6,274,095
Accounts receivable	250,591	6,385
Unconditional promises to give, short-term	902,806	626,755
Grants receivable	646,228	2,464,322
Homeowners' escrow receivable	92,924	61,857
Current maturities of mortgage notes receivable	519,000	623,000
Prepaid expenses	156,076	228,433
Warehouse and ReStore inventory	596,911	518,294
Total current assets	9,888,306	10,803,141
RESTRICTED ASSETS		
Homeowners' escrow	1,270	1,270
Restricted cash - special projects	958,583	218,873
New markets tax credit restricted cash	217,073	260,015
Total restricted assets	1,176,926	480,158
OTHER ASSETS		
Investments	7,803,462	7,156,431
New markets tax credit - investments	4,142,563	4,142,563
New markets tax credit - other asset/guaranty fee	206,167	255,669
Inventory of properties, net of valuation allowance of \$834,054 and \$1,012,000 as of June 30, 2025 and 2024, respectively	8,261,606	5,690,032
Unconditional promises to give, net, long-term	428,843	946,923
Mortgage notes receivable, net of allowance for credit losses of \$44,000 and \$64,000 as of June 30, 2025 and 2024, respectively	4,628,860	2,698,420
Loans receivable - bridge loan program	3,242	3,242
Loans receivable - critical home repair program	366,243	339,792
Property and equipment, net	5,794,380	5,740,890
Operating lease right-of-use assets	1,403,208	1,615,433
Finance lease right-of-use assets	94,390	86,919
Total other assets	33,132,964	28,676,314
TOTAL ASSETS	\$ 44,198,196	\$ 39,959,613

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

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)
June 30, 2025 and 2024

	2025	Restated 2024
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 923,978	496,883
Bank overdraft	291,888	210,040
Construction payables	0	974,719
Current maturities of notes and loans payable	246,198	128,274
Accrued expenses	415,085	342,805
Environmental remediation liability	220,617	244,792
Deferred revenue, new markets tax credit	215,881	255,668
Refundable advance liability	787,564	112,353
Current portion of operating lease liabilities	213,336	202,359
Current portion of finance lease liabilities	17,444	11,711
	3,331,991	2,979,604
TOTAL CURRENT LIABILITIES		
LONG-TERM LIABILITIES		
Notes payable, net, less current maturities	2,806,223	1,739,782
Loans payable, net, less current maturities	5,536,627	5,603,410
Operating lease liabilities, less current portion	1,232,991	1,446,327
Finance lease liabilities, less current portion	85,674	80,549
	9,661,515	8,870,068
TOTAL LONG-TERM LIABILITIES		
TOTAL LIABILITIES	12,993,506	11,849,672
NET ASSETS		
Net assets without donor restrictions	28,884,478	24,450,803
Net assets with donor restrictions	2,320,212	3,659,138
	31,204,690	28,109,941
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS	\$ 44,198,196	\$ 39,959,613

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

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

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2025

	Without donor restrictions	With donor restrictions	Total
Changes in net assets:			
Public support, revenue and gains:			
Contributions	\$ 2,202,404	\$ 1,736,169	\$ 3,938,573
Grant income	5,301,943	0	5,301,943
Donated goods and services	876,231	0	876,231
Special events	688,932	0	688,932
Late fee income	6,389	0	6,389
Sale of properties	4,370,738	0	4,370,738
Net realizable value adjustment - inventory of properties	177,946	0	177,946
Mortgage discount amortization	259,316	0	259,316
Investment return, net	818,023	0	818,023
Other investment income	228,632	0	228,632
ReStore retail sales	4,081,967	0	4,081,967
ReStore donations, in-kind	3,436,149	0	3,436,149
Gain on sale of property and equipment	6,975	0	6,975
Critical home repairs income	198,737	0	198,737
Miscellaneous	93,042	0	93,042
Net assets released from restrictions	3,075,095	(3,075,095)	0
Total public support, revenue and gains	25,822,519	(1,338,926)	24,483,593
Expenses:			
Program services:			
Homebuilding	11,935,848	0	11,935,848
ReStore	6,556,479	0	6,556,479
Total program services	18,492,327	0	18,492,327
Supporting services:			
Management and general	1,300,930	0	1,300,930
Fundraising	1,595,587	0	1,595,587
Total supporting services	2,896,517	0	2,896,517
Total expenses	21,388,844	0	21,388,844
Change in net assets	4,433,675	(1,338,926)	3,094,749
Net assets, beginning	24,450,803	3,659,138	28,109,941
Net assets, ending	<u>\$ 28,884,478</u>	<u>\$ 2,320,212</u>	<u>\$ 31,204,690</u>

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

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

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2024

	Restated Without donor restrictions	With donor restrictions	Restated Total
Changes in net assets:			
Public support, revenue and gains:			
Contributions	\$ 1,069,945	\$ 3,411,141	\$ 4,481,086
Grant income	5,596,158	0	5,596,158
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 property and equipment	(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	 21,068,604	 1,382,408	 22,451,012
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	 3,618,802	 1,382,408	 5,001,210
Net assets, beginning	20,832,001	2,276,730	23,108,731
Net assets, ending	\$ 24,450,803	\$ 3,659,138	\$ 28,109,941

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

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2025

	Program services			Supporting services			Total expenses
	ReStore	Homebuilding	Total program services	Management and general	Fundraising	Total supporting services	
Expenses:							
Salaries, payroll taxes and fringe benefits	\$ 1,496,621	\$ 2,153,159	\$ 3,649,780	\$ 978,074	\$ 1,287,969	\$ 2,266,043	\$ 5,915,823
Professional fees	27,115	841,189	868,304	0	0	0	868,304
Insurance	38,904	222,177	261,081	39,674	2,645	42,319	303,400
Staff travel and development	7,515	26,894	34,409	8,116	4,096	12,212	46,621
Occupancy	610,171	126,167	736,338	16,169	8,084	24,253	760,591
Audit/accounting	0	0	0	48,000	0	48,000	48,000
Office supplies	12,082	2,582	14,664	5,509	331	5,840	20,504
Printing and publications	786	1,735	2,521	3,039	6,228	9,267	11,788
Telephone	14,480	36,856	51,336	2,484	2,071	4,555	55,891
Equipment/maintenance	210	4,665	4,875	610	278	888	5,763
Database management	13,664	113,004	126,668	22,601	15,067	37,668	164,336
Completed project costs/cost of sales on properties	0	7,461,232	7,461,232	0	0	0	7,461,232
ReStore cost of sales	3,353,216	0	3,353,216	0	0	0	3,353,216
Volunteer expenses	14,547	25,037	39,584	0	0	0	39,584
Special events	2,598	6,488	9,086	1,753	6,758	8,511	17,597
Promotions and advertising	117,694	16,821	134,515	0	44,942	44,942	179,457
Interest expense	0	79,541	79,541	109,495	0	109,495	189,036
Bank and credit card fees	79,316	6,079	85,395	30,222	14,289	44,511	129,906
Sales tax	222,864	0	222,864	0	0	0	222,864
AmeriCorps	0	18,319	18,319	0	0	0	18,319
Depreciation	119,846	299,975	419,821	3,837	3,837	7,674	427,495
Postage and shipping	205	5,950	6,155	1,190	4,760	5,950	12,105
Fundraising	0	0	0	0	190,923	190,923	190,923
Cost of goods sold	420,587	0	420,587	0	0	0	420,587
Miscellaneous	4,058	142,730	146,788	30,157	3,309	33,466	180,254
National affiliate/Global Village	0	345,248	345,248	0	0	0	345,248
Total expenses	\$ 6,556,479	\$ 11,935,848	\$ 18,492,327	\$ 1,300,930	\$ 1,595,587	\$ 2,896,517	21,388,844

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

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2024

	Program services			Supporting services			Total expenses
	ReStore	Homebuilding	Total program services	Management and general	Fundraising	Total supporting services	
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 SUBSIDIARIES
AND GREATER MILWAUKEE COMMUNITY HOUSING
DEVELOPMENT CORPORATION**

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2025 and 2024

	2025	Restated 2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,094,749	\$ 5,001,210
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Credit loss expense (recoveries)	(20,000)	28,000
Depreciation	427,495	251,357
Amortization of operating lease right-of-use assets	212,225	215,823
Amortization of finance lease right-of-use assets	16,828	14,901
Amortization of debt issuance costs	14,705	7,826
Mortgage discount amortization	(259,316)	(372,874)
Loss on sale of land held for investment	0	26,004
Net realized and unrealized gains on investments, net	(588,421)	(532,952)
Gain on sale of property and equipment	(6,975)	0
Valuation allowance for loss on homes	(177,946)	222,000
Increase (decrease) in cash due to changes in:		
Accounts receivable	(244,206)	(2,001)
Unconditional promises to give	242,029	(381,032)
Grants receivable	1,818,094	(1,550,734)
Homeowners' escrow receivable	(31,067)	(3,216)
Prepaid expenses	72,357	(142,865)
Inventory	(5,105,038)	(3,479,743)
New markets tax credit - other asset/guaranty fee	49,502	(225,796)
Accounts payable	427,095	11,477
Accrued expenses	72,280	103,045
Environmental remediation liability	(24,175)	(5,752)
Deferred revenue	(39,787)	225,795
Refundable advance liability	675,211	23,867
Operating lease liabilities	(202,359)	(201,421)
	423,280	(767,081)
Net cash provided by (used in) operating activities	423,280	(767,081)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,448,729)	(1,460,025)
Proceeds from sale of land held for investment	0	321,746
Collections on mortgage notes receivable	518,666	619,324
Issuance of critical home repair loans receivables	(26,451)	0
Collections on critical home repair loans receivables	0	65,277
Purchase of investment securities	(3,044,697)	(4,756,685)
Proceeds from sale/maturity of investments	2,986,087	6,704,896
Proceeds from sale of mortgage notes	567,003	0
Investments in new markets tax credit	0	(2,807,322)
	(448,121)	(1,312,789)
Net cash used in investing activities	(448,121)	(1,312,789)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of notes payable	1,222,276	1,692,537
Principal payments on notes payable	(119,399)	(75,539)
Proceeds from issuance of loans payable	0	3,920,000
Bank overdraft	81,848	(82,113)
Payment of debt issuance costs	0	(181,060)
Principal payments on financing lease liabilities	(13,441)	(10,422)
	1,171,284	5,263,403
Net cash provided by financing activities	1,171,284	5,263,403

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
Years ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Change in cash, cash equivalents, and restricted cash	\$ 1,146,443	\$ 3,183,533
Cash, cash equivalents, and restricted cash:		
Beginning	<u>6,754,253</u>	<u>3,570,720</u>
Ending	<u>\$ 7,900,696</u>	<u>\$ 6,754,253</u>
 RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH TO STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 6,723,770	\$ 6,274,095
Restricted cash	<u>1,176,926</u>	<u>480,158</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 7,900,696</u>	<u>\$ 6,754,253</u>
 SUPPLEMENTAL DISCLOSURE(S) OF CASH FLOW INFORMATION		
Cash payments for interest	<u>\$ 174,331</u>	<u>\$ 53,625</u>
 SUPPLEMENTAL SCHEDULE(S) OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Issuance of mortgage notes receivable for sale of houses	<u>\$ 2,632,793</u>	<u>\$ 177,685</u>
Construction payables capitalized into property and equipment	<u>\$ 0</u>	<u>\$ 974,719</u>
Finance right-of-use assets obtained in exchange for new finance lease liabilities	<u>\$ 24,299</u>	<u>\$ 0</u>

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

**MILWAUKEE HABITAT FOR HUMANITY, INC. AND SUBSIDIARIES AND
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DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

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, MHFH Funding Company, 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 towards the mission-related activities for 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.

On December 19, 2023, MHFH formed a wholly-owned, single-member limited liability company, MHFH Funding Company, LLC. (Funding Co). Funding Co. was formed to finance future development projects, acting at all times consistently with the basic nonprofit charitable mission of MHFH. There was no activity in this entity for the years ended June 30, 2025 and 2024.

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, 2025 and 2024.

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.

**MILWAUKEE HABITAT FOR HUMANITY, INC. AND SUBSIDIARIES AND
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NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

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

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.

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 and Funding Co are both limited liability companies wholly owned by MHFH. For income tax purposes, the companies are considered disregarded entities 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.

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NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

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

Accounts receivable

Accounts receivable are carried at original invoice amount, less payments received and an estimate made for credit losses. The organization uses a loss rate model to calculate allowances based on its internal loss experience and current conditions and forecasts. The organization believes that the composition of receivables at year-end is consistent with historical conditions as credit terms and practices. The organization also considers existing economic conditions in its industry and the financial stability of the customers they work with to determine an appropriate estimate of the allowance for credit losses. Accounts receivable are not interest-bearing. A receivable is considered past due if payments have not been received by the organization by the expected due date. There were no past due amounts as of June 30, 2025 and 2024.

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:

	2025	2024
Completed homes	\$ 95,225	\$ 217,227
Homes under construction	9,000,435	6,484,805
Valuation allowance	(834,054)	(1,012,000)
	\$ 8,261,606	\$ 5,690,032

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NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

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

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, 2025 and 2024.

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 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, 2025 and 2024). There were no loans on nonaccrual status as of June 30, 2025 and 2024.

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, 2025 and 2024.

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DEVELOPMENT CORPORATION**

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

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

Investments

Investments consist of 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).

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:

	<u>Years</u>
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.

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NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

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

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.

Debt issuance costs

The organization incurred closing costs and structuring fees related to the NMTC financing (see Note I). Debt issuance costs were \$256,064 as of June 30, 2025 and 2024, 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 \$14,705 and \$7,826 for the years ended June 30, 2025 and 2024, 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.

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NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

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

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.

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.

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NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

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

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.

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, 2025 and 2024.

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NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

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:

	2025	2024
Construction materials	\$ 558,878	\$ 363,344
Professional services	317,353	192,390
Total donated goods and services	876,231	555,734
Inventory – ReStore donations	3,436,149	3,093,774
	\$ 4,312,380	\$ 3,649,508

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, 2025 and 2024 totaled \$3,995,027 and \$3,457,118, 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 \$317,353 and \$192,390 for the years ended June 30, 2025 and 2024, 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, 2025 and 2024 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 \$179,457 and \$149,341 for the years ended June 30, 2025 and 2024, respectively.

**MILWAUKEE HABITAT FOR HUMANITY, INC. AND SUBSIDIARIES AND
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NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

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.

Reclassifications

One item in the 2024 financial statements has been reclassified to be consistent with the current year's presentation.

Subsequent events

These financial statements have not been updated for subsequent events occurring after November 25, 2025, 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.

**MILWAUKEE HABITAT FOR HUMANITY, INC. AND SUBSIDIARIES AND
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NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

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			
<u>June 30, 2025</u>	<u>Quoted prices in active markets for identical inputs (level 1)</u>	<u>Significant other observable inputs (level 2)</u>	<u>Significant unobservable inputs (level 3)</u>	
<u>Assets</u>				
Fixed income funds				
U.S. government and U.S. agency obligations ¹	\$ 616,496	\$ 616,496	0	0
Equity mutual funds ¹	1,684,759	1,684,759	0	0
Corporate bonds ¹	177,453	177,453	0	0
Exchange traded funds ¹	<u>5,324,754</u>	<u>5,324,754</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 7,803,462</u>	<u>\$ 7,803,462</u>	<u>\$ 0</u>	<u>\$ 0</u>

**MILWAUKEE HABITAT FOR HUMANITY, INC. AND SUBSIDIARIES AND
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NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

NOTE B – Investments (Continued)

	<u>June 30, 2024</u>	Quoted prices in active markets for identical inputs (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
<u>Assets</u>				
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	<u>4,731,415</u>	<u>4,731,415</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 7,156,431</u>	<u>\$ 7,156,431</u>	<u>\$ 0</u>	<u>\$ 0</u>

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,

	<u>2025</u>	<u>2024</u>
Interest and dividend income on investments	\$ 229,602	276,013
Net unrealized gains	558,971	620,333
Net realized gains (losses)	55,167	(54,356)
Investment fees	<u>(25,717)</u>	<u>(33,024)</u>
Total investment return, net	<u>\$ 818,023</u>	<u>\$ 808,966</u>

**MILWAUKEE HABITAT FOR HUMANITY, INC. AND SUBSIDIARIES AND
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NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

NOTE C -- Mortgage notes receivable

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

	2025	2024
Gross mortgage notes receivable	\$ 7,707,890	\$ 6,160,766
Less: unamortized mortgage discounts	(2,516,030)	(2,775,346)
Less: allowance for credit losses	(44,000)	(64,000)
Net mortgage notes receivable	5,147,860	3,321,420
Less: current portion of mortgage notes receivable	(519,000)	(623,000)
Net mortgage notes receivable, less current maturities	<u>\$ 4,628,860</u>	<u>\$ 2,698,420</u>

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 8.01% (effective interest rate of 8.31%) and 8.02% (effective interest rate of 8.32%) in 2025 and 2024, 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 \$519,000 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, 2025 and 2024, mortgages represented 12% and 8% of total assets, respectively.

The credit quality indicator is based on days delinquent.

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NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

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

As of June 30, 2025, the following mortgages and amounts were considered past due:

	<u>Number of delinquent mortgages</u>	<u>Principal balance</u>
30 - 59 days	12	\$ 489,538
60 - 89 days	6	179,431
Over 90 days	19	530,704

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

	<u>Number of delinquent mortgages</u>	<u>Principal balance</u>
30 - 59 days	20	\$ 608,314
60 - 89 days	5	308,216
Over 90 days	26	808,957

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.

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NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

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, 2025 and 2024, reflects the qualitative process described above. Any changes to economic models that occurred after the statements 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 is as follows:

	2025	2024
Beginning balance	\$ 64,000	\$ 36,000
Write-offs charged against the allowance	(20,000)	0
Provision for credit losses expense	0	28,000
Ending balance	\$ 44,000	\$ 64,000

NOTE E -- Unconditional promises to give

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

	2025	2024
Unconditional promises to give	\$ 1,410,807	\$ 1,690,921
Less: present value discount	(79,158)	(117,243)
Net unconditional promises to give	1,331,649	1,573,678
Less: unconditional promises to give in one to five years	(428,843)	(946,923)
Unconditional promises to give in less than one year	\$ 902,806	\$ 626,755

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 7.5% and 8.25% as of June 30, 2025 and 2024, respectively.

**MILWAUKEE HABITAT FOR HUMANITY, INC. AND SUBSIDIARIES AND
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NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

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, 2025 and 2024 were \$92,924 and \$61,857, 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 \$674,200 and \$563,700 as of June 30, 2025 and 2024, 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:

	2025	2024
Land	\$ 1,314,473	\$ 1,314,473
Buildings	1,421,012	1,421,012
Building improvements	4,481,848	1,636,040
Vehicles	264,211	247,614
Equipment	231,190	223,509
Computer equipment	46,094	63,777
Construction in progress	0	2,402,942
	7,758,828	7,309,367
Less: accumulated depreciation	(1,964,448)	(1,568,477)
	\$ 5,794,380	\$ 5,740,890

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NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

NOTE H -- Notes payable, net

Notes payable, net consist of the following:

	2025	2024
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.	\$ 192,106	\$ 223,636
Noninterest-bearing note payable to Wisconsin Housing and Economic Development Authority; paid off in full in July 2024.	0	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%).	88,893	117,286
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 \$21,192 and \$27,247 as of June 30, 2025 and 2024, respectively.	2,300,000	1,077,724
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.	417,181	475,884
Total notes payable	2,998,180	1,895,303
Less: unamortized debt issuance costs	(21,192)	(27,247)
Less: current maturities	(170,765)	(128,274)
	\$ 2,806,223	\$ 1,739,782

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NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

NOTE H -- Notes payable, net (Continued)

Repayment of principal on notes payable as of June 30, 2025, is as follows:

Year ending June 30,

2026	\$	170,765
2027		215,121
2028		209,471
2029		2,223,406
2030		74,014
Thereafter		<u>105,403</u>
		<u>\$ 2,998,180</u>

NOTE I -- Loans payable, net

Loans payable, net consist of the following:

	<u>2025</u>	<u>2024</u>
<p>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; Community Development Entity (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 \$82,017 and \$85,556 as of June 30, 2025 and 2024, respectively; interest expense totaled \$13,318 and \$13,316 for the years ended June 30, 2025 and 2024, respectively.</p>	\$ <u>1,918,494</u>	\$ <u>1,918,494</u>
Balance carried forward	1,918,494	1,918,494

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NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

NOTE I -- Loans payable, net (Continued)

Balance brought forward	\$ 1,918,494	\$ 1,918,494
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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 \$144,417 and \$149,528 as of June 30, 2025 and 2024, respectively; interest expense totaled \$58,834 and \$19,879 for the years ended June 30, 2025 and 2024, respectively.

	<u>3,920,000</u>	<u>3,920,000</u>
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Total loans payable	5,838,494	5,838,494
Less: unamortized debt issuance costs	(226,434)	(235,084)
Less: current maturities	<u>(75,433)</u>	<u>0</u>

	<u>\$ 5,536,627</u>	<u>\$ 5,603,410</u>
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Repayment of principal on loans payable as of June 30, 2025, is as follows:

Year ending June 30,

2026	\$ 75,433	
2027	75,957	
2028	76,485	
2029	77,017	
2030	77,552	
Thereafter	<u>5,456,050</u>	
	<u>\$ 5,838,494</u>	

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NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

NOTE J -- Line of credit

The organization had a \$500,000 secured line of credit. The interest rate was variable based on the prime rate with a floor of 3.50% (8.50% as of June 30, 2024). The line of credit expired on February 17, 2025.

Effective February 17, 2025, the organization has a \$1,000,000 secured line of credit. The interest rate is variable based on the prime rate with a floor of 3.50% (7.50% as of June 30, 2025). The line of credit expires on February 17, 2026.

There were no amounts outstanding on the line at June 30, 2025 and 2024.

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:

	2025	2024
Internship program	\$ 154,109	\$ 127,757
Air conditioners	38,130	2,322
Installation of 30 HVAC units	0	49,800
Tax foreclosure prevention	13,709	294
Solar panels	0	1,206
Education support	1,500	1,500
Warehouse supplies and construction tools	0	20,077
Gratitude Grant / Staff appreciation	50,000	7,500
Church activities	5,729	8,417
Time restrictions on unconditional promises to give (includes grants receivable)	2,057,035	3,440,625
	\$ 2,320,212	\$ 3,659,138

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 May 2026 and July 2031.

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NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

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:

	2025	2024
Operating lease cost	\$ 258,353	\$ 273,053
Short term lease	5,000	7,000
Variable lease cost	88,710	83,850
Finance lease cost:		
Amortization of right-of-use assets	16,829	14,901
Interest on lease liabilities	10,418	11,274
Total finance lease cost	27,247	26,175
Total lease cost	\$ 379,310	\$ 390,078

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

	2025	2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 248,487	\$ 258,650
Operating cash flows from finance leases	10,531	11,375
Financing cash flows from finance leases	13,328	10,321
Noncash financing and investing cash flow:		
Right-of-use assets obtained in exchange for lease obligations:		
Finance leases	\$ 24,299	0

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NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

NOTE L -- Leases (Continued)

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

	2025	2024
Weighted average remaining lease term (in years):		
Operating leases	6.00	6.99
Finance leases	4.83	5.83
Weighted average discount rate:		
Operating leases	3.00%	3.01%
Finance leases	10.31%	11.72%

Future minimum lease payments to be paid under this lease as of June 30, 2025, are as follows:

Year ending June 30,	Operating Leases	Finance Lease
2026	\$ 253,115	\$ 26,888
2027	257,835	26,888
2028	262,650	26,888
2029	267,561	26,888
2030	255,470	22,407
Thereafter	282,509	0
Total future minimum lease payments	1,579,140	129,959
Less amount of lease payments representing interest	(132,813)	(26,841)
Present value of future minimum lease payments (lease liabilities)	\$ 1,446,327	\$ 103,118

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, 2025 and 2024, the amount of the tithe expense totaled \$336,000 and \$321,600, respectively.

Habitat for Humanity International Inc. receives contributions on behalf of the organization. For the years ended June 30, 2025 and 2024, the amount of these contributions passed through to the organization from Habitat for Humanity International Inc. totaled \$217,471 and \$458,714, respectively.

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NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

NOTE N -- Defined contribution retirement plan

The organization participates in a defined contribution, individual account retirement plan covering all eligible employees. The plan provides for a discretionary matching contribution by the organization equal to 100% of the employee's contribution up to 3% of the employee's compensation. Plan expense was \$106,189 and \$60,853 for years ended June 30, 2025 and 2024, 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.

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NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

NOTE O -- NMTC investments (Continued)

There was no remeasurement adjustment recognized, as there were no observable transactions identified during the years ended June 30, 2025 and 2024. 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, 2025 and 2024.

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.

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NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

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, 2025 and 2024. 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, 2025 and 2024.

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 \$1,000,000 of the available line of credit (as further discussed in Note J).

	2025	Restated 2024
Cash	\$ 6,049,570	\$ 5,710,395
Accounts receivable	250,591	6,385
Unconditional promises to give	902,806	626,755
Grants receivable	646,228	2,464,322
Mortgage notes receivable	519,000	623,000
Escrow receivable	92,924	61,857
Financial assets available within one year	\$ 8,461,119	\$ 9,492,714

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NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

NOTE Q -- Commitments and contingencies

Wisconsin Lead-Safe Homes grant program

The organization has entered into grant agreements with the State of Wisconsin Department of Health Services (DHS) for the Lead-Safe Homes grant program to receive \$1,461,000 to support lead-safe homes projects for the period July 1, 2022 to September 30, 2025. As of June 30, 2025 and 2024, \$274,640 and \$192,466, respectively, was recognized as grant income. Grants receivable specific to this grant was \$0 and \$42,901 as of June 30, 2025 and 2024, 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, 2025 and 2024, \$1,538,152 and \$1,247,254, respectively, was recognized as grant income. Grants receivable specific to this grant was \$150,068 and \$513,779 as of June 30, 2025 and 2024, 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, 2025 and 2024, \$0 and \$600,000, respectively, was recognized as grant income. There was no outstanding receivable as of June 30, 2025 and 2024.

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, 2025 and 2024, \$342,680 and \$42,829, respectively, was recognized as grant income. Grants receivable specific to this grant was \$26,935 and \$26,435 as of June 30, 2025 and 2024, 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, 2025 and 2024, \$1,800,480 and \$2,399,521, respectively, was recognized as grant income. Grants receivable specific to this grant was \$0 and \$1,496,525 as of June 30, 2025 and 2024, respectively.

**MILWAUKEE HABITAT FOR HUMANITY, INC. AND SUBSIDIARIES AND
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NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

NOTE Q -- Commitments and contingencies (Continued)

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, 2025 and 2024, \$272,020 and \$977,980, respectively, was recognized as grant income. Grants receivable specific to this grant was \$0 and \$384,682 as of June 30, 2025 and 2024, respectively.

Cooperation and Development Agreement / Grant Agreement

The organization entered into a grant agreement with Community Development Alliance, Inc. and a Cooperation and Development Agreement with multiple third parties on the development of certain homes in Milwaukee's Midtown neighborhood using Tax Incremental District (TID) funds. The organization's role is to build 34 single-family homes. The total amount of grant funds to be received from Community Development Alliance, Inc. under these agreements is \$695,406. The organization received the full amount during the year ended June 30, 2025. As of June 30, 2025 and 2024, none of the funds were recognized as grant income as the barrier to recognize the income was not met. Refundable advance liability was \$695,406 and \$0 as of June 30, 2025 and 2024, 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 \$2,272,028. Amounts due under the construction contract and included in construction payables were \$0 and 974,719 as of June 30, 2025 and 2024, respectively. The amount of the remaining commitment under the contract is \$0 and \$312,261 as of June 30, 2025 and 2024, respectively.

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, 2025 and 2024, environmental remediation liability was \$220,617 and \$244,792, respectively.

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NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 2025

NOTE S -- Prior period adjustment

During the year ended June 30, 2025, management identified additional grant income and grants receivable related to the Neighborhood Investment Fund grant program (see Note Q) that was not properly recognized in the prior year. This resulted in the understatement of previously reported grants receivable and grant income for the year ended June 30, 2024. As a result, the organization has recorded a prior period adjustment to properly reflect the balance of grants receivable and grant income. The 2024 change in net assets increased by \$714,978 in connection with this change. All expenses were correctly recognized in the year incurred.

The effect of the prior period adjustment on the financial statements is summarized below.

Consolidated statement of financial position

As of June 30, 2024

	<u>As originally reported</u>	<u>As restated</u>	<u>Effect of change</u>
Grants receivable	\$ 1,749,344	\$ 2,464,322	\$ 714,978
Net assets:			
Net assets without donor restrictions	\$ 23,735,825	\$ 24,450,803	\$ 714,978

Consolidated statement of activities

Year ended June 30, 2024

	<u>As originally reported</u>	<u>As restated</u>	<u>Effect of change</u>
Public support, revenue and gains:			
Grant income			
Without donor restrictions	\$ 4,881,180	\$ 5,596,158	\$ 714,978
Net assets at end of year			
Without donor restrictions	\$ 23,735,825	\$ 24,450,803	\$ 714,978

Consolidated statement of cash flows

As of June 30, 2024

	<u>As originally reported</u>	<u>As restated</u>	<u>Effect of change</u>
Change in net assets	\$ 4,286,232	\$ 5,001,210	\$ 714,978
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Grants receivable	\$ (835,756)	\$ (1,550,734)	\$ 714,978

SUPPLEMENTARY INFORMATION

**MILWAUKEE HABITAT FOR HUMANTY, INC. AND SUBSIDIARIES
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2025

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: Milwaukee County COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	SLFRP0157	\$ 1,800,480
City of Milwaukee COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	SLFRP0135	<u>2,152,852</u>
Total COVID-19 Coronavirus State and Local Fiscal Recovery Funds			3,953,332
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	274,640
U.S. Department of Housing and Urban Development City of Milwaukee Community Development Grants Administration HOME Investment Partnerships Program	14.239	N/A	454,500
Habitat for Humanity International, Inc. Self-Help Homeownership Opportunity Program	14.247	N/A	<u>138,638</u>
Total U.S. Department of Housing and Urban Development			<u>593,138</u>
Total expenditures of federal awards			<u><u>\$ 4,821,110</u></u>

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 Subsidiaries and Greater Milwaukee Community Housing Development Corporation (the organization) under programs of the federal government for the year ended June 30, 2025 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% de 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 Subsidiaries
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 Subsidiaries and Greater Milwaukee Community Housing and Development Corporation, which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated 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 November 25, 2025.

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 Subsidiaries 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 Subsidiaries 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 Subsidiaries 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.

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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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2025-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Milwaukee Habitat for Humanity, Inc. and Subsidiaries 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*.

Milwaukee Habitat for Humanity, Inc. and Subsidiaries and Greater Milwaukee Community Housing and Development Corporation's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Milwaukee Habitat for Humanity, Inc. and Subsidiaries and Greater Milwaukee Community Housing and Development Corporation's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. Milwaukee Habitat for Humanity, Inc. and Subsidiaries and Greater Milwaukee Community Housing and Development Corporation's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

November 25, 2025

**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 Subsidiaries
and Greater Milwaukee Community Housing and Development Corporation
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 Subsidiaries 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 Subsidiaries and Greater Milwaukee Community Housing and Development Corporation's major federal programs for the year ended June 30, 2025. Milwaukee Habitat for Humanity, Inc. and Subsidiaries 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 Subsidiaries 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, 2025.

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.

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We are required to be independent of Milwaukee Habitat for Humanity, Inc. and Subsidiaries 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 Subsidiaries 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 Subsidiaries 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 Subsidiaries 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 Subsidiaries 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 Subsidiaries 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 Subsidiaries 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 Subsidiaries 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

November 25, 2025

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2025

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?	<u> X </u> yes <u> </u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	<u> </u> yes <u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes <u> X </u> no

Federal awards

Internal control over major programs:	
Material weakness(es) identified?	<u> </u> yes <u> X </u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	<u> </u> yes <u> X </u> 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)?	<u> </u> yes <u> X </u> no

Identification of major programs:

<u>Assistance Listing</u> <u>Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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21.027	Coronavirus State and Local Fiscal Recovery Funds
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Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low risk auditee?	<u> X </u> yes <u> </u> no
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**MILWAUKEE HABITAT FOR HUMANITY, INC. AND SUBSIDIARIES
AND GREATER MILWAUKEE COMMUNITY HOUSING
DEVELOPMENT CORPORATION**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2025

Person to contact regarding findings:

Craig Hahn

Section II -- Financial Statement Findings

2025-001 Finding – Material audit correction

Identification as a repeat finding: This is not a repeat finding.

Criteria: Internal controls over preparation and review of the financial statements should be in place to provide reasonable assurance that material misstatements in the financial statements would be prevented or timely detected and corrected.

Statement of condition: As a result of testing completed during audit fieldwork, an adjustment to grant receivables and grant revenue for the year ended June 30, 2024 was identified and recorded. While all expenses had been correctly recorded when incurred, the related grant receivable and grant revenue was not recorded timely in the correct fiscal year, due to an agreed upon process with the grantor. Subsequently, management was unable to identify and correct these errors timely to ensure revenue was recorded in accordance with accounting principles generally accepted in the United States of America.

Cause: Qualifying reimbursable expenses allowed by the granting agency were not recorded as grant revenue and grant receivable in the proper period, due to internal system limitations for tracking of expenses for one specific grant.

Effect: The organization's system of internal control was unable to prevent or timely detect and correct material misstatements in the financial statements related to this specific grant.

Questioned costs: There were no questioned costs.

Views of responsible officials: See Corrective Action Plan for views of responsible officials, and actions taken to correct the identified weakness.

Context: The organization's system of internal control was unable to prevent or timely detect and correct material misstatements in the financial statements.

Recommendation: Management should review grant receivables and grant revenue monthly to ensure it includes all allowable expenses to be reimbursed by the related granting agency in the proper period.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Milwaukee Habitat for Humanity, Inc.

Audit Firm: SVA Certified Public Accountants, S.C.

Audit Period: Year ended June 30, 2025

Summary Schedule of Prior Audit Findings Prepared by:

Name: Craig Hahn

Position: Chief Financial Officer, Milwaukee Habitat for Humanity, Inc.

Telephone Number: 414-562-6100

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

CORRECTIVE ACTION PLAN

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

Audit Firm: SVA Certified Public Accountants, S.C.

Audit Period: Year ended June 30, 2025

Corrective Action Plan Prepared by:

Name: Craig Hahn

Position: Chief Financial Officer, Milwaukee Habitat for Humanity, Inc.

Telephone Number: 414-562-6100

2025-001 Finding – Material audit correction

Comments on findings and recommendations

The organization agrees with the findings and the auditor's recommendation. As noted in these audit findings, the identified situation arose in the prior fiscal year due to an agreed upon process with one specific grantor. All expenses were correctly recognized in the period incurred; there was no misstatement of program-related expenses. However, the request for reimbursement for these fully eligible costs was delayed due to the organization's process of gathering specific complete documentation prior to requesting reimbursement. This resulted in the understatement of grant revenue and grants receivable in the prior fiscal year, which has now been fully corrected via the restatement of the year ended June 30, 2024.

Actions taken or planned

The organization has implemented a series of internal controls and procedures to ensure all grants receivable and grant revenue are recorded in the proper period. Expense tracking has been improved to identify grant-related expenses and monthly reconciliations of reimbursable expenses by specific grant programs will be performed, comparing accounting system transactions to grant budgets. Quarterly internal audits of grant-related transactions will verify compliance with grant terms and financial reporting standards.

Anticipated completion date

October 31, 2025