RARITAN VALLEY HABITAT FOR HUMANITY, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

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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 statements of financial position as of 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, 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, 2024 and 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 as of June 30, 2023. 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Raritan Valley Habitat for Humanity, Inc. 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 qualified 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 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, 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.

Board of Directors
Raritan Valley Habitat for Humanity, Inc.

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Livingston, New Jersey
May 2, 2025

RARITAN VALLEY HABITAT FOR HUMANITY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash	$ 558,300	$ 1,057,272
Mortgages Receivable, Current Portion	194,411	172,243
Accounts Receivable, Net Allowance for Credit Losses	31,950	15,965
Inventory	89,872	-
Construction in Progress:		
Land	1,286	394,638
Construction Costs	85,504	472,061
Prepaid Expenses and Other	63,262	50,560
Total Current Assets	1,024,585	2,162,739
PROPERTY AND EQUIPMENT, NET	46,649	59,288
OPERATING RIGHT-OF-USE ASSET	596,459	723,608
FINANCING RIGHT-OF USE ASSET	14,728	2,678
OTHER ASSETS		
Mortgages Receivable, Net of Current Portion and Discount Allowance for Credit Losses	1,120,998	993,019
Security Deposits	20,000	20,000
Total Other Assets	1,140,998	1,013,019
Total Assets	$ 2,823,419	$ 3,961,332
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 133,329	$ 154,236
Notes Payable, Current Portion	54,391	51,754
Current Lease Liability - Operating	134,506	126,202
Current Lease Liability - Financing	3,505	1,955
Total Current Liabilities	325,731	334,147
LONG-TERM LIABILITIES		
Long-Term Lease Liability - Operating	477,349	611,854
Long-Term Lease Liability - Financing	11,474	831
Notes Payable, Net of Current Portion	180,370	234,761
Total Long-Term Liabilities	669,193	847,446
Total Liabilities	994,924	1,181,593
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Without Donor Restrictions	1,533,235	2,490,094
With Donor Restrictions	295,260	289,645
Total Net Assets	1,828,495	2,779,739
Total Liabilities and Net Assets	$ 2,823,419	$ 3,961,332

See accompanying Notes to Financial Statements.

RARITAN VALLEY HABITAT FOR HUMANITY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND OTHER SUPPORT			
Public Support:			
Contributions	$ 204,270	$ 312,381	$ 516,651
Habitat ReStore Merchandise Contributions	1,018,426	-	1,018,426
Government Grants	-	77,534	77,534
Grants from Public Support	-	34,500	34,500
Donated Materials, Services and Equipment	-	98,981	98,981
Special Event Revenue	225,302	-	225,302
Gain on Sale of Mortgage	19,248	-	19,248
Total Public Support	1,467,246	523,396	1,990,642
Other Revenue:			
Interest Income	215	-	215
Imputed Interest from Mortgage Notes Receivable	88,730	-	88,730
ReStore Income	928,554	-	928,554
Miscellaneous	12,091	-	12,091
Total Other Revenue	1,029,590	-	1,029,590
Home Sales:			
Gross Proceeds	619,000	-	619,000
Cost of Homes	(1,329,724)	-	(1,329,724)
Excess of Costs Over Proceeds	(710,724)	-	(710,724)
Critical Home Repair Sales:			
Gross Proceeds	25,767	-	25,767
Cost of Home Repairs	(119,979)	-	(119,979)
Total	(94,212)	-	(94,212)
Net Assets Released from Restrictions	517,781	(517,781)	-
Total Revenue and Other Support	2,209,681	5,615	2,215,296
EXPENSES			
Program Services	2,698,654	-	2,698,654
Management and General	323,261	-	323,261
Fundraising	144,625	-	144,625
Total Expenses	3,166,540	-	3,166,540
CHANGES IN NET ASSETS	(956,859)	5,615	(951,244)
Net Assets - Beginning of Year	2,490,094	289,645	2,779,739
NET ASSETS - END OF YEAR	$ 1,533,235	$ 295,260	$ 1,828,495

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

RARITAN VALLEY HABITAT FOR HUMANITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024

	Program Services					
	ReStore	Other Services	Total Program Services	Management and General	Fundraising	Total
Payroll and Fringe Benefits:						
Payroll	$ 386,491	$ 293,992	$ 680,483	$ 223,130	$ 71,517	$ 975,130
Payroll Tax	66,047	67,628	133,675	28,754	8,230	170,659
Subtotal Payroll	452,538	361,620	814,158	251,884	79,747	1,145,789
Discount on Mortgage Note Receivable	-	308,746	308,746	-	-	308,746
Contribution to Habitat for						-
Humanity International, Inc.	-	40,043	40,043	-	-	40,043
Professional Fees	-	-	-	16,584	-	16,584
Interest Expense	13,365	-	13,365	214	-	13,579
Insurance	52,926	68,030	120,956	-	-	120,956
Utilities	43,898	-	43,898	5,610	-	49,508
Office Expense	11,985	488	12,473	5,974	5,036	23,483
Office Equipment and Rental	-	23,984	23,984	84	-	24,068
Maintenance and Repair	95,513	-	95,513	-	-	95,513
Travel	2,588	1,439	4,027	1,164	453	5,644
Vehicle expense	15,846	-	15,846	-	-	15,846
Rent	154,055	-	154,055	11,400	-	165,455
Marketing	17,016	-	17,016	-	-	17,016
Fundraising Costs	-	-	-	-	59,389	59,389
Miscellaneous	37,673	42,633	80,306	25,323	-	105,629
Donation to ReStore	928,554	-	928,554	-	-	928,554
Amortization	-	-	-	2,748	-	2,748
Bad Debt	-	-	-	502		502
Provision for Loan Losses	-	11,416	11,416	-	-	11,416
Total Expenses Before Depreciation	1,825,957	858,399	2,684,356	321,487	144,625	3,150,468
Depreciation	6,612	7,686	14,298	1,774	-	16,072
Total Expenses	$ 1,832,569	$ 866,085	$ 2,698,654	$ 323,261	$ 144,625	$ 3,166,540

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

RARITAN VALLEY HABITAT FOR HUMANITY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (951,244)	$ 1,283
Adjustments to Reconcile Consolidated Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	16,072	20,284
Imputed Interest Discount	308,746	-
Imputed Interest Income	(88,730)	(94,161)
Transfer to Homeowners for Mortgages	(619,000)	-
Cost of Homes Sold	1,329,724	-
Gain on Sale of Mortgage	(19,248)	-
Provision for Loan Loss	11,416	-
Noncash Lease Expense	948	14,556
Amortization of ROU Asset	2,748	-
Changes in Certain Assets and Liabilities:		
Accounts Receivable	(15,985)	83,491
Grants Receivable	-	165,000
Inventory	(89,872)	-
Prepaid Expenses	(12,702)	(9,931)
Accounts Payable and Accrued Expenses	(20,907)	84,450
Net Cash Provided (Used) by Operating Activities	(148,034)	264,972
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for Land and Construction	(549,815)	(580,767)
Purchase of Fixed Assets	(3,433)	(52,707)
Mortgage Payments Received	256,669	174,094
Net Cash Used by Investing Activities	(296,579)	(459,380)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Notes Payable	(51,754)	(48,821)
Payments on Financing Leases	(2,605)	-
Net Cash Used by Financing Activities	(54,359)	(48,821)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(498,972)	(243,229)
Cash - Beginning of Year	1,057,272	1,300,501
CASH - END OF YEAR	$ 558,300	$ 1,057,272
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	$ 13,365	$ 16,299

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 (U.S. GAAP).

Change in Accounting Principle

The Organization has adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifieds the measurement of expected credit losses. The Organization adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Organization’s financial statements but did change how the allowance for credit losses is determined.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Allowance for Credit Losses on Mortgages

Effective, July 1, 2023, the allowance for credit losses on mortgages is a valuation account that is deducted from the amortized cost basis of mortgages to present the net amount expected to be collected. The allowance for credit losses on mortgages is adjusted through the provision for credit losses to the amount of amortized cost basis not expected to be collected at the balance sheet date. Mortgage losses are charged off against the allowance for credit losses on mortgages when the Organization determines the mortgage balance to be uncollectible. Cash received on previously charged off amounts is recorded as a recovery to the allowance for credit losses on mortgages.

The measurement of expected credit losses encompasses information about historical events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Qualitative adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, current information and events, probable that the Organization will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreements, or delinquencies.

The allowance for credit losses on mortgages estimate incorporates a reasonable and supportable economic forecast through the use of historical losses adjusted for current factors.

The Organization only has one portfolio segment. The risk characteristics of this segment are as follows:

1-4 Family: The degree of risk in 1-4 family lending depends primarily on the note amount in relation to collateral value, the interest rate and the borrower's ability to repay in an orderly fashion. These notes generally possess a lower inherent risk of loss than other real estate portfolio segments. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these notes. Weak economic trends indicate that the borrowers' capacity to repay their obligations may be deteriorating.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Credit Losses on Mortgages (Continued)

Although management believes the allowance to be adequate, ultimate losses may vary from its estimates. On a yearly basis, the Organization reviews the adequacy of the allowance, including consideration of the relevant risks in the portfolio, current economic conditions and other factors. If management determines that changes are warranted based on those reviews, the allowance is adjusted. Prior to the adoption of ASC 326, the Organization used an incurred loss model to measure an allowance for loan losses.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Bad debt are provided for using the allowance method based on historical loss experience, current economic conditions, forward-looking information, and management's evaluation of outstanding receivable. The Organization charges uncollectible accounts receivable to operations when determined to be uncollectible. Management has evaluated the balances due and determined that a $502 allowance is necessary at June 30, 2024. No allowance was necessary at June 30, 2023.

Inventory

ReStore inventory is recorded at fair market value when received after being examined for salability, since substantially all inventory items at ReStore are donated. At the time inventory is sold, the items are recorded as revenue without a corresponding cost of goods sold. U.S. GAAP requires contributions to be recorded at fair value at the date of receipt in the statement of financial position. Currently donations of items to be sold are being recorded at fair value based upon calculation of the ending inventory amount plus the amount sold less the beginning inventory. At the time of sale, items sold are reflected in the statement of activities and changes in net assets as revenue.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Home Sales

Homes are sold to qualified buyers at a reduced affordable housing price. Noninterest-bearing mortgages are accepted as payment for the homes sold. Home sales are recorded at the discounted value of payments to be received over the lives of the mortgages and revenue is recognized upon closing. Noninterest-bearing mortgages have been discounted at various rates based upon prevailing market rates for low-income housing at the inception of the mortgages.

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.

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 U.S. GAAP, 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2024 and 2023. At June 30, 2024 and 2023, there are no significant income tax uncertainties.

As of June 30, 2024, all required tax returns have been filed

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 right-of-use (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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The Organization has evaluated events subsequent to the statement of financial position date as of June 30, 2024, through May 2, 2025, 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 for the year ended June 30, 2023.

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 U.S. GAAP when evaluating the financial position and results of operations of the Organization. The Organization has recorded inventory on hand for the year ended June 30, 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 2024 and 2023 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:

	2024	2023
Gross Payments Receivable	$ 2,213,643	$ 1,853,860
Imputed Interest Discount	(886,818)	(688,598)
Allowance for Credit Losses	(11,416)	-
Mortgages Receivable, Net	$ 1,315,409	$ 1,165,262

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

Year Ending June 30,	Amount
2025	$ 194,411
2026	183,735
2027	176,733
2028	171,614
2029	168,469
Thereafter	1,318,681
Gross Payments Receivable	2,213,643
Less: Imputed Interest Discount	(886,818)
Less: Allowance for Credit Losses	(11,416)
Total	$ 1,315,409

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, 2024 and 2023, the Organization has land costs of $1,286 and $394,638, respectively, and construction costs of $85,504 and $472,061, respectively. As of June 30, 2024, these costs related the Raritan Township project and Critical Home Repair projects. As of June 30, 2024, these costs related to the three projects Grove Street, Sydney Place and Raritan Township, which were completed in 2024.

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:

	2024	2023
Equipment	$ 152,936	$ 151,041
Less: Accumulated Depreciation	(106,287)	(91,753)
Total	$ 46,649	$ 59,288

NOTE 8 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 $1,326,825 and $1,245,195 at June 30, 2024 and 2023, respectively. As of June 30, 2024 and 2023, notes payable is as follows:

	2024	2023
Note payable to Habitat for Humanity International, Inc. Quarterly Payments of $16,280 with Interest at 5%. Note Matures June 30, 2028.	$ 234,761	$ 286,515
Less: Current Maturities	(54,391)	(51,761)
Long-Term Portion	$ 180,370	$ 234,754

NOTE 8 NOTES PAYABLE (CONTINUED)

At June 30, 2024, notes payable mature as follows:

Year Ending June 30,	Amount
2025	$ 54,391
2026	57,162
2027	60,074
2028	63,134
Total	$ 234,761

NOTE 9 HOME INVESTMENT PARTNERSHIP FUNDS

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, 2024.

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, 2024 and 2023, $-0- 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 10 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.

NOTE 10 LEASES (CONTINUED)

Leases – ASC 842 (Continued)

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

	2024	2023
Lease Costs:		
Finance Lease Costs:		
Amortization of Right-of-Use Assets	$ 2,748	$ 2,008
Interest on Lease Liabilities	214	104
Operating Lease Costs	146,447	146,447
Short-Term Lease Costs	-	17,976
Total Lease Costs	$ 149,409	$ 166,535
Other Information:		
Operating Cash Flows from Financing Leases	$ 214	$ 104
Operating Cash Flows from Operating Leases	$ 145,500	$ 132,000
Financing Cash Flows from Financing Leases	$ 2,605	$ 1,900
Right-of-Use Assets Obtained in Exchange for New Financing Lease Liabilities	$ 14,798	$ 4,686
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	$ -	$ 847,403
Weighted-Average Remaining Lease Term - Financing Leases	4.5 Years	1.3 Years
Weighted-Average Remaining Lease Term - Operating Leases	4.3 Years	5.3 Years
Weighted-Average Discount Rate - Financing Leases	4.53%	2.84%
Weighted-Average Discount Rate - Operating Leases	2.88%	2.88%

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, 2024 is as follows:

Year Ending June 30,	Operating Leases	Financing Leases
2025	$ 150,000	$ 4,094
2026	150,000	3,259
2027	150,000	3,259
2028	150,000	3,259
2029	50,000	2,716
Total Lease Payments	650,000	16,587
Less: Interest	(38,145)	(1,608)
Present Value of Lease Liabilities	$ 611,855	$ 14,979

NOTE 11 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, 2024 and 2023 was $25,043 and $18,572, respectively. The SOSI was $15,000 for the years ended June 30, 2024 and 2023. 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 12 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 13 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, 2024. The revolving line of credit renews annually. At June 30, 2024 and 2023, the Organization had no borrowings under the line. The interest rate was 9.50% at June 30, 2024 and 2023.

NOTE 14 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 14 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 15 DONATED MATERIALS, SERVICES, AND EQUIPMENT

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, 2024 and 2023, the Organization received a total of 18,133 and 13,005 volunteer labor, office, and committee hours, respectively.

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

In-kind donations received during the years ended June 30, 2024 and 2023, consisted of the following:

	2024	2023
Materials	$ 34,164	$ 5,338
Services	39,887	17,383
Rent	11,400	11,400
Equipment	13,530	13,500
Total	$ 98,981	$ 47,621

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 does Similar Services
Building Materials, Services, and Equipment	Estimated based on the cost of similar materials and services
Rent	Fair Value Based on Current Rates in the Area

NOTE 16 LIQUIDITY AND AVAILABILITY

The following represents the Organization's financial assets at June 30, 2024 and 2023, 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.

	2024	2023
Cash	$ 558,300	$ 1,057,272
Mortgage Receivables, Current	194,411	172,243
Accounts Receivable	31,950	15,965
Total Financial Assets	784,661	1,245,480
Less: Amounts not Available to be Used Within One Year		
Net Assets With Donor Restrictions	(295,260)	(289,645)
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	$ 489,401	$ 955,835

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 17 SUBSEQUENT EVENT

In September 2024, an addition ReStore location was opened in Clinton, New Jersey.