



Northern Ocean Habitat for Humanity, Inc.

Financial Statements

For the years ended June 30, 2023 and 2022

Northern Ocean Habitat for Humanity, Inc.
For the years ended June 30, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Northern Ocean Habitat for Humanity, Inc.:

Opinion

We have audited the accompanying financial statements of Northern Ocean Habitat for Humanity, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and 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 Northern Ocean Habitat for Humanity, Inc. as of June 30, 2023 and 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 audits 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 Northern Ocean 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 audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Organization adopted the new accounting guidelines as detailed in FASB ASC 842 - Leases, during the year ended June 30, 2023. Our opinions are not modified with respect to this matter.

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 Northern Ocean 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.

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 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 Northern Ocean 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 Northern Ocean 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.



Toms River, NJ
February 21, 2024

Northern Ocean Habitat for Humanity, Inc.

Statements of Financial Position

June 30, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
Current assets:		
Cash and cash equivalents	\$ 478,645	\$ 587,117
Investments	282,888	189,967
Cash reserved	205,486	14,848
Accounts receivable	238,907	321,491
Mortgages receivable current portion, net of discount	18,710	16,677
ReStore inventory	154,215	164,359
Prepaid expenses	<u>18,217</u>	<u>26,334</u>
Total current assets	1,397,068	1,320,793
Mortgages receivable, net of current portion and discount	877,019	746,901
Construction in progress	3,709	115,795
Other assets	201,548	395,800
Property and equipment, net	226,687	236,054
Operating lease right-of-use assets	1,371,329	-
Finance lease right-of-use assets, net	<u>39,501</u>	<u>-</u>
Total assets	<u>\$ 4,116,861</u>	<u>\$ 2,815,343</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 104,215	\$ 96,072
Deferred revenue	53,776	-
Current portion of long-term debt	17,218	29,854
Homeowner escrow deposits	1,176	5,500
Operating lease liability, current portion	103,837	-
Finance lease liability, current portion	<u>6,823</u>	<u>-</u>
Total liabilities	287,045	131,426
Long-term debt, excluding current portion	5,868	23,066
Operating lease liability, excluding current portion	1,343,519	-
Finance lease liability, excluding current portion	<u>32,678</u>	<u>-</u>
Total long-term debt	1,382,065	23,066
Net assets:		
Without donor restriction:		
Without donor restriction-undesignated	<u>2,197,751</u>	<u>2,410,851</u>
Total without donor restriction	2,197,751	2,410,851
With donor restriction	<u>250,000</u>	<u>250,000</u>
Total net assets	2,447,751	2,660,851
Total liabilities and net assets	<u>\$ 4,116,861</u>	<u>\$ 2,815,343</u>

See accompanying notes to financial statements.

Northern Ocean Habitat for Humanity, Inc.

Statements of Activities

For the years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CHANGES IN NET ASSETS:		
Support and revenue:		
Cash contributions	\$ 321,094	\$ 10,320
Non-cash donations	-	12,000
Grants	636,387	625,666
In-kind donations	1,302,952	1,469,350
ReStore sales	1,259,596	1,093,350
Amortization of mortgage loan discount	58,659	55,543
Interest and dividends, net	9,703	2,899
Unrealized gain (loss)	22,057	(43,735)
Realized gain (loss)	(16,812)	-
Net capital gain on investments	4,443	8,261
Other income	173	153,687
Gain on disposal of fixed assets	51,505	-
Sale of Home	<u>389,000</u>	<u>185,000</u>
Total support and revenue	<u>4,038,757</u>	<u>3,572,341</u>
Functional expenses:		
Program services:		
Home Preservation Program	660,171	550,156
Housing	816,851	384,774
ReStore	2,259,001	1,909,787
Supporting services:		
Fundraising	16,431	15,823
Administrative and general	<u>438,081</u>	<u>292,907</u>
Total functional expenses	<u>4,190,535</u>	<u>3,153,447</u>
Change in net assets without donor restriction	(151,778)	418,894
Changes in net assets with donor restriction:		
Grants	<u>-</u>	<u>250,000</u>
Change in net assets	(151,778)	668,894
Net assets, beginning of year	<u>2,660,851</u>	<u>1,991,957</u>
Adjustment for accumulative effect of changes in accounting principles	<u>(61,322)</u>	<u>-</u>
Net assets, end of year	<u>\$ 2,447,751</u>	<u>\$ 2,660,851</u>

See accompanying notes to financial statements.

Northern Ocean Habitat for Humanity, Inc.
Statement of Functional Expenses
For the year ended June 30, 2023

	Program services			Supporting services		Total
	Home Preservation Programs	Housing	ReStore	Fundraising	Administrative and General	
Home construction costs	\$ 279,346	\$ 573,791	\$ -	\$ -	\$ 471	\$ 853,608
In-Kind Value of Donated Items Sold	-	-	1,269,740	-	-	1,269,740
Tithe to Habitat for Humanity International, Inc.	-	-	-	-	10,000	10,000
Compensation of officers and key employees	28,333	-	-	-	-	28,333
Salaries and wages	219,655	-	522,895	-	212,877	955,427
Payroll taxes	31,475	-	47,708	-	20,721	99,904
Employee benefits	5,206	-	2,657	-	2,808	10,671
Other personal cost	-	-	-	-	425	425
Payroll processing fees	-	-	-	-	5,974	5,974
Advertising	4,258	1,905	3,991	-	13,467	23,621
Small and rental equipment	3,600	-	3,730	-	3,628	10,958
Supplies	1,719	45	5,640	-	2,304	9,708
Alarm system	-	-	3,798	-	-	3,798
Lease expense	-	-	133,298	-	58,527	191,825
Vehicle expenses	13,938	162	14,828	-	1,403	30,331
Office expense	2,256	-	2,574	-	8,740	13,570
Utilities	14,861	1,144	20,116	-	5,318	41,439
Postage and delivery	488	7	42	-	801	1,338
Dues and subscriptions	455	-	60	-	19,739	20,254
Licenses and permits	192	-	-	-	1,125	1,317
Printing and reproduction	-	345	-	-	88	433
Insurance	40,386	-	70,952	-	18,066	129,404
Other expenses	1,060	-	725	-	4,425	6,210
Depreciation	-	-	51,722	-	6,450	58,172
Professional fees	6,816	3,250	3,167	-	13,746	26,979
Occupancy	-	-	79,733	-	-	79,733
Property tax	3,279	784	-	-	3,279	7,342
Repairs and maintenance	1,470	-	976	-	1,244	3,690
Travel and entertainment	349	98	-	-	4,043	4,490
Seminars and conferences	505	-	500	-	9,343	10,348
Scholarships	-	-	-	-	500	500
Fundraising	-	-	-	16,431	-	16,431
Bank and finance charges	12	-	186	-	2,321	2,519
Credit card discount and fees	-	-	19,902	-	1,765	21,667
Mortgage discounts	-	235,281	-	-	-	235,281
Volunteer appreciation	512	39	61	-	4,483	5,095
	<u>\$ 660,171</u>	<u>\$ 816,851</u>	<u>\$ 2,259,001</u>	<u>\$ 16,431</u>	<u>\$ 438,081</u>	<u>\$ 4,190,535</u>

See accompanying notes to financial statements.

Northern Ocean Habitat for Humanity, Inc.
Statement of Functional Expenses
For the year ended June 30, 2022

	Program services			Supporting services		Total
	Home Preservation Programs	Housing	ReStore	Fundraising	Administrative and General	
Home construction costs	\$ 222,162	\$ 272,411	\$ 132	\$ -	\$ -	\$ 494,705
In-Kind Value of Donated Items Sold	-	-	1,057,665	-	-	1,057,665
Tithe to Habitat for Humanity International, Inc.	-	-	-	-	2,500	2,500
Compensation of officers and key employees	27,102	-	-	-	49,917	77,019
Salaries and wages	190,790	-	447,407	-	64,829	703,026
Payroll taxes	22,766	-	47,784	-	16,215	86,765
Employee benefits	-	-	3,207	-	585	3,792
Other personal cost	-	-	-	-	300	300
Payroll processing fees	-	-	-	-	4,975	4,975
Advertising	3,715	1,944	2,540	-	10,456	18,655
Supplies	627	455	7,073	-	2,829	10,984
Alarm system	-	-	643	-	-	643
Copier Lease	2,967	-	2,677	-	2,676	8,320
Vehicle expenses	9,738	-	15,928	-	420	26,086
Office expense	1,287	102	2,944	-	14,556	18,889
Utilities	8,321	1,434	17,994	-	8,707	36,456
Postage and delivery	202	20	99	-	583	904
Dues and subscriptions	-	-	-	-	20,853	20,853
Licenses and permits	-	-	-	-	1,403	1,403
Printing & Reproduction	-	168	-	-	260	428
Insurance	34,265	-	48,784	-	4,608	87,657
Other expenses	261	1,047	3,607	-	1,193	6,108
Depreciation	-	-	43,902	-	2,333	46,235
Professional fees	3,248	-	2,833	-	49,924	56,005
Rent	16,600	-	183,389	-	16,000	215,989
Property tax	2,897	-	-	-	2,897	5,794
Repairs and maintenance	1,088	-	334	-	995	2,417
Travel and entertainment	418	-	-	-	2,638	3,056
Seminars and conferences	1,620	-	50	-	4,163	5,833
Scholarships	-	-	-	-	500	500
Fundraising	-	-	-	15,823	-	15,823
Bank and finance charges	-	-	1,293	-	1,653	2,946
Credit card discount and fees	-	-	19,502	-	-	19,502
Mortgage discounts	-	107,188	-	-	-	107,188
Volunteer appreciation	82	5	-	-	3,939	4,026
	<u>\$ 550,156</u>	<u>\$ 384,774</u>	<u>\$ 1,909,787</u>	<u>\$ 15,823</u>	<u>\$ 292,907</u>	<u>\$ 3,153,447</u>

See accompanying notes to financial statements.

Northern Ocean Habitat for Humanity, Inc.

Statements of Cash Flows

For the years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Cash received from support and revenue	\$ 4,090,291	\$ 3,469,517
Interest income	14,146	11,160
Cash paid to suppliers and employees	<u>(3,553,959)</u>	<u>(3,359,905)</u>
Net cash provided by operating activities	<u>550,478</u>	<u>120,772</u>
Cash Flows from Investing Activities:		
Property and equipment purchases	(46,472)	(223,526)
Issuance of mortgage receivable	(389,000)	(185,000)
Sale (purchase) of investments	(83,233)	(225,441)
Collections on mortgages receivable	<u>80,227</u>	<u>71,926</u>
Net cash used in investing activities	<u>(438,478)</u>	<u>(562,041)</u>
Cash Flows from Financing Activities:		
Principle payments on long-term debt	(29,834)	(23,979)
Loan forgiveness	-	(144,922)
Proceeds from long-term debt	<u>-</u>	<u>50,445</u>
Net cash used in financing activities	<u>(29,834)</u>	<u>(118,456)</u>
Net increase (decrease) in cash	82,166	(559,725)
Cash and cash equivalents, beginning of year	<u>601,965</u>	<u>1,161,690</u>
Cash and cash equivalents, end of year	<u>\$ 684,131</u>	<u>\$ 601,965</u>

See accompanying notes to financial statements.

Northern Ocean Habitat for Humanity, Inc.

Statements of Cash Flows (continued)

For the years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of increase (decrease) in net assets to cash provided by (used in) operating activities:		
Increase (decrease) in net assets	\$ (151,778)	\$ 668,894
Items which did not (provide) use cash:		
Depreciation	58,172	46,235
Amortization of mortgage loan discount	(58,659)	(55,543)
Net unrealized (gain)/loss on investments	(22,057)	43,735
Net realized loss on investments	16,812	-
Net capital gain on investments	(4,443)	(8,261)
Discount on new mortgage	235,281	107,188
Gain on disposal of fixed assets	(2,333)	-
Additional lease expense	14,705	-
Changes in assets and liabilities:		
Accounts receivable	82,584	(312,103)
Deferred revenue	53,776	(9,492)
Prepaid expenses	8,117	(13,142)
Other current assets	194,252	(281,630)
Inventory	10,144	(36,483)
Construction in progress	112,086	1,212
Accounts payable and accrued expenses	8,143	(35,338)
Homeowner escrow deposits	<u>(4,324)</u>	<u>5,500</u>
Net cash provided by operating activities	<u>\$ 550,478</u>	<u>\$ 120,772</u>
Reconciliation of cash and restricted cash reported within the balance sheets that agree to the amounts in the statements of cash flows:		
Cash	\$ 478,645	\$ 587,117
Restricted cash	<u>205,486</u>	<u>14,848</u>
	<u>\$ 684,131</u>	<u>\$ 601,965</u>
Supplementary Disclosures:		
Cash paid during the year for:		
Interest	<u>\$ 388</u>	<u>\$ 1,570</u>

See accompanying notes to financial statements.

Northern Ocean Habitat for Humanity, Inc.

Notes to Financial Statements

For the years ended June 30, 2023 and 2022

1. Summary of Significant Accounting Policies

a. Nature of Activities

Northern Ocean Habitat for Humanity, (the "Organization"), was incorporated on October 4, 1999 as a Not-for-Profit corporation without capital stock under the laws of the State of New Jersey. It is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"), a nondenominational Christian Not-for-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, the Organization is primarily and directly responsible for its own operations.

The Organization is supported primarily through contributions from the general public and from revenue generated through its ReStore sales. In 2023, approximately 71% and in 2022, approximately 72% of the Organization's total revenue and support came from these sources.

b. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities. Support and revenue are recorded when earned and expenses when incurred.

c. Basis of Presentation

The Organization uses Not-for-profit accounting for contributions received and made and for preparation of financial statements. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions are net assets available for use in general operations and not subject to donor restrictions. At June 30, 2023 and 2022, the Organization had net assets without donor restrictions of \$2,197,751 and \$2,410,851. Net assets with donor restrictions are net assets subject to donor or certain grant or imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At June 30, 2023 and 2022, the Organization had net assets with donor restrictions of \$250,000 and \$250,000, respectively.

Northern Ocean Habitat for Humanity, Inc.

Notes to Financial Statements (continued)

For the years ended June 30, 2023 and 2022

1. Summary of Significant Accounting Policies (continued)

d. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

e. Revenue and Support Recognition

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. The Organization accounts for contract and grant revenues, which are exchange transactions, in the statement of activities and changes in net assets to the extent that expenses have been incurred for the purpose specified by the grantor during the period. In applying this concept the legal and contractual requirements of each individual program are used as guidance. All monies not expended in accordance with the grant or contract are recorded as a liability to the grantor as the Organization does not maintain any equity in the grant or contract. Additionally, funds received in advance of their proper usage are accounted for as deferred revenue in the statement of financial position.

ReStore revenue is recognized at the point of sale.

Grants are accounted for as exchange transactions. Income from these and other exchange transactions is deferred and recognized over the periods to which it is related.

f. Donated Goods and Services

The Organization receives a significant amount of donated goods and services from volunteers who assist in planning, design and construction of new homes. Accounting principles generally accepted in the United States of America require that donated goods be recorded as revenue at their estimated fair value at the date of gift and donated services be recognized in the financial statements if the following criteria are met:

*The services require special skills and are provided by individuals possessing those skills and would typically need to be purchased if not donated; (or)

*The services create or enhance long-lived assets.

Northern Ocean Habitat for Humanity, Inc.

Notes to Financial Statements (continued)

For the years ended June 30, 2023 and 2022

1. Summary of Significant Accounting Policies (continued)

f. Donated Goods and Services (continued)

Management has estimated the cost of donated inventory at June 30, 2023 using the results of subsequent sales for July and August of 2023. Changes in the estimate will be reported in the statement of activities of the years in which they occur.

g. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

h. Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

i. Cash, Cash Equivalents and Investments

For the purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Certificates of deposit with original maturities over three months are classified as investments. Investments in certificates of deposits are stated at cost plus earned interest because that approximates market value. Cash and cash equivalents received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash and cash equivalents for purposes of the Statements of Cash Flows. At June 30, 2023 and 2022, cash equivalents amounted to \$684,131 and \$601,965, respectively.

Northern Ocean Habitat for Humanity, Inc.

Notes to Financial Statements (continued)

For the years ended June 30, 2023 and 2022

1. Summary of Significant Accounting Policies (continued)

j. Cash - Restricted

Valley National Bank currently services the mortgages on the homes the Organization sells. Valley National Bank requires the Organization to maintain an account with a minimum cash balance of \$1,000. The restricted cash account had a balance of \$1,000 and \$1,000 at June 30, 2023 and 2022, respectively.

The Organization received a grant from the Berkeley Affordable Housing Trust Fund to build affordable housing in Berkeley Twp. They also have a restricted account for monies received from various fundraiser's for a home to be built in Toms River. At June 30, 2023 and 2022, restricted monies for these projects amounted to \$203,320 and \$11,348, respectively.

The Organization collected escrows from future homeowners to be used for the home sales closing cost . The balances of homeowners' escrows are kept in a separate bank account which is reported as restricted cash in the accompanying statements of financial position. At June 30, 2023 and 2022, restricted monies for escrows amounted to \$1,166 and \$2,500, respectively.

k. Investment and Investment Income

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for discussion of fair value measurements.

Interest income is recognized when earned. Dividends are recorded on the ex-dividend date. Realized gains and losses on investments are recognized upon the sale of the related investments and unrealized appreciation or depreciation is recognized at period end when the carrying values of the realized investments are adjusted to their estimated fair market value. Purchases and sales of securities are recorded on a trade-date basis.

l. Mortgages Receivable

Mortgages receivable consist of non-interest bearing mortgages, which are secured by real estate, and are payable in monthly installments over the life of the mortgage. The mortgages are presented on the Statement of Financial Position net of unamortized mortgage discount.

Northern Ocean Habitat for Humanity, Inc.

Notes to Financial Statements (continued)

For the years ended June 30, 2023 and 2022

1. Summary of Significant Accounting Policies (continued)

m. Equipment and Improvements

Equipment and improvements are stated at cost. Donations of property and equipment are recorded at their estimated fair value at the time of the donation. Maintenance and repairs are charged to expense as incurred. Depreciation is computed on the straight-line method over the estimated useful lives of the respective assets, which is 5 years. The cost of leasehold improvements is amortized over the lesser of the estimated useful lives of the assets or the length of the related assets (5-40 years).

n. Transfers to Homeowners

Transfers to homeowners are recorded at the gross amount of payments to be received over the lives of the mortgages. Non-interest bearing mortgages have been discounted, ranging from 7.23% to 8.34%, based upon mortgage discount rates set by Habitat International. Discounts are amortized using the effective interest method over the lives of the mortgages.

The following is a summary of home building activity during the year ended June 30, 2023:

	<u>Number</u>	<u>Cost</u>
Homes and land under construction, beginning of year	3	\$ 115,795
Additional costs incurred on beginning inventory	-	263,941
New homes/land started	2	3,438
Homes transferred	<u>(2)</u>	<u>(379,465)</u>
Homes and land under construction, end of year	<u>3</u>	<u>\$ 3,709</u>

o. Home Construction Costs

Construction in progress represents costs incurred to build single-family homes. Upon completion, these homes will be sold.

p. ReStore Inventory

The ReStore follows the provisions of FASB ASC Inventory, which requires the measure of inventory at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Inventory is comprised of donated building materials, furniture, appliances and other household goods. These items are recorded at lower of thrift shop value or net realizable value.

Northern Ocean Habitat for Humanity, Inc.

Notes to Financial Statements (continued)

For the years ended June 30, 2023 and 2022

1. Summary of Significant Accounting Policies (continued)

q. Program Services

Program services include mortgage origination, the cost of homes constructed and transferred, repair of homes, including support and services to the recipients of the repair programs known as "Home Preservation Program", and expenses associated with the operation of the ReStore. Also, since homeowners are involved in building their homes, family support and education activities are inherent in the construction activities.

r. Income Taxes

The Organization has received exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code under a group exemption letter granted to Habitat International by the Internal Revenue Service.

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization does not have business activities currently subject to tax on unrelated business income. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization currently does not have any open tax years under examination before June 30, 2020.

s. Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2023 and 2022 were \$23,621 and \$18,655 respectively.

t. Bad Debts

The direct write-off method is used to account for bad debts. Accounts are written-off when they are deemed uncollectible, no reserve is established.

u. Leases

The Organization leases facilities and equipment. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the Statement of Financial Position. Finance leases are included in finance lease right-of-use (ROU) assets, other current liabilities, and other long term liabilities on the Statement of Financial Position.

Northern Ocean Habitat for Humanity, Inc.

Notes to Financial Statements (continued)

For the years ended June 30, 2023 and 2022

1. Summary of Significant Accounting Policies (continued)

u. Leases (continued)

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Organization uses an incremental borrowing 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 we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization lease agreements do not contain any material residual value guarantees or material restrictive covenants.

v. Recently Adopted Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) requires that assets and liabilities arising under leases are recognized in the statement of financial position. A lessee will be required to recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The accounting applied by a lessor is largely unchanged from that applied under previous GAAP. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term.

The Organization adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after, July 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022 a lease liability of \$1,542,280 which represents the present value of the remaining lease payments and a right-of-use asset of \$1,480,958. The difference between the additional lease assets and lease liabilities of \$61,322 was recorded as an adjustment to net assets without donor restrictions.

Northern Ocean Habitat for Humanity, Inc.

Notes to Financial Statements (continued)

For the years ended June 30, 2023 and 2022

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 684,131	\$ 601,965
Investments	282,888	189,967
Accounts receivable	<u>238,907</u>	<u>321,491</u>
Total financial assets	<u>\$ 1,205,926</u>	<u>\$ 1,113,423</u>
Less : Amounts unavailable for general expenditures within one year, due to:		
Restricted use	<u>\$ 252,166</u>	<u>\$ 264,848</u>
Total financial assets	<u>\$ 953,760</u>	<u>\$ 848,575</u>

The Organization's financial assets are distributed between five financial institutions.

3. Investments in Certificates of Deposit

At June 30, 2023 and 2022 investments in 3-months certificates of deposit amounted to \$243,851 and \$240,806 with an interest rate of 0.90% APY and a maturity date of October 1, 2022. The CD is renewed for an additional three months every maturity date. The balance is included in cash. The funds are restricted for use by the Board for a house build.

4. Investments

Investments, carried at fair value, at June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Mutual Funds	<u>282,888</u>	<u>189,967</u>
	<u>\$ 282,888</u>	<u>\$ 189,967</u>

Net realized holding losses in the amounts of \$(16,812) and \$- for the years ended June 30, 2023 and 2022 are included as increases in net assets.

Northern Ocean Habitat for Humanity, Inc.

Notes to Financial Statements (continued)

For the years ended June 30, 2023 and 2022

5. Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

- Equities, Mutual Funds and Preferred Stock: Valued at the closing price reported on the New York Stock Exchange
- Fixed Income Securities: Corporate Bonds, U.S. Government Obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions

Northern Ocean Habitat for Humanity, Inc.

Notes to Financial Statements (continued)

For the years ended June 30, 2023 and 2022

5. Fair Value Measurements (continued)

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2023 and 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
<u>June 30, 2023</u>			
Certificates of Deposit	-	243,851	243,851
Mutual funds	<u>282,888</u>	<u>-</u>	<u>282,888</u>
Total Investments	<u>\$ 282,888</u>	<u>243,851</u>	<u>\$ 526,739</u>
<u>June 30, 2022</u>			
Certificates of Deposit	-	240,806	240,806
Mutual funds	<u>189,967</u>	<u>-</u>	<u>189,967</u>
Total Investments	<u>\$ 189,967</u>	<u>240,806</u>	<u>\$ 430,773</u>

Northern Ocean Habitat for Humanity, Inc.
Notes to Financial Statements (continued)
For the years ended June 30, 2023 and 2022

6. Net Assets

a) Net assets with donor restrictions:

Net assets with donor restriction at June 30, 2023 and 2022 are restricted for the following purposes:

	<u>2023</u>	<u>2022</u>
Construction of an affordable housing	\$ <u>250,000</u>	\$ <u>250,000</u>
Total	\$ <u><u>250,000</u></u>	\$ <u><u>250,000</u></u>

b) Net assets released:

No net assets were released from donor restrictions during the years ended June 30, 2023 and 2022.

7. ReStore

In March 2001, the Organization opened a ReStore. The purpose of the store is to accept donations of household goods, furniture and building materials to sell them for a reasonable and inexpensive price. All proceeds from the sale of these goods are channeled back into the construction of new Habitat homes and the repairs of homes belonging to low income homeowners (30-60% of median income). The proceeds from the ReStore have been reported as sales in the accompanying statement of activities.

8. Other Current Assets and Prepaid Expenses

Other current assets consist of land inventory, costs to acquire the land or costs to develop the land that the Organization has for future home sites. It also contains donated gift cards and a security deposit for leased office space. Prepaid expenses consist of rent and insurance.

Northern Ocean Habitat for Humanity, Inc.
Notes to Financial Statements (continued)
For the years ended June 30, 2023 and 2022

9. Property and Equipment

Equipment and improvements consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Vehicles	\$ 359,366	\$ 342,460
Office equipment	54,424	48,617
Leasehold improvements	<u>62,429</u>	<u>57,504</u>
	\$ 476,219	\$ 448,581
Less accumulated depreciation	<u>(249,532)</u>	<u>(212,527)</u>
Net equipment and improvements	<u>\$ 226,687</u>	<u>\$ 236,054</u>

There were disposals of equipment and vehicles for year ended June 30, 2023 and none 2022.

10. Mortgages Receivable

Mortgages receivable are comprised of non-interest bearing notes, secured by the properties built and sold through the home construction program. Notes have maturities of up to 30 years with the latest one maturing in July of 2053. Mortgages received for the years ended June 30, 2023 and 2022 were discounted as discussed in Note 1 - Transfers to Homeowners. There is no provision for uncollectible mortgages receivable as management believes for all mortgages the collateral is sufficient to cover the receivable.

	<u>2023</u>	<u>2022</u>
Mortgage receivable	\$ 1,862,960	\$ 1,554,186
Mortgage discount	<u>(967,231)</u>	<u>(790,608)</u>
Total	<u>\$ 895,729</u>	<u>\$ 763,578</u>

Properties under mortgage by town as of 2023:

Berkeley Township, NJ	4
Brick, NJ	2
Lakehurst, NJ	1
Manchester Township, NJ	3
Jackson, NJ	1
Toms River, NJ	7
Beachwood, NJ	1
South Toms River, NJ	<u>1</u>
Total	<u><u>20</u></u>

Northern Ocean Habitat for Humanity, Inc.
Notes to Financial Statements (continued)
For the years ended June 30, 2023 and 2022

10. Mortgages Receivable (continued)

Future balances due from mortgages receivable are as follows:

Year Ending <u>June 30.</u>	<u>Amount</u>
2024	\$ 18,710
2025	20,261
2026	21,882
2027	23,632
2028	25,522
Thereafter	<u>785,722</u>
Total	<u>\$ 895,729</u>

11. Lease Commitments

The Organization currently houses its operations and administrative offices in the same space. The Organization signed an initial lease on May 4, 2017 for the 10 year period February 1, 2018 through January 31, 2027. The lease includes a common area maintenance fee based on actual costs plus overhead.

The Organization moved its administrative office to a new location. The Organization signed the lease on October 27, 2021 for the 5 year period with an option to renew.

The Organization entered into a three year lease in December 2018 for its construction offices. The lease expired in December 2021. The Organization did not renew the lease.

Rent expense including the common area maintenance expenses amounted to \$79,733 and \$215,989 in 2023 and 2022.

The Organization also leases office equipment under operating leases which expire at various dates. Lease expense was \$10,710 and \$8,320 for the years ended June 30, 2023 and 2022, respectively.

Northern Ocean Habitat for Humanity, Inc.

Notes to Financial Statements (continued)

For the years ended June 30, 2023 and 2022

11. Lease Commitments (continued)

Future minimum rental payments (excluding CAM) under the above non-cancelable operating leases in each of the years subsequent to June 30, 2023 are as follows:

Year Ending <u>June 30,</u>	<u>Amount</u>
2024	\$ 181,200
2025	182,662
2026	184,167
2027	185,718
2028	132,115
Thereafter	<u>267,605</u>
Total	<u>\$ 1,133,467</u>

12. Leases

The Organization has operating and financing leases for facilities and equipment.

The Organization leases two facilities consisting of the administration office and ReStore. Facilities are considered operating leases and equipment is considered finance lease.

The leases have a remaining lease term of 6 to 10 years, some of which include options to extend. Lease payments are fixed and do not include reimbursement to the landlord for real estate taxes and common area maintenance charges. These costs are included in occupancy expense.

The following summarizes the line items in the statements of financial position which include amounts for operating and finance leases as of June 30:

	<u>2023</u>	<u>2022</u>
Operating leases:		
Operating lease right-of-use-assets	\$ <u>1,371,329</u>	\$ <u>-</u>
Operating lease liability, current portion	103,837	-
Operating lease liability, excluding current portion	<u>1,343,519</u>	<u>-</u>
Total operating lease liability	\$ 1,447,356	\$ -

Northern Ocean Habitat for Humanity, Inc.

Notes to Financial Statements (continued)

For the years ended June 30, 2023 and 2022

12. Leases (continued)

Finance leases:

Finance lease right-of-use-assets	\$ 39,501	\$ -
Accumulated amortization	<u>-</u>	<u>-</u>
Finance lease right-of-use-assets, net	39,501	-
Finance lease liability, current portion	6,823	-
Finance lease liability, excluding current portion	<u>32,678</u>	<u>-</u>
Total finance lease liability	<u>\$ 39,501</u>	<u>\$ -</u>

The following summarizes the weighted average remaining lease term and discount rate as of June 30:

	<u>2023</u>	<u>2022</u>
Weighted Average Remaining Lease Term:		
Operating leases	10 years	-
Finance leases	6 years	-
Weighted Average Discount Rate:		
Operating leases	5.00 % -5.50 %	- %
Finance leases	5.50 %	- %

The maturities of lease liabilities as of June 30, 2023 were as follows:

Year Ending <u>June 30,</u>	<u>Operating</u>	<u>Financing</u>
2024	\$ 103,837	\$ 6,823
2025	113,444	7,018
2026	121,217	7,414
2027	129,459	7,832
2028	145,640	8,274
Thereafter	<u>833,759</u>	<u>2,140</u>
Total	<u><u>1,447,356</u></u>	<u><u>39,501</u></u>

Northern Ocean Habitat for Humanity, Inc.
Notes to Financial Statements (continued)
For the years ended June 30, 2023 and 2022

12. Leases (continued)

The following summarizes the line items in the statements of activities which include the components of lease expense for the year ended June 30:

	<u>2023</u>	<u>2022</u>
Operating leases		
Operating lease expense included in management and general expenses	\$ 58,527	\$ -
Operating lease expense included in program expenses	<u>133,298</u>	<u>-</u>
Total operating lease costs	\$ 191,825	\$ -

The following summarizes cash flow information related to leases for the year ended June 30:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 177,120	\$ -
Operating cash flows from finance leases	-	-
Financing cash flows from finance leases	-	-
Non cash activity:		
Lease assets obtained in exchange for lease obligations:		
Operating leases	1,480,957	-
Finance leases	39,501	-

Northern Ocean Habitat for Humanity, Inc.

Notes to Financial Statements (continued)

For the years ended June 30, 2023 and 2022

13. Loans Payable

The loan payable consists of the following at June 30:

	<u>2023</u>	<u>2022</u>
Loan payable to a financing company in the amount of \$60,000. The loan is for a term of 5 years with interest at 3.90% per annum. Monthly payments of principal and interest are \$1,102, with the final payment due February 2023. The loan is secured by the truck purchased. The loan paid off in 2023.	\$ -	\$ 13,227
Loan payable to TD Bank in the amount of \$50,445. The loan is for a term of 3 years with interest at 3.50% per annum. Monthly payments of principal and interest are \$1,479, with the final payment due October 2024. The loan is secured by the truck purchased.	<u>23,086</u>	<u>39,693</u>
Total loans payable	23,086	52,920
Less: current portion	<u>(17,218)</u>	<u>(29,854)</u>
Loans payable, net of current portion	\$ <u>5,868</u>	\$ <u>23,066</u>

On April 4, 2021, the Organization received loan proceeds in the amount of \$144,922 under the Paycheck Protection Program (“PPP”). Established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business’s average monthly payroll expenses. PPP loans and accrued interest are forgivable after a “covered period” (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1% APY, with a deferral of payments for 10 months after then end of the covered period. The Organization intends to use PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period. This loan was forgiven in 2022 and is recorded as other income at June 30, 2022.

Maturities of the loan payable are as follows for the years ended June 30:

2024	\$ 17,218
2025	<u>5,868</u>
Total	<u>\$ 23,086</u>

Northern Ocean Habitat for Humanity, Inc.

Notes to Financial Statements (continued)

For the years ended June 30, 2023 and 2022

14. Transactions with Habitat for Humanity International, Inc.

The Organization remits, on a quarterly basis, a portion of its contributions (excluding in-kind contributions) to Habitat International (Tithing). Such funds are used to construct homes in economically depressed areas around the world. The Organization contributed \$10,000 and \$2,500 to Habitat International during the years ended June 30, 2023 and 2022, respectively. These contributions are included in supporting services expense in the Statement of Activities.

15. Support and Revenue

Numerous volunteers have donated significant amounts of time to the Organization's fundraising and program services efforts. Although no amounts have been reflected in the financial statements, management estimates the fair value of those services to be approximately \$389,000 and \$351,000 for the years ended June 30, 2023 and 2022, respectively.

16. In-Kind Donations

The Organization records donated property and services in the financial statements. Accounting principles generally accepted in the United States of America require that non-profit organizations record donated property and services as contributions at its fair market value at the date of donation if there is an objective measurable basis for determining fair value. The Organization received this in-kind support from individuals. Unless otherwise noted, in-kind donations did not have any donor-imposed restrictions.

Donated property and services from the individuals and other organizations for the fiscal years ended June 30, 2023 and 2022, included in the financial statements were as follows:

2023

	Revenue Recognized	Programs/ Activities	Donor Restrictions	Valuation Techniques
Construction Supplies	43,356	Housing	None	Fair market value of the asset at the date of donation
Items Sold	<u>1,259,596</u>	ReStore	None	Fair market value of the asset at the date of donation
Total In-Kind Donations	<u>\$ 1,302,952</u>			

Northern Ocean Habitat for Humanity, Inc.
Notes to Financial Statements (continued)
For the years ended June 30, 2023 and 2022

16. In-Kind Donations (continued)

	<u>2022</u>				
	Revenue Recognized	Programs/ Activities	Donor Restrictions	Valuation Techniques	
Labor	\$ 19,957	Housing	None	Fair market value of actual services provided	
Construction Supplies	\$ 55,043	Housing	None	Fair market value of the asset at the date of donation	
Land	301,000	Housing	None	Fair market value of the asset at the date of donation	
Items Sold	<u>1,093,350</u>	ReStore	None	Fair market value of the asset at the date of donation	
Total In-Kind Donations	<u>\$ 1,469,350</u>				

A portion of the Organization's functions are conducted by unpaid volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition.

17. Line of Credit

The Organization has an available line of credit with a bank under which it may borrow up to \$100,000. Amounts borrowed under this agreement bear interest at the daily rate 6.125% and are due upon demand. The line is secured by mortgage receivables of the Organization. At June 30, 2023 and 2022, there were no amounts outstanding.

Northern Ocean Habitat for Humanity, Inc.

Notes to Financial Statements (continued)

For the years ended June 30, 2023 and 2022

18. Government Grants

The CARES Act provides an employee retention credit (“CARES Employee Retention credit”), which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. However, the ERC was terminated a quarter early by the enactment of the Infrastructure Investment and Jobs Act, P.L. 117-58, at the end of the third calendar quarter of 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to \$10,000 of qualified wages per quarter.

During 2022, the Organization recorded \$59,561 in grant revenue on the Statement of Activities and Changes in Net Assets related to the CARES Employee Retention credit, which represents refunds due on the Form 941-X Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund for the quarters ended December 31, 2020, March 31, 2021, June 30, 2021 and September 30, 2021.

19. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and mortgages receivable. The Organization considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Organization maintains its cash and cash equivalents with high credit quality financial institutions. At times, such amounts may exceed Federally insured limits. The Organization has cash and cash equivalents balances in excess of the Federally insured limits at June 30, 2023 and 2022.

The Organization builds and rehabilitates houses in Central New Jersey. As a result, all of the mortgages receivable from homeowners are concentrated as to geographic risk. Also, all houses built are transferred to low-income families, which, at times, can represent a credit risk.

20. Subsequent Events

Management has evaluated subsequent events through February 21, 2024, the date the financial statements were available to be issued.