RARITAN VALLEY HABITAT FOR HUMANITY, INC.

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Raritan Valley Habitat for Humanity, Inc.
Bedminster, New Jersey

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of Raritan Valley Habitat for Humanity, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the possible effects of inventory, described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of Raritan Valley Habitat for Humanity, Inc., as of June 30, 2023, 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 Qualified Opinion

As more fully described in Note 3 to the financial statements, the Organization has not recorded inventory. In our opinion, such asset should be stated at year-end to conform with accounting principles generally accepted in the United States of America.

We conducted our audit 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 Financial Statements section of our report. We are required to be independent of Raritan Valley Habitat for Humanity, Inc. 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 Raritan Valley Habitat for Humanity, Inc.'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 GAAS and *Government 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 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 GAAS and *Government 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 Raritan Valley Habitat for Humanity, 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 Raritan Valley Habitat for Humanity, 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.

Board of Directors
Raritan Valley Habitat for Humanity, Inc.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2024, on our consideration of Raritan Valley Habitat for Humanity, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Raritan Valley Habitat for Humanity, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Raritan Valley Habitat for Humanity, Inc.'s internal control over financial reporting and compliance.

Other Matter

The financial statements of the Organization as of June 30, 2022 were audited by Sobel & Co., LLC, whose shareholders and professional staff joined CliftonLarsonAllen LLP as of February 1, 2023, and has subsequently ceased operations. Sobel & Co., LLC's report dated January 6, 2023, expressed an unmodified opinion on those statements.

CliftonLarsonAllen LLP

Livingston, New Jersey
January 29, 2024

RARITAN VALLEY HABITAT FOR HUMANITY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	$ 1,057,272	$ 1,300,501
Mortgages Receivable, Current Portion	172,243	174,294
Accounts Receivable	15,965	99,456
Grants Receivable	-	165,000
Construction in Progress:		
Land	394,638	275,617
Construction Costs	472,061	10,315
Prepaid Expenses and Other	50,560	40,629
Total Current Assets	2,162,739	2,065,812
PROPERTY AND EQUIPMENT, NET	59,288	26,865
OPERATING ROU ASSET	723,608	-
FINANCING ROU ASSET	2,678	-
OTHER ASSETS		
Mortgages Receivable, Net of Current Portion	993,019	1,070,901
Security Deposits	20,000	20,000
Total Other Assets	1,013,019	1,090,901
Total Assets	$ 3,961,332	$ 3,183,578
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 154,236	$ 69,786
Notes Payable, Current Portion	51,754	48,820
Current Lease Liability - Operating	126,202	-
Current Lease Liability - Financing	1,955	-
Total Current Liabilities	334,147	118,606
LONG-TERM LIABILITIES		
Long-Term Lease Liability - Operating	611,854	-
Long-Term Lease Liability - Financing	831	-
Notes Payable, Net of Current Portion	234,761	286,516
Total Long-Term Liabilities	847,446	286,516
Total Liabilities	1,181,593	405,122
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Without Donor Restrictions	2,490,094	2,205,273
With Donor Restrictions	289,645	573,183
Total Net Assets	2,779,739	2,778,456
Total Liabilities and Net Assets	$ 3,961,332	$ 3,183,578

See accompanying Notes to Financial Statements.

RARITAN VALLEY HABITAT FOR HUMANITY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Public Support:			
Contributions	$ 272,416	$ 223,135	$ 495,551
Government Grants	-	16,526	16,526
Grants from Public Support	-	20,000	20,000
Donated Materials and Services	-	47,621	47,621
Special Event Revenue	142,488	-	142,488
Total Public Support	414,904	307,282	722,186
Other Revenue:			
Interest Income	168	-	168
Imputed Interest from Mortgage Notes Receivable	94,161	-	94,161
ReStore Income	1,050,123	-	1,050,123
Miscellaneous	27,391	-	27,391
Total Other Revenue	1,171,843	-	1,171,843
Critical Home Repair Sales:			
Gross Proceeds	6,850	-	6,850
Cost of Home Repairs	(45,329)	-	(45,329)
Total	(38,479)	-	(38,479)
Net Assets Released from Restrictions	590,820	(590,820)	-
Total Revenue and Other Support	2,139,088	(283,538)	1,855,550
EXPENSES			
Program Services	1,292,217	-	1,292,217
Management and General	431,332	-	431,332
Fundraising	130,718	-	130,718
Total Expenses	1,854,267	-	1,854,267
CHANGES IN NET ASSETS	284,821	(283,538)	1,283
Net Assets - Beginning of Year	2,205,273	573,183	2,778,456
NET ASSETS - END OF YEAR	$ 2,490,094	$ 289,645	$ 2,779,739

See accompanying Notes to Financial Statements.

RARITAN VALLEY HABITAT FOR HUMANITY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Public Support:			
Contributions	$ 216,310	$ 86,408	$ 302,718
Government Grants	-	303,826	303,826
Grants from Public Support	-	13,500	13,500
Donated Materials and Services	1,500	77,048	78,548
Special Event Revenue	123,743	-	123,743
Total Public Support	341,553	480,782	822,335
Other Revenue:			
Interest Income	212	-	212
Imputed Interest from Mortgage Notes Receivable	97,922	-	97,922
ReStore Income	950,145	-	950,145
Gain on Sale of Property and Equipment	1,450	-	1,450
Miscellaneous	42,416	50,000	92,416
Grant Revenue - PPP Loan	114,465	-	114,465
Total Other Revenue	1,206,610	50,000	1,256,610
Home Sales:			
Gross Proceeds	195,000	-	195,000
Cost of Homes	(556,519)	-	(556,519)
Excess of Costs Over Proceeds	(361,519)	-	(361,519)
Critical Home Repair Sales:			
Gross Proceeds	2,202	-	2,202
Cost of Home Repairs	(29,255)	-	(29,255)
Total	(27,053)	-	(27,053)
Net Assets Released from Restrictions	405,497	(405,497)	-
Total Revenue and Other Support	1,565,088	125,285	1,690,373
EXPENSES			
Program Services	1,189,476	-	1,189,476
Management and General	358,953	-	358,953
Fundraising	119,824	-	119,824
Total Expenses	1,668,253	-	1,668,253
CHANGES IN NET ASSETS	(103,165)	125,285	22,120
Net Assets - Beginning of Year	2,308,438	447,898	2,756,336
NET ASSETS - END OF YEAR	$ 2,205,273	$ 573,183	$ 2,778,456

See accompanying Notes to Financial Statements.

RARITAN VALLEY HABITAT FOR HUMANITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services					
	ReStore	Other Services	Total Program Services	Management and General	Fundraising	Total
Payroll and Fringe Benefits:						
Payroll	$ 332,284	$ 281,851	$ 614,135	$ 306,412	$ 72,952	$ 993,499
Payroll Tax	52,727	54,622	107,349	36,817	8,322	152,488
Subtotal Payroll	385,011	336,473	721,484	343,229	81,274	1,145,987
Contribution to Habitat for Humanity International, Inc.	-	33,572	33,572	-	-	33,572
Professional Fees	-	1,500	1,500	25,809	-	27,309
Interest Expense	16,299	-	16,299	104	-	16,403
Insurance	22,483	35,219	57,702	-	-	57,702
Utilities	36,074	-	36,074	5,670	-	41,744
Office Expense	13,288	964	14,252	13,137	5,833	33,222
Office Equipment and Rental	-	41,705	41,705	602	-	42,307
Maintenance and Repair	94,624	-	94,624	-	-	94,624
Travel	1,046	2,144	3,190	359	371	3,920
Vehicle Expense	11,429	-	11,429	-	-	11,429
Rent	168,277	-	168,277	11,400	-	179,677
Marketing	12,102	-	12,102	-	-	12,102
Fundraising Costs	-	-	-	-	43,240	43,240
Miscellaneous	36,069	25,790	61,859	26,878	-	88,737
Amortization	-	-	-	2,008	-	2,008
Total Expenses Before Depreciation	796,702	477,367	1,274,069	429,196	130,718	1,833,983
Depreciation	12,519	5,629	18,148	2,136	-	20,284
Total Expenses	$ 809,221	$ 482,996	$ 1,292,217	$ 431,332	$ 130,718	$ 1,854,267

See accompanying Notes to Financial Statements.

RARITAN VALLEY HABITAT FOR HUMANITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services					
	ReStore	Other Services	Total Program Services	Management and General	Fundraising	Total
Payroll and Fringe Benefits:						
Payroll	$ 279,491	$ 204,858	$ 484,349	$ 242,437	$ 70,533	$ 797,319
Payroll Tax	57,088	24,084	81,172	27,185	7,493	115,850
Subtotal Payroll	336,579	228,942	565,521	269,622	78,026	913,169
Discount on Mortgage Note Receivable	-	116,005	116,005	-	-	116,005
Contribution to Habitat for Humanity International, Inc.	-	55,629	55,629	-	-	55,629
Professional Fees	-	1,500	1,500	21,488	-	22,988
Interest Expense	19,281	-	19,281	-	-	19,281
Insurance	23,716	18,370	42,086	2,076	-	44,162
Utilities	42,391	-	42,391	5,534	-	47,925
Office Expense	9,130	716	9,846	13,658	1,122	24,626
Office Equipment and Rental	-	11,269	11,269	2,294	-	13,563
Maintenance and Repair	77,841	-	77,841	-	-	77,841
Travel	-	-	-	124	90	214
Vehicle expense	11,945	-	11,945	-	-	11,945
Rent	145,760	-	145,760	10,873	-	156,633
Marketing	12,074	-	12,074	-	-	12,074
Fundraising Costs	-	-	-	-	40,586	40,586
Miscellaneous	37,856	24,054	61,910	33,284	-	95,194
Total Expenses Before Depreciation	716,573	456,485	1,173,058	358,953	119,824	1,651,835
Depreciation	13,718	2,700	16,418	-	-	16,418
Total Expenses	$ 730,291	$ 459,185	$ 1,189,476	$ 358,953	$ 119,824	$ 1,668,253

See accompanying Notes to Financial Statements.

RARITAN VALLEY HABITAT FOR HUMANITY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 1,283	$ 22,120
Adjustments to Reconcile Consolidated Net Income to Net Cash Provided by Operating Activities:		
Depreciation	20,284	16,418
Imputed Interest Discount	-	116,005
Imputed Interest Income	(94,161)	(97,922)
Transfer to Homeowners for Mortgages	-	(195,000)
Cost of Homes Sold	-	556,519
Gain on Sale of Property and Equipment	-	(1,450)
Noncash Lease Expense	14,556	-
Changes in Certain Assets and Liabilities:		
Accounts Receivable	83,491	(29,574)
Grants Receivable	165,000	(165,000)
Prepaid Expenses	(9,931)	(11,897)
Security Deposits	-	1,500
Accounts Payable and Accrued Expenses	84,450	12,419
Refundable Advance	-	(114,465)
Net Cash Provided by Operating Activities	264,972	109,673
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for Land and Construction	(580,767)	(378,979)
Purchase of Fixed Assets	(52,707)	(14,698)
Proceed on Sale of Property and Equipment	-	6,000
Mortgage Payments Received	174,094	176,162
Net Cash Used by Investing Activities	(459,380)	(211,515)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Notes Payable	(48,821)	(45,838)
Net Cash Used by Financing Activities	(48,821)	(45,838)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(243,229)	(147,680)
Cash - Beginning of Year	1,300,501	1,448,181
CASH - END OF YEAR	$ 1,057,272	$ 1,300,501
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	$ 16,299	$ 19,281

See accompanying Notes to Financial Statements.

NOTE 1 NATURE OF BUSINESS

Raritan Valley Habitat for Humanity, Inc. (Organization), is a nonprofit organization that builds and preserves affordable homes in Somerset and Hunterdon counties (New Jersey) in partnership with low- and moderate-income homeowners and the community. The Organization is an affiliate of Habitat for Humanity International, Inc. During late 2018, the Organization opened a Habitat for Humanity "ReStore" in Manville, Somerset County. A ReStore sells new and gently used, donated furniture, appliances, home décor, and building supplies to the public at a fraction of their retail prices. It benefits the community by providing high-quality items at affordable prices, generating proceeds to fund the building and repair of more affordable homes, and keeping items out of landfills.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Financial Statement Presentation

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. Also, other net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Mortgage Notes Receivable

Loans are extended to families purchasing homes constructed by the Organization. These mortgages to homeowners do not bear interest and generally have a maximum life of 30 years. As of the date of loan closing, the note's estimated future cash flows are discounted using an interest rate stipulated by Habitat for Humanity International, Inc., in order to compute the present value, which facilitates the combining of all affiliated financial statements by Habitat for Humanity International, Inc.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Mortgage Notes Receivable (Continued)

The resulting discount is recorded as an expense upon closing and is adjusted annually to reflect the present value of estimated future cash flows. Adjustments to discounts are recorded as interest income.

The Organization reviews mortgage notes receivable for collectability based on previous experience and determinations by the board of directors. In management's opinion, the collateral is sufficient to enable the Organization to realize the mortgage notes receivable without any allowance.

Grants Receivable

Grants receivable is stated at the amount management expects to collect from outstanding balances. The Organization charges uncollectible grants receivable to operations when determined to be uncollectible. Management has evaluated the balances due and determined that no allowance is necessary at June 30, 2023 and 2022.

Inventory

Inventory associated with the ReStore consists of donated goods, building materials, furniture, appliances, and other household goods. Donated inventory is not recorded until it is sold by the Organization, when there is an objective and measurable basis for determining fair value.

Construction in Progress

Construction in progress represents housing projects underway that fulfill the Organization's mission. All direct costs incurred relating to construction are accumulated in this account until construction is completed. At the time of sale, the total cost is reflected on the statements of activities and changes in net assets as cost of homes sold on a specific identification basis. Occasionally, when development is deemed not to be feasible, the Organization charges these costs to expense.

Property and Equipment

Property and equipment is stated at cost. Significant additions, renewals, and betterments greater than $1,000 are capitalized, while replacements, maintenance, and repairs that do not improve or extend the life of an asset are expensed. Depreciation is provided using the straight-line method of the estimated useful lives ranging from five to seven years. In the absence of donor-imposed restrictions on the use of the asset, gifts of long-lived assets are reported as unrestricted support.

Revenue Recognition

The Organization derives the majority of its revenues from ReStore sales. Revenues are recognized when control of these products is transferred to its customers, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those products.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The Organization recognizes ReStore revenue at a point in time when ownership, risks, and rewards transfer. There were no significant financing components or variable considerations in determining performance obligations.

Contributions, including unconditional promises to give, are recognized as revenue when contributions are received or unconditionally pledged to the Organization. All contributions are without donor restrictions unless specifically restricted by the donor. 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 and reported in the statement of activities and changes in net asset as net assets are released.

Contributions with donor restrictions that are met in the same reporting period as they are received are reported as support without donor restrictions in the accompanying financial statements.

Cost of Homes

The gross amount of each mortgage note receivable is based on Habitat for Humanity International, Inc.'s home pricing guidelines. Construction and land costs exceeding that amount are expensed in the year of closing.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. These estimates and assumptions are based on management's best estimates and judgment. Actual results could differ from those estimates.

Income Tax Status

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken, or expected to be taken, in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. The Organization's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded during the fiscal years ended June 30, 2023 and 2022. At June 30, 2023 and 2022, there are no significant income tax uncertainties.

As of June 30, 2023, all required tax returns have been filed

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications have been made to the fiscal year 2022 financial statement to conform to the fiscal year 2023 presentation.

Adoption of New Accounting Standard—Leases

In February 2016, the Financial Accounting Standards Board issued accounting Standards Update 2016-02, *Leases (ASC 842).* The new standard increases transparency and comparability among organizations requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statements of financial position. Most prominent of the changes is the recognition of ROU asset and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provision of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year needed June 30, 2022, are made under prior lease guidance in FASB ASC 840.

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has not elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization's ROU assets.

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

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022, a lease liability at the carrying amount of the financing lease obligations on June 30, 2023, of $2,786 and a right-of-use asset at the carrying amount of the financing lease asset of $4,686. The Organization also recognized on July 1, 2022, a lease liability of $738,055, which represents the present value of the remaining operating lease payments of $927,500, discounted using the Organization's risk-free discount rate comparable to the corresponding lease terms, and a right of use-asset of $847,403.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standard—Leases (Continued)

The standard had a material impact on the statements of financial position but did not have an impact on the statements of activities and changes in net assets, nor the statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

Leases

The Organization leases office space and equipment. The Organization determines if an arrangement is a lease at inception.

Operating leases are included in the operating ROU asset, current liability – operating and long-term lease liability – operating on the statements of financial position.

ROU assets represent the Organization’s right to use an underlying asset for the lease term and the lease liabilities present the Organization’s obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, the Organization uses a risk-free rate 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. The lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and the leases are not included as lease liabilities or right-of-use assets on the statements of financial position.

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

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substation rights. This evaluation may require significant judgment.

Subsequent Events

The Organization has evaluated events subsequent to the statement of financial position date as of June 30, 2023, through January 29, 2024, the date that the financial statements were available to be issued.

NOTE 3 DEPARTURE FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Organization has not recorded inventory on hand as donated furniture and equipment are sold throughout the year.

Management has determined that it is impracticable to record inventory due to the high cost and significant disruption to the Organization's operations that would be required to implement an inventory tracking system in the current year. As a result, the financial statements do not comply with generally accepted accounting principles. The users of the financial statements should consider this departure from GAAP when evaluating the financial position and results of operations of the Organization. The Organization is working to alleviate this issue for fiscal year 2024.

NOTE 4 MORTGAGE NOTES RECEIVABLE

Mortgages receivable consist of noninterest-bearing mortgage notes that are secured by properties sold through the home building program and generally mature in 6 to 30 years, through March 2052. Mortgages on houses sold during the fiscal years ended 2023 and 2022 were discounted at Habitat for Humanity International, Inc.'s stipulated interest rate of 7.85% and 7.49%, respectively.

Outstanding mortgage notes receivable are as follows:

	2023	2022
Gross Payments Receivable	$ 1,853,860	$ 2,027,955
Imputed Interest Discount	(688,598)	(782,760)
Mortgages Receivable, Net	$ 1,165,262	$ 1,245,195

Gross payments receivable over the next five years, and thereafter, are as follows:

Year Ending June 30,	Amount
2024	$ 172,243
2025	165,898
2026	155,397
2027	148,220
2028	143,251
Thereafter	1,068,851
Gross Payments Receivable	1,853,860
Less: Imputed Interest Discount	(688,598)
Total	$ 1,165,262

NOTE 5 COST OF HOMES SOLD

Property acquisition and construction costs incurred in connection with the Organization's home building program are capitalized as construction in progress until construction is completed and the property is sold. In the year the property is sold, the total cost is reflected on the statement of activities and changes in net assets as cost of homes sold. The number of properties completed each year can vary significantly from year to year, and this can produce variations within the Organization's annual change in net assets.

NOTE 6 CONSTRUCTION IN PROGRESS

As of June 30, 2023 and 2022, the Organization has land costs of $394,638 and $275,617, respectively, and construction costs of $472,061 and $10,315, respectively. As of June 30, 2023, these costs related the Raritan Township project and Critical Home Repair projects. As of June 30, 2022, these costs related to the Willow Road project in the township of Montgomery, which was completed in 2022.

Generally, the properties under construction are sold below cost when completed. Management has not evaluated construction in progress for this probable write-down.

NOTE 7 CONSTRUCTION EQUIPMENT

Construction equipment consists of the following:

	2023	2022
Equipment	151,041	99,213
Less: Accumulated Depreciation	(91,753)	(72,348)
Total	$ 59,288	$ 26,865

During the year ended June 30, 2022, the Organization disposed of property and equipment resulting in a gain on disposal of $1,450.

NOTE 8 PPP LOAN – GRANT REVENUE

The Organization obtained a Paycheck Protection Program (PPP) loan under the CARES Act in February 2021 for $114,465. As of June 30, 2022 the Organization recorded the $114,465 received as a conditional government grant and recognized revenue when the conditions set forth by the U.S. Small Business Administration (SBA) were satisfied. As of June 30, 2022, all amounts received under the PPP were expended and recognized as government contributions on the statements of activities and changes in net assets. The Organization received formal forgiveness from the Small Business Administration in September 2021. The SBA reserves the right to audit loan forgiveness for six years from the date that forgiveness was awarded.

NOTE 9 NOTES PAYABLE

During 2018, the Organization entered into a note in the amount of $504,900, issued by Habitat for Humanity International, Inc., with an interest rate of 5%. The loan is secured by the assignment of mortgages receivable with outstanding balances totaling $1,165,262 and $1,245,195 at June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, notes payable is as follows:

	2023	2022
Note payable to Habitat for Humanity International, Inc. Quarterly Payments of $16,280 with Interest at 5%. Note Matures June 30, 2028.	$ 286,515	$ 335,336
Less: Current Maturities	(51,754)	(48,820)
Long-Term Portion	$ 234,761	$ 286,516

At June 30, 2023, notes payable mature as follows:

Year Ending June 30,	Amount
2024	$ 51,754
2025	54,391
2026	57,162
2027	60,074
2028	63,134
Total	$ 286,515

NOTE 10 HOME INVESTMENT PARTNERSHIP FUNDS

On November 30, 2017, the Organization was awarded a subgrant agreement from Somerset County under its U.S. Department of Housing and Urban Development HOME Investment Partnerships Program for $225,116. $64,480 was expended during the year ended June 30, 2022. The grant was fully expended as of June 30, 2022.

On December 12, 2018, the Organization was awarded a subgrant agreement from Somerset County under its U.S. Department of Housing and Urban Development HOME Investment Partnerships Program for $245,483. $74,346 was expended during the year ended June 30, 2022. The remaining balance was reprogrammed into another agreement.

On July 29, 2022, the Organization was awarded a subgrant agreement from Somerset County under its U.S. Department of Housing and Urban Development HOME Investment Partnerships Program for $165,000. $165,000 was expended during the year ended June 30, 2022.

NOTE 10 HOME INVESTMENT PARTNERSHIP FUNDS (CONTINUED)

On January 24, 2023, the Organization was awarded a subgrant agreement from Somerset County under its U.S. Department of Housing and Urban Development HOME Investment Partnerships Program for $105,000. Nothing was expended during the year ended June 30, 2023.

All of the subaward amounts are development loans that must be used for the sole purpose of low-to moderate-income affordable housing units in accordance with 24 Code of Federal Regulations Sections 92.252 through 92.254. After 20 years, the loans will be forgiven if the property is maintained in compliance with the subgrant agreement.

For the years ended June 30, 2023 and 2022, respectively, $-0- and $303,826 has been expended under these subawards, which is reflected as government grant revenue in the accompanying statements of activities and changes in net assets.

NOTE 11 LEASES

Leases – ASC 842

The Organization leases office space and equipment for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2028. In the normal course of business, it is expected that the leases will be renewed or replaced by similar leases. Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Additionally, the agreements usually require the Organization to pay real estate taxes, insurance, and repairs.

The following table provides quantitative information concerning the Organization's leases:

Lease Costs:		
Finance Lease Costs:		
Amortization of Right-of-Use Assets	$	2,008
Interest on Lease Liabilities		104
Operating Lease Costs		146,447
Short-Term Lease Costs		17,976
Total Lease Costs	$	166,535

Other Information:		
Operating Cash Flows from Financing Leases	$	104
Operating Cash Flows from Operating Leases		132,000
Financing Cash Flows from Financing Leases		1,900
Right-of-Use Assets Obtained in Exchange for New Financing Lease Liabilities		4,686
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities		847,403
Weighted-Average Remaining Lease Term - Financing Leases		1.3 Years
Weighted-Average Remaining Lease Term - Operating Leases		5.3 Years
Weighted-Average Discount Rate - Financing Leases		2.84%
Weighted-Average Discount Rate - Operating Leases		2.88%

NOTE 11 LEASES (CONTINUED)

Leases – ASC 842 (Continued)

The Organization classifies the total undiscounted lease payments that are used in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023 is as follows:

Year Ending June 30,	Operating Leases	Financing Leases
2024	$ 145,500	$ 2,004
2025	150,000	835
2026	150,000	-
2027	150,000	-
2028	150,000	-
Thereafter	50,000	-
Total Lease Payments	795,500	2,839
Less: Interest	(57,444)	(53)
Present Value of Lease Liabilities	$ 738,056	$ 2,786

Leases – ASC 840

The Organization has a month-to-month lease agreement with an unrelated party for the rental of its office space. Rent expense under this lease amounted to $10,873 for the years ended June 30, 2023 and 2022, respectively.

The Organization has a month-to-month lease agreement with an unrelated party for the rental of storage space. Rent expense under this lease amounted to $13,760 for the year ended June 30, 2022.

In 2018, the Organization entered into a lease agreement with an unrelated party for the rental of ReStore space associated with the new ReStore operation. The lease expires in May 2023.

The Organization leases office equipment through 2024 for use in operations.

The Organization is obligated under these two leases, for future minimum lease payments as follows:

Year Ending June 30,	Amount
2023	$ 111,991
2024	664
Total	$ 112,655

Rent expense under these leases amounted to $158,927 for the year ended June 30, 2022.

NOTE 12 CONTRIBUTIONS TO HABITAT FOR HUMANITY INTERNATIONAL, INC.

Habitat for Humanity International, Inc., is a global partnership, and in recognition of that commitment, the Organization covenants with Habitat for Humanity International, Inc., to contribute at least 10% of its unrestricted cash contributions, including event profits, to this international affiliate.

In addition, the Organization is required to remit an additional amount toward the Stewardship and Organizational Sustainability Incentive (SOSI). The tithe for the years ended June 30, 2023 and 2022, was $18,572 and $40,629, respectively. The SOSI was $15,000 for the years ended June 30, 2023 and 2022. The combined amounts for each fiscal year are included as contribution to Habitat for Humanity International, Inc., expense in the accompanying statements of functional expenses.

NOTE 13 CONCENTRATIONS OF CREDIT RISK

Financial instruments that expose the Organization to concentrations of credit and market risk consist primarily of mortgage notes receivable due from homeowners and inventory of residential buildings. 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 homeowners.

In addition, the Organization maintains its cash in bank deposit accounts at high-quality financial institutions. At times, these balances may exceed federally insured limits.

NOTE 14 LINE OF CREDIT

The Organization has a revolving line of credit with a bank. The available balance on this line is $100,000 at June 30, 2023. The revolving line of credit renews annually. At June 30, 2023 and 2022, the Organization had no borrowings under the line. The interest rate was 9.50% at June 30, 2023, and 7.25% at June 30, 2022, respectively.

NOTE 15 FUNCTIONAL EXPENSES

The costs of providing the various programs and other activities are reflected on a functional basis on the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services. General and administrative expenses are those not directly identifiable with any specific function, but which provide for the overall support and direction of the Organization.

NOTE 15 FUNCTIONAL EXPENSES (CONTINUED)

The financial statements contain 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. The expenses that are allocated include salaries and wages, payroll taxes, and fringe benefits. These costs are allocated based upon actual time spent.

NOTE 16 DONATED MATERIALS AND SERVICES

Building materials and services are donated for use in construction and other projects. Amounts are reported in the financial statements for voluntary donations of services when those services create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills and which would typically be purchased if not provided by donation. Donated materials are reported at their fair value at the time of donation and are included in the overall cost basis of each construction project.

A majority of the labor that goes into home construction is provided by volunteers and is not included in the cost basis of each construction project. For the years ended June 30, 2023 and 2022, the Organization received a total of 9,430 and 13,005 volunteer labor, office, and committee hours, respectively.

For the years ended June 30, 2023 and 2022, the Organization received a total of $1,500, respectively, in pro bono legal services, for the closing and property acquisition of various properties.

For the year ended June 30, 2023, the Organization received a total of $11,400, in donated rent.

Valuation techniques and inputs utilized in valuing these contributed nonfinancial assets are as follows:

Contributed Nonfinancial Assets	Valuation Techniques and Inputs
Professional Services	Estimated Based on Current Rates Paid by the Organization doe Similar Services
Building Materials and Services	Estimated based on the cost of similar materials and services
Rent	Fair Value Based on Current Rates in the Area

NOTE 17 LIQUIDITY AND AVAILABILITY

The following represents the Organization's financial assets at June 30, 2023 and 2022, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions. Amounts available include donor-restricted amounts that are available for general expenditure in the following year.

	2023	2022
Cash	$ 1,057,272	$ 1,300,501
Mortgage Receivables, Current	172,243	174,294
Accounts Receivable	15,965	99,456
Grants Receivable	-	165,000
Total Financial Assets	1,245,480	1,739,251
Less: Amounts not Available to be Used Within One Year		
Net Assets With Donor Restrictions	(289,645)	(573,183)
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	$ 955,835	$ 1,166,068

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, the Organization has a line of credit for $100,000 fully available.

NOTE 18 SUBSEQUENT EVENT

The Organization sold their property in Franklin, New Jersey, for approximately $149,000 in July 2023, resulting in a loss of approximately $15,000.

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*

Board of Directors
Raritan Valley Habitat for Humanity, Inc.
Somerville, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Raritan Valley Habitat for Humanity, Inc. (Organization), a nonprofit organization, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 29, 2024.

Basis for Qualified Opinion

As more fully described in Note 3 to the financial statements, the Organization has not recorded inventory. In our opinion, such asset should be stated at year-end to conform with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Livingston, New Jersey
January 29, 2024

RARITAN VALLEY HABITAT FOR HUMANITY, INC.
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2023

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Qualified
2. Internal control over financial reporting:
   - Material weakness(es) identified? ______ yes __x__ no
   - Significant deficiency(ies) identified? ______ yes __x__ none reported
3. Noncompliance material to financial statements noted? ______ yes __x__ no