

# **Morris Habitat For Humanity, Inc.**

Financial Statements

December 31, 2020 and 2019



**NISIVOCCIA**  
ASSURANCE · TAX · ADVISORY

**Morris Habitat For Humanity, Inc.**  
**Table of Contents**  
**December 31, 2020 and 2019**

---

	<u>Page</u>
Independent Auditors' Report	1-2
Statement of Financial Position	3
Statement of Activities	4-5
Statement of Functional Expenses	6-7
Statement of Cash Flows	8
Notes to Financial Statements	9-24
<u>Supplementary Information</u>	
Schedule of Expenditures of Federal Awards	25
Notes to the Schedule of Expenditures of Federal Awards	26
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27-28
Schedule of Findings and Responses	29
Schedule of Prior Year Audit Findings	30

## Independent Auditors' Report

To the Board of Directors  
Morris Habitat For Humanity, Inc.  
Randolph, NJ 07869

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Morris Habitat For Humanity, Inc. (a nonprofit organization) (the "Organization"), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors  
Morris Habitat For Humanity, Inc.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Morris Habitat For Humanity, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Other 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* (Uniform Guidance) *Audits of States, Local Governments, and Non-Profit Organizations* 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 schedule of expenditures of federal awards 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 May 21, 2021 on our consideration of Morris Habitat For Humanity, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Morris Habitat for Humanity Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Morris Habitat For Humanity, Inc.'s internal control over financial reporting and compliance.

*Nisiroccia LLP*

Mt. Arlington, New Jersey  
May 21, 2021

**Morris Habitat For Humanity, Inc.**  
**Statement of Financial Position**  
**December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current assets:		
Cash	\$ 920,135	\$ 384,730
Accounts receivable	42,051	22,838
Grants and contributions receivable	10,001	227,101
Mortgages receivable, net of unamortized discount	2,203,050	840,465
ReStore inventory	400,360	361,455
Inventory of real estate and construction materials	494,616	536,257
Prepays and other assets	48,200	39,947
Total current assets	<u>4,118,413</u>	<u>2,412,793</u>
Mortgages receivable, net of current portion and unamortized discount	160,559	98,656
Inventory of real estate and construction materials, net of current portion	966,906	930,942
Property and equipment, net	395,964	194,321
Security deposits	30,100	32,275
Total assets	<u>\$ 5,671,942</u>	<u>\$ 3,668,987</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 450,846	\$ 229,247
Notes payable	50,176	28,117
Rents held prior to sale	54,300	
Line of credit	340,000	490,000
Deferred rent	31,114	28,061
Deferred revenue		76,800
Capital lease obligation		1,104
Total current liabilities	<u>926,436</u>	<u>853,329</u>
Notes payable, net of current portion	104,706	49,915
Deferred rent, net of current portion	27,947	58,811
Total liabilities	<u>1,059,089</u>	<u>962,055</u>
Net assets:		
Without donor restrictions	4,427,231	2,513,776
With donor restrictions	185,622	193,156
Total net assets	<u>4,612,853</u>	<u>2,706,932</u>
Total liabilities and net assets	<u>\$ 5,671,942</u>	<u>\$ 3,668,987</u>

See Accompanying Notes to Financial Statements

**Morris Habitat For Humanity, Inc.**  
**Statement of Activities**  
**Year Ended December 31, 2020**

	Without Donor Restriction	With Donor Restriction	Total
Support and revenue:			
Contributions	\$ 874,101	\$ 10,237	\$ 884,338
Grants from government agencies	443,246		443,246
ReStore revenue, net	2,263,179		2,263,179
Sale of homes	1,226,125		1,226,125
Donated assets and services	293,586		293,586
Amortization of mortgage discounts	17,313		17,313
Special event revenue	307,791		307,791
Other income	477,672		477,672
Net assets released from program restrictions	109,771	(109,771)	
Total support and revenue	<u>6,012,784</u>	<u>(99,534)</u>	<u>5,913,250</u>
Expenses:			
Program Services:			
Home building	2,451,724		2,451,724
ReStore	1,847,361		1,847,361
	<u>4,299,085</u>		<u>4,299,085</u>
Supporting Services:			
General and administrative	849,329		849,329
Fundraising	552,070		552,070
Total expenses	<u>5,700,484</u>		<u>5,700,484</u>
Change in net assets from operations	312,300	(99,534)	212,766
Nonoperating activities:			
Contributions received from the acquisition of			
Habitat for Humanity Greater Plainfield & Middlesex Counties	1,602,530	92,000	1,694,530
Bad debt expense	(1,375)		(1,375)
Total nonoperating activities	<u>1,601,155</u>	<u>92,000</u>	<u>1,693,155</u>
Change in net assets	1,913,455	(7,534)	1,905,921
Net assets, beginning of year	<u>2,513,776</u>	<u>193,156</u>	<u>2,706,932</u>
Net assets, end of year	<u>\$ 4,427,231</u>	<u>\$ 185,622</u>	<u>\$ 4,612,853</u>

See Accompanying Notes to Financial Statements

**Morris Habitat For Humanity, Inc.**  
**Statement of Activities**  
**Year Ended December 31, 2019**

	Without Donor Restriction	With Donor Restriction	Total
Support and revenue:			
Contributions	\$ 595,548	\$ 182,000	\$ 777,548
Grants from government agencies	295,907		295,907
ReStore revenue, net	2,671,730		2,671,730
Sale of homes	1,684,259		1,684,259
Donated assets and services	149,769		149,769
Amortization of mortgage discounts	8,909		8,909
Special event revenue	252,374		252,374
Other income	17,673		17,673
Net assets released from program restrictions	413,132	(413,132)	
Total support and revenue	<u>6,089,301</u>	<u>(231,132)</u>	<u>5,858,169</u>
Expenses:			
Program Services:			
Home building	3,541,431		3,541,431
ReStore	2,091,668		2,091,668
	<u>5,633,099</u>		<u>5,633,099</u>
Supporting Services:			
General and administrative	565,785		565,785
Fundraising	502,159		502,159
Total expenses	<u>6,701,043</u>		<u>6,701,043</u>
Change in net assets from operations	(611,742)	(231,132)	(842,874)
Other income:			
Bad debt expense	(20,197)		(20,197)
Total other expense	<u>(20,197)</u>		<u>(20,197)</u>
Change in net assets	(631,939)	(231,132)	(863,071)
Net assets, beginning of year	<u>3,145,715</u>	<u>424,288</u>	<u>3,570,003</u>
Net assets, end of year	<u>\$ 2,513,776</u>	<u>\$ 193,156</u>	<u>\$ 2,706,932</u>

See Accompanying Notes to Financial Statements

**Morris Habitat For Humanity, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2020**

	Program Services			Supporting Services		
	Home Building Program	ReStore Program	Total	General and Administrative	Fundraising	Total
Salaries and wages	\$ 734,392	\$ 837,836	\$ 1,572,228	\$ 207,194	\$ 298,783	\$ 2,078,205
Payroll taxes	64,401	75,019	139,420	10,898	28,242	178,560
Fringe benefits	41,089	76,840	117,929	33,219	3,373	154,521
Total salaries and related benefits	839,882	989,695	1,829,577	251,311	330,398	2,411,286
Professional fees	5,499		5,499	340,271	4,685	350,455
Occupancy costs	37,175	495,149	532,324	23,448	9,828	565,600
Tithe and fees to HFHI				25,000		25,000
Insurance	69,857	54,921	124,778	19,427		144,205
Telephone	2,395	4,805	7,200	10,249	717	18,166
Office expense	5,091	130,089	135,180	103,613	14,229	253,022
Advertising and marketing expense	1,190	39,736	40,926	5,391	59,971	106,288
Special event expense	12,869		12,869	648	120,914	134,431
Absorbed construction costs and equipment	93,683		93,683	1,183		94,866
Vehicle expense	56,513	778	57,291	3,570	963	61,824
Cost of homes sold	1,284,463		1,284,463			1,284,463
Cost of goods sold	94	115,656	115,750			115,750
Education and travel	3,251	1,676	4,927	9,239	2,092	16,258
Miscellaneous	1,696	4,151	5,847	38,747	1,606	46,200
Total expenses before depreciation	2,413,658	1,836,656	4,250,314	832,097	545,403	5,627,814
Depreciation	38,066	10,705	48,771	17,232	6,667	72,670
Total expenses	\$ 2,451,724	\$ 1,847,361	\$ 4,299,085	\$ 849,329	\$ 552,070	\$ 5,700,484

See Accompanying Notes to Financial Statements

**Morris Habitat For Humanity, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2019**

	Program Services			Supporting Services		
	Home Building Program	ReStore Program	Total	General and Administrative	Fundraising	Total
Salaries and wages	\$ 647,039	\$ 877,775	\$ 1,524,814	\$ 195,893	\$ 240,649	\$ 1,961,356
Payroll taxes	55,124	76,869	131,993	15,964	20,155	168,112
Fringe benefits	45,719	101,508	147,227	12,490	5,348	165,065
Total salaries and related benefits	747,882	1,056,152	1,804,034	224,347	266,152	2,294,533
Professional fees				63,278	26,563	89,841
Occupancy costs	44,523	508,298	552,821	25,769	11,044	589,634
Tithe and fees to HFHI	1,098	2,193	3,291	38,671		41,962
Insurance	50,635	73,467	124,102	15,812		139,914
Telephone	4,907	3,603	8,510	7,415	600	16,525
Office expense	14,551	160,008	174,559	102,775	11,198	288,532
Advertising and marketing expense	1,004	32,381	33,385	31,337	59,242	123,964
Special event expense	1,140		1,140	71	114,930	116,141
Absorbed construction costs and equipment	31,978		31,978			31,978
Vehicle expense	16,926	48,511	65,437	770		66,207
Cost of homes sold	2,576,884		2,576,884			2,576,884
Cost of goods sold	5,198	188,077	193,275			193,275
Home repair ministry	1,907		1,907			1,907
Education and travel	2,906	2,333	5,239	14,057	2,735	22,031
Miscellaneous	1,736	6,239	7,975	23,683	3,214	34,872
Total expenses before depreciation	3,503,275	2,081,262	5,584,537	547,985	495,678	6,628,200
Depreciation	38,156	10,406	48,562	17,800	6,481	72,843
Total expenses	\$ 3,541,431	\$ 2,091,668	\$ 5,633,099	\$ 565,785	\$ 502,159	\$ 6,701,043

See Accompanying Notes to Financial Statements

**Morris Habitat For Humanity, Inc.**  
**Statement of Cashflows**  
**December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,905,921	\$ (863,071)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	72,670	72,843
Unamortized mortgage discount	(17,313)	(8,909)
Forgiveness of refundable advance	(484,423)	
Loss on sale of mortgages receivable	36,448	11,748
Contributions received from the acquisition of Habitat for Humanity Greater Plainfield & Middlesex Counties	(1,694,530)	
Bad debt expense	1,375	20,197
Changes in operating assets and liabilities:		
Accounts receivable	(20,588)	(758)
Grants and contributions receivable	227,100	(107,411)
Mortgages receivable	(1,176,299)	(1,656,508)
Proceeds from sale of mortgages receivable	770,272	1,109,875
ReStore inventory	(38,905)	(121,912)
Inventory of real estate and construction materials	467,005	913,903
Prepays and other assets	(8,253)	14,764
Security deposits	2,175	(2,000)
Accounts payable and accrued expenses	213,099	(134,934)
Rents held prior to sale	1,439	
Deferred rent	(27,811)	(21,881)
Deferred revenue	(76,800)	49,090
Refundable advance	435,385	
Net cash provided by (used in) operating activities	<u>587,967</u>	<u>(724,964)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(17,397)	(22,757)
Cash acquired from Habitat for Humanity Greater Plainfield & Middlesex Counties	<u>145,027</u>	
Net cash provided by (used in) investing activities	<u>127,630</u>	<u>(22,757)</u>
Cash flows from financing activities:		
Proceeds from principal borrowings on line of credit	822,000	490,000
Principal repayments on line of credit	(972,000)	
Principal repayments on notes payable	(29,088)	(481,784)
Repayments of capital lease obligation	(1,104)	(1,785)
Net cash provided by (used in) financing activities	<u>(180,192)</u>	<u>6,431</u>
Net increase (decrease) in cash	535,405	(741,290)
Cash, beginning of year	<u>384,730</u>	<u>1,126,020</u>
Cash, end of year	<u>\$ 920,135</u>	<u>\$ 384,730</u>
Supplementary disclosure of cash activity:		
Cash paid during the year for interest	<u>\$ 5,156</u>	<u>\$ 7,319</u>
Supplemental disclosure of noncash activity:		
Donated materials, supplies and services	<u>\$ 293,586</u>	<u>\$ 149,769</u>
Acquisition of equipment through note payable	<u>\$ 95,414</u>	<u>\$</u>
Contributions received from the acquisition of Habitat for Humanity Greater Plainfield & Middlesex Counties	<u>\$ 1,694,530</u>	

See Accompanying Notes to Financial Statements

1. Organization

Morris Habitat For Humanity, Inc. (the “Organization”), an independent affiliate of Habitat for Humanity International (HFHI) enhances lives by making homeownership affordable to low-income families in the community. The Organization accomplishes this through a partnership program of building and financing simple, decent, energy efficient and affordable homes. In addition, the Organization repairs existing homes of low-income homeowners so they can continue to preserve their homes and keep them safe. To accomplish its work, the Organization partners with homeowners and volunteers as well as donors of materials, services and funding. In working together to build and repair homes, hope is restored, lives are changed and the devastating cycle of poverty is broken. During the year ended December 31, 2020 the home building program resulted in the sale of nine (9) homes to lower income families at an amount less than the fair market value and cost to build. The Organization has been successful in obtaining funding from other sources to offset the cost incurred to build these homes. However, due to the nature of the home building program a deficit could result in any given year.

2. Summary of Significant Accounting Policies

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

A summary of the significant accounting policies followed by Morris Habitat For Humanity, Inc. in the preparation of the accompanying financial statements is set forth below:

Basis of Presentation

The Organization prepares its financial statements in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Update No. 2016-14, dated August 2016, *Not-for-Profit Entities* (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities* (FASB Update). In addition, the Organization uses the FASB’s *Accounting for Contributions Received and Made*. The new standard now requires that resources be classified for accounting and reporting purposes into two net asset categories: net assets with donor restrictions and net assets without donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions, if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. *Accounting for Contributions Received and Made* requires that unconditional promises to give be recorded as receivables and revenue and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. The net assets and changes therein are classified and reported as follows:

**Morris Habitat For Humanity, Inc.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

---

Net Assets without Donor Restrictions

Net assets without donor restrictions include all funds not restricted by a donor or grantor and assets whose use is not restricted through contractual or regulatory control of a third-party payer or under debt agreements.

Net Assets with Donor Restrictions

Net assets with donor restrictions are net assets that represent those amounts which are donor restricted for specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions. At December 31, 2020 and 2019 there was \$185,622 and \$193,156, respectively, of net assets held with donor restrictions.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions:		
Construction funding	\$ 100,000	\$ 386,268
General use	9,084	26,864
Home repair vehicle	687	
	<u>\$ 109,771</u>	<u>\$ 413,132</u>

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
Construction funding	\$ 154,237	\$ 182,000
Construction vehicle	29,313	
General use	2,072	11,156
	<u>\$ 185,622</u>	<u>\$ 193,156</u>

Revenue and Support Recognition

The Organization recognizes revenue from building and financing affordable homes when the services are provided. The performance obligation consists of the completion of the home and sale to eligible individuals. The Organization records special events revenue equal to the fair value of direct benefits to donors, and then contribution revenue for the excess received when the event takes place.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

**Morris Habitat For Humanity, Inc.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

---

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of the Organization's revenue is derived from cost-reimbursable federal contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

ReStore revenue is recognized at the point of sale and revenue from the sale of homes is recognized upon the execution of mortgage notes.

Disaggregation of Revenue

In the following table, revenue is disaggregated by timing of satisfaction of performance obligations for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Performance obligations satisfied at a point in time	<u>\$ 3,489,304</u>	<u>\$ 4,355,989</u>

Revenue from performance obligations satisfied at a point in time are related to the sale of homes during the year, ReStore sales and special event revenue.

Acquisition

On November 3, 2020, The Organization acquired Habitat for Humanity of Greater Plainfield and Middlesex County, Inc. The Organization assumed the assets and liabilities of Habitat for Humanity of Greater Plainfield and Middlesex County, Inc. resulting in the Organization recognizing in-kind revenue of \$1,694,530 for the year ended December 31, 2020. See note 16 for detail on the acquisition.

Liquidity and Availability

The adoption of FASB Update No. 2016-14 requires the presentation of qualitative information on how the Organization manages its liquid available resources and liquidity risks. Quantitative information that communicates the availability of a nonprofit's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year is required to be presented on the face of the financial statement and/or in the notes to the financial statements. Accordingly, the Organization has presented the statement of financial position utilizing a classified format which presents current and noncurrent assets and liabilities.

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

**Morris Habitat For Humanity, Inc.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash	\$ 920,135	\$ 384,730
Accounts receivable	42,051	22,838
Grants and contributions receivable	10,001	227,101
Mortgages receivable, net of unamortized discount	2,203,050	840,465
ReStore inventory	400,360	361,455
Inventory of real estate and construction materials	<u>345,823</u>	<u>536,257</u>
Total financial assets:	3,921,420	2,372,846
Less those unavailable for general expenditures within one year:		
Contractual or donor-imposed restrictions:		
Restricted by donor for construction and general use	<u>(185,622)</u>	<u>(193,156)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,735,798</u>	<u>\$ 2,179,690</u>

The Organization has a goal to maintain cash on hand to meet 60 days of normal operating expenses. The Organization has a policy 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 has a committed line of credit in the amount of \$800,000 which it could draw from, with board approval. In addition to these available financial assets, a significant portion of the Organization's annual expenditures will be funded by current year operating revenues including federal awards, contribution revenue, home and ReStore sales.

#### Deferred Rent

The Organization leases certain real property and, accordingly, recognizes rent on a straight-line basis. All rent concessions and rent increases are taken into account and recognized ratably over the remaining lease term. The difference between the actual rent paid and the expense charged is an increase or decrease to deferred rent. At December 31, 2020 and 2019 deferred rent was \$59,061 and \$86,872, respectively.

#### Deferred Revenue

Fees received in advance are reported as deferred revenue and are recognized in the period in which the revenue is earned. At December 31, 2020 and 2019 deferred revenue was \$0 and \$76,800, respectively.

#### Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program and supporting services benefited. The financial statements report certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

Expenses are charged to each program based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated to a program based on units of service, and support costs are allocated to a program based on total program costs. Program expenses are those related to operation of the home building and ReStore programs. Support costs relate to administrative expenses associated with those programs. The allocation of indirect costs such as employee's salaries and other costs are based on methods considered by management to be reasonable. Fundraising includes the direct cost of special events and the allocation of employees' salaries, when applicable, as well as other costs involved in fundraising and special events.

#### Accounts, Grants and Contributions Receivable and Allowance for Doubtful Accounts

Accounts, grants and contributions receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts, grants or contributions receivable. There was no allowance for bad debts as of December 31, 2020 and 2019. Bad debt expense amounted to \$1,375 and \$11,471 for the years ended December 31, 2020 and 2019, respectively.

#### Property and Equipment

Property and equipment are recorded at cost when purchased or at fair value at the date of the gift, when donated. Significant additions, renewals, and betterments are capitalized while replacements, maintenance, and repairs which do not improve or extend the life of an asset are expensed. Depreciation is provided for by the straight-line method over the estimated useful lives of the assets. Gifts of long-lived assets are reported as an increase in net assets without donor restrictions, unless there are explicit restrictions that specify how the assets are to be used. Proceeds from the sale of fixed assets, if not restricted, are transferred to net assets without donor restrictions, or, if restricted, to net assets with donor restrictions for fixed asset acquisitions.

In accordance with *Accounting for the Impairment or Disposal of Long-Lived Assets*, the Organization periodically evaluates property and equipment for impairment, relying on a number of factors including operating results, and future business plans. Recoverability of property is evaluated by a comparison of the carrying amount of an asset or asset group to estimated future recoverability of the carrying amount of the asset or asset group. If these comparisons indicate that an asset is not recoverable, the impairment loss recognized is the amount by which the carrying amount of the asset exceeds the estimated fair value. There were no impairment charges recorded for the years ended December 31, 2020 and 2019.

#### Inventory of Real Estate and Construction Materials

Acquisition and construction costs incurred in connection with the Organization's home building program are capitalized as inventory of buildings until construction is completed. At the time of sale, the total cost is reflected in program service expenses as cost of homes sold on a specific identification basis.

Occasionally, when development is deemed not to be feasible, the Organization charges these capitalized costs to expense when the determination is made.

The Organization follows the provisions of FASB ASU 2015-11, "*Inventory (Topic 330)*" which provides guidance on the simplification to the measurement of inventory. An entity should measure inventory at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. This amendment applies to entities who value their inventory using the first-in, first-out or average cost basis.

Inventory is valued as follows:

Construction Materials: Inventory is valued at lower of cost or net realizable value, utilizing the first-in, first out method and is comprised of construction materials and supplies.

ReStore: Inventory is comprised of donated building materials, furniture, appliances and other household goods. These items are recorded at lower of thrift shop value or net realizable value.

#### Donated Assets and Services

Amounts are reported in the financial statements for voluntary donations of services when those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills, and which would be typically purchased if not provided by donation. Donated assets and services are reported at their fair value at the time of donation.

Donated real estate, building materials and professional services have been recorded as contributions at an aggregate estimated fair value of \$293,586 and \$149,769 for the years ended December 31, 2020 and 2019, respectively, with corresponding amounts being reflected as an asset and included in inventory of real estate and construction materials.

Numerous volunteers donate their time to the Organization's program services and fundraising activities during the year. The value of this contributed time is not reflected in these financial statements since it does not meet the criteria for recognition under U.S. generally accepted accounting principles. However, this volunteer time is critical to the Organization and these hours are measured and monitored. Volunteers worked approximately 19,173 and 78,287 hours for each of the years ended December 31, 2020 and 2019, respectively.

#### Mortgages Receivable

Mortgages from homeowners do not bear interest and generally have a maximum life of 30 years. Required monthly repayments are calculated on a level payment basis. The Organization discounts the mortgages received each accounting period using an interest rate stipulated by Habitat for Humanity International (HFHI). Mortgages sold within 12 months from the origination are not discounted. This practice facilitates the combining of all affiliated financial statements by HFHI. Discounting has no effect on the cash flows of the Organization.

Mortgage discounts are amortized to income on a straight-line basis over the life of the underlying mortgages.

The Organization reviews mortgages receivable for collectability based on previous experience and determinations by the Board of Directors. In management's opinion, the collateral is sufficient to enable the Organization to realize the mortgages receivable without any allowance for uncollectible amounts provided in the financial statements.

#### Income Taxes

The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Organization is also exempt under Title 15 of the State of New Jersey, *Corporations and Associations Not-for-Profit Act*. Accordingly, no provision for federal or state income taxes has been presented in the accompanying financial statements.

The Organization follows the provisions of FASB ASC *Income Taxes*. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition as they relate to those tax positions.

The Organization does not expect a significant increase or decrease to the total amounts of unrecognized tax positions during the years ended December 31, 2020 and 2019. However, the Organization is subject to regular audit by tax authorities, including a review of its nonprofit status which management believes would be upheld upon examination. The Organization believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year.

As required by law, the Organization files informational returns in the United States federal and New Jersey state jurisdictions. The Organization is subject to income tax examinations for returns within the statutory periods established by the respective jurisdictions.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. The COVID-19 pandemic has created and may continue to create significant uncertainty in macroeconomic conditions, which may cause further business disruptions and adversely impact results of operations. As a result, many estimates and assumptions required increased judgment and carry a higher degree of variability and volatility. As events continue to evolve and additional information becomes available, actual results could materially differ from those estimates in future periods.

### Fair Value Measurements

In accordance with FASB ASC, *Fair Value Measurements and Disclosures*, fair value is defined as a market-based measurement, not an entity-specific measurement. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). A fair value measurement assumes that the transaction to sell the asset or transfer the liability either occurs in the principal market (or in its absence, the most advantageous market) for the asset or liability. The following is a description of valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used at December 31, 2020.

*Cash, accounts receivable, grants and contributions receivable, other assets, accounts payable and accrued expenses, and other liabilities:* the carrying amounts approximate fair value due to the short-term maturity of these instruments.

*Mortgages receivable:* are carried at amortized cost. The mortgages are discounted at stipulated interest rates established by HFHI. Mortgages from homeowners do not bear interest and generally have a maximum life of 30 years. Required monthly repayments are calculated on a level payment basis.

*Notes payable, line of credit, and capital lease obligation:* Long-term debt is carried at cost. Management believes the Organization can obtain similar loans at similar terms, therefore the Organization has determined it approximates fair value.

### Advertising and Marketing

The Organization expenses the costs of advertising and marketing as incurred. The Organization incurred \$106,288 and \$123,964 in advertising and marketing expenses for the years ended December 31, 2020 and 2019, respectively.

### Reclassifications

Certain reclassifications have been made to the 2019 financial statement presentation to conform to the current year's presentation.

### New Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires all lessees to record a lease liability at lease inception, with a corresponding right of use asset, except for short-term leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization is currently evaluating the impact of the adoption of this guidance on the Organization's consolidated financial statements.

**Morris Habitat For Humanity, Inc.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

---

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted. The FASB ASU requires nonprofits to present contributed nonfinancial assets as a separate line item in the statement of activities apart from contributions of cash or other financial assets along with expanded disclosure requirements. The FASB issued the update in an effort to improve transparency in reporting nonprofit gifts-in-kind. Management is evaluating the impact this ASU will have on its financial statements.

Risk and Uncertainty

The ongoing COVID-19 pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Organization and financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which we operate and the related impact on consumer confidence and spending, all of which are highly uncertain.

3. Mortgages Receivable

Mortgages receivable are comprised of noninterest-bearing notes which are secured by properties sold through the home building program. These notes have original maturities of twenty or thirty years with the latest maturing in December 2048. Mortgages received for the years ended December 31, 2020 and 2019 were discounted at the HFHI stipulated interest rate of 7.38% and 7.66%, respectively.

	<u>2020</u>	<u>2019</u>
Face value of discounted mortgages	\$ 2,261,125	\$ 184,181
Less: Unamortized discount	<u>(1,018,701)</u>	<u>(60,319)</u>
	1,242,424	123,862
Face value of undiscounted mortgages	<u>1,121,185</u>	<u>815,259</u>
	<u>\$ 2,363,609</u>	<u>\$ 939,121</u>

No provision for uncollectible mortgages receivable has been established as management believes that in all cases the collateral is sufficient to enable full realization of these receivables.

The Organization sells mortgages receivable to local banks. In 2020 mortgages receivable with an aggregate book value of \$806,720, net of the unamortized discount, were sold for \$770,272 resulting in a net loss of \$36,448. In 2019 mortgages receivable with an aggregate book value of \$1,121,623, net of the unamortized discount, were sold for \$1,109,875 resulting in a net loss of \$11,748. The losses have been included in other income in the statement of activities.

**Morris Habitat For Humanity, Inc.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

---

In accordance with the terms of older agreements with its banks, for a stipulated number of years after sale, the Organization may be obligated to repurchase or substitute a new mortgage receivable for any previously sold mortgage receivable that is in default for 90 or more days. These contingent liabilities are relieved on a monthly basis and totaled \$724,395 and \$1,023,567 as of December 31, 2020 and 2019, respectively.

Mortgages receivable, acquired from Habitat for Humanity of Greater Plainfield and Middlesex County, Inc., amounted to \$2,013,292 as of December 31, 2020. The Organization discounted these mortgages at 50%, resulting in a mortgage receivable, net of unamortized discount balance of \$1,037,597, at the acquisition date. The Organization plans to sell the mortgages to local banks. The balance is included with mortgages receivable on the statement of financial position. The following schedule reflects the balance of mortgages receivable acquired through the acquisition at December 31, 2020:

	<u>2020</u>
Face value of discounted mortgages	\$ 1,987,303
Less: Unamortized discount	<u>(975,695)</u>
	<u><u>\$ 1,011,608</u></u>

4. Inventory of Real Estate and Construction Materials

Property acquisition and construction costs incurred in connection with the Organization's home building program are capitalized as inventory of real estate and construction materials until construction is completed and the property is sold. In the year the property is sold, the total cost is reflected in program service expenses as cost of homes sold. While construction activity is relatively constant over the course of each year, the number of properties completed can vary significantly year to year and this can produce variations in the Organization's annual change in net assets.

Inventory of real estate and construction materials represent homes in progress which are under construction. As of December 31, 2020 and 2019, inventory of buildings and construction materials amounted to \$1,461,522 and \$1,467,199, respectively. There was no bad debt expense for the year ended December 31, 2020. Bad debt expense amounted to \$8,726 for the year ended December 31, 2019.

**Morris Habitat For Humanity, Inc.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

---

5. Property and Equipment

Property and equipment and their related estimated useful lives at December 31, 2020 and 2019 are as follows:

<u>Assets</u>	<u>Estimated Useful Life (Years)</u>	<u>2020</u>	<u>2019</u>
Land		\$ 99,963	
Leasehold improvements	5 to 10	228,953	\$ 228,953
Furniture, fixtures, and equipment	3 to 10	386,691	310,249
Vehicles	5 to 7	215,860	117,952
		<u>931,467</u>	<u>657,154</u>
Less: accumulated depreciation		<u>(535,503)</u>	<u>(462,833)</u>
		<u>\$ 395,964</u>	<u>\$ 194,321</u>

Depreciation expense for the years ended December 31, 2020 and 2019 totaled \$72,670 and \$72,843, respectively.

6. Bank Line of Credit

The Organization has a \$800,000 line of credit with a financial institution that expires in August 2021. The line has a sublimit of up to \$200,000 for letters of credit. As of December 31, 2020 and 2019 there was an outstanding balance on the line of credit of \$340,000 and \$490,000, respectively. As of December 31, 2020 and 2019 there was a \$48,000 letter of credit outstanding under the sublimit (See Note 7).

7. Letters of Credit

The Organization has a \$48,000 letter of credit that was issued under the sublimit of the \$800,000 line of credit described in Note 6 above. The letter of credit is being utilized in support of its security deposit for its office lease. The Organization also has a \$29,943 letter of credit from a financial institution that is being used as a performance bond related to one of its construction projects. That letter of credit is secured by real estate held for future development.

8. Concentration of Credit Risk

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 related to cash. Also, the Organization is subject to credit risk through mortgages receivable due from homeowners and inventory of residential real estate. Although the Organization does not currently foresee a credit risk associated with the amounts due, repayment of the amounts is dependent upon the financial stability of the obligors.

**Morris Habitat For Humanity, Inc.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

---

9. Tithe

As an independent affiliate of HFHI, the Organization covenants with HFHI to contribute 10% of its cash contributions without donor restrictions and ReStore and events profits to one or more international affiliates. The tithe for the years ended December 31, 2020 and 2019 was \$25,000 and \$41,962, respectively.

10. Operating Leases

At December 31, 2020, the Organization was obligated under operating leases for its ReStore and office space, and for certain office equipment. These leases expire in August 2022 and May 2023, respectively. The following is a schedule, by years, of future minimum lease payments required under the noncancelable operating lease agreements which have an initial lease term in excess of one year:

Years ended December 31,	
2021	\$ 430,988
2022	157,335
2023	14,952
	<u>\$ 603,275</u>

Pursuant to the terms of its office lease, as security the Organization has given its landlord a \$30,000 cash deposit and a \$48,000 letter of credit from a local bank.

Total rent expense for the years ended December 31, 2020 and 2019 amounted to \$408,687 and \$400,327, respectively.

Total equipment lease expense for the years ended December 31, 2020 and 2019 amounted to \$13,762 and \$16,169, respectively.

11. Capital Lease Obligation

In September 2015, the Organization entered into a capital lease to acquire a new telephone system. The lease requires monthly payments of \$173 and matures in August 2020 when the Organization has the option to purchase the equipment for \$1.

The telephone system under this capital lease is included in property and equipment and amounted to \$7,615 as of December 31, 2020 and 2019. Accumulated depreciation on this equipment was \$7,615 and \$6,092 for the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020 the capital lease obligation was fully satisfied.

12. Rents Held Prior to Sale

In July 2011, the acquired Organization entered into an agreement with a client to allow the client the right to use and occupy a home owned by the Organization on a month-to-month basis.

**Morris Habitat For Humanity, Inc.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

---

The agreement stipulated that the client make monthly payments of \$620 to the Organization. The monthly payments increased to \$720 a month, effective June 1, 2018. Per the agreement, monthly payments are held by the Organization as a liability until the date the property is sold to the client, at which point the liability will be applied against the mortgage receivable, reducing the amount owed by the client. As part of the acquisition agreement, this account was transferred to the books of Morris Habitat for Humanity, Inc. on November 3, 2020. As of December 31, 2020, rents held prior to sale amounted to \$54,300.

13. Notes Payable

The Organization has four interest-free notes payable to the U.S. Department of Housing and Urban Development (HUD), which are comprised of the following as of December 31, 2020 and 2019:

	2020	2019
SHOP 172018		\$ 474
SHOP 173018	\$ 1,188	2,826
SHOP 191017	1,345	4,425
SHOP 211041	6,660	9,390
Total	<u>\$ 9,193</u>	<u>\$ 17,115</u>

In October 2017, the Organization financed \$39,483 for the purchase of a vehicle. The loan bears interest at a rate of 5.99% and matures in October 2022. Repayment of the loan is due in monthly principal and interest installments of \$765. The loan is secured by the vehicle. As of December 31, 2020 and 2019 there was an outstanding balance on the loan of \$15,791 and \$23,761, respectively.

In May 2018, the Organization financed \$49,125 for the purchase of a vehicle. The loan bears interest at a rate of 5.85% and matures in April 2024. Repayment of the loan is due in monthly principal and interest installments of \$811. The loan is secured by the vehicle. As of December 31, 2020 and 2019 there was an outstanding balance on the loan of \$29,396 and \$37,156, respectively.

In April 2020, the Organization financed \$48,647 for the purchase of a vehicle. The loan bears interest at a rate of 4.84% and matures in May 2026. Repayment of the loan is due in monthly principal and interest installments of \$781. The loan is secured by the vehicle. As of December 31, 2020 there was an outstanding balance on the loan of \$43,899.

In December 2020, the Organization financed \$46,768 for the purchase of a vehicle. The loan bears interest at a rate of 4.99% and matures in December 2025. Repayment of the loan is due in monthly principal and interest installments of \$884. The loan is secured by the vehicle. As of December 31, 2020 there was an outstanding balance on the loan of \$46,078.

In December 2020, the Organization was awarded partial forgiveness on their Paycheck Protection Program funding, resulting in a \$10,525 note payable as of December 31, 2020.

**Morris Habitat For Humanity, Inc.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

---

The loan bears interest at 1% and matures two years after the date of the first payment, which is to be determined by the lending institution.

Principal amounts under the above obligations, maturing subsequent to December 31, 2020, are as follows:

Years ended December 31,	
2021	\$ 50,176
2022	34,673
2023	26,723
2024	21,561
2025	18,592
Thereafter	3,157
Total	<u>\$ 154,882</u>

14. Paycheck Protection Program

In April 2020, the Organization received \$435,385 under the United States Small Business Administration's (SBA) Paycheck Protection Program (PPP). The PPP funding is legally structured as a forgivable loan by the SBA. In order to achieve forgiveness of the loan, the Organization must spend the funding for specific purposes and also must generally maintain its full-time equivalent level of staffing over a defined time period. The Organization has accounted for the PPP funding as a conditional contribution in the financial statements by applying ASC Topic 958-605, Revenue Recognition. Revenue is recognized only when conditions are met. PPP funding is subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue. In December 2020, the Organization received full forgiveness of the PPP in the amount of \$435,385 in principal and \$2,793.72 in interest. The amount has been included with other income on the statement of activities.

As part of the acquisition, the Organization assumed a liability in the amount of \$59,562 related to the acquired Organization's PPP loan. In December 2020 the Organization received partial forgiveness of the PPP in the amount of \$48,038. The remaining balance has been recorded in notes payable on the statement of financial position. The forgiven portion has been included with other income on the statement of activities.

**Morris Habitat For Humanity, Inc.**  
**Notes to Financial Statements**  
**December 31, 2020 and 2019**

15. ReStore Activity

The ReStore had the following activity for the year ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Sales	\$ 2,263,179	\$ 2,671,730
Beginning inventory	361,455	239,543
Add: estimated value of new donations	1,958,869	2,289,459
Less: ending inventory	<u>(400,360)</u>	<u>(361,455)</u>
Estimated value of sold goods	<u>1,919,964</u>	<u>2,167,547</u>
Estimated value of sold goods in excess of sales value	343,215	504,183
Estimated value of new donations	<u>1,958,869</u>	<u>2,289,459</u>
Total revenue, net	<u>\$ 2,302,084</u>	<u>\$ 2,793,642</u>

16. Acquisition of Habitat for Humanity of Greater Plainfield and Middlesex County, Inc.

The following table summarizes the November 3, 2020 acquisition date fair values of the assets acquired and liabilities assumed:

Cash	\$	145,026
Grants and contributions receivable, net		10,000
Mortgages receivable, net of unamortized discount		1,037,597
Inventory of real estate and construction materials		461,328
Property and equipment, net		161,502
Accounts payable and accrued expenses		(8,500)
Rents held prior to sale		(52,861)
Refundable advance		(59,562)
Contribution of net assets of Habitat for Humanity Greater Plainfield and Middlesex Counties , Inc.	<u>\$</u>	<u>1,694,530</u>
Without donor restrictions	\$	1,602,530
With donor restrictions		92,000
	<u>\$</u>	<u>1,694,530</u>

It was determined that the fair value of assets and liabilities at the date of acquisition equaled the net book value; therefore, the recognition of goodwill or a charge to the statement of activities was not required. In accordance with FASB ASC, *Not-for-Profit Entities: Mergers and Acquisitions*, an inherent contribution in the amount of \$1,694,530 was recorded in the statement of activities, representing the excess of the fair value of assets over the fair value of liabilities at the date of the acquisition. The Organization did not transfer any consideration as part of the acquisition of Habitat for Humanity of Greater Plainfield and Middlesex County, Inc.

17. Deferred Payroll Tax

The Coronavirus, Aid, Relief and Economic Security Act (CARES Act) allows employers to defer the deposit and payment of the employer's share of Social Security taxes from March 27, 2020 through December 31, 2020. The Organization elected to adopt this provision of the CARES Act. 50% of the deferred payment of the employer's share of Social Security tax must be repaid by December 31, 2021, with the remaining 50% due by December 31, 2022. The Organization deferred \$86,573, which is included in accounts payable and accrued expenses line on the Statement of Financial Position.

18. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after December 31, 2020 through the date of the independent auditor's report and the date the financial statements were available to be issued, May 21, 2021. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no nonrecognized subsequent events that require additional disclosure.

In January 2021, Organization applied for and was awarded \$416,385 of funding under the second round of Paycheck Protection Program.

Supplementary Information

**Morris Habitat For Humanity, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**December 31, 2020**

Federal Grantor Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity ID#	Grantor's Number	Grant Period	Grant Awards	Cumulative Program Disbursements	Current Year		
							Program Disbursements	Cash Received	Provided to Subrecipients
<b>U.S. Department of Housing and Urban Development</b>									
Passed through Habitat for Humanity International, Inc.									
SHOP Grants									
121 Main Street, Succasunna	14.247	N/A	SH17 020	2/27/19-2/27/22	\$ 70,000	\$ 28,169	\$ 28,169	\$ 28,169	\$ -
352 Howe Ave., Passaic	14.247	N/A	SH17 020	2/27/19-2/27/22	28,000	28,000	28,000	28,000	-
Passed through Community Development Agencies									
Home Investment Partnership Program									
121 Main Street, Succasunna	14.239	N/A	12/19-1448	11/15/19-6/30/23	300,000	278,615	278,615	278,615	-
352 Howe Ave., Passaic	14.239	N/A	M-05-DC-340226	9/20/19-6/30/2023	289,795	235,563	108,462	108,462	-
Total Expenditures						<u>\$ 570,347</u>	<u>\$ 443,246</u>	<u>\$ 443,246</u>	<u>\$ -</u>

**Morris Habitat For Humanity, Inc.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**December 31, 2020**

---

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards present the activity of all federal financial assistance programs of Morris Habitat For Humanity, Inc. 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)*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. All federal financial assistance received directly from federal agencies is included on the schedule of federal awards. Because the schedule presents only a selected portion of the operations of the Organization, they are not intended to and do not present the financial position, changes in net assets, or cash flows of the Organization.

2. Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting which is described in Note 2 to the financial statements. 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. The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Relationship to Federal Financial Reports

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the federal financial reports do not necessarily agree with the amounts in the accompanying Schedule of Expenditures of Federal Awards, which is prepared on the accrual basis of accounting explained in Note 2.

4. Subrecipients

No federal awards were provided to subrecipients.



200 Valley Road, Suite 300  
Mt. Arlington, NJ 07856  
973.298.8500

11 Lawrence Road  
Newton, NJ 07860  
973.383.6699

[nisivoccia.com](http://nisivoccia.com)

Independent Member  
BKR International

Independent Auditors' Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit Of Financial Statements  
Performed In Accordance With *Government Auditing Standards*

To the Board of Directors of  
Morris Habitat For Humanity, Inc.  
Randolph, NJ 07869

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Morris Habitat For Humanity, Inc., (a nonprofit organization) (the "Organization") which comprise the statements of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated May 21, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Morris Habitat For Humanity, Inc.'s internal control over financial reporting (internal control) to determine the 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 Morris Habitat For Humanity, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Morris Habitat For Humanity, Inc.'s internal control.

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

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

To the Board of Directors of  
Morris Habitat For Humanity, Inc.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Nisiroccia LLP*

Mt. Arlington, New Jersey  
May 21, 2021

**Morris Habitat For Humanity, Inc.**  
**Schedule of Findings and Responses**  
**December 31, 2020**

---

Summary of Auditors' Results:

- An unmodified report was issued on Morris Habitat For Humanity, Inc.'s financial statements.
- The audit did not disclose any material weaknesses or significant deficiencies in the internal controls of Morris Habitat For Humanity, Inc.
- The audit did not disclose any noncompliance which is material in relation to the financial statements of Morris Habitat For Humanity, Inc.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings or responses to be reported under Generally Accepted Government Auditing Standards.

Findings and Response for Federal Awards:

- The audit did not disclose any findings or responses for federal award purposes.

**Morris Habitat For Humanity, Inc.**  
**Schedule of Prior Year Audit Findings**  
**December 31, 2020**

---

Status of Prior Year Findings

There were no audit findings in the prior year.