HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2018

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.

JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Habitat for Humanity of Montgomery and
Delaware Counties, Inc.
West Norriton, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity of Montgomery and Delaware Counties, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 13 to the financial statements, Habitat for Humanity of Montgomery County, Inc. merged with Habitat for Humanity of Delaware County, Inc. effective July 1, 2017. The net assets received have been recorded in the Statement of Activities as a contribution in the current year.

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of Habitat for Humanity of Montgomery and Delaware Counties, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

O'Hara, Ward & Associates
Feasterville, PA

February 18, 2019

HABITAT FOR HUMANITY OF MONTGOMERY
AND DELAWARE COUNTIES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Current Assets		
Cash and Cash Equivalents (Includes restricted cash of $115,832 in 2018 and $54,302 in 2017)	$ 886,801	$ 1,977,587
Investments	2,066,896	-
Mortgage Receivables	99,492	70,824
Accounts Receivable	31,028	13,680
Prepaid Expenses	61,914	4,978
Construction in Progress	659,533	1,134,811
Total Current Assets	3,805,664	3,201,880
Property and Equipment Net of Accumulated Depreciation of $295,881 and $253,570	1,275,097	1,200,560
Other Assets		
Land and Lot - Held for Sale	51,012	-
Mortgage Receivables, Net of Mortgage Amortization and Allowance for Doubtful Accounts	1,239,818	1,040,687
Deposit	34,960	5,585
Total Other Assets	1,325,790	1,046,272
TOTAL ASSETS	$ 6,406,551	$ 5,448,712
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	$ 102,582	$ 152,640
Accrued Expenses	37,578	12,281
Accrued Payroll and Payroll Taxes	24,736	13,029
Funds Held in Escrow	109,857	78,731
Demand Note Payable	270,984	270,000
Current Maturities of Long-Term Debt	36,061	32,994
Total Current Liabilities	581,798	559,675
Long-Term Liabilities		
Long-Term Debt, Net of Current Maturities and Unamortized Debt Issuance Costs	886,874	921,127
Total Liabilities	1,468,672	1,480,802
Net Assets		
Unrestricted		
Undesignated	4,902,879	3,843,951
Board Designated	-	100,000
Total Unrestricted	4,902,879	3,943,951
Temporarily Restricted	35,000	23,959
Total Net Assets	4,937,879	3,967,910
TOTAL LIABILITIES AND NET ASSETS	$ 6,406,551	$ 5,448,712

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

HABITAT FOR HUMANITY OF MONTGOMERY
AND DELAWARE COUNTIES, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	Unrestricted	**Temporarily Restricted**	**Total**	**Unrestricted**	**Temporarily Restricted**	**Total**
Support and Revenues						
Home Sales	$ 1,115,000	$ -	$ 1,115,000	$ 245,000	$ -	$ 245,000
Interest Income - Mortgage Receivables	127,594	-	127,594	95,786	-	95,786
House Sponsorship	24,626	-	24,626	5,619	-	5,619
ReStore Sales	702,094	-	702,094	420,947	-	420,947
Neighborhood Revitalization Initiative	46,000	20,000	66,000	32,166	1,834	34,000
Contributions:						
Individuals	2,477,372	-	2,477,372	2,498,356	125	2,498,481
Churches	39,288	-	39,288	38,971	1,000	39,971
Foundations	133,613	15,000	148,613	322,193	-	322,193
Businesses	215,891	-	215,891	242,183	-	242,183
Government	159,234	-	159,234	117,348	-	117,348
Contribution Received in Merger	505,883	-	505,883	-	-	-
Donated Home and Services	13,565	-	13,565	1,692	-	1,692
Interest Income - Other	-	-	-	3,631	-	3,631
Net Investment Income	93,535	-	93,535	-	-	-
Miscellaneous	668	-	668	4,060	-	4,060
Net Assets Released from Restrictions	23,959	(23,959)	-	120,560	(120,560)	-
Total Support and Revenue	5,678,322	11,041	5,689,363	4,148,512	(117,601)	4,030,911
Expenses						
Program Services	3,971,776	-	3,971,776	1,549,651	-	1,549,651
Management and General	212,518	-	212,518	173,436	-	173,436
Fundraising	535,100	-	535,100	393,550	-	393,550
Total Expenses	4,719,394	-	4,719,394	2,116,637	-	2,116,637
Change in Net Assets	958,928	11,041	969,969	2,031,875	(117,601)	1,914,274
Net Assets, Beginning of Year	3,943,951	23,959	3,967,910	1,912,076	141,560	2,053,636
Net Assets, End of Year	$ 4,902,879	$ 35,000	$ 4,937,879	$ 3,943,951	$ 23,959	$ 3,967,910

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

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Home Sales and Repairs	ReStore	Total Program	General and Administrative	Fundraising	Total
Personnel						
Salaries	$ 243,861	$ 422,472	$ 666,333	$ 46,597	$ 151,016	$ 863,946
Payroll Taxes	38,244	43,675	81,919	1,690	15,745	99,354
Employee Benefits	38,242	17,315	55,557	5,129	7,632	68,318
Total Personnel	320,347	483,462	803,809	53,416	174,393	1,031,618
Operating Expenses						
Advertising	1,081	80,981	82,062	1,248	1,301	84,611
Auto and Truck	8,663	39,739	48,402	341	312	49,055
Bad Debt Expense	158,018	-	158,018	-	-	158,018
Bank and Merchant Fees	196	14,202	14,398	3,364	3,679	21,441
Construction Costs of Homes Sold	1,585,615	-	1,585,615	-	-	1,585,615
Depreciation and Amortization	9,194	26,306	35,500	3,996	2,815	42,311
Dues, Fees, and Subscriptions	2,684	4,896	7,580	26,492	8,930	43,002
Equipment Rental	3,172	4,292	7,464	1,424	1,156	10,044
Facility Expenses	18,611	257,373	275,984	2,558	2,292	280,834
Fundraising	-	-	-	-	283,518	283,518
Homeowner Services	9,266	-	9,266	36	-	9,302
Insurance	15,564	22,782	38,346	4,331	2,515	45,192
Interest Expense	19,957	39,095	59,052	4,418	3,816	67,286
Meetings	1,100	472	1,572	871	352	2,795
Mortgage Discount Expense	401,381	-	401,381	-	-	401,381
Neighborhood Revitalization Initiative Repair Costs	163,870	-	163,870	-	-	163,870
Other Expense	2,723	380	3,103	4,751	-	7,854
Postage	292	55	347	1,862	556	2,765
Professional Fees	63,316	71,079	134,395	63,642	27,281	225,318
Supplies	39,408	41,537	80,945	20,681	4,741	106,367
Telephone	10,465	6,156	16,621	6,391	4,057	27,069
Tithe	-	-	-	4,000	-	4,000
Travel and Seminars	7,451	1,083	8,534	4,630	2,809	15,973
Vista	31,635	-	31,635	4,016	9,673	45,324
Volunteer Expense	2,053	1,824	3,877	50	904	4,831
Total Operating Expenses	2,555,715	612,252	3,167,967	159,102	360,707	3,687,776
Total Expenses	$ 2,876,062	$ 1,095,714	$ 3,971,776	$ 212,518	$ 535,100	$ 4,719,394

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

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Home Sales and Repairs	ReStore	Total Program	General and Administrative	Fundraising	Total
Personnel						
Salaries	$ 172,566	$ 271,496	$ 444,062	$ 49,611	$ 111,852	$ 605,525
Payroll Taxes	31,134	29,532	60,666	4,707	11,034	76,407
Employee Benefits	17,631	21,514	39,145	12,770	7,466	59,381
Total Personnel	221,331	322,542	543,873	67,088	130,352	741,313
Operating Expenses						
Advertising	1,038	25,528	26,566	609	1,966	29,141
Auto and Truck	3,024	3,203	6,227	26	-	6,253
Bank and Merchant Fees	108	9,229	9,337	2,365	6,298	18,000
Construction Costs of Homes Sold	382,833	-	382,833	-	-	382,833
Depreciation and Amortization	9,087	18,638	27,725	3,865	2,653	34,243
Dues, Fees, and Subscriptions	1,016	3,870	4,886	27,930	10,587	43,403
Equipment Rental	2,375	1,339	3,714	1,082	957	5,753
Facility Expenses	16,622	35,750	52,372	5,863	2,394	60,629
Fundraising	-	225	225	-	187,100	187,325
Homeowner Services	16,771	190	16,961	27	-	16,988
Insurance	12,587	10,248	22,835	3,408	979	27,222
Interest Expense	19,354	40,740	60,094	4,505	3,903	68,502
Meetings	1,596	104	1,700	4,023	995	6,718
Mortgage Discount Expense	129,202	-	129,202	-	-	129,202
Neighborhood Revitalization Initiative Repair Costs	96,900	-	96,900	-	-	96,900
Other Expense	5,338	4,000	9,338	252	-	9,590
Postage	63	-	63	2,554	432	3,049
Professional Fees	53,821	5,538	59,359	17,791	26,336	103,486
Supplies	32,672	15,281	47,953	14,451	7,039	69,443
Telephone	9,346	2,456	11,802	6,954	3,548	22,304
Tithe	-	-	-	4,000	-	4,000
Travel and Seminars	13,142	3,051	16,193	6,292	2,677	25,162
Vista	18,236	-	18,236	340	2,563	21,139
Volunteer Expense	1,250	7	1,257	11	2,771	4,039
Total Operating Expenses	826,381	179,397	1,005,778	106,348	263,198	1,375,324
Total Expenses	$ 1,047,712	$ 501,939	$ 1,549,651	$ 173,436	$ 393,550	$ 2,116,637

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

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash Flows From Operating Activities:		
Change in Net Assets	$ 969,969	$ 1,914,274
Adjustments to Reconcile Change in Net Assets to		
Net Cash from Operating Activities:		
Home Mortgages Originated	(667,174)	(214,746)
Depreciation and Amortization	42,913	34,845
Mortgage Discount	401,381	129,202
Interest Income - Mortgage Receivables	(127,594)	(95,526)
Noncash Assets Received in Merger	(51,012)	-
Realized Gains	(45,724)	-
Unrealized Gains	(27,439)	-
(Increase) Decrease in Operating Assets:		
Accounts Receivables	(17,348)	(4,337)
Mortgages Receivable	165,588	226,453
Prepaid Expenses	(56,936)	2,366
Construction in Progress	475,278	(779,413)
Deposits	(29,375)	-
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(50,058)	76,890
Accrued Expenses	25,297	2,291
Accrued Payroll and Payroll Taxes	11,707	1,623
Funds Held in Escrow	31,126	45,371
Net Cash From Operating Activities	1,050,599	1,339,293
Cash Flows From Investing Activities:		
Proceeds from Sale of Investments	659,836	-
Purchases of Investments	(2,653,569)	-
Purchases of Property and Equipment	(116,848)	(6,205)
Net Cash From Investing Activities	(2,110,581)	(6,205)
Cash Flows From Financing Activities:		
Net Borrowings (Repayments) of Demand Note Payable	984	-
Principal Repayments of Long Term Debt	(31,788)	(38,269)
Net Cash From Financing Activities	(30,804)	(38,269)
Change in Cash and Cash Equivalents	(1,090,786)	1,294,819
Cash and Cash Equivalents, Beginning of Year	1,977,587	682,768
Cash and Cash Equivalents, End of Year	$ 886,801	$ 1,977,587
Supplemental Disclosures:		
Interest Paid	$ 66,684	$ 67,900

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

Note 1. Organization

Habitat for Humanity of Montgomery County, Inc. was incorporated on January 23, 1989, under the laws of the Commonwealth of Pennsylvania as a nonprofit social service organization. Habitat for Humanity of Montgomery County Inc. and Habitat for Humanity – Delaware County, Pennsylvania, Inc. merged effective July 1, 2017. The entity is now known as Habitat for Humanity of Montgomery and Delaware Counties, Inc. (Habitat).

Habitat for Humanity of Montgomery and Delaware Counties, Inc. strives to end poverty housing in our community by providing an array of programs geared toward homeownership, home repair and home preservation for low-income county residents. Habitat works with individuals, organizations and faith communities to build simple, basic, decent housing and provide no-interest low payment mortgages. In addition, Habitat provides critical repairs to low-income owner-occupied homes, as well as outside preservation to improve families, neighborhoods and our county's quality of life.

Note 2. Summary of Significant Accounting Policies

Basis of Financial Statement Presentation:

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

> Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.
>
> Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Habitat and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restriction.
>
> Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by Habitat. There were no permanently restricted net assets as of June 30, 2018 and 2017.

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

Cash and Cash Equivalents:

For the purposes of the Statements of Cash Flows, Habitat considers cash in operating accounts, cash on hand, demand deposits, and highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents.

The Organization's cash and cash equivalent accounts and interest bearing deposits in banks and other financial institutions may at times exceed the federally insured limits. The Organization has not experienced any losses in these accounts. Management believes that the Organization is not exposed to any significant risk on these deposits.

Investments:

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by the passage in time or by use) in the reporting period in which the income and gains are recognized. Short-term investments consist of debt securities with original maturities of twelve months or less. Long-term investments consist of debt securities with original maturities greater than twelve months.

Property and Equipment:

It's Habitat's policy to capitalize property and equipment over $1,000. Lesser amounts are expensed. Property and equipment are capitalized at cost. Expenditures that enhance the useful lives of the assets are capitalized and depreciated. Expenditures for maintenance and repairs are charged to expenses as incurred. Property and equipment are depreciated over their estimated useful lives using the straight-line method. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

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

Compensated Absences:

Habitat accrues accumulated unpaid annual leave when earned by the employee. Generally, annual leave must be taken during the calendar year earned. However, up to 40 hours may be carried forward per calendar year. Eligible employees who end their employment with Habitat are reimbursed for each day of accumulated annual leave.

Management's Use of Estimates and Assumptions:

Management uses estimates and assumptions in preparing its financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Contributed Services:

Contributed services are included in the financial statements as support and expenses in those cases where the services provided: (1) are significant and form an integral part of the efforts of the Organization, (2) would be performed by salaried personnel if contributed services were not available, and (3) the Organization controls the employment and duties of the service donors. The value of contributed services is based upon the actual salaries and benefits paid to the individual by the contributing organization. The value of the contribution of casual or occasional services is not included in the financial statements, since such services are not susceptible to objective measurement.

Revenue Recognition, Construction in Progress, and Mortgage Receivables:

Habitat receives donations to fund acquisition, construction and rehabilitation costs of houses. These costs are capitalized as construction in progress. When the house is completed, it is transferred to a qualified family and recorded as a sale of property for the mortgage balance the homeowner assumes. The mortgage balance is discounted using rates which reflect the current market conditions and recorded as mortgage discount expense. The discount is amortized over the term of the mortgage using the interest method. A provision for doubtful accounts has been recognized based upon management's review of existing receivables.

Contributions are recognized as support in the period received or when the donor makes a promise to give that is unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if restrictions are met in the fiscal year in which the contributions are recognized.

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

Revenue Recognition, Construction in Progress, and Mortgage Receivables (Cont'd):

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Restore sales are recorded at the un-discount sale price and exclude sales taxes.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets, unless the donor has restricted the donated asset to a specific purpose. Restricted assets are those donated with explicit restrictions regarding their uses and contributions. Absent donor stipulations regarding how long those donated assets must be maintained, Habitat reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Habitat reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Habitat accounts for grant and contract revenues, which are exchange transactions, in the Statements of Activities 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. Any excess or deficiency of cash receipts over expenditures incurred is reported as "deferred income" or "government receivables", respectively. Upon termination, unexpended cash funds received under the terms of the grant provisions revert to the grantor, and are recorded as refundable advances in the Statements of Financial Position.

Income from special events and fundraisers for the next fiscal year is deferred and recognized in the period that the events take place.

Federal Income Tax Status:

Habitat has received a determination letter from the Internal Revenue Service concluding that it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Habitat has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code and qualifies for deductible contributions as provided in Section 170(b)(1)(A).

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

Functional Allocation of Expenses:

Certain operating expenses have been allocated to program services based on the reasonable benefit that the program derived from these expenses. There are various funding sources providing support towards the Organization's programs, and some of the expenses charged to the programs represent direct expenses related to program operations and objectives.

Advertising:

All advertising costs, which approximated $84,600 and $29,100 for the years ending June 30, 2018 and 2017, respectively, are expensed as incurred or when the first advertising takes place.

Date of Management Evaluation of Subsequent Events:

In preparing the accompanying financial statements, Management has evaluated events and transactions for potential recognition or disclosure through February 18, 2019, the date on which the financial statements were available to be issued.

Note 3. Investments

Habitat carries investments in marketable securities with readily determinable fair values at their fair values, based on quoted prices in active markets, in the Statements of Financial Position. The unrealized gains for the year are included in investment and other income in the Statement of Activities. The basis is representative of the purchase cost plus all dividend and capital gain reinvestments.

There were no investments at June 30, 2017. At June 30, 2018, the cost and fair value of investments are as follows:

	Basis	Fair value	Unrealized gains
Exchange Traded Funds........................	$ 1,831,377	$ 1,850,907	$ 19,530
Equity Funds..	208,080	215,989	7,909
	$ 2,039,457	$ 2,066,896	$ 27,439

Note 3. Investments (Cont'd)

The following summarizes the investment income in the Statement of Activities:

	2018
Dividend and Interest Income	$ 21,410
Unrealized Gain	27,439
Realized Gain	45,724
Investment Fees	(1,038)
Total investment income	$ 93,535

Note 4. Fair Value Measurements

The Foundation's investments are reported at fair value in the statement of financial position.

	Fair value	Fair value measurements using: Quoted prices in active markets for identical assets (Level 1)
June 30, 2018		
Exchange Traded Funds	$ 1,850,907	$ 1,850,907
Equity Funds	215,989	215,989
Total	$ 2,066,896	$ 2,066,896

Accounting principles generally accepted in the United States of America establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of quoted prices in active or non-active markets for similar assets, and Level 3 inputs consist of significant unobservable inputs. There are no Level 2 or Level 3 inputs at this time. When available, the Organization measures fair value using Level 1 inputs, because they generally provide the most reliable evidence of fair value.

Level 1 *Fair Value Measurements*

The fair value of mutual funds is based on quoted market prices.

Note 5. Mortgage Receivable

Mortgages receivable consists of mortgage notes to homeowners. The mortgages are non-interest bearing and are secured by real estate. The mortgage loans are payable in monthly installments over 20, 25 or 30 year terms. Annually, management evaluates mortgage receivables and establishes an allowance for doubtful accounts based on history of past write-offs, collections and current credit considerations. Mortgages receivable at June 30, 2018 and 2017 are as follows:

	2018	2017
Mortgages Receivable	$ 3,661,545	$ 2,764,858
Less: Allowance for Doubtful Accounts	(176,779)	(24,143)
Less: Unamortized Mortgage Discount	(2,145,456)	(1,629,204)
Net Mortgages Receivable	1,339,310	1,111,511
Less: Current Portion	(99,492)	(70,824)
Mortgages Receivable, Long-Term	$ 1,239,818	$ 1,040,687

Note 6. Property and Equipment

Property and equipment include the following at June 30, 2018 and 2017:

	Estimated useful lives in years	2018	2017
Land		$ 207,937	$ 207,937
Buildings and Improvements	20-40	1,309,306	1,192,458
Furniture and Fixtures	5-7	12,280	12,280
Vehicles	5	41,455	41,455
		1,570,978	1,454,130
Accumulated Depreciation		(295,881)	(253,570)
		$ 1,275,097	$ 1,200,560

Depreciation expense for the years ended June 30, 2018 and 2017 was $42,913 and $34,243, respectively.

Note 7. Demand Note Payable

Habitat maintains a $200,000 line of credit with a local financial institution. The line of credit is automatically renewable on an annual basis and interest is due monthly at prime. At June 30, 2018 and 2017 the balance due was $-0-.

In February 2015, Habitat obtained a commercial demand loan from a local financial institution in the amount of $270,000 collateralized by Mortgage Receivables. Interest is payable monthly at a rate of 1% over prime. Principle is payable upon demand.

Note 8. Commitments and Contingencies

The Pennsylvania Housing Finance Agency (PHFA), a state agency, assumed 2 mortgages held by Habitat. Habitat is responsible for maintaining the mortgages by collecting the payments. Should a homeowner become delinquent, PHFA will require full repayment and discontinue the agreement for that mortgage. Both mortgages are fully repaid with balances of $-0- and $3,175 at June 30, 2018 and June 30, 2017, respectively.

Note 9. Long Term Debt

Long term debt consists of the following as of June 30, 2018 and 2017:

	2018	2017
In July 2013, Habitat obtained a loan from Habitat for Humanity International, Inc. in the amount of $11,250. The loan is to be repaid in 48 monthly payments with no interest, starting January 2015	$ 1,206	$ --
In February, 2010, Habitat obtained a mortgage from a nonprofit corporation in the amount of $1,152,000 to purchase a new building. The loan is to be repaid in 300 monthly installments of principal and interest of $7,100 at an annual interest rate of 5.5%. The note is secured by the land and building	931,272	964,266
	932,478	964,266
Less: Unamortized debt issuance costs	(9,543)	(10,145)
Long-term debt, less unamortized debt issuance costs	922,935	954,121
Less: Current maturities	(36,061)	(32,994)
	$ 866,874	$ 921,127

Note 9. Long Term Debt (Cont'd)

The Organization adopted the requirements in FASB ASC 835-30 to present debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset. Amortization of the debt issuance costs is reported as a component of interest expense in the statement of activities and amounted to $602 for the years ended June 30, 2018 and 2017.

Total maturities of long term debt for the year ending June 30 are as follows:

Year ended June 30,	Amount
2019	$ 36,061
2020	36,821
2021	38,898
2022	41,092
2023	43,410
Thereafter	736,196
Total	$ 932,478

Note 10. Related Party Transaction

As described in Note 9, Habitat obtained a loan from Habitat for Humanity International, Inc. Also, Habitat donated $4,000 and paid $25,000 for a license fee to Habitat for Humanity International, Inc. for each year ending June 30, 2018 and 2017.

Note 11. Unrestricted Board Designated and Temporarily Restricted Net Assets

In March 2016, the board designated $250,000 to be set aside in a separate account for the purpose of start up costs for the opening of a new ReStore. The remaining balance of these designated funds was $-0- and $100,000 for the years ending June 30, 2018 and 2017, respectively.

Temporarily restricted net assets at June 30 are as follows:

	2018	2017
Neighborhood Revitalization Initiative	$ 20,000	$ 1,834
Critical Home Repairs	--	15,000
Construction	15,000	7,125
Total	$ 35,000	$ 23,959

Note 11. Unrestricted Board Designated and Temporarily Restricted Net Assets (Cont'd)

Net assets were released from donor restrictions as follows:

	2018	2017
Purpose restriction accomplished:		
Neighborhood Revitalization Initiative	$ 1,834	$ 33,886
Critical Home Repairs	15,000	30,000
Construction	7,125	56,674
Total	$ 23,959	$ 120,560

Note 12. Concentrations

The Organization received approximately 36% and 45% of its total support and revenue from one individual for the year ended June 30, 2018 and 2017, respectively.

Note 13. Merger of Habitat for Humanity – Delaware County, PA, Inc.

Effective July 1, 2017, Habitat completed a merger with Habitat for Humanity – Delaware County, PA, Inc. As a result, they agreed to rename the organization Habitat for Humanity of Montgomery and Delaware Counties, Inc. Habitat assumed the rights, title, and interest of all assets and liabilities of Habitat for Humanity – Delaware County, PA, Inc.

Fair values of major classes of assets and liabilities acquired by Habitat as of the date of merger are as follows:

Cash	$ 201,013
Mortgages Receivable – Net	267,828
Inventory – Land and Lot	51,012
Accounts Payable and Accrued Expenses	(1,786)
Escrow Deposit Liability	(12,184)
Net Assets Acquired	$ 505,883

Note 14. Reclassifications

Certain reclassifications have been made to the 2017 financial statement presentation to correspond to the current year's formats. Net assets and changes in net assets are unchanged as a result of these reclassifications.

Note 15. Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the original effective dates of ASU 2014-09 were deferred by one year through the issuance of ASU 2015-14, *Revenue from Contracts with Customers* (Topic 606): *Deferral of the Effective Date*. For most nonprofit organizations, ASU 2014-09 (as revised) is effective for annual reporting periods beginning after December 15, 2018. The impact of adopting this ASU on the Agency's financial statements for subsequent periods has not yet been determined.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which supersedes FASB ASC Topic 840, Leases (Topic 840) and provides principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months regardless of classification. Leases with a term of twelve months or less will be accounted for similar to existing guidance for operating leases. Lessor accounting is mostly unchanged from the current model, but updated to align with certain changes to the lessee accounting model and the new revenue recognition standard. The ASU is effective for most nonprofit organizations for fiscal years beginning after December 15, 2019. The impact of adopting this ASU on the Agency's financial statements for subsequent periods has not yet been determined.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which affects all nonprofit organizations. The ASU significantly amends the standards for the presentation and accompanying disclosures of the financial statements of nonprofit organizations. Key elements of this amendment include a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. The ASU is effective for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. The impact of adopting this ASU on the Agency's financial statements for subsequent periods has not yet been determined.