Morris Habitat For Humanity, Inc. and Subsidiaries

Consolidated Financial Statements

December 31, 2022 and 2021

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Morris Habitat For Humanity, Inc. and Subsidiaries
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Independent Auditors' Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Morris Habitat For Humanity, Inc. and Subsidiaries (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Morris Habitat For Humanity, Inc. and Subsidiaries as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Morris Habitat For Humanity, Inc. and Subsidiaries 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.

Change in Accounting Principle

As discussed in Notes 2 and 11 to the consolidated financial statements, the Organization changed its method of accounting for leases as of January 1, 2022 due to the adoption of Accounting Standard Codification Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Morris Habitat For Humanity, Inc. and Subsidiaries' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Morris Habitat For Humanity, Inc. and Subsidiaries' 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.

Other Matters

Report on Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary schedules of expenditures of federal and state 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) and New Jersey State Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*, are presented for purposes of additional analysis and are not a required part of the financial statements.

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

The schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the consolidated 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 12, 2023 on our consideration of the Organization'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 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. and Subsidiaries' internal control over financial reporting and compliance.

Nisivoccia LLP

Mt. Arlington, New Jersey
May 12, 2023

Morris Habitat For Humanity, Inc. and Subsidiaries
Consolidated Statement of Financial Position
December 31, 2022 and 2021

	2022	2021
ASSETS		
Current assets:		
Cash	$ 1,213,889	$ 3,168,092
Accounts receivable	83,118	51,209
Grants and contributions receivable	1,188,507	10,000
Pledges receivable	500,000	
Mortgages receivable, net of unamortized discount	101,344	564,544
ReStore inventory	311,010	405,209
Inventory of real estate and construction materials	6,838,516	1,601,805
Prepaids and other assets	56,866	64,398
Total current assets	10,293,250	5,865,257
Pledges receivable, net of current portion and discount	799,371	
Mortgages receivable, net of current portion and unamortized discount	820,699	828,140
Inventory of real estate and construction materials, net of current portion	326,618	2,230,660
Operating lease right of use asset	2,352,751	
Property and equipment, net	359,129	417,890
Security deposits	86,350	30,100
Total assets	$ 15,038,168	$ 9,372,047
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 534,678	$ 694,256
Notes payable	1,579,646	71,893
Rents held prior to sale	68,700	60,060
Deferred rent		25,201
Deferred revenue	20,206	15,053
Operating lease liability	491,150	
Total current liabilities	2,694,380	866,463
Notes payable, net of current portion	124,029	189,191
Operating lease liability, net of current portion	1,950,811	
Total liabilities	4,769,220	1,055,654
Net assets:		
Without donor restrictions	8,443,447	7,363,463
With donor restrictions	1,825,501	952,930
Total net assets	10,268,948	8,316,393
Total liabilities and net assets	$ 15,038,168	$ 9,372,047

See Accompanying Notes to Consolidated Financial Statements

Morris Habitat For Humanity, Inc. and Subsidiaries
Consolidated Statement of Activities
Year Ended December 31, 2022

	Without Donor Restriction	With Donor Restriction	Total
Support and revenue:			
Contributions	$ 1,379,912	$ 1,799,371	$ 3,179,283
Grants from government agencies	1,353,277		1,353,277
ReStore revenue, net	3,069,855		3,069,855
Sale of homes	497,339		497,339
Donated assets and services	175,698		175,698
Amortization of mortgage discounts	32,564		32,564
Special event revenue	273,263		273,263
Other income	27,844		27,844
Net assets released from program restrictions	926,800	(926,800)	
Total support and revenue	7,736,552	872,571	8,609,123
Expenses:			
Program Services:			
Home building	2,617,140		2,617,140
ReStore	2,678,450		2,678,450
	5,295,590		5,295,590
Supporting Services:			
General and administrative	485,965		485,965
Fundraising	858,425		858,425
Total expenses	6,639,980		6,639,980
Change in net assets from operations	1,096,572	872,571	1,969,143
Nonoperating activities:			
Loss on sale of mortgages	(16,588)		(16,588)
Total nonoperating activities	(16,588)		(16,588)
Change in net assets	1,079,984	872,571	1,952,555
Net assets, beginning of year	7,363,463	952,930	8,316,393
Net assets, end of year	$ 8,443,447	$ 1,825,501	$ 10,268,948

See Accompanying Notes to Consolidated Financial Statements

Morris Habitat For Humanity, Inc. and Subsidiaries
Consolidated Statement of Activities
Year Ended December 31, 2021

	Without Donor Restriction	With Donor Restriction	Total
Support and revenue:			
Contributions	$ 3,116,706	$ 916,858	$ 4,033,564
Grants from government agencies	311,938		311,938
ReStore revenue, net	2,895,397		2,895,397
Sale of homes	448,000		448,000
Donated assets and services	517,848		517,848
Amortization of mortgage discounts	44,408		44,408
Special event revenue	343,068		343,068
Other income	65,296		65,296
Net assets released from program restrictions	149,550	(149,550)	
Total support and revenue	7,892,211	767,308	8,659,519
Expenses:			
Program Services:			
Home building	2,213,446		2,213,446
ReStore	2,187,287		2,187,287
	4,400,733		4,400,733
Supporting Services:			
General and administrative	416,013		416,013
Fundraising	692,927		692,927
Total expenses	5,509,673		5,509,673
Change in net assets from operations	2,382,538	767,308	3,149,846
Nonoperating activities:			
Gain on sale of mortgages	199,211		199,211
Bad debt expense	(61,902)		(61,902)
Government assistance - PPP	416,385		416,385
Total nonoperating activities	553,694		553,694
Change in net assets	2,936,232	767,308	3,703,540
Net assets, beginning of year	4,427,231	185,622	4,612,853
Net assets, end of year	$ 7,363,463	$ 952,930	$ 8,316,393

See Accompanying Notes to Consolidated Financial Statements

Morris Habitat For Humanity, Inc. and Subsidiaries
Consolidated Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services			Supporting Services		
	Home Building Program	ReStore Program	Total	General and Administrative	Fundraising	Total
Salaries and wages	$ 952,238	$ 1,110,586	$ 2,062,824	$ 233,264	$ 504,628	$ 2,800,716
Payroll taxes	83,064	99,118	182,182	16,250	42,594	241,026
Fringe benefits	86,617	112,598	199,215	32,158	14,386	245,759
Total salaries and related benefits	1,121,919	1,322,302	2,444,221	281,672	561,608	3,287,501
Professional fees	22,323	13,095	35,418	46,907	90,907	173,232
Occupancy costs	35,649	219,958	255,607	21,027	6,062	282,696
Lease expense		521,010	521,010			521,010
Tithe and fees to HFHI	85,000		85,000			85,000
Insurance	109,497	84,701	194,198	19,608		213,806
Telephone	8,998	5,486	14,484	19,352	1,828	35,664
Office expense	99,213	170,659	269,872	44,924	56,531	371,327
Advertising and marketing expense	1,575	78,614	80,189	10,339	42,443	132,971
Special event expense	10,595	248	10,843	133	88,325	99,301
Absorbed construction costs and equipment	96,383	49	96,432			96,432
Vehicle expense	29,112	46,234	75,346	6,888		82,234
Cost of homes sold	884,153		884,153			884,153
Cost of goods sold		153,825	153,825			153,825
Home repair ministry	68,425	35	68,460			68,460
Education and travel	8,683	996	9,679	10,606	5,414	25,699
Miscellaneous	10,139	5,189	15,328	12,619	211	28,158
Total expenses before depreciation	2,591,664	2,622,401	5,214,065	474,075	853,329	6,541,469
Depreciation	25,476	56,049	81,525	11,890	5,096	98,511
Total expenses	$ 2,617,140	$ 2,678,450	$ 5,295,590	$ 485,965	$ 858,425	$ 6,639,980

See Accompanying Notes to Consolidated Financial Statements

Morris Habitat For Humanity, Inc. and Subsidiaries
Consolidated Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services			Supporting Services		
	Home Building Program	ReStore Program	Total	General and Administrative	Fundraising	Total
Salaries and wages	$ 912,382	$ 923,480	$ 1,835,862	$ 166,229	$ 414,749	$ 2,416,840
Payroll taxes	75,834	77,135	152,969	12,921	36,397	202,287
Fringe benefits	83,452	87,111	170,563	19,629	11,106	201,298
Total salaries and related benefits	1,071,668	1,087,726	2,159,394	198,779	462,252	2,820,425
Professional fees	81,505		81,505	30,886	45,053	157,444
Occupancy costs	40,094	534,028	574,122	25,289	10,600	610,011
Tithe and fees to HFHI	80,000		80,000			80,000
Insurance	95,952	75,437	171,389	26,684		198,073
Telephone	3,259	6,539	9,798	13,948	976	24,722
Office expense	92,210	162,423	254,633	53,970	4,205	312,808
Advertising and marketing expense	1,401	46,771	48,172	6,345	70,590	125,107
Special event expense	9,211		9,211	463	86,540	96,214
Absorbed construction costs and equipment	104,483		104,483	1,319		105,802
Vehicle expense	18,925	44,159	63,084	3,931	1,061	68,076
Cost of homes sold	560,304		560,304			560,304
Cost of goods sold	173	212,048	212,221			212,221
Education and travel	2,895	1,493	4,388	8,229	1,863	14,480
Miscellaneous	1,023	2,505	3,528	23,380	969	27,877
Total expenses before depreciation	2,163,103	2,173,129	4,336,232	393,223	684,109	5,413,564
Depreciation	50,343	14,158	64,501	22,790	8,818	96,109
Total expenses	$ 2,213,446	$ 2,187,287	$ 4,400,733	$ 416,013	$ 692,927	$ 5,509,673

See Accompanying Notes to Consolidated Financial Statements

Morris Habitat For Humanity, Inc. and Subsidiaries
Consolidated Statement of Cashflows
December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ 1,952,555	$ 3,703,540
Adjustments to reconcile change in net assets to		
net cash provided by (used in) operating activities:		
Depreciation	98,511	96,109
Unamortized mortgage discount	(32,563)	(44,408)
Forgiveness of refundable advance		(416,385)
Loss (gain) on sale of mortgages	16,588	(199,211)
Bad debt expense		61,902
Changes in operating assets and liabilities:		
Accounts receivable	(31,909)	(71,059)
Grants and contributions receivable	(1,178,507)	
Pledges receivable, net of discount	(1,299,371)	
Mortgages receivable	(104,636)	(217,424)
Proceeds from sale of mortgages receivable	591,252	1,431,968
ReStore inventory	94,199	(4,849)
Inventory of real estate and construction materials	(3,332,669)	(2,370,943)
Prepaids and other assets	7,532	(16,198)
Security deposits	(56,250)	
Accounts payable and accrued expenses	(159,578)	243,410
Rents held prior to sale	8,640	5,760
Deferred rent	(25,201)	(33,860)
Deferred revenue	5,153	15,053
Operating lease asset and liability	89,210	
Refundable advance		416,385
Net cash provided by(used in) operating activities	(3,357,044)	2,599,790
Cash flows from investing activities:		
Purchase of property and equipment	(39,750)	(20,839)
Net cash provided used in investing activities	(39,750)	(20,839)
Cash flows from financing activities:		
Proceeds from principal borrowings on notes payable	1,515,091	75,875
Principal repayments on notes payable	(72,500)	(66,833)
Proceeds from principal borrowings on line of credit	500,000	24,051
Principal repayments on line of credit	(500,000)	(364,087)
Net cash provided by (used in) financing activities	1,442,591	(330,994)
Net increase(decrease) in cash	(1,954,203)	2,247,957
Cash, beginning of year	3,168,092	920,135
Cash, end of year	$ 1,213,889	$ 3,168,092
Supplementary disclosure of cash activity:		
Cash paid during the year for interest	$ 8,256	$ 6,406
Supplemental disclosure of noncash activity:		
Donated materials, supplies and services	$ 175,698	$ 517,848
Acquisition of equipment through note payable	$ -	$ 97,195

See Accompanying Notes to Consolidated 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, 2022 the home building program resulted in the sale of three (3) 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.

146 Morris Avenue Summit, LLC, a limited liability company, was established by Morris Habitat for Humanity, Inc. for the sole purpose of constructing 12 residential units for sale to low/moderate income persons at 146 Morris Avenue, Summit, NJ. Morris Habitat for Humanity, Inc. has a 100% interest in 146 Morris Avenue Summit, LLC.

42 Bennett Avenue Randolph, LLC, a limited liability company, was established by Morris Habitat for Humanity, Inc. for the sole purpose of development and sale of 25 affordable new construction residential condominiums at 42 Bennett Avenue, Randolph, Morris County NJ. Morris Habitat for Humanity, Inc. has a 100% interest in 42 Bennett Avenue Randolph, LLC.

2. Summary of Significant Accounting Policies

These consolidated 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 the Organization in the preparation of the accompanying consolidated financial statements is set forth below:

Principles of Consolidation

The consolidated financial statements include the accounts for Morris Habitat For Humanity, Inc., 146 Morris Avenue Summit, LLC and 42 Bennett Avenue Randolph, LLC, collectively referred to as Morris Habitat For Humanity, Inc. and Subsidiaries (the "Organization"). All the entities are under common control. All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation

The Organization prepares its consolidated 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. *Presentation of Financial Statements of Not-for-Profit Entities* 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 assets without 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:

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 a stipulated time or 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 consolidated statement of activities as net assets released from donor restrictions. At December 31, 2022 and 2021 there was $1,825,501 and $952,930, 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, 2022 and 2021:

	2022	2021
Satisfaction of purpose restrictions:		
Construction funding	$ 916,777	$ 144,000
General use	1,263	
Construction vehicle	8,760	5,550
	$ 926,800	$ 149,550

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

	2022	2021
Subject to expenditure for specified purpose:		
Internal revolving credit facility	$ 1,799,371	
Construction funding		$ 916,777
Construction vehicle	15,003	23,763
General use	11,127	12,390
	$ 1,825,501	$ 952,930

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. 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 and state 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 consolidated 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:

	2022	2021
Performance obligations satisfied at a point in time	$ 3,840,457	$ 3,671,129

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

Liquidity and Availability

The provisions 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 consolidated 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 consolidated financial statement and/or in the notes to the consolidated financial statements. Accordingly, the Organization has presented the consolidated 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 consolidated 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 consolidated statement of financial position date.

	2022	2021
Financial assets at year end:		
Cash	$ 1,213,889	$ 3,168,092
Accounts receivable	83,118	51,209
Grants and contributions receivable	1,188,507	10,000
Pledges receivable	500,000	
Mortgages receivable, net of unamortized discount	101,344	564,544
ReStore inventory	311,010	405,209
Inventory of real estate and construction materials	5,470,813	1,146,202
Total financial assets:	8,868,681	5,345,256
Less those unavailable for general expenditures within one year:		
Contractual or donor-imposed restrictions:		
Restricted by donor for construction and general use	(1,825,501)	(952,930)
Financial assets available to meet cash needs for general expenditures within one year	$ 7,043,180	$ 4,392,326

The Organization has a goal to maintain cash on hand to meet 90 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 and state awards, contribution revenue, home and ReStore sales.

Deferred Revenue

Deferred revenue consists of funds received in advance of services being performed and will be recognized as income in future periods when earned. At December 31, 2022 and 2021 deferred revenue amounted to $20,206 and $15,053, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statement of activities. The consolidated 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 consolidated 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, Pledges and Contributions Receivable, Allowance for Doubtful Accounts, and Provision for Discount to Net Present Value

Accounts, grants, pledges 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, pledges, or contributions receivable. There was no allowance for bad debts as of December 31, 2022 and 2021. Bad debt expense amounted to $0 and $61,902 for the years ended December 31, 2022 and 2021, respectively. Management has recorded a discount on pledged amounts of $200,629 as of December 31, 2022.

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, 2022 and 2021.

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.

In-Kind Contributions

The Organization follows the provisions of FASB ASU 2020-07, *Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which requires nonprofits to present contributed nonfinancial assets as a separate line in the statement of activities apart from contributions of cash or other financial assets.

Amounts are reported in the consolidated 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 $175,698 and $517,848 for the years ended December 31, 2022 and 2021, 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 consolidated 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 24,758 and 20,230 hours for each of the years ended December 31, 2022 and 2021, 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 consolidated 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 Organizations Not-for-Profit Act*. Accordingly, no provision for federal or state income taxes has been presented in the accompanying consolidated 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 consolidated 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, 2022 and 2021. 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 consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period.

Advertising and Marketing

The Organization expenses the costs of advertising and marketing as incurred. The Organization incurred $132,971 and $125,107 in advertising and marketing expenses for the years ended December 31, 2022 and 2021, respectively.

Leases

In February 2016, the FASB issued guidance ASC 842, *Leases* to increase transparency and comparability among companies by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted FASB ASC 842, with a date of initial application of January 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases* (Topic 842): Targeted Improvements. The Organization did not restate prior comparative periods as presented under FASB ASC 840 and instead evaluated whether a cumulative effect adjustment to net assets as of January 1, 2022, was necessary for the cumulative impact of adoption of FASB ASC 842. The Organization recognized and measured leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

The Organization elected the available practical expedients to account for existing operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

ROU assets represent the Organization's right to use leased assets over the term of the lease. Lease liabilities represent the Organization's contractual obligation to make lease payments and are measured at the present value of the future lease payments over the lease term. ROU assets are calculated as the present value of the future lease payments adjusted by any deferred rent liability and lease incentives. ROU assets and lease liabilities are recognized at the lease commencement date. The Organization uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Organization uses the risk-free rate at the lease commencement date to determine the present value of the future lease payments.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022 a lease liability of $2,862,762, which represents the present value of the remaining operating lease payments of $2,952,391, discounted using the Organization's risk-free rate of 1.37%, and a right-of-use asset of $2,837,561 which represents the operating lease liability of $2,862,762, adjusted for accrued rent of $25,201.

The Organization has elected for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less, but greater than 1 month at lease commencement, and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. The Organization recognizes lease cost associated with its short-term leases on a straight-line basis over the lease term.

The standard had a material impact on the Organization's consolidated statement of financial position but did not have an impact on the Organization's consolidated statement of activities, nor consolidated statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

Reclassifications

Certain prior year amounts have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Subsequent Events

Management has reviewed subsequent events and transactions that occurred after December 31, 2022 through the date of the independent auditors' report and the date the consolidated financial statements were available to be issued, May 12, 2023. The consolidated 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.

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 2052. Mortgages received for the years ended December 31, 2022 and 2021 were discounted at the HFHI stipulated interest rate of 7.49% and 7.23%, respectively.

	2022	2021
Face value of discounted mortgages	$ 1,093,535	$ 1,163,374
Less: Unamortized discount	(418,677)	(614,455)
	674,858	548,919
Face value of undiscounted mortgages	247,185	843,765
	$ 922,043	$ 1,392,684

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 2022 mortgages receivable with an aggregate book value of $607,842, net of the unamortized discount, were sold for $591,254 resulting in a net loss of $16,588. In 2021 mortgages receivable with an aggregate book value of $1,232,755, net of the unamortized discount, were sold for $1,431,966 resulting in a net gain of $199,211.

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 that is in default for 90 or more days. These contingent liabilities are relieved on a monthly basis and totaled $642,759 and $702,186 as of December 31, 2022 and 2021, respectively.

4. Pledges Receivable

During the year ended December 31, 2022 the Organization received a pledge for the purpose of creating an internal revolving credit facility to fund real estate acquisition and construction projects.

	2022
Pledges expected to be collected in:	
Less than one year	$ 500,000
One to five years	1,000,000
	1,500,000
Less: discount on pledges	(200,629)
Net pledges receivable	$ 1,299,371

Discount on pledges receivable for accounts collectable over periods greater than one year amount to $200,629 as of December 31, 2022.

5. 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, 2022 and 2021, inventory of real estate and construction materials amounted to $7,165,134 and $3,832,465, respectively.

6. Property and Equipment

Property and equipment and their related estimated useful lives at December 31, 2022 and 2021 are as follows:

Assets	Estimated Useful Life (Years)	2022	2021
Land		$ 99,963	$ 99,963
Leasehold improvements	5 to 10	268,703	228,953
Furniture, fixtures, and equipment	3 to 10	405,033	504,726
Vehicles	5 to 7	313,055	215,860
		1,086,754	1,049,502
Less: accumulated depreciation		(727,625)	(631,612)
		$ 359,129	$ 417,890

Depreciation expense for the years ended December 31, 2022 and 2021 totaled $98,511 and $96,109, respectively.

7. Bank Line of Credit

The Organization has a $800,000 line of credit with a financial institution that expires in July 2023. The line has a sublimit of up to $200,000 for letters of credit. As of December 31, 2022 and 2021 there was no outstanding balance on the line of credit. As of December 31, 2022 and 2021, respectively, there was a $0 and $48,000 letter of credit issued under the sublimit (See Note 8).

8. Letters of Credit

The Organization had a $48,000 letter of credit that was issued under the sublimit of the $800,000 line of credit described in Note 7 above. The letter of credit was being utilized in support of its security deposit for its office lease. In May 2022, the $48,000 letter of credit was terminated, eliminating the reduction to the available balance.

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.

9. 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.

10. 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 event profits to one or more international affiliates. The tithe for the years ended December 31, 2022 and 2021 was $60,000.

11. Leases

At December 31, 2022, the Organization was obligated under operating leases for its ReStore and office space expiring in August 2027. The lease provides for a 2% increase in the annual base rent per year of the agreement.

Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. Because the Organization is not reasonably certain to exercise these renewal options, the optional periods are not included in determining the lease term, and associated payments under these renewal options are excluded from lease payments used to determine the lease liabilities. The Organization's lease does not include termination options for either party to the lease, guaranteed residual values or restrictive financial or other covenants.

The total lease costs under FASB, ASC 842 for the year ended December 31, 2022 amounted to $521,010.

Other information related to the Organization's operating lease as of and for the year ended December 31, 2022 was as follows:

Operating cash flows from operating leases	$	457,001
ROU assets obtained in exchange for new operating lease liabilities	$	2,862,762
Weighted-average remaining lease term in years for operating leases		4.67
Weighted-average discount rate for operating leases		1.37%

The future minimum lease liabilities under these noncancellable operating leases as of December 31, 2022 are as follows:

Year Ended December 31,	
2023	$ 520,950
2024	531,369
2025	541,996
2026	552,836
2027	373,439
Total undiscounted cash flows	2,520,591
Less: present value discount	(78,629)
Total lease liabilities	$ 2,441,961

The total lease costs under FASB ASC, 840 (pre-adoption of the new standards) for operating leases totaled $416,570 for the year ended December 31, 2021.

The aggregate minimum undiscounted lease payments under these operating leases as of December 31, 2021 are as follows:

Year ended December 31,	
2022	$ 292,740
2023	12,372
2024	12,372
2025	7,217
	$ 324,701

12. Rents Held Prior to Sale

In July 2011, the 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. 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, 2022 and 2021, rents held prior to sale amounted to $68,700 and $60,060, respectively.

13. Notes Payable

The Organization has 5 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, 2022 and 2021:

	2022	2021
SHOP 211041		$ 1,980
SHOP 221032	$ 3,130	4,690
SHOP 222008	15,626	23,438
SHOP 223001	6,260	9,380
SHOP 231045	16,173	22,641
Total	$ 41,189	$ 62,129

The Organization finances vehicles in the normal course of operations. The loans bear interest at rates between 3.99% and 5.99%, with maturity dates between October 2022 and October 2026. Repayment of the loans are due in monthly principal and interest payments ranging from $765 to $1,800. Each loan is secured by the related vehicle. As of December 31, 2022 and 2021 there was an outstanding balance on the loans of $147,395 and $198,955, respectively.

During 2022, the Organization and 42 Bennett Avenue Randolph, LLC. (the "Borrower") acquired a $2,000,000 construction mortgage loan note with a financial institution to finance the 42 Bennett Avenue project. The note accrues interest at the Wall Street Journal prime rate minus 1% (6.5% at December 31, 2022) with a 2.5% floor. The note matures upon the earlier of (a) the date on which the project has been completed and an unconditional certificate of occupancy has been issued or (b) the date which is thirty-six (36) months following the execution date of the note (January 11, 2024). The Borrower is required to make monthly interest only payments on the outstanding principal balance of the construction loan. The note Is secured by a first mortgage on the property and improvements. As of December 31, 2022 the balance of the note amounted to $858,456.

During 2022, 146 Morris Avenue Summit, LLC. (the "Company") acquired a $1,860,000 revolving line of credit with a financial institution to fund the 146 Morris Avenue project. The note accrues interest at the Wall Street Journal prime rate minus .5% (7% at December 31, 2022) with a 3.5% floor. The term of the of the loan is eighteen (18) months, with six (6) month extension options. The Company is required to make monthly interest only payments on the outstanding principal balance of the construction loan and principal payments upon the sale of each unit. The note Is secured by (a) a first mortgage on the property and improvements, (b) a general security interest and UCC-1 filings on all tangible and intangible assets of the Company, now owned or hereafter acquired, and (c) security interest in all assets held by Lakeland Bank in the maximum amount of $350,000 or maintain a 90% loan-to-sale price. The Loan shall be unconditionally guaranteed by Morris Habitat for Humanity, Inc. As of December 31, 2022 the balance of the line amounted to $656,635.

Principal amounts under the above obligations, maturing subsequent to December 31, 2022, are as follows:

Years ended December 31,	
2023	$ 1,579,646
2024	60,159
2025	42,927
2026	20,943
Total	$ 1,703,675

14. Paycheck Protection Program

As part of the 2020 acquisition of Habitat for Humanity Greater Plainfield and Middlesex County, Inc., 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 $49,038. The remaining balance was recorded in notes payable on the consolidated statement of financial position. In July 2021 the Organization repaid the loan in full, satisfying the terms of the agreement.

In January 2021, the Organization applied and received an advance through the SBA for the second round of the Paycheck Protection Program ("PPP") in an amount of $416,385. In January 2022, the Organization received full forgiveness of the PPP in the amount of $416,385 in principal and $4,129 in interest. The amount is recognized as income on the consolidated statement of activities for the year ended December 31, 2021.

15. ReStore Activity

The ReStore had the following activity for the year ended December 31, 2022 and 2021:

	2022	2021
Sales	$ 3,069,855	$ 2,895,397
Beginning inventory	405,209	400,360
Add: estimated value of new donations and purchased products	2,445,800	2,358,900
Less: ending inventory	(311,010)	(405,209)
Estimated value of sold goods	2,539,999	2,354,051
Estimated value of sold goods in excess of sales value	529,856	541,346
Total revenue, net	$ 3,069,855	$ 2,895,397

16. 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 repaid the balance in accordance with the requirements of the program resulting in deferred payroll taxes of $0 and $50,284 as of December 31, 2022 and 2021, respectively. The amount was included in accounts payable and accrued expenses on the consolidated statement of financial position as of December 31, 2021.

Supplementary Information

Morris Habitat For Humanity, Inc. and Subsidiaries
Consolidated Schedule of Expenditures of Federal Awards
December 31, 2022

Federal Grantor/ Pass-through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity ID#	Grantor's Number	Grant Period	Grant Awards	Cumulative Program Disbursements	Current Year Program Disbursements	Current Year Cash Received	Current Year Provided to Subrecipients
U.S. Department of Housing and Urban Development									
Passed through Community Development Agencies									
Home Investment Partnership Program									
352 Howe/121 Main St.	14.239	N/A	S-H1-70-28-0000	2/27/2019-2/27/2022	$ 98,000	$ 98,000	$ 41,831	$ 41,831	$ -
146 Morris Ave.	14.239	N/A	S-H1-80-32-0000	1/1/2022-12/31/2022	102,714	102,714	102,714	102,714	-
42 Bennett Ave.	14.239	N/A	S-H1-90-27-0000	2/27/2019-2/27/2022	65,000	28,000	28,000	-	-
42 Bennett Ave. / 146 Morris Ave.	14.239	N/A	S-H2-00-54-0000	10/29/2020-7/1/2024	84,000	84,000	84,000	-	-
					349,714	312,714	256,545	144,545	-
Office of Community Planning and Development									
Community Project Funding	14.251	N/A	B-22-CP-NJ-0581	10/10/2022-8/31/2030	3,000,000	478,930	478,930	-	-
Community Development Block Grant (CDBG)									
2020 - Morris County- Home Repair	14.218	N/A	14/20-1494	1/1/2022-12/31/2022	50,000	50,000	50,000	20,226	-
Total Expenditures					$ 3,399,714	$ 841,644	$ 785,475	$ 164,771	$ -

See Accompanying Notes to the Consolidated Schedules of Expenditures of Federal and State Awards

Morris Habitat For Humanity, Inc. and Subsidiaries
Consolidated Schedule of Expenditures of State Awards
December 31, 2022

State Grantor/ Pass-through Grantor/Program Title	Grantor's Number	State Account Number	Grant Period	Award Amount	Cumulative Program Disbursements	Current Year Program Disbursements	Current Year Cash Received
NJ Department of Community Affairs							
Division of Housing and Community Resources							
Neighborhood Preservation Balanced Housing Program							
146 Morris Ave Summit Affordable Homeownership Project	2020-02361-0526-00	N/A	1/1/2022-1/1/2025	$ 1,261,782	$ 567,802	$ 567,802	$ -
Total Expenditures				$ 1,261,782	$ 567,802	$ 567,802	$ -

See Accompanying Notes to the Consolidated Schedules of Expenditures of Federal and State Awards

1. General

The accompanying schedules of expenditures of federal and state awards present the activity of all financial assistance programs of the Organization. The information in these schedules 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) and the New Jersey State Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of the basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal and state awards passed through other government agencies are included in the schedules of expenditures of federal and state awards. Because the schedules present 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. Basis of Accounting

The accompanying schedules of expenditures of federal and state awards are presented using the accrual basis of accounting which is described in Note 2 to the consolidated 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. Pass-through entity identifying numbers are presented where available.

3. Indirect Cost Rate

The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Sub-recipients

No federal or state awards were provided to sub-recipients.

5. Relationship to Federal and State Financial Reports

The regulations and guidelines governing the preparation of federal and state financial reports vary by federal and state agency and among programs administered by the same agencies. Accordingly, the amounts reported in the federal and state financial reports do not necessarily agree with the amounts reported in the accompanying schedules of expenditures of federal and state awards, which are prepared on the accrual basis explained in Note 2.

6. Single Audit – Type A/Type B Program Threshold

Dollar threshold used to distinguish between Type A and Type B programs is $750,000. Single audit expenditure threshold requirement is $750,000.

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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. and Subsidiaries
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 consolidated financial statements of Morris Habitat For Humanity, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated May 12, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Morris Habitat For Humanity, Inc. and Subsidiaries' internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Morris Habitat For Humanity, Inc. and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of Morris Habitat For Humanity, Inc. and Subsidiaries' 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 consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Morris Habitat For Humanity, Inc. and Subsidiaries' consolidated 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

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

Nisivoccia LLP

Mt. Arlington, New Jersey
May 12, 2023

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BKR International

Independent Auditors' Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance in Accordance with the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Morris Habitat For Humanity, Inc. and Subsidiaries' (the "Organization") 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 the Organization's major federal programs for the year ended December 31, 2022. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion the Organization 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 December 31, 2022.

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

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 the Organization'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 the Organization's federal programs.

Auditors' 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 the Organization'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 GAAS, *Government Auditing Standards*, 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 the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, 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 the Organization'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 the Organization'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 the Organization'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.

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

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 or state 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 or state 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 or state 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.

Nisivoccia LLP

Mt. Arlington, New Jersey
May 12, 2023

Morris Habitat For Humanity, Inc. and Subsidiaries
Schedule of Findings and Questioned Costs
December 31, 2022

I. Summary of Auditor's Results

Financial statements

The auditors' report issued on the consolidated financial statements of Morris Habitat for Humanity, Inc. and Subsidiaries was an unmodified opinion.

Internal control over financial reporting:

• Material weaknesses identified?		Yes	X	No
• Significant deficiencies identified?		Yes	X	None reported
Noncompliance material to financial statements noted?		Yes	X	No

Internal control over major programs:

• Material weaknesses identified?		Yes	X	No
• Significant deficiencies identified?		Yes	X	None reported

The auditors' report issued on compliance for major federal program was an unmodified opinion.

Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance		Yes	X	No

The following federal program was designated as major program:

Federal Agency/Pass-through Pass-through Entity	Assistance Listing/ State Contract Number	Expenditures
U.S. Department of Housing and Urban Development		
Passed through Community Development Agencies		
Passed through:		
Community Project Funding Affordable Housing Trust Fund 2020	14.251	$ 478,930

Dollar threshold used to distinguish between Type A and Type B programs	$ 750,000			
Auditee qualified as a low-risk auditee?		Yes	X	No

II. Financial Statement Findings

No matters were reported.

III. Federal Award Findings and Questioned Costs

No matters were reported.

Morris Habitat For Humanity, Inc. and Subsidiaries
Schedule of Prior Year Audit Findings
December 31, 2022

Status of Prior Year Findings

There were no audit findings in the prior year.