HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2019

HABITAT FOR HUMANITY OF MONTGOMERY AND DELAWARE COUNTIES, INC.

JUNE 30, 2019

INDEX

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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, 2019 and 2018, 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 prior 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, 2019 and 2018, 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

November 13, 2019

**HABITAT FOR HUMANITY OF MONTGOMERY
AND DELAWARE COUNTIES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

	2019	2018
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 669,734	$ 886,801
Investments	1,090,755	2,066,896
Mortgage Receivables	99,361	99,492
Accounts Receivable	421,678	31,028
Prepaid Expenses	32,500	61,914
ReStore Inventory	102,577	-
Construction in Progress	895,759	659,533
Total Current Assets	3,312,364	3,805,664
Property and Equipment Net of Accumulated Depreciation of $356,733 and $295,881	1,232,081	1,275,097
Other Assets		
Land and Lot - Held for Sale	-	51,012
Mortgage Receivables, Net of Mortgage Amortization and Allowance for Doubtful Accounts	1,176,255	1,239,818
Escrow Deposit	150,000	-
Deposits - Other	34,960	34,960
Total Other Assets	1,361,215	1,325,790
TOTAL ASSETS	$ 5,905,660	$ 6,406,551
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	$ 84,355	$ 102,582
Accrued Expenses	66,436	37,578
Accrued Payroll and Payroll Taxes	26,996	24,736
Deferred Revenue	3,300	-
Funds Held in Escrow	106,092	109,857
Demand Note Payable	235,015	270,984
Current Maturities of Long-Term Debt	36,821	36,061
Total Current Liabilities	559,015	581,798
Long-Term Liabilities		
Long-Term Debt, Net of Current Maturities and Unamortized Debt Issuance Costs	850,655	886,874
Total Liabilities	1,409,670	1,468,672
Net Assets		
Net Assets Without Donor Restrictions	4,319,338	4,902,879
Net Assets With Donor Restrictions	176,652	35,000
Total Net Assets	4,495,990	4,937,879
TOTAL LIABILITIES AND NET ASSETS	$ 5,905,660	$ 6,406,551

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, 2019 AND 2018

	2019			2018		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support and Revenues						
Home Sales	$ 145,879	$ -	$ 145,879	$ 1,115,000	$ -	$ 1,115,000
Program Income	181,134	-	181,134	198,220	20,000	218,220
ReStore Sales	1,230,933	-	1,230,933	702,094	-	702,094
Contributions:						
Individuals	682,793	57,027	739,820	2,433,794	-	2,433,794
Churches	28,080	-	28,080	39,288	-	39,288
Foundations	353,723	20,000	373,723	133,613	15,000	148,613
Corporate	93,797	-	93,797	215,891	-	215,891
Government	48,507	74,625	123,132	159,234	-	159,234
Donated Home and Services	375,211	-	375,211	13,565	-	13,565
Special Events, Net of Expenses of $43,991 and $21,524	36,949	-	36,949	22,054	-	22,054
Contribution Received in Merger	-	-	-	505,883	-	505,883
Net Investment Income	(3,044)	-	(3,044)	93,535	-	93,535
Miscellaneous	-	-	-	668	-	668
Net Assets Released from Restrictions	10,000	(10,000)	-	23,959	(23,959)	-
Total Support and Revenue	3,183,962	141,652	3,325,614	5,656,798	11,041	5,667,839
Expenses						
Program Services	3,058,652	-	3,058,652	3,971,776	-	3,971,776
Management and General	351,936	-	351,936	212,518	-	212,518
Fundraising	356,915	-	356,915	513,576	-	513,576
Total Expenses	3,767,503	-	3,767,503	4,697,870	-	4,697,870
Change in Net Assets	(583,541)	141,652	(441,889)	958,928	11,041	969,969
Net Assets, Beginning of Year	4,902,879	35,000	4,937,879	3,943,951	23,959	3,967,910
Net Assets, End of Year	$ 4,319,338	$ 176,652	$ 4,495,990	$ 4,902,879	$ 35,000	$ 4,937,879

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, 2019

	Home Sales and Repairs	ReStore	Total Program	General and Administrative	Fundraising	Total
Personnel						
Salaries	$ 285,508	$ 679,821	$ 965,329	$ 113,430	$ 127,931	$ 1,206,690
Payroll Taxes	30,736	65,162	95,898	9,422	11,712	117,032
Employee Benefits	51,932	58,467	110,399	22,598	6,058	139,055
Total Personnel	368,176	803,450	1,171,626	145,450	145,701	1,462,777
Operating Expenses						
Facility Expenses	22,995	480,535	503,530	7,962	6,420	517,912
Construction Costs of Homes Sold	431,846	-	431,846	-	-	431,846
Homeowner Services	205,588	16,326	221,914	-	363	222,277
Bad Debt Expense	231,296	-	231,296	-	-	231,296
Fundraising	-	-	-	-	129,723	129,723
Professional Fees	12,205	3,515	15,720	95,103	215	111,038
Mortgage Discount Expense	91,712	-	91,712	-	-	91,712
Auto and Truck	10,872	61,210	72,082	2,076	1,540	75,698
Information Technology	24,639	19,001	43,640	7,623	17,499	68,762
Interest Expense	13,951	30,226	44,177	16,230	2,790	63,197
Depreciation	9,991	41,928	51,919	6,445	2,488	60,852
Advertising	-	36,922	36,922	-	23,821	60,743
Vista	42,764	-	42,764	-	14,643	57,407
Insurance	16,549	21,505	38,054	7,481	784	46,319
Dues, Fees, and Subscriptions	672	4,800	5,472	29,458	1,263	36,193
Bank and Merchant Fees	39	18,308	18,347	2,977	4,614	25,938
Office Expense	3,767	5,592	9,359	7,979	4,554	21,892
Contract Labor	-	5,144	5,144	13,919	-	19,063
Supplies and Materials - COGS	-	15,907	15,907	-	-	15,907
Travel and Seminars	5,486	792	6,278	7,836	465	14,579
Meetings	658	285	943	1,397	32	2,372
Total Operating Expenses	1,125,030	761,996	1,887,026	206,486	211,214	2,304,726
Total Expenses	$ 1,493,206	$ 1,565,446	$ 3,058,652	$ 351,936	$ 356,915	$ 3,767,503

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						
Construction Costs of Homes Sold	1,585,615	-	1,585,615	-	-	1,585,615
Mortgage Discount Expense	401,381	-	401,381	-	-	401,381
Fundraising	-	-	-	-	261,994	261,994
Facility Expenses	18,611	257,373	275,984	2,558	2,292	280,834
Professional Fees	63,316	59,632	122,948	63,118	27,281	213,347
Neighborhood Revitalization Initiative Repair Costs	163,870	-	163,870	-	-	163,870
Bad Debt Expense	158,018	-	158,018	-	-	158,018
Advertising	1,081	80,981	82,062	1,248	1,301	84,611
Interest Expense	19,957	39,095	59,052	4,418	3,816	67,286
Homeowner Services	39,342	2,939	42,281	12,771	4,741	59,793
Auto and Truck	8,663	39,739	48,402	341	312	49,055
Dues, Fees, and Subscriptions	2,684	4,896	7,580	30,492	8,930	47,002
Vista	31,635	-	31,635	4,016	9,673	45,324
Insurance	15,564	22,782	38,346	4,331	2,515	45,192
Office Expense	9,332	27,113	36,445	7,946	-	44,391
Depreciation	9,194	26,306	35,500	3,996	2,815	42,311
Telephone	10,465	6,156	16,621	6,391	4,057	27,069
Bank and Merchant Fees	196	14,202	14,398	3,364	3,679	21,441
Travel and Seminars	7,451	1,083	8,534	4,630	2,809	15,973
Contract Labor	-	11,447	11,447	524	-	11,971
Supplies and Materials - COGS	-	11,485	11,485	-	-	11,485
Equipment Rental	3,172	4,292	7,464	1,424	1,156	10,044
Other Expense	2,723	380	3,103	4,751	-	7,854
Volunteer Expense	2,053	1,824	3,877	50	904	4,831
Meetings	1,100	472	1,572	871	352	2,795
Postage	292	55	347	1,862	556	2,765
Total Operating Expenses	2,555,715	612,252	3,167,967	159,102	339,183	3,666,252
Total Expenses	$ 2,876,062	$ 1,095,714	$ 3,971,776	$ 212,518	$ 513,576	$ 4,697,870

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, 2019 AND 2018

	2019	2018
Cash Flows From Operating Activities:		
Change in Net Assets	$ (441,889)	$ 969,969
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities:		
Home Mortgages Originated	(145,879)	(667,174)
Depreciation and Amortization	61,454	42,913
Mortgage Discount	91,712	401,381
Interest Income - Mortgage Receivables	(133,125)	(127,594)
Bad Debt Expense	231,296	158,018
Noncash Assets Received in Merger	51,012	(51,012)
Realized Gains	28,675	(45,724)
Unrealized Gains	(357)	(27,439)
(Increase) Decrease in Operating Assets:		
Accounts Receivables	(390,650)	(17,348)
Mortgages Receivable	19,690	7,570
Prepaid Expenses	29,414	(56,936)
ReStore Inventory	(102,577)	-
Construction in Progress	(236,226)	475,278
Escrow Deposits	(150,000)	(29,375)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(18,227)	(50,058)
Accrued Expenses	28,858	25,297
Accrued Payroll and Payroll Taxes	2,260	11,707
Deferred Revenue	3,300	-
Funds Held in Escrow	(3,765)	31,126
Net Cash From Operating Activities	(1,075,024)	1,050,599
Cash Flows From Investing Activities:		
Proceeds from Sale of Investments	1,033,590	659,836
Purchases of Investments	(85,767)	(2,653,569)
Purchases of Property and Equipment	(17,836)	(116,848)
Net Cash From Investing Activities	929,987	(2,110,581)
Cash Flows From Financing Activities:		
Net Borrowings (Repayments) of Demand Note Payable	(35,969)	984
Principal Repayments of Long Term Debt	(36,061)	(31,788)
Net Cash From Financing Activities	(72,030)	(30,804)
Change in Cash and Cash Equivalents	(217,067)	(1,090,786)
Cash and Cash Equivalents, Beginning of Year	886,801	1,977,587
Cash and Cash Equivalents, End of Year	$ 669,734	$ 886,801
Supplemental Disclosures:		
Interest Paid	$ 62,595	$ 66,684

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, Habitat for Humanity of Montgomery and Delaware Counties, Inc. reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

> Net Assets Without Donor Restriction - Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

> Net Assets With Donor Restriction - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

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.

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

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.

ReStore Inventory

ReStore inventory is comprised of donated building materials, home furniture and appliances which are recorded at estimated fair value using the inventory turnover method.

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.

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.

Advertising:

All advertising costs, which approximated $60,700 and $84,600 for the years ending June 30, 2019 and 2018, respectively, are expensed as incurred or when the first advertising takes place.

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

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.

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 net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if restrictions are met in the fiscal year in which the contributions are recognized.

All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a 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 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 net assets without donor restrictions, 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 net assets with donor restrictions to net assets without donor restrictions at that time.

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

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

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).

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.

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.

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 November 13, 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.

At June 30, 2019, the cost and fair value of investments are as follows:

	Basis	Fair value	Unrealized gains
Exchange Traded Funds	$ 956,783	$ 974,536	$ 17,753
Equity Funds	106,176	116,219	10,043
	$ 1,062,959	$ 1,090,755	$ 27,796

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

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

	2019	2018
Dividend and Interest Income	$ 29,608	$ 21,410
Unrealized Gain	357	27,439
Realized Gain	(28,675)	45,724
Investment Fees	(4,334)	(1,038)
Total investment income	$ (3,044)	$ 93,535

Note 4. Fair Value Measurements

The fair value measurements accounting literature establishes a 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 are as follows: Level 1, Quoted Prices in Active Markets; Level 2, Observable Measurement Criteria; and Level 3, Unobservable Measurement Criteria.

For applicable assets and liabilities subject to this pronouncement, the Organization will value such assets and liabilities using quoted market prices in active markets for identical assets and liabilities to the extent possible. To the extent that such market prices are not available, the Organization will next attempt to value such assets and liabilities using observable measurement criteria, including quoted market prices of similar assets and liabilities in active and inactive markets and other corroborated factors. In the event that quoted market prices in active markets and other observable measurement criteria are not available; the Organization will develop measurement criteria based on the best information available. The Organization has only Level 1 investments.

The following table presents the Organization's fair value for the financial assets measured at fair value on a recurring basis:

	Fair value measurements using:	
	Fair value	Quoted prices in active markets for identical assets (Level 1)
June 30, 2019		
Exchange Traded Funds	$ 974,536	$ 974,536
Equity Funds	116,219	116,219
Total	$ 1,090,755	$ 1,090,755
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

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, 2019 and 2018 are as follows:

	2019	2018
Mortgages Receivable	$ 3,762,109	$ 3,661,545
Less: Allowance for Doubtful Accounts	(339,756)	(176,779)
Less: Unamortized Mortgage Discount	(2,146,737)	(2,145,456)
Net Mortgages Receivable	1,275,616	1,339,310
Less: Current Portion	(99,361)	(99,492)
Mortgages Receivable, Long-Term	$ 1,176,255	$ 1,239,818

Note 6. Property and Equipment

Property and equipment include the following at June 30, 2019 and 2018:

	Estimated useful lives in years	2019	2018
Land		$ 207,937	$ 207,937
Buildings and Improvements	20-40	1,309,306	1,309,306
Furniture and Fixtures	5-7	25,986	12,280
Vehicles	5	45,585	41,455
		1,588,814	1,570,978
Accumulated Depreciation		(356,733)	(295,881)
		$ 1,232,081	$ 1,275,097

Depreciation expense for the years ended June 30, 2019 and 2018 was $60,852 and $42,311, 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, 2019 and 2018 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 was payable monthly at a rate of 1% over prime. Beginning June 2018, monthly payments are due of $3,794, including interest at 4.75%. The balance remaining at June 30, 2019 and 2018 was $235,015 and $270,984, respectively.

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, 2019 and June 30, 2018, respectively.

Note 9. Long Term Debt

Long term debt consists of the following as of June 30, 2019 and 2018:

	2019	2018
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	896,417	931,272
	896,417	932,478
Less: Unamortized debt issuance costs	(8,941)	(9,543)
Long-term debt, less unamortized debt issuance costs	887,476	922,935
Less: Current maturities	(36,821)	(36,061)
	$ 850,655	$ 866,874

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, 2019 and 2018.

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

Year ended June 30,	Amount
2020	$ 36,821
2021	38,898
2022	41,092
2023	43,410
2024	45,858
Thereafter	690,338
Total................	$ 896,417

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, 2019 and 2018. The fee of $25,000 is due to Habitat for Humanity International, Inc. as of June 30, 2019 and 2018.

Note 11. Concentrations

The Organization received approximately 9% and 36% of its total support and revenue from one individual for the year ended June 30, 2019 and 2018, respectively.

Note 12. Defined Contribution Plan

The Organization administers a tax-deferred retirement plan qualified under Section 401 (k) of the Internal Revenue Code. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. The plan is available to all eligible employees. The discretionary employer match is a percentage of employee contributions up to a maximum of 6%. The Organization made employer-matching contributions in the amount of $5,498 and $3,306 during the years ended June 30, 2019 and 2018, respectively.

Note 13. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30 are as follows:

	2019	2018
Neighborhood Revitalization Initiative	$ 10,000	$ 20,000
Construction	166,652	15,000
Total	$ 176,652	$ 35,000

Net assets were released from donor restrictions as follows:

	2019	2018
Purpose restriction accomplished:		
Neighborhood Revitalization Initiative	$ 10,000	$ 1,834
Critical Home Repairs	--	15,000
Construction	--	7,125
Total	$ 10,000	$ 23,959

Note 14. 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 15. Adoption of Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two – net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Organization, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for the Organization's year ending December 31, 2018 and thereafter and must be applied on a retrospective basis. The Organization adopted the ASU effective January 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

Note 16. Liquidity

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Organization has the following financial assets that could readily be made available within one year of the balance sheet to fund expenses without limitations at June 30:

	2019	2018
Cash and Cash Equivalents	$ 669,734	$ 886,801
Investments	1,090,755	2,066,896
Mortgage Receivables – Current	99,361	99,492
Accounts Receivable	421,678	31,028
	$ 2,281,528	$ 3,084,217

In addition to financial assets available to meet general expenditures over the year, the Organization operates with a balanced budget and anticipates covering its general expenditures by collecting sufficient program fees and other revenues as needed.

Note 17. Reclassifications

Certain reclassifications have been made to the 2018 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 18. 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.