

HABITAT FOR HUMANITY OF SALEM COUNTY, NJ

**FINANCIAL STATEMENTS FOR THE YEAR
ENDED JUNE 30, 2022 AND**

**INDEPENDENT AUDITOR'S
REPORT**

Ditmars, Perazza & Co.

CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

**To the Board of Directors of Habitat for Humanity
of Salem County, NJ:**

October 11, 2022

Opinion

We have audited the accompanying financial statements of Habitat for Humanity of Salem County, NJ. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities of functional expenses and of cash flows for the year 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 Salem County, NJ as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Habitat for Humanity of Salem County, NJ and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance

but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

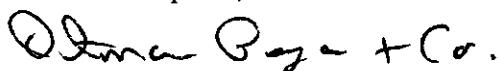
In performing an audit in accordance with generally accepted auditing standards, we:

- 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 for Humanity of Salem County, NJ Inc.'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 for Humanity of Salem County, NJ Inc.'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.

Report on Summarized Comparative Information

We have previously audited Habitat for Humanity of Salem County, NJ Inc.'s financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 31, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ditmars Perazza & Co.

Ditmars, Perazza & Co.

**HABITAT FOR HUMANITY OF SALEM COUNTY NJ
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2022 AND 2021**

	2022	2021
ASSETS:		
Cash and cash equivalents	\$ 580,540	\$ 591,212
Mortgages receivable	186,216	232,741
Unamortized discount on mortgage	(109,618)	(122,465)
Mortgages receivable - Net	76,598	110,276
Other receivables	1,200	14,002
Prepaid expenses	7,830	7,118
Construction work in progress	122,322	81,120
Restore inventory	1,500	1,500
Property and equipment net of depreciation of \$ 118,983	254,421	242,338
TOTAL ASSETS	\$ 1,044,411	\$ 1,047,566
LIABILITIES AND NET ASSETS:		
Liabilities		
Account payable	\$ 16,582	\$ 24,452
Escrow funds held - net of advances	9,818	4,935
Refundable advances	13,195	19,021
Loan payable - mortgage	26,167	33,169
Total Liabilities	65,762	81,577
Net Assets:		
Without donor restrictions	978,649	965,989
With donor restrictions	-	-
Total Net Assets	978,649	965,989
TOTAL LIABILITIES AND NET ASSETS	\$ 1,044,411	\$ 1,047,566

The accompanying footnotes are an integral part of the financial statements.

**HABITAT FOR HUMANITY OF SALEM COUNTY NJ
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

(with summarized totals for 2021)

SUPPORT AND REVENUE:	Without Donor Restrictions	With Donor Restrictions	Totals 2022	Totals 2021
Direct Public Support and Revenue				
Donations	\$ 90,325		\$ 90,325	\$ 111,527
PPP and Cares grant			-	50,167
Other grant income	31,367		31,367	10,192
Special events	22,543		22,543	15,614
Restore income	294,572		294,572	257,968
Home sales and other program income	120,000		120,000	113,202
Mortgage interest discount amortization	12,846		12,846	51,033
Interest income	57		57	-
Reclassification of grant revenue			-	(19,021)
Net assets released from restrictions			-	
TOTAL SUPPORT AND REVENUE	571,710	-	571,710	590,682
EXPENSES:				
Program services	494,698		494,698	406,971
Management and general	47,906		47,906	42,457
Fund raising	16,446		16,446	14,078
TOTAL EXPENSES	559,050	-	559,050	463,506
CHANGE IN NET ASSETS	12,660	-	12,660	127,176
NET ASSETS, BEGINNING OF YEAR	965,989	-	965,989	838,813
NET ASSETS, END OF YEAR	\$ 978,649	\$ -	\$ 978,649	\$ 965,989

The accompanying footnotes are an integral part of the financial statements.

**HABITAT FOR HUMANITY OF SALEM COUNTY NJ
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

(with summarized totals for 2021)

	Construction and Family Services	Restore	Total Program	Management & General	Fund Raising	Totals 2022	Totals 2021
Salaries	\$ 58,194	\$ 100,154	158,348	\$ 22,196	\$ 9,768	\$ 190,312	145,510
Payroll taxes and benefits	6,370	10,963	17,333	2,429	1,070	20,832	16,161
Total Personnel	64,564	111,117	175,681	24,625	10,838	211,144	161,671
Construction costs	153,499		153,499			153,499	132,738
Vehicle expenses	13,242		13,242			13,242	13,925
Mortgage loan adjustments	19,518		19,518			19,518	10,897
Payments to HHI	21,000		21,000			21,000	19,000
Insurance	8,523	14,963	23,486	3,294	1,453	28,233	17,904
Volunteer expenses	381		381			381	517
Professional services			-	4,700		4,700	3,834
Office expenses			-	2,636		2,636	4,615
Seminars and staff training	444		444			444	
Restore purchases		21,936	21,936			21,936	35,171
Other restore expenses		13,233	13,233			13,233	9,156
Handyman project	20,686		20,686			20,686	15,607
Construction dept expenses	6,878		6,878			6,878	2,554
Credit card fees		6,091	6,091	2,093		8,184	4,083
Utilities	2,768	4,860	7,628	1,070	471	9,169	6,903
Depreciation	3,990	7,005	10,995	1,542	680	13,217	13,917
Fund raising expenses			-		3,004	3,004	3,251
Other			-	1,956		1,956	1,418
Interest Expense			-	2,067		2,067	2,012
Computer			-	3,532		3,532	2,253
Administrative			-	391		391	2,080
	\$ 315,493	\$ 179,205	\$ 494,698	\$ 47,906	\$ 16,446	\$ 559,050	\$ 463,506

The accompanying footnotes are an integral part of the financial statements.

**HABITAT FOR HUMANITY OF SALEM COUNTY NJ
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>2022</u>
FROM OPERATING ACTIVITIES:	
Change in Net Assets	\$ 12,660
Add - depreciation	13,217
Less - Donated property	(14,300)
Mortgage discount amortization	(12,847)
Change in mortgage receivable	46,525
Change in other receivables	12,802
Change in other assets	(712)
Change in inventory	-
Change accounts payable	(7,870)
Change in other liabilities	-
Change in refundable advances	(5,826)
Change in escrow deposits/advances	4,883
	<u>48,532</u>
Cash Flows from (used) in Operating Activities	<u>48,532</u>
FROM INVESTING ACTIVITIES:	
Change in construction in progress	(41,202)
Property additiona	(11,000)
	<u>(52,202)</u>
Cash Flows (used in) fom Investing Activities	<u>(52,202)</u>
FROM FINANCING ACTIVITIES:	
Loan payments	(7,002)
	<u>(7,002)</u>
Cash Flows from Financing Activities	<u>(7,002)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(10,672)
BEGINNING CASH AND CASH EQUIVALENTS	<u>591,212</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 580,540</u></u>
SUPPLEMENTAL INFORMATION:	
Interest paid	<u><u>\$ 2,067</u></u>

The accompanying footnotes are an integral part of the financial statements.

**HABITAT FOR HUMANITY OF SALEM COUNTY, NJ
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose

Habitat for Humanity of Salem County (HHSC) is a not-for-profit organization affiliated with Habitat International, Inc. (Habitat International), a nondenominational, Christian, non-profit organization whose purpose is to create decent, affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support and in other ways, HHSC is primarily and directly responsible for its own operations.

Basis of Accounting

The financial statements of HHSC have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

During a prior year HHSC adopted the new standards issued in August 2016 relating to the Presentation of Financial Statements of Not-for-Profit entities. These new standards are intended to improve the presentation of financial statements of not-for-profit (NFP) entities. The ASU eliminates the distinction between resources with permanent restrictions and those with temporary restrictions from the face of NFP financial statements by reducing the current three net asset classes (unrestricted, temporarily restricted, and permanently restricted) to two classes (net assets with donor restrictions and net assets without donor restrictions). The ASU also requires additional information to be disclosed about expense classifications and liquidity and availability of resources.

New Accounting Pronouncements

Revenue from Contracts with Customers – In May 2014, the Financial Accounting Standards Board issued guidance that replaces the existing accounting standards for revenue recognition. The guidance requires an organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration it entitled to receive in exchange for those goods or services.

Leases – Issued in February 2016, Accounting Standards Update (ASU) No. 2016-02 requires lessees to recognize right-of-use assets and lease liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than 12 months. This new accounting will apply to both types of leases-capital (or finance) leases and operating leases. Previously, accounting principles generally accepted in the United States of America has required only capital leases to be recognized on lessee balance sheets. The standard will take effect for fiscal years beginning after December 15, 2021, and for interim periods within fiscal years beginning after December 15, 2022. Early application is permitted. HHSC is assessing the potential impact this guidance will have on its financial statements.

Contributions - In June 2018, FASB issued ASU 2018-08 "*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*". The new guidance assists not-for-profit entities in determining whether to account for a transfer of assets as a contribution or an exchange transaction. The update also clarifies that a contribution is conditional if the agreement includes both a barrier (as defined) and a right of return or release.

Donor Imposed Restrictions

All contributions are considered to be available for use unless specifically restricted by the donor. Amounts received that are restricted for future periods or are restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions in the statement of activities as net assets released from restrictions. HHSC follows the policy of showing donor contributions whose restrictions are met in the same reporting period as donations without donor restrictions..

Cash and Cash equivalents

HHSC considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of checking accounts and a money market account.

Mortgages receivable

Mortgages receivable consists of non-interest bearing mortgages which are secured by real estate and receivable in monthly installments over the life of the mortgage.

Donated Services and Materials

Donated services are recognized as contributions in accordance with standards of the Financial Accounting Standards Board, if the services (a) create or enhance non financial assets or (b) require specialized skills, as performed by people with those skills, and would otherwise be purchased by HHSC. HHSC does not consider that donated services by individuals with specialized skills to meet this criteria in that they would generally not be required to purchase the services. In addition a substantial number of volunteers have made significant contributions of their time to HHSC's program and supporting services. The value of this contributed time is not reflected in these financial statements since it does not meet the above criteria.

HHSC also receives donated building materials which are used in home construction. These donations are generally not significant and therefore are not included in the accompanying statements.

Transfers to Homeowners

Sales to homeowners are recorded at the gross mortgage amount. Non-interest bearing mortgages have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages. Utilizing a straight-line basis, this discount is recognized as interest income over the term of the mortgage.

Construction in Progress/ Project Income

Direct costs associated with the renovation of properties are capitalized. When the property is sold the related costs are offset against the sales price and the excess revenues or expenses are reflected in the statement of activities. Any excess revenues from the sale of a property are used to offset overhead costs and to provide for the continuation of HHSC's mission. When the property is sold the cost of construction is reflected in the Statement of Activities.

Property and Depreciation

Property and equipment are stated at cost. Depreciation is provided using the straight line method over the estimated useful lives of the related asset.

Income Taxes

HHSC has received exemption from income taxes under Section 501 (c) (3) of the Internal Revenue Code and qualifies as a public charity.

Refundable Advances

HHSC treats any funds that have not been earned as refundable advances.

Estimates in the Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Financial Accounting Standards Board has issued a standard that applies to annual financial periods ending after June 15, 2009. These standards establish principles setting forth the period after the balance sheet date during which management shall evaluate events and transactions that may occur for potential recognition or disclosure in the financial statements. For the purposes of this accounting standard, HHSC has evaluated subsequent events through October 11, 2022.

Fair Value Measurements

HHSC has adopted the Financial Accounting Standards Board's standards that apply to all assets and liabilities that are being measured and reported on a fair value basis. Under the standards new disclosures are required that establish a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosure about fair value measurements. The standards enable the reader of the financial statements to access the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values.

The standards require that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

1. Level 1: Quoted market prices in active markets for identical assets or liabilities
2. Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
3. Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the HHSC performs a detailed analysis of the assets and liabilities that are subject to the Standards.

The carrying amounts of financial instruments including cash and cash equivalents, receivables, prepaid and payables approximates fair value due to the short maturity of these instruments.

Income Taxes

In June 2006 the Financial Accounting Standards Board issued FIN 48, Accounting for Uncertainty in Income Taxes, which prescribes how an entity should measure, recognize, present and disclose in its financial statements tax positions that an organization has taken or expects to take on its information returns. FIN 48 is effective for years beginning after December 31, 2008 for nonpublic entities.

HHSC regularly reviews and evaluates its tax positions taken in previously filed information returns with regard to issues affecting its tax exempt status, unrelated business income and related matters. Based on HHSC's evaluation of their positions relating to any relevant matters no tax benefits or liabilities are required to be recognized in accordance with FIN 48.

Advertising

Advertising costs are expensed as incurred.

2. MORTGAGE RECEIVABLE, ESCROW DEPOSITS/ADVANCES

The mortgage receivable balance at June 30, 2022 consists of 8 loans on properties developed by HHSC. These loans are non interest bearing loans. with original maturities of up to 20 years. The balance receivable for these loans was \$ 186,216 at June 30, 2022.

The amount of principal that will be collected on the above mortgages is approximately \$30,000 per year for each of the next five years.

In addition to the monthly payments, the mortgagor deposits with HHSC, escrow funds for the payment of real estate taxes and homeowners insurance. It is HHSC's responsibility to pay such items to the appropriate payee. If a homeowner is in arrears with their escrow payments HHSC advances funds so that the payments can be made on time. This amount is netted against escrow funds held.

3. CONSTRUCTION WORK IN PROGRESS

As of June 30, 2022 HHSC was in the process of renovating a number of properties for future sales under the program.

4. DISCOUNT ON MORTGAGES RECEIVABLE

HHSC accounts for their mortgages in accordance with the Habitat for Humanity International's U.S. Affiliate Accounting Policy Manual. Under this guide the non interest bearing mortgages are discounted to their present value at the time the mortgage is issued. The discounted amount is amortized over the life of the mortgage using a imputed interest rate, provided by Habitat International on a straight line basis.

The following reflects the activity in the related accounts for the year ended June 30, 2022:

Unamortized Discount on Mortgages:

Balance at June 30, 2021	\$ 122,465
Mortgage Discount Amortization for 2022	<u>(12,847)</u>
Balance at June 30, 2022	<u>\$ 109,618</u>

5. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the programs and activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses are allocated on a reasonable basis this is consistently applied based on effort, time or usage.

6. TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL

HHSC annually remits a portion of its unrestricted contributions (excluding in kind contributions) to Habitat for Humanity International. This amounted to \$ 16,000 for the year ended June 30, 2022. HHSC also remitted to Habitat for Humanity International a SOSI (Stewardship and Organization Sustainability Initiative) fee of \$ 5,000 for additional support provided by them. This amount is included in direct program costs in the Statement of Activities.

7. FACILITY

During a prior year HHSC purchased a commercial building to be used for a ReStore Operation and to relocate their administrative offices. The ReStore is a place that collects new and gently-used building materials, furniture, and appliances from companies, contractors, and homeowners then sells them to the public at discounted prices. Income that is received from this program is used to support HHSC's operations. To fund the purchase HHSC secured a mortgage from a local financial institution. The loan is payable in monthly instalments in the amount of \$ 825.46 including interest computed at the rate of 5.5 %. During the year the loan was paid off using the proceeds from a new loan from a local financial institution in the amount of \$27,390.92. The new loan is payable in 60 monthly instalments of \$ 511.53 including

interest computed at the of 4.5 % commencing on April 4, 2022. Future minimum principal payments for the next five years are as follows:

June 30, 2023	\$ 5,053
June 30, 2024	5,287
June 30, 2025	5,528
June 30, 2026	5,784
June 30, 2027	4,515

8. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures within one year of the statement of financial position date comprise the following:

Cash and cash equivalents	\$ 580,540
Other receivables	1,200
Mortgage payments	30,000

Total Financial Assets Available for General Expenditures	\$ 611,740
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HHSC regularly monitors liquidity to meet its operating needs. HHSC has various sources of liquidity at its disposal, including cash and cash equivalents, and mortgage payments.

For purposes of analyzing resources available to meet general expenditures over a 12 month period, HHSC considers all expenditures related to its ongoing activities of providing social services as well as the conduct of services undertaken to support these activities to be general expenditures.

9. COVID-19 PANDEMIC

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, in mid March 2020 the State of New Jersey ordered the closure of the physical location of every “non-essential” business. All of the programs of GCHH were impacted by this and construction was limited and the Restore was not able to operate. In June 2020 the Restore was allowed to begin operating again following guidance from the federal and state government for safe operation. As a result the income from the Restore program was limited in 2020 and also in 2021.