Morris Habitat For Humanity, Inc. and Subsidiaries

Consolidated Financial Statements

December 31, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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.

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 3, 2024 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 3, 2024

Morris Habitat For Humanity, Inc. and Subsidiaries
Consolidated Statement of Financial Position
December 31, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		
Cash	$ 993,601	$ 1,213,889
Accounts receivable	48,206	83,118
Grants and contributions receivable	23,989	1,188,507
Pledges receivable	545,000	500,000
Mortgages receivable, net of unamortized discount and allowance for credit loss	59,416	101,344
ReStore inventory	420,331	311,010
Inventory of real estate and construction materials	4,390,794	6,838,516
Prepaids and other assets	42,588	56,866
Total current assets	6,523,925	10,293,250
Pledges receivable, net of current portion and discount	475,661	799,371
Mortgages receivable, net of current portion and unamortized discount and allowance for credit loss	720,497	820,699
Inventory of real estate and construction materials, net of current portion	1,607,836	326,618
Operating lease right of use asset	1,861,541	2,352,751
Property and equipment, net	354,881	359,129
Security deposits	86,350	86,350
Total assets	$ 11,630,691	$ 15,038,168
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 782,867	$ 534,678
Notes payable	1,193,897	1,579,646
Line of credit	321,000	
Deferred revenue	13,006	20,206
Operating lease liability	508,418	491,150
Total current liabilities	2,819,188	2,625,680
Notes payable, net of current portion	140,102	124,029
Rents held prior to sale	80,220	68,700
Operating lease liability, net of current portion	1,442,393	1,950,811
Total liabilities	4,481,903	4,769,220
Net assets:		
Without donor restrictions	6,110,757	8,443,447
With donor restrictions	1,038,031	1,825,501
Total net assets	7,148,788	10,268,948
Total liabilities and net assets	$ 11,630,691	$ 15,038,168

See Accompanying Notes to Consolidated Financial Statements

Morris Habitat For Humanity, Inc. and Subsidiaries
Consolidated Statement of Activities
Year Ended December 31, 2023

	Without Donor Restriction	With Donor Restriction	Total
Support and revenue:			
Contributions	$ 1,622,574	$ 90,000	$ 1,712,574
Grants from government agencies	2,472,981		2,472,981
ReStore revenue, net	3,299,245		3,299,245
Sale of homes	1,255,000		1,255,000
Donated assets and services	1,121,074		1,121,074
Amortization of mortgage discounts	32,451		32,451
Special event revenue	359,787		359,787
Other income	72,550		72,550
Net assets released from restrictions	877,470	(877,470)	
Total support and revenue	11,113,132	(787,470)	10,325,662
Expenses:			
Program Services:			
Home building	9,072,327		9,072,327
ReStore	2,957,807		2,957,807
	12,030,134		12,030,134
Supporting Services:			
General and administrative	547,928		547,928
Fundraising	971,473		971,473
Total expenses	13,549,535		13,549,535
Change in net assets from operations	(2,436,403)	(787,470)	(3,223,873)
Nonoperating activities:			
Loss on sale of mortgages	(20,056)		(20,056)
Employee retention credit	123,769		123,769
Total nonoperating activities	103,713		103,713
Change in net assets	(2,332,690)	(787,470)	(3,120,160)
Net assets, beginning of year	8,443,447	1,825,501	10,268,948
Net assets, end of year	$ 6,110,757	$ 1,038,031	$ 7,148,788

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 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 Functional Expenses
Year Ended December 31, 2023

	Program Services			Supporting Services		
	Home Building Program	ReStore Program	Total	General and Administrative	Fundraising	Total
Salaries and wages	$ 1,007,176	$ 1,174,660	$ 2,181,836	$ 246,722	$ 533,742	$ 2,962,300
Payroll taxes	104,049	124,158	228,207	20,355	53,354	301,916
Fringe benefits	115,191	149,744	264,935	42,766	19,133	326,834
Total salaries and related benefits	1,226,416	1,448,562	2,674,978	309,843	606,229	3,591,050
Professional fees	31,377	18,406	49,783	65,933	127,777	243,493
Occupancy costs	32,044	197,723	229,767	18,901	5,450	254,118
Lease expense		516,538	516,538			516,538
Tithe and fees to HFHI	57,497		57,497			57,497
Insurance	115,460	89,313	204,773	20,676		225,449
Telephone	3,114	1,899	5,013	6,696	633	12,342
Office expense	136,123	234,152	370,275	61,638	77,563	509,476
Advertising and marketing expense	1,417	70,741	72,158	9,304	38,192	119,654
Special event expense	12,115	284	12,399	152	101,000	113,551
Construction costs	8,686,635	4,426	8,691,061			8,691,061
Vehicle expense	44,634	70,883	115,517	10,561		126,078
Cost of goods sold		253,033	253,033			253,033
Home repair ministry	52,478	27	52,505			52,505
Education and travel	16,668	1,912	18,580	20,360	10,392	49,332
Provision for credit loss	77,672		77,672			77,672
Miscellaneous	11,688	5,982	17,670	14,546	244	32,460
Depreciation	19,966	43,926	63,892	9,318	3,993	77,203
Total expenses before adjustment for capitalized construction costs	10,525,304	2,957,807	13,483,111	547,928	971,473	15,002,512
Less: capitalized construction costs	(1,452,977)		(1,452,977)			(1,452,977)
Total expenses	$ 9,072,327	$ 2,957,807	$ 12,030,134	$ 547,928	$ 971,473	$ 13,549,535

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
Construction costs	980,536	49	980,585			980,585
Vehicle expense	29,112	46,234	75,346	6,888		82,234
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
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 Cash Flows
December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ (3,120,160)	$ 1,952,555
Adjustments to reconcile change in net assets to		
net cash used in operating activities:		
Depreciation	77,203	98,511
Change in unamortized mortgage discount	(32,451)	(32,563)
Loss on sale of mortgages	20,056	16,588
Adjustment to inventory of real estate to net realizable value	5,095,753	
Provision for credit loss	77,672	
Changes in operating assets and liabilities:		
Accounts receivable	34,912	(31,909)
Grants and contributions receivable	1,164,518	(1,178,507)
Pledges receivable, net of discount	278,710	(1,299,371)
Mortgages receivable	(704,503)	(104,636)
Proceeds from sale of mortgages receivable	781,356	591,252
ReStore inventory	(109,321)	94,199
Inventory of real estate and construction materials	(3,929,249)	(3,332,669)
Prepaids and other assets	14,278	7,532
Security deposits		(56,250)
Accounts payable and accrued expenses	248,189	(159,578)
Rents held prior to sale	11,520	8,640
Deferred rent		(25,201)
Deferred revenue	(7,200)	5,153
Operating lease asset and liability	60	89,210
Net cash used in operating activities	(98,657)	(3,357,044)
Cash flows from investing activities:		
Purchase of property and equipment	(23,435)	(39,750)
Net cash used in investing activities	(23,435)	(39,750)
Cash flows from financing activities:		
Proceeds from principal borrowings on notes payable	437,698	1,515,091
Principal repayments on notes payable	(856,894)	(72,500)
Proceeds from principal borrowings on line of credit	971,000	500,000
Principal repayments on line of credit	(650,000)	(500,000)
Net cash provided by (used in) financing activities	(98,196)	1,442,591
Net decrease in cash	(220,288)	(1,954,203)
Cash, beginning of year	1,213,889	3,168,092
Cash, end of year	$ 993,601	$ 1,213,889
Supplementary disclosure of cash activity:		
Cash paid during the year for interest	$ 144,669	$ 102,231
Supplemental disclosure of noncash activity:		
Donated materials, supplies and services	$ 1,121,074	$ 175,698
Acquisition of equipment through note payable	$ 49,520	$
Provision for credit loss	$ 77,672	

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, 2023 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.

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, 2023 and 2022 there was $1,038,031 and $1,825,501, 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, 2023 and 2022:

	2023	2022
Satisfaction of purpose restrictions:		
Construction funding	$ 868,710	$ 916,777
General use		1,263
Construction vehicle	8,760	8,760
	$ 877,470	$ 926,800

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

	2023	2022
Subject to expenditure for specified purpose:		
Internal revolving credit facility	$ 1,020,661	$ 1,799,371
Construction vehicle	6,243	15,003
General use	11,127	11,127
	$ 1,038,031	$ 1,825,501

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 and pledges 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:

	2023	2022
Performance obligations satisfied at a point in time	$ 4,914,032	$ 3,840,457

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

	2023	2022
Financial assets at year end:		
Cash	$ 993,601	$ 1,213,889
Accounts receivable	48,206	83,118
Grants and contributions receivable	23,989	1,188,507
Pledges receivable	545,000	500,000
Mortgages receivable, net of unamortized discount and allowance for credit losses	59,416	101,344
ReStore inventory	420,331	311,010
Inventory of real estate and construction materials	4,343,230	5,470,813
Total financial assets:	6,433,773	8,868,681
Less those unavailable for general expenditures within one year:		
Contractual or donor-imposed restrictions:		
Restricted by donor for construction and general use	(1,038,031)	(1,825,501)
Financial assets available to meet cash needs for general expenditures within one year	$ 5,395,742	$ 7,043,180

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, 2023 and 2022 deferred revenue amounted to $13,006 and $20,206, 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 estimates made by management, 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 Credit Losses, and Provision for Discount to Net Present Value

The Organization maintains allowances for credit losses for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: customer credit-worthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. Past due balances over 90 days and other higher risk amounts are reviewed individually for collectability. If the financial condition of the Organization's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Organization provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Organization has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The Organization considers accounts, pledges and employee retention credit receivable at December 31, 2023 and 2022, to be fully collectible: accordingly, no allowance for credit losses is deemed necessary. Management has recorded a discount on pledged amounts of $69,339 and $200,629 as of December 31, 2023 and 2022, respectively.

Mortgages Receivable and Allowance for Credit Losses

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. Beginning in 2023, management has elected to record an allowance for credit losses for delinquent mortgage receivables, where no payment has been made for over one year and the client is unreachable. The Organization has the right to foreclose on delinquent mortgages. However, the goal is to allow clients to remain in the homes, therefore management deemed an allowance for credit losses appropriate. Credit loss expense, resulting from the increase in allowance for credit losses amounted to $77,672 for the year ended December 31, 2023.

Recently Adopted Accounting Standards

Allowance for Credit Losses

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through change in net assets. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were accounts and mortgages receivable.

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

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, 2023 and 2022.

Inventory of Real Estate, Construction Materials and ReStore

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. Costs that exceed the net realizable value of a project are recognized as expense.

Inventory is valued as follows:

Construction Materials: Inventory is valued at lower of cost or net realizable value 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 $1,121,074 and $175,698 for the years ended December 31, 2023 and 2022, 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 49,161 and 24,758 hours for the years ended December 31, 2023 and 2022, respectively.

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, 2023 and 2022. 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.

Accrued Vacation

Accrued vacation is comprised of amounts owed to employees for unused vacation time earned. An employee may not carry over more than 5 days of vacation time into the next year and such time carried over must be taken by March 31. As of December 31, 2023, accrued vacation amounted to $5,424. There was no vacation accrual as of December 31, 2022.

Advertising and Marketing

The Organization expenses the costs of advertising and marketing as incurred. The Organization incurred $119,654 and $132,971 in advertising and marketing expenses for the years ended December 31, 2023 and 2022, respectively.

Leases

The Organization applies FASB ASC 842 to determine whether an arrangement is or contains a lease at inception. The Organization leases their office building. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the consolidated statement of financial position. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent their obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of their leases do not provide an implicit rate, the Organization uses a risk-free rate, of 1.37% for the office space class of assets, based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Accounting policy election for short-term leases: 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.

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, 2023 through the date of the independent auditors' report and the date the consolidated financial statements were available to be issued, May 3, 2024. 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, 2023 and 2022 were discounted at the HFHI stipulated interest rate of 7.85% and 7.49%, respectively.

	2023	2022
Face value of discounted mortgages	$ 1,006,366	$ 1,093,535
Less: Unamortized discount	(386,226)	(418,677)
	620,140	674,858
Face value of undiscounted mortgages	237,445	247,185
Less: provision for credit loss expense	(77,672)	
	$ 779,913	$ 922,043

Credit loss expense, resulting from the increase in allowance for credit losses related to mortgage receivables amounted to $77,672 for the year ended December 31, 2023.

The Organization sells mortgages receivable to local banks. In 2023 mortgages receivable with an aggregate book value of $801,412, net of the unamortized discount, were sold for $781,356 resulting in a net loss of $20,056. 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 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 $659,469 and $642,759 as of December 31, 2023 and 2022, respectively.

4. Pledges Receivable

During the years ended December 31, 2023 and 2022 the Organization received pledges for the purpose of creating an internal revolving credit facility to fund real estate acquisition and construction projects. As of December 31, 2023 and 2022, pledges receivable was comprised of the following:

	2023	2022
Pledges expected to be collected in:		
Less than one year	$ 545,000	$ 500,000
One to five years	545,000	1,000,000
	1,090,000	1,500,000
Less: discount on pledges	(69,339)	(200,629)
Net pledges receivable	$ 1,020,661	$ 1,299,371

Discount on pledges receivable for accounts collectable over periods greater than one year amount to $69,339 and $200,629 as of December 31, 2023 and 2022, respectively.

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. In the event the projects costs exceed the net realizable value of the project, inventory or real estate and construction materials will be adjusted accordingly.

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, 2023 and 2022, inventory of real estate and construction materials amounted to $5,998,630 and $7,165,134, respectively. In 2023, the Organization had 95 units in various stages of completion across four counties: Morris, Middlesex, Sussex, and Union. The Organization expects to complete and sell 36 units during 2024.

As of December 31, 2023, there were 94 homes/units in various stages of completion across Morris, Middlesex, Sussex, and Union Counties:

- 36 of those homes/units, with a cost of $4,390,794 at December 31, 2023, are expected to be sold in 2024.
- 58 of those homes/units, with a cost of $1,607,836 at December 31, 2023, are expected to be sold in 2025 and beyond.

6. Property and Equipment

Property and equipment and their related estimated useful lives at December 31, 2023 and 2022 are as follows:

Assets	Estimated Useful Life (Years)	2023	2022
Land		$ 99,963	$ 99,963
Leasehold improvements	5 to 10	280,288	268,703
Furniture, fixtures, and equipment	3 to 10	405,033	405,033
Vehicles	5 to 7	374,425	313,055
		1,159,709	1,086,754
Less: accumulated depreciation		(804,828)	(727,625)
		$ 354,881	$ 359,129

Depreciation expense for the years ended December 31, 2023 and 2022 totaled $77,203 and $98,511, respectively.

7. Bank Line of Credit

The Organization has a $800,000 line of credit with a financial institution that expires on October 1, 2024.

The line bears interest at the wall street journal prime rate (8.5% at December 31, 2023), with a floor of 5.5%. The line has a sublimit of up to $200,000 for letters of credit. As of December 31, 2023 the line had an outstanding balance of $321,000. There was no outstanding balance on the line of credit as of December 31, 2022.

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. 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, 2023 and 2022 was approximately $37,000 and $60,000, respectively.

11. Leases

At December 31, 2023, 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.

The Organization's lease includes renewal or extension options. However, 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.

Other information related to the Organization's operating lease as of and for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Operating cash flows from operating leases	$ 520,950	$ 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	3.67	4.67
Weighted-average discount rate for operating leases	1.37%	1.37%

The future minimum lease liabilities under these noncancellable operating leases as of December 31, 2023 are as follows:

Year Ended December 31,	
2024	$ 531,369
2025	541,996
2026	552,836
2027	373,439
Total undiscounted cash flows	1,999,641
Less: present value discount	(48,830)
Total lease liabilities	$ 1,950,811

Lease expense from operating leases was $521,873 and $526,345 for the years ended December 31, 2023 and 2022, respectively.

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 of December 31, 2023 and 2022, rents held prior to sale amounted to $80,220 and $68,700, respectively.

13. Notes Payable

The Organization has 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, 2023 and 2022:

	2023	2022
SHOP 221032	$ 27,248	$ 3,130
SHOP 222008	7,814	15,626
SHOP 223001	3,140	6,260
SHOP 231045	9,705	16,173
SHOP 241022	5,260	
SHOP 242006	13,132	
Total	$ 66,299	$ 41,189

The Organization finances vehicles in the normal course of operations. The notes bear interest at rates between 3.99% and 10.69%, with maturity dates between October 2022 and May 2029. 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, 2023 and 2022 there was an outstanding balance on the loans of $146,445 and $147,430, respectively.

During 2022, the Organization and 42 Bennett Avenue Randolph, LLC. (the "Borrower") acquired a $2,000,000 construction mortgage 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% (7.5% at December 31, 2023) 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) July 11, 2025. 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, 2023 and 2022 the balance of the note amounted to $354,620 and $858,456, respectively.

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% (8% at December 31, 2023) with a 3.5% floor. The term 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 is unconditionally guaranteed by Morris Habitat for Humanity, Inc. As of December 31, 2023 and 2022 the balance of the line amounted to $766,635 and $656,635, respectively.

Principal amounts under the above obligations, maturing subsequent to December 31, 2023, are as follows:

Years ended December 31,	
2024	$ 1,193,897
2025	82,016
2026	35,314
2027	8,927
2028	9,929
Thereafter	3,916
Total	$ 1,333,999

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 Small Business Administration ("SBA") reserves the right to audit PPP Funding forgiveness for ten years from the date that forgiveness was awarded.

15. ReStore Activity

The ReStore had the following activity for the year ended December 31, 2023 and 2022:

	2023	2022
Beginning inventory	311,010	405,209
Add: est. value of new donations and purchased products	2,725,000	2,445,800
Less: ending inventory	(420,331)	(311,010)
Estimated value of sold goods	2,615,679	2,539,999
Estimated value of sold goods in excess of cost and thift shop value	683,566	529,856
Total revenue, net	$ 3,299,245	$ 3,069,855

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.

17. Employee Retention Credit

The Organization applied for refundable tax credits through the Employee Retention Credit under the CARES Act for payroll tax expenses incurred during the period April 2020 through June 2020, totaling $123,769. The amount is included as revenue on the statement of activities for the year ended December 31, 2023.

The employee retention credit is subject to examination by the Internal Revenue Service for five years from the date of filing.

Supplementary Information

Morris Habitat For Humanity, Inc. and Subsidiaries
Consolidated Schedule of Expenditures of Federal Awards
December 31, 2023

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									
42 Bennett Ave.	14.239	N/A	S-H1-90-27-0000	2/27/2019-12/31/2023	$ 65,000	$ 51,989	$ 23,989	$ 28,000	$ -
					65,000	51,989	23,989	28,000	-
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	2,609,519	2,130,589	2,609,519	-
Community Development Block Grant (CDBG)									
Morris County- Home Repair	14.218	N/A	14/20-1494	1/1/2023-12/31/2023	50,000	50,000	34,502	34,502	-
Total Expenditures					$ 3,115,000	$ 2,711,508	$ 2,189,080	$ 2,672,021	$ -

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, 2023

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	$ 851,703	$ 283,901	$ 851,703
Total Expenditures				$ 1,261,782	$ 851,703	$ 283,901	$ 851,703

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, 2023, 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 3, 2024.

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 3, 2024

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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, 2023. 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, 2023.

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 3, 2024

Morris Habitat For Humanity, Inc. and Subsidiaries
Schedule of Findings and Questioned Costs
December 31, 2023

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	14.251	$ 2,130,589

Dollar threshold used to distinguish between Type A and Type B programs	$ 750,000			
Auditee qualified as a low-risk auditee?	X	Yes		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, 2023

Status of Prior Year Findings

There were no audit findings in the prior year.