

HABITAT FOR HUMANITY OF BERGEN COUNTY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

HABITAT FOR HUMANITY OF BERGEN COUNTY, INC.

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Habitat for Humanity of Bergen County, Inc.
Westwood, NJ

Opinion

We have audited the accompanying financial statements of Habitat for Humanity of Bergen County, Inc. ("Habitat"), which comprise the statements of financial position at June 30, 2024 and 2023, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Bergen County, Inc. at June 30, 2024 and 2023, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Habitat 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.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Habitat's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat's ability to continue as a going concern for a reasonable period of time.

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

Grassi & Co, CPAs, P.C.

GRASSI & CO., CPAs, P.C.

Park Ridge, New Jersey
December 18, 2024

HABITAT FOR HUMANITY OF BERGEN COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 789,178	\$ 659,132
Certificates of deposit	219,298	412,490
Inventory of real estate and construction costs	-	297,029
ReStore inventory	60,999	56,792
Prepaid expenses	54,258	56,673
Grants and contributions receivable	1,000	13,648
Mortgages receivable, net of unamortized discounts, current portion	<u>33,468</u>	<u>30,956</u>
Total Current Assets	<u>1,158,201</u>	<u>1,526,720</u>
PROPERTY AND EQUIPMENT, NET	<u>-</u>	<u>800</u>
OTHER ASSETS		
Mortgages receivable, net of unamortized discounts, net of current portion	348,245	296,376
Other deposits	16,326	16,326
Operating lease right-of-use assets	1,325,993	1,582,697
Rent security deposit	<u>100,000</u>	<u>100,000</u>
Total Other Assets	<u>1,790,564</u>	<u>1,995,399</u>
TOTAL ASSETS	<u>\$ 2,948,765</u>	<u>\$ 3,522,919</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 66,926	\$ 86,787
Current portion of operating lease liabilities	261,502	259,704
Mortgage escrows	<u>19,983</u>	<u>28,126</u>
Total Current Liabilities	<u>348,411</u>	<u>374,617</u>
LONG-TERM LIABILITIES		
Operating lease liabilities, less current portion	<u>1,089,803</u>	<u>1,351,305</u>
Total Liabilities	1,438,214	1,725,922
NET ASSETS		
Without donor restrictions	<u>1,510,551</u>	<u>1,796,997</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,948,765</u>	<u>\$ 3,522,919</u>

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

HABITAT FOR HUMANITY OF BERGEN COUNTY, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
PUBLIC SUPPORT AND REVENUE		
Public Support		
Contributions	\$ 348,669	\$ 283,081
Fundraisers, net of direct cost of \$46,185 and \$46,103, respectively	215,044	226,037
Grants	1,000	70,106
Donations in kind	10,870	1,000
Total Public Support	<u>575,583</u>	<u>580,224</u>
Revenue		
Sale of homes	238,994	262,373
ReStore revenue, net	732,307	673,200
Mortgage loan discount amortization	20,682	16,456
Interest and other income	23,885	21,952
Total Revenue	<u>1,015,868</u>	<u>973,981</u>
Total Public Support and Revenue	<u>1,591,451</u>	<u>1,554,205</u>
FUNCTIONAL EXPENSES		
Program Services		
Home building	577,126	465,604
ReStore	622,080	556,554
Supporting Services		
General and administrative	491,491	451,551
Fundraising	187,200	217,010
Total Functional Expenses	<u>1,877,897</u>	<u>1,690,719</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(286,446)	(136,514)
NET ASSETS WITHOUT DONOR RESTRICTIONS - BEGINNING OF YEAR	<u>1,796,997</u>	<u>1,933,511</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	<u>\$ 1,510,551</u>	<u>\$ 1,796,997</u>

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

HABITAT FOR HUMANITY OF BERGEN COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

EXPENSES	Program Services			Supporting Services			Total
	Home Building	ReStore	Total	General and Administrative	Fundraising	Total	
Salaries and Related Expenses							
Salaries and wages	\$ 52,429	\$ 281,392	\$ 333,821	\$ 112,566	\$ 127,121	\$ 239,687	\$ 573,508
Payroll taxes	5,347	28,815	34,162	9,501	11,639	21,140	55,302
Fringe benefits	19,106	-	19,106	3,479	-	3,479	22,585
Total Salaries and Related Expenses	76,882	310,207	387,089	125,546	138,760	264,306	651,395
Professional fees	-	3,464	3,464	133,512	150	133,662	137,126
Occupancy costs	-	261,371	261,371	117,274	-	117,274	378,645
Tithe and fees to HFHI	-	-	-	49,431	-	49,431	49,431
Insurance	10,395	8,527	18,922	38,733	-	38,733	57,655
Telephone	-	855	855	1,151	1,180	2,331	3,186
Office expense	-	5,562	5,562	18,741	16,794	35,535	41,097
Advertising and promotion	-	3,088	3,088	1,236	15,260	16,496	19,584
Construction costs and materials	42,457	-	42,457	-	-	-	42,457
Vehicle expense	476	12,241	12,717	-	-	-	12,717
Miscellaneous	1,197	16,765	17,962	5,067	15,056	20,123	38,085
Mortgage discount expense	148,691	-	148,691	-	-	-	148,691
Cost of homes sold	306,346	-	306,346	-	-	-	306,346
Depreciation	-	-	-	800	-	800	800
	586,444	622,080	1,208,524	491,491	187,200	678,691	1,887,215
Less: Capitalization of construction costs	9,318	-	9,318	-	-	-	9,318
TOTAL FUNCTIONAL EXPENSES	\$ 577,126	\$ 622,080	\$ 1,199,206	\$ 491,491	\$ 187,200	\$ 678,691	\$ 1,877,897

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

HABITAT FOR HUMANITY OF BERGEN COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

EXPENSES	Program Services			Supporting Services			Total
	Home Building	ReStore	Total	General and Administrativ	Fundraising	Total	
Salaries and Related Expenses							
Salaries and wages	\$ 41,613	\$ 227,330	\$ 268,943	\$ 122,704	\$ 125,760	\$ 248,464	\$ 517,407
Payroll taxes	3,522	27,646	31,168	10,698	10,994	21,692	52,860
Fringe benefits	23,268	-	23,268	6,573	-	6,573	29,841
Total Salaries and Related Expenses	68,403	254,976	323,379	139,975	136,754	276,729	600,108
Professional fees	-	-	-	61,299	35,750	97,049	97,049
Occupancy costs	-	261,463	261,463	125,818	-	125,818	387,281
Tithe and fees to HFHI	-	-	-	48,721	-	48,721	48,721
Insurance	9,104	6,552	15,656	43,859	-	43,859	59,515
Telephone	-	1,961	1,961	2,235	330	2,565	4,526
Office expense	5	5,152	5,157	22,230	18,578	40,808	45,965
Advertising and marketing expense	-	234	234	1,502	8,681	10,183	10,417
Construction costs and materials	151,552	1,043	152,595	-	2,478	2,478	155,073
Vehicle expense	-	13,831	13,831	-	-	-	13,831
Miscellaneous	1,270	11,342	12,612	5,023	14,439	19,462	32,074
Mortgage discount expense	96,762	-	96,762	-	-	-	96,762
Cost of homes sold	253,729	-	253,729	-	-	-	253,729
Depreciation	-	-	-	889	-	889	889
	580,825	556,554	1,137,379	451,551	217,010	668,561	1,805,940
Less: Capitalization of construction costs	115,221	-	115,221	-	-	-	115,221
TOTAL FUNCTIONAL EXPENSES	\$ 465,604	\$ 556,554	\$ 1,022,158	\$ 451,551	\$ 217,010	\$ 668,561	\$ 1,690,719

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

HABITAT FOR HUMANITY OF BERGEN COUNTY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (286,446)	\$ (136,514)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	800	889
Loss on sale of property	67,352	64,012
Mortgage discount amortization, net	148,691	80,305
Issuance of mortgages receivable	(238,330)	(157,088)
Collection of mortgages receivable	35,258	30,397
Amortization of operating lease expense	256,704	269,063
Changes in operating assets and liabilities		
(Increase) decrease in:		
Inventory of real estate and construction costs	229,677	43,679
ReStore inventory	(4,207)	8,256
Prepaid expenses	2,415	(20,454)
Grants and contributions receivable	12,648	(10,256)
Other deposits	-	3,056
Increase (decrease) in:		
Accounts payable and accrued expenses	(19,861)	47,484
Operating lease liability	(259,704)	(240,751)
Mortgage escrows	(8,143)	11,457
	<u>(63,146)</u>	<u>(6,465)</u>
Net Cash Used In Operating Activities		
	<u>(63,146)</u>	<u>(6,465)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale (purchase) of certificates of deposit	193,192	(412,490)
	<u>193,192</u>	<u>(412,490)</u>
Net Cash Provided By (Used In) Investing Activities		
	<u>193,192</u>	<u>(412,490)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	130,046	(418,955)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>659,132</u>	<u>1,078,087</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 789,178</u>	<u>\$ 659,132</u>

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

HABITAT FOR HUMANITY OF BERGEN COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 1 - Nature of the Organization

Habitat for Humanity of Bergen County, Inc. ("Habitat") is a 501(c)(3) nonprofit corporation that was established on March 23, 1993, under the laws of the State of New Jersey. Habitat is an affiliate of Habitat for Humanity International, Inc. ("HFHI"), a nondenominational Christian nonprofit organization whose purpose is to help economically disadvantaged but financially stable families obtain decent, affordable housing. Habitat sponsors specific projects for the construction or renovation of housing. In addition, Habitat finances home sales through non-interest-bearing mortgages that generally require low or no down payments. Habitat also operates a ReStore which began operations on August 19, 2017.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements of Habitat have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires Habitat to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Habitat. These net assets may be used at the discretion of Habitat's management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and granters. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Habitat or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. There were no net assets with restrictions at June 30, 2024 and 2023.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

b. Cash and Cash Equivalents

Habitat considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

c. Certificate of Deposit

Habitat has a certificate of deposit with a maturity date of July 2024. The certificate of deposit is considered a Level 2 investment.

HABITAT FOR HUMANITY OF BERGEN COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 2 - Summary of Significant Accounting Policies (cont'd.)

d. Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To increase the comparability of fair value measurements, a framework for measuring fair value is used which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 820, *Fair Value Measurement*, are described as follows:

Level 1 - Valuations based on quoted prices for identical assets and liabilities in active markets.

Level 2 - Valuations based on observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Valuations based on unobservable inputs reflecting Habitat’s own assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

e. Grants and Contributions Receivable

Grants and contributions receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. There was no allowance for bad debts as of June 30, 2024 or 2023.

HABITAT FOR HUMANITY OF BERGEN COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 2 - Summary of Significant Accounting Policies (cont'd.)

f. Mortgages Receivable

Mortgages receivable consists of non-interest-bearing mortgages which are recorded at their net present values by imputing interest at prevailing market rates stipulated by HFHI for low-income housing at the inception of the mortgages. The discount on the mortgages is recognized as interest income over the terms of the mortgages using the effective interest method. The mortgages are secured by the underlying real estate and are payable in monthly installments. Mortgages receivable are presented in the statements of financial position at their net present value amounts plus any down payments received.

g. Inventory of Real Estate and Construction Costs

Inventory consists of capitalized costs incurred to build homes. Purchased inventory is recorded at the acquisition cost. Donated land, property, and equipment are recorded at their estimated fair value on the date of donation. Construction costs are recorded as a program service expense when used in construction or renovation projects. As project costs are incurred, they are capitalized to inventory.

h. ReStore Inventory

ReStore inventory is comprised of donated building materials, furniture, and other household goods, which are recorded at estimated resale value.

i. Property and Equipment

Property and equipment represents donated and purchased office furniture, equipment, and vehicles. Donated items are recorded at their fair values on the date of receipt. Purchased property and equipment is recorded at acquisition cost, including costs necessary to get the asset prepared for its intended use. Depreciation expense is calculated on a straight-line basis over the estimated useful lives of the assets, ranging from three to ten years.

j. Revenue and Support Recognition

Under FASB ASC Topic 606 ("ASC 606"), revenue is recognized when performance obligations to a customer are satisfied and revenue is earned. Habitat also applies the guidance under FASB ASC Topic 958, *Non-Profit Entities* ("ASC 958"), to recognize support received that is not subject to revenue recognition under ASC 606.

HABITAT FOR HUMANITY OF BERGEN COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 2 - Summary of Significant Accounting Policies (cont'd.)

j. Revenue and Support Recognition (cont'd.)

Contributions and Grants that are received from a donor follows guidance under ASC 958 and is recognized as income at the time it is received unless the amount received is conditional. Unconditional contributions are recognized as revenue at the time received as an increase in net assets without donor restriction or as an increase in net assets with donor restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. If the restriction expires in the reporting period in which the support is recognized, then the contribution is recorded as an increase in net assets without donor restriction. When a contribution is conditional, the amount received is deferred and not recognized as revenue until the conditions are satisfied. In kind contributions are recorded at fair market value at the time of donation.

ReStore Revenue represents retail sales of merchandise to customers and is recognized in accordance with ASC 606. Habitat's performance obligation is to transfer merchandise to the customers as payment is made. Revenue is recognized in the period that the obligation to provide merchandise is satisfied.

Revenue from Sale of Homes is recognized in accordance with ASC 606. Such revenue is recorded by Habitat in the period in which the mortgage for the home sold is entered into and title passes to the homeowner.

k. Donated Services

A substantial number of volunteers have made significant contributions of their time to Habitat's program and supporting services. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation. However, certain other contributed services that require specialized skills, provided by individuals possessing those skills, which would otherwise need to be purchased if not provided by donation, are recognized as revenue and either capitalized as inventory or expensed. There were no donated services that required specialized skills for the years ended June 30, 2024 and 2023.

l. Contributed Nonfinancial Assets

Contributed nonfinancial assets Habitat recognized contributed nonfinancial assets within support and revenue in the statement of activities, consisting of contributed construction materials of \$0 and \$1,000 for the years ended June 30, 2024 and 2023, respectively. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. Habitat values the donated product for use in construction at the estimated fair value, which is based upon the manufacturer's suggested retail price for the product.

HABITAT FOR HUMANITY OF BERGEN COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 2 - Summary of Significant Accounting Policies (cont'd.)

m. Housing Development Costs

Home construction, renovation costs, and related property and equipment are capitalized as inventory until the projects are completed and transferred to the new homeowners. Current year costs on such projects are included in program services; however, they are not included in the change in net assets until the project is sold. Current year costs are also presented in the statements of functional expenses to illustrate Habitat's use of funds. Construction costs capitalized amounted to \$9,318 and \$115,221 for the years ended June 30, 2024 and 2023, respectively. Costs incurred for repairs made on homes transferred to homeowners are charged to program service expense as incurred.

n. Income Tax Status

Habitat is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code under a group exemption letter granted to HFHI by the Internal Revenue Service.

Habitat has determined that there are no material uncertain tax positions that required recognition or disclosure in the financial statements. Habitat believes it is no longer subject to income tax examinations for years prior to 2021.

Any interest and penalties paid that are associated with an uncertain tax position would be part of income tax expense in Habitat's financial statements.

o. Estimates in the Financial Statements

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

p. Allocation of Functional Expenses

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 employees' salaries and other costs is 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.

HABITAT FOR HUMANITY OF BERGEN COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 2 - Summary of Significant Accounting Policies (cont'd.)

q. Leases

Habitat applies a two-model approach to all leases in which it is a lessee and classifies leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by Habitat. Lease classification is evaluated at the inception of the lease agreement. Regardless of classification, Habitat records a right-of-use asset and a lease liability for all leases with a term greater than 12 months. In order to calculate the lease liability, certain assumptions related to lease terms and discount rates are made. Renewal options are evaluated in the determination of lease terms. When available, Habitat uses the rate implicit in the lease or a borrowing rate based on similar debt to discount lease payments. However, when a lease does not provide a readily determinable implicit rate, and Habitat's existing debt does not have similar terms, Habitat uses the U.S. Treasury rate constant maturity at each lease commencement date to discount lease payments. At June 30, 2024 and 2023, Habitat applied a discount rate ranging from .69% to 4.69% for operating leases.

r. Adoption of ASU No. 2016-13

In June 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which revises the accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability. Assets must be presented in the financial statements at the net amount expected to be collected. During 2019, the FASB issued additional ASUs amending certain aspects of ASU No. 2016-13.

On July 1, 2023, Habitat adopted the new accounting standard and all of the related amendments using the modified retrospective method. There was no impact in initially applying the new credit loss standard to its government and other contracts receivables and to the opening balance of net assets.

Note 3 - Concentration of Credit Risk

Financial investments that potentially subject Habitat to concentrations of credit risk consist of cash and mortgages receivable. At various times throughout the year, Habitat may be at risk for cash balances in excess of the FDIC's insured amounts. Credit risk for Habitat's mortgages receivable is minimal because the mortgages are collateralized by the respective properties.

HABITAT FOR HUMANITY OF BERGEN COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 4 - Mortgages Receivable

Mortgages receivable consists of mortgages that are discounted at rates ranging from 4.00% to 8.55%. These mortgages require monthly payments that include principal and interest and mature through 2053. Mortgages receivable are as follows at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Mortgages receivable, at face value	\$ 862,674	\$ 680,284
Less: Unamortized discount	<u>480,961</u>	<u>352,952</u>
Mortgages receivable, net of unamortized discount	381,713	327,332
Less: Current portion	<u>33,468</u>	<u>30,956</u>
Mortgages receivable, net of current portion	<u><u>\$ 348,245</u></u>	<u><u>\$ 296,376</u></u>

The aggregate maturities of mortgages receivable are as follows:

Years Ending June 30:

2025	\$ 33,468
2026	33,468
2027	33,468
2028	33,468
2029	33,468
Thereafter	<u>214,373</u>
	<u><u>\$ 381,713</u></u>

During the years ended June 30, 2024 and 2023, Habitat entered into one new mortgage in each year in conjunction with home sales amounting to \$238,330 and \$157,088, respectively.

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 those receivables.

HABITAT FOR HUMANITY OF BERGEN COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Note 5 - Liquidity and Availability

Habitat's financial assets available within one year of the statement of financial position dates for general expenditure are as follows:

	<u>2024</u>	<u>June 30,</u> <u>2023</u>
Cash and cash equivalents	\$ 789,178	\$ 659,132
Certificates of deposit	219,298	412,490
Mortgages receivable, current portion	33,468	30,956
Grants and contributions receivable	<u>1,000</u>	<u>13,648</u>
 Total	 <u>\$ 1,042,944</u>	 <u>\$ 1,116,226</u>

As part of Habitat's liquidity management, its policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Note 6 - Property and Equipment

Property and equipment consists of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>June 30,</u> <u>2023</u>
Leasehold improvements	\$ 4,300	\$ 4,300
Furniture, fixtures and equipment	20,045	20,045
Vehicles	<u>77,000</u>	<u>77,000</u>
	101,345	101,345
Less: Accumulated depreciation	<u>(101,345)</u>	<u>(100,545)</u>
	 <u>\$ -</u>	 <u>\$ 800</u>

Depreciation expense for the years ended June 30, 2024 and 2023 amounted to \$800 and \$889 respectively.

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Note 7 - Inventory of Real Estate and Construction Costs

Property acquisition and construction costs incurred in connection with Habitat's home building program are capitalized as Inventory of Real Estate and Construction Costs until construction is completed and the property is sold. In the year the property is sold, the total cost is reflected in program services as cost of homes sold. While construction activity is relatively constant over the course of each year, the number of properties completed can significantly vary year to year, and this can produce variations in Habitat's annual change in net assets.

There were no properties sold during the year ended June 30, 2024. During the year ended June 30, 2023, there was one property sold for a total of \$157,088.

Inventory is comprised of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>June 30,</u> <u>2023</u>
Land	\$ -	\$ 30,000
Construction in progress	-	<u>267,029</u>
	<u>\$ -</u>	<u>\$ 297,029</u>

The above inventory as of June 30, 2024 and 2023 represents the amount of land and construction in progress for the Township of Hillsdale.

Note 8 - Lease

On March 21, 2017, Habitat entered into a lease agreement for its ReStore and administrative offices located in Westwood, NJ. The lease includes three three-year renewal options, of which Habitat has exercised two. The last lease renewal option, exercised by Habitat, commenced on July 1, 2023, and expires June 30, 2029. The current lease renewal option calls for monthly rent payments of \$22,500.

Lease terms include renewal or extension options to the extent they are reasonably certain to be exercised. Because Habitat 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. Habitat's lease does not include a termination option for either party of the lease, guaranteed residual values or restrictive financial or other covenants. The operating lease provides for increases in future minimum annual rental payments.

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NOTES TO FINANCIAL STATEMENTS
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Note 8 - Lease (cont'd.)

Future minimum lease payments related to the operating lease are as follows:

<u>Years Ending June 30:</u>	
2025	\$ 270,000
2026	270,000
2027	278,438
2028	278,438
2029	<u>278,438</u>
Total minimum lease payments	1,375,314
Less: Amount representing interest	<u>24,009</u>
Present value of future payments	1,351,305
Less: Current obligations	<u>261,502</u>
Long-term obligations	<u><u>\$ 1,089,803</u></u>

Other information related to Habitat's operating lease as of and for the years ended June 30, 2024 and 2023, is as follows:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Lease cost:		
Operating lease cost	<u>\$ 270,000</u>	<u>\$ 269,063</u>
Other information:		
Cash paid from amount included in the measurement of lease liabilities:		
Operating cash flows from operating leases	<u>\$ 240,751</u>	<u>\$ 240,751</u>
Weighted-average remaining lease term - operating leases	<u>5 years</u>	<u>6 years</u>
Weighted-average discount rate - operating leases	<u>0.69%</u>	<u>4.75%</u>

Note 9 - Payment to Affiliated Habitats

In general, Habitat annually remits a portion of its contributions (excluding in-kind contributions) to HFHI. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2024 and 2023, Habitat contributed \$49,431 and \$48,721 respectively, to HFHI. Such amounts are included in program services in the statements of functional expenses.

Note 10 - Evaluation of Subsequent Events

Habitat has evaluated subsequent events for potential recognition or disclosure through December 18, 2024, the date the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure.