

**HABITAT FOR HUMANITY OF  
BUCKS COUNTY, INC.**

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**FINANCIAL STATEMENTS**  
**Years Ended June 30, 2015 and 2014**

HABITAT FOR HUMANITY OF  
BUCKS COUNTY, INC.

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# BAUM, SMITH & CLEMENS, LLP

CERTIFIED PUBLIC ACCOUNTANTS and BUSINESS ADVISORS

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Habitat for Humanity of Bucks County, Inc.

We have audited the accompanying financial statements of Habitat for Humanity of Bucks County, Inc. (a not-for-profit organization), which are comprised of the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, 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 U.S. generally accepted accounting principles; 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 audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits 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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Bucks County, Inc. as of June 30, 2015 and 2014 and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

*Baum, Smith & Clemens, LLP*

Lansdale, PA  
October 27, 2015

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2015 AND 2014**

	2015	2014
<b>ASSETS</b>		
Current		
Cash - operating	\$ 253,470	\$ 401,662
Cash - escrow	-	124,582
Mortgages receivable, current	112,613	97,984
Notes and loans receivable, current	11,786	11,025
Other receivables	110,603	72,780
Construction in progress	778,796	637,829
Inventory	53,953	101,803
Prepaid expenses	26,057	40,294
Total current assets	1,347,278	1,487,959
Property and equipment, net	44,957	46,220
Other		
Mortgages receivable, net of current portion and discount	918,195	862,290
Notes and loans receivable, net of current portion	109,489	94,566
Cash - money market	199,290	225,937
Marketable securities	4,357,150	4,412,116
Investment in joint venture	4,040,860	3,978,299
Intangibles, net	112,960	125,063
Cash - restricted (NMTC)	45,204	76,704
Miscellaneous	14,459	14,459
Total other assets	9,797,607	9,789,434
Total assets	\$ 11,189,842	\$ 11,323,613
<b>LIABILITIES</b>		
Current		
Current portion of long-term debt	\$ -	\$ 319,765
Line of credit	414,427	900,121
Accounts payable and accrued expenses	97,658	110,360
Deferred revenue	-	13,000
Total current liabilities	512,085	1,343,246
Long-term debt, net of current portion	4,571,637	4,571,637
Total liabilities	5,083,722	5,914,883
<b>NET ASSETS</b>		
Unrestricted	5,981,096	5,299,706
Temporarily restricted	125,024	109,024
Total net assets	6,106,120	5,408,730
Total liabilities and net assets	\$ 11,189,842	\$ 11,323,613

See Accompanying Notes to Financial Statements

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
Contributions	\$1,113,120	\$ 25,500	\$1,138,620
In-kind contributions	80,525	28,000	108,525
Fundraising activities, net	104,346	-	104,346
Sale of homes to Habitat homeowners	1,281,000	-	1,281,000
Amortization of mortgage discounts	77,234	-	77,234
Restore activity, from contributed inventory	485,835	-	485,835
Investment income	147,300	-	147,300
Other income	127,058	-	127,058
Net assets, released from restriction	37,500	(37,500)	-
	<u>3,453,918</u>	<u>16,000</u>	<u>3,469,918</u>
<b>EXPENSES</b>			
Program services	2,439,901	-	2,439,901
Management and general	208,489	-	208,489
Fundraising expenses	124,138	-	124,138
Total expenses	<u>2,772,528</u>	<u>-</u>	<u>2,772,528</u>
Change in net assets	<u>681,390</u>	<u>16,000</u>	<u>697,390</u>
Net assets, beginning of year	<u>5,299,706</u>	<u>109,024</u>	<u>5,408,730</u>
Net assets, end of year	<u>\$ 5,981,096</u>	<u>\$ 125,024</u>	<u>\$ 6,106,120</u>

See Accompanying Notes to Financial Statements

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 401,839	\$ 61,524	\$ 463,363
In-kind contributions	11,746	47,500	59,246
Fundraising activities, net	107,958	-	107,958
Sale of homes to Habitat homeowners	1,278,800	-	1,278,800
Amortization of mortgage discounts	99,941	-	99,941
Restore activity, from contributed inventory	447,906	-	447,906
Investment income	669,662	-	669,662
Other income	143,408	-	143,408
Net assets, released from restriction	34,067	(34,067)	-
	<u>3,195,327</u>	<u>74,957</u>	<u>3,270,284</u>
<b>EXPENSES</b>			
Program services	2,229,772	-	2,229,772
Management and general	197,298	-	197,298
Fundraising expenses	107,233	-	107,233
Total expenses	<u>2,534,303</u>	<u>-</u>	<u>2,534,303</u>
Change in net assets	<u>661,024</u>	<u>74,957</u>	<u>735,981</u>
Net assets, beginning of year	<u>4,638,682</u>	<u>34,067</u>	<u>4,672,749</u>
Net assets, end of year	<u>\$ 5,299,706</u>	<u>\$ 109,024</u>	<u>\$ 5,408,730</u>

See Accompanying Notes to Financial Statements

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	2015					Total
	Homeownership	ReStore	Total Program	Management & General	Fundraising	
Costs of homes sold to homeowners	\$ 1,330,788	\$ -	\$ 1,330,788	\$ -	\$ -	\$ 1,330,788
Gifts of equity to homeowners	79,000	-	79,000	-	-	79,000
Interest discounts, first mortgages	131,825	-	131,825	-	-	131,825
Salaries	199,773	161,094	360,867	106,839	70,149	537,855
Payroll taxes	19,309	21,994	41,303	10,276	6,754	58,333
Fringe benefits	14,035	32,896	46,931	6,100	7,706	60,737
Interest expense	45,004	-	45,004	-	-	45,004
Tithe	35,575	-	35,575	-	-	35,575
New market tax credit program	43,664	-	43,664	-	-	43,664
Newsletter and promotion	13,086	8,986	22,072	11,389	17,571	51,032
Office expense	10,401	27,715	38,116	28,743	7,426	74,285
Professional fees	250	-	250	20,797	-	21,047
Travel and seminars	11,062	-	11,062	6,209	6,723	23,994
Rent	33,712	143,485	177,197	13,065	5,781	196,043
Depreciation	11,240	5,348	16,588	-	-	16,588
Insurance	6,486	5,166	11,652	461	-	12,113
Repairs and maintenance	4,517	12,831	17,348	1,646	724	19,718
Telephone and utilities	9,714	20,945	30,659	2,964	1,304	34,927
	<u>\$ 1,999,441</u>	<u>\$ 440,460</u>	<u>\$ 2,439,901</u>	<u>\$ 208,489</u>	<u>\$ 124,138</u>	<u>\$ 2,772,528</u>

See Accompanying Notes to Financial Statements

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	2014					Total
	Homeownership	ReStore	Total Program	Management & General	Fundraising	
Costs of homes sold to homeowners	\$ 1,354,500	\$ -	\$ 1,354,500	\$ -	\$ -	\$ 1,354,500
Gifts of equity to homeowners	32,800	-	32,800	-	-	32,800
Salaries	152,498	157,410	309,908	106,177	60,650	476,735
Payroll taxes	16,350	21,303	37,653	10,523	5,980	54,156
Fringe benefits	6,194	29,153	35,347	8,300	5,085	48,732
Interest expense	51,405	-	51,405	-	-	51,405
Tithe	31,751	-	31,751	-	-	31,751
New market tax credit program	43,754	-	43,754	-	-	43,754
Newsletter and promotion	1,643	9,104	10,747	6,816	15,849	33,412
Office expense	25,191	30,996	56,187	23,987	5,708	85,882
Professional fees	4,727	-	4,727	23,120	4,200	32,047
Travel and seminars	16,274	-	16,274	1,422	1,579	19,275
Rent	29,981	140,955	170,936	11,993	5,996	188,925
Depreciation	11,727	2,848	14,575	-	-	14,575
Insurance	10,175	5,720	15,895	590	-	16,485
Repairs and maintenance	3,988	11,286	15,274	1,323	662	17,259
Telephone and utilities	9,668	18,371	28,039	3,047	1,524	32,610
	<u>\$ 1,802,626</u>	<u>\$ 427,146</u>	<u>\$ 2,229,772</u>	<u>\$ 197,298</u>	<u>\$ 107,233</u>	<u>\$ 2,534,303</u>

See Accompanying Notes to Financial Statements



**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 697,390	\$ 735,981
Adjustments to reconcile change in net assets to net cash provided (used in) operating activities:		
Depreciation	16,588	14,575
Transfer of debt to homeowners	(385,000)	(420,000)
Mortgage discounts - default	-	(23,000)
Mortgage receivable - default	-	37,822
Gift of equity returned	-	18,722
Mortgages issued	(206,791)	-
Mortgage discounts	131,825	-
Joint venture income	(99,706)	(99,705)
Joint venture amortization	12,103	12,103
Donated assets	(41,300)	(58,443)
Inventory write off	40,000	20,000
Unrealized/realized (gain)loss on investments	(57,222)	(576,737)
Amortization of mortgage discounts	(77,234)	(76,941)
Changes in assets and liabilities:		
Other receivables	(37,823)	(44,722)
Collection of mortgages receivable	105,672	265,019
Repayment to PHFA for mortgages	(24,006)	(16,634)
Construction in progress	(112,967)	580,588
Inventory	7,850	19,522
Prepaid expenses	14,237	(11,720)
Miscellaneous assets	-	20
Accounts payable and accrued expenses	(12,702)	32,270
Deferred revenue	(13,000)	(8,000)
	(42,086)	400,720
Net cash (used) provided by operating activities		
Cash flows from investing activities		
Reinvestment of dividends and interest	(87,469)	(92,310)
Transfer to operating, net	236,279	34,272
Capital expenditures	(12,000)	(1,114)
Distributions from joint venture	37,145	37,145
Notes and loans receivable, net	(15,684)	4,837
Transfer from escrow	124,582	-
	282,853	(17,170)
Net cash provided (used) by investing activities		
Cash flows from financing activities		
Payments - lines of credit, net	(485,694)	(322,865)
Proceeds from long-term debt	65,235	64,420
	(420,459)	(258,445)
Net cash used by financing activities		
Net change in cash	(179,692)	125,105
Beginning cash	478,366	353,261
Ending cash	298,674	478,366
Less restricted cash	(45,204)	(76,704)
Ending cash - operating	\$ 253,470	\$ 401,662
<u>Supplementary disclosure of cash flow information:</u>		
Cash paid for interest:		
Interest paid - net of amount capitalized	\$ 45,004	\$ 51,405

See Accompanying Notes to Financial Statements

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

Habitat for Humanity of Bucks County, Inc. is a Pennsylvania non-profit organization, and has been granted an exemption from federal income tax under Section 501(c) (3) of the Internal Revenue Code as an affiliate of Habitat for Humanity International, Inc.

The mission of Habitat for Humanity of Bucks County, Inc. is to build affordable homes, better lives, stronger families, and safer revitalized communities through partnerships with people and organizations throughout Bucks County. The Organization's activities focus primarily on three key areas: Homeownership, Basic Home Repairs, and the ReStore.

Homeownership

Provide economic and social stability to work-force families in need of affordable housing. Homes are built by volunteers and homeowners, and receive Energy Star ratings to help reduce costs for homeowners. This process also includes educational components such as budgeting and homeownership workshops and an advocate for each family.

Basic Home Repairs

*A Brush With Kindness* is a program to serve low-income homeowners who, due to, age, disability or family circumstances are unable to take care of basic repairs on the exterior of their homes. This program offers security and healthy living conditions for homeowners, and brings stability and revitalization to neighborhoods. The expenditures for this program are included with Homeownership on the Statement of Functional Expenses.

ReStore

A thrift-style retail outlet, the ReStore offers new and gently used household goods and building materials at deeply discounted prices while providing volunteer and recycling opportunities for the community at large. In addition, free *Do It Yourself (DIY)* clinics have been started, teaching people basic skills in areas of electrical, plumbing, and furniture repair.

Habitat for Humanity of Bucks County, Inc. is an affiliate of Habitat for Humanity International, Inc., (HfHI) a non-profit organization whose purpose is to create decent, affordable housing for those in need. While HfHI provides training, publications and on-line resources, Habitat for Humanity of Bucks County, Inc. is primarily and directly responsible for its own operations.

Basis of Accounting

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

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There are no permanently restricted net assets.

Cash Non-operating

Cash - escrow had been reserved as collateral for a letter of credit, at the request of Milford Township, for paving and other common area expenses that could have been incurred during the completion of construction at Emerald Hollow. The cash amount above the outstanding balance on the letter of credit was available to the organization for operations. The cash in escrow available to the organization as of June 30, 2014 was approximately \$2,500. During January 2015, the escrow requirements were lifted and the escrow funds were released to the Organization.

Cash - restricted included in other assets was established for the guarantee fees for the New Market Tax Credit Program. The disbursements are at the sole dominion and control of the lender for the New Market Tax Credit loan. The fees are expensed as they are disbursed.

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgages Receivable

The Organization has financed mortgages to homeowners, collateralized by first mortgages recorded as liens against the properties sold to the homeowner by the Organization. A valuation discount, of approximately 7%, has been recorded to reflect an interest rate recommended by Habitat for Humanity International, Inc. for valuation purposes.

A mortgage loss reserve has not been included in the financial statements. The Organization believes its risk is minimal due to the fact that in the event of foreclosure the Organization will take the property back. The Organization has developed and implemented a formal mortgage collection policy.

Notes and Loans Receivable

Upon sale of the properties to homeowners, the Organization advances the closing costs incurred on the sale of the property net of any deposit paid by the homeowner. The closing costs are repaid on a monthly basis over terms of 240, 300 or 360 months on a non-interest bearing basis. Some of the *A Brush with Kindness* homeowners are required to payback a portion of the home repair expense over a period of 5-10 years. All balances are considered fully collectible.

Construction in Progress

Management reviews its construction in progress assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable. Impairment is recognized if the sum of the undiscounted estimated future cash flows expected to result from the use of the asset is less than the carrying value. When an impairment loss is recognized, the asset's carrying value is reduced to its estimated fair value, based upon an independent third party appraisal.

All costs related to each project are recorded as construction in progress. As the homes are sold the accumulated costs for the homes are removed from construction in progress.

Inventory

ReStore

Inventory consists of donated building materials and household appliances and goods. Items are valued at thrift shop value.

Property, Equipment and Depreciation

All acquisitions in excess of \$1,000 are capitalized. Property and equipment are stated at cost and depreciated on a straight-line basis over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related depreciation are removed from the books and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to income as incurred and costs of significant replacements and improvements are capitalized and expensed over the periods benefited.

Investments

Investments in marketable securities are reported at their fair value in the statements of financial position. Realized gains or losses and the unrealized appreciation (depreciation) on investments are included in the statements of activities.

The Organization's investments in marketable securities are subject to market risk. The investments are managed by an investment committee subject to its respective investment goals for the total investment return, yield, tolerance of investment risk, and investment turnover. The degree and concentration of risk varies by the type of investment.

Investment in the joint venture relates to the (NMTC) Program and is recorded using the equity method of accounting.

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible Assets

The intangible costs consist of loan costs in regard to the NMTC program. The loan costs are being amortized over fifteen years, the term of the debt incurred and the tax credit allowance period.

Real Estate and Insurance Escrow Accounts

At settlement, the Organization may open escrow accounts in the name of the Organization for Habitat homeowners for the payment of real estate taxes and insurance on behalf of the homeowners.

Sales Tax

The Organization collects sales tax. The amount received is credited to a liability account and as payments are made, this account is charged. At any point in time, this account represents the net amount owed to the tax authority for amounts collected but not yet remitted.

Restricted and Unrestricted Support

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other 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 a 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 restriction.

Contributions

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair value on the date of donation.

Donated Property, Services and Materials

The contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Organization receives donated services from unpaid volunteers assisting the Organization with the construction and renovation of the homes. This volunteer time is not recognized in the accompanying statement of activities, because these services do not meet the criteria for recognition as contributed services.

Sale of Homes to Habitat Homeowners

Sale of homes to Habitat homeowners are recorded at the gross mortgage amount plus down payment received. Non-interest bearing mortgages have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages. The discount will be recognized as income on a straight-line basis over the term of the mortgages.

ReStore Activity

ReStore sales and changes in the contributed inventory balance are shown net on the Statement of Activities.

Functional Allocation of Expenses

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

Advertising

Advertising costs are expensed as incurred.

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee Benefit Plan

The Organization has a 401(k) plan for its employees. Eligible employees may contribute a percentage of their salary, up to federal limits. As of January 1, 2015 the plan provides the employer the option for an employer matching contribution. The Organization's contribution is discretionary from year to year. The Organization also pays the annual plan administration costs on the behalf of participants.

Income Taxes

The Organization qualifies under the Internal Revenue Code as a publicly supported charitable organization. The Organization is registered as required with the Pennsylvania Bureau of Charitable Organizations.

The Organization is required to recognize, measure, classify, and disclose in the financial statements uncertain tax positions taken or expected to be taken on the Organization's tax returns. Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Generally, the Organization is no longer subject to income tax examinations by tax authorities for tax years prior to 2011.

Management's Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing its financial statements. 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.

Significant estimates included in the financial statements are the valuation of the ReStore inventory, land and property donations included in construction in progress and the estimated joint venture income from the New Market Tax Credit Program (NMTC).

Reclassifications

Reclassifications of prior year totals have been reclassified to conform to current year presentation.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued which was October 27, 2015.

NOTE B: CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash in bank deposit accounts which, at times, exceed federally insured limits. No loss has been experienced in such accounts and the Organization believes it is not exposed to any significant credit risk on cash.

The Organization maintains accounts with a brokerage firm. The accounts contain cash and securities. Security balances are insured up to \$500,000 by the Securities Investor Protection Corporation. Cash balances held in these accounts may at times exceed federal limits, but the Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

For the year ended June 30, 2015, the Organization received approximately 17% of its support and revenue from one contributor.

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

NOTE C: MORTGAGES RECEIVABLE

The mortgages are payable by the homeowners in monthly installments ranging from \$151 to \$327 over a term of 240, 300 or 360 months. The mortgages are non-interest bearing. Unamortized discounts for mortgages financed to homeowners during the years ended June 30, 2015 and 2014 of \$131,825 and \$-, respectively, has been included in the statement of functional expenses.

Pennsylvania Housing Finance Agency (PHFA) has purchased various mortgages receivable from the Organization. These proceeds are to be used to provide additional loans to low income families. The Organization will continue to service these mortgages, collecting monthly installments, which are remitted to PHFA on a quarterly basis along with a report of the status of each mortgage. The Organization must adhere to agreed upon obligations, and in the event of a default, all obligations purchased at PHFA's option shall cease and terminate, and PHFA may declare the mortgage indebtedness immediately due and payable by the Organization.

Below is a summary of the mortgages receivable as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Non-interest bearing mortgages receivable from homeowners	\$ 2,381,974	\$ 2,280,854
Mortgages receivable - PHFA	(211,676)	(235,682)
Valuation discount	<u>(1,139,490)</u>	<u>(1,084,898)</u>
Net mortgages receivable	1,030,808	960,274
Current maturities of mortgages receivable	<u>(112,613)</u>	<u>(97,984)</u>
	<u>\$ 918,195</u>	<u>\$ 862,290</u>

NOTE D: NOTES AND LOANS RECEIVABLE

The following is a summary of the notes and loans from homeowners:

	<u>2015</u>	<u>2014</u>
Current	\$ 11,786	\$ 11,025
Long-term	109,489	94,566
	<u>\$ 121,275</u>	<u>\$ 105,591</u>

NOTE E: CONSTRUCTION IN PROGRESS

The following properties were under construction or have incurred acquisition costs:

	<u>2015</u>	<u>2014</u>
Penn Villa - West Rockhill	\$ -	\$ 513,049
Hawk Road - Levittown	-	46,558
Pacific Avenue - Bristol	-	65,808
State Road - Croydon	27,481	12,414
Harrison - Morrisville	38,318	-
Prospect - Bristol	46,134	-
Jackson Village - Bensalem	620,183	-
B Avenue - Bristol	<u>46,680</u>	<u>-</u>
	<u>\$ 778,796</u>	<u>\$ 637,829</u>

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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NOTE E: CONSTRUCTION IN PROGRESS (Continued)

<u>Project Name</u>	<u>Location</u>	<u>Number of units</u>	<u>Status</u>
Penn Villa	West Rockhill, PA	12	All sold
Hawk Road	Levittown, PA	1	Sold
Pacific Avenue	Bristol, PA	1	Sold
State Road	Croydon, PA	1	Pending construction
Harrison	Morrisville, PA	2	Pending development
Prospect	Bristol, PA	1	Pending development
Jackson Village	Bensalem, PA	12	Pending development
B Avenue	Bristol, PA	1	Pending development

NOTE F: PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>Estimated useful lives in years</u>	<u>2015</u>	<u>2014</u>
Office equipment	5	\$ 20,657	\$ 20,657
Vehicles	5	103,411	100,086
Construction equipment	5	1,000	-
Furniture and fixtures	7	10,224	10,224
Leasehold Improvements	10	<u>42,516</u>	<u>31,516</u>
		177,808	162,483
Less: accumulated depreciation		<u>132,851</u>	<u>116,263</u>
		<u>\$ 44,957</u>	<u>\$ 46,220</u>

Depreciation expense for the years ended June 30, 2015 and 2014 was \$16,588 and \$14,575, respectively.

NOTE G: MARKETABLE SECURITIES

Investments held by the Organization at June 30 consist of:

	<u>2015</u>	<u>2014</u>
Mutual funds	\$ 1,083,172	\$ 1,087,168
Exchange traded funds	<u>3,273,978</u>	<u>3,324,948</u>
	<u>\$ 4,357,150</u>	<u>\$ 4,412,116</u>

Investment income is summarized as follows:

	<u>2015</u>	<u>2014</u>
Unrealized gains (loss)	\$ (46,039)	\$ 456,982
Realized gains	103,261	119,755
Dividends and interest	<u>90,078</u>	<u>92,925</u>
	<u>\$ 147,300</u>	<u>\$ 669,662</u>

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
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NOTE H: FAIR VALUE MEASUREMENT

The fair value measurement accounting literature establishes a fair value hierarchy framework for measuring fair value. That hierarchy 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 described as follows:

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Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the Organization has the ability to access.
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Level 2	Inputs to the valuation methodology include: <ul style="list-style-type: none"><li>▪ Quoted prices for similar assets in active markets;</li><li>▪ Quoted prices for identical or similar assets or liabilities in inactive markets;</li><li>▪ Inputs other than quoted prices that are observable for the asset or liability;</li><li>▪ Inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li></ul> <p style="text-align: center;">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.</p>
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Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There are no changes in the methodologies used at June 30, 2015 or 2014.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Exchange traded funds: Valued based on an underlying index, reported on the active market on which the individual securities are traded. The exchange traded funds held by the Organization are deemed to be actively traded.



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NOTE H: FAIR VALUE MEASUREMENT (Continued)

Assets at Fair Value as of June 30, 2015				
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Mutual funds:				
Equity/growth funds	\$ 224,234	\$ -	\$ -	\$ 224,234
Debt/fixed income funds	<u>858,938</u>	<u>-</u>	<u>-</u>	<u>858,938</u>
Total mutual funds	<u>1,083,172</u>	<u>-</u>	<u>-</u>	<u>1,083,172</u>
Exchange traded funds:				
Equity/growth funds	1,490,728	-	-	1,490,728
Equity	<u>1,783,250</u>	<u>-</u>	<u>-</u>	<u>1,783,250</u>
Total exchange traded funds	<u>3,273,978</u>	<u>-</u>	<u>-</u>	<u>3,273,978</u>
Total assets at fair value	<u>\$ 4,357,150</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,357,150</u>
Assets at Fair Value as of June 30, 2014				
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Mutual funds:				
Equity/growth funds	\$ 225,339	\$ -	\$ -	\$ 225,339
Debt/fixed income funds	<u>861,829</u>	<u>-</u>	<u>-</u>	<u>861,829</u>
Total mutual funds	<u>1,087,168</u>	<u>-</u>	<u>-</u>	<u>1,087,168</u>
Exchange traded funds:				
Equity/growth funds	1,455,896	-	-	1,455,896
Equity	<u>1,869,052</u>	<u>-</u>	<u>-</u>	<u>1,869,052</u>
Total exchange traded funds	<u>3,324,948</u>	<u>-</u>	<u>-</u>	<u>3,324,948</u>
Total assets at fair value	<u>\$ 4,412,116</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,412,116</u>

NOTE I: JOINT VENTURE

The Organization is invested, along with five other Habitat affiliates, in a joint venture with a 21.0488 percent ownership in order to take advantage of New Market Tax Credit (NMTC) financing. The NMTC program provides tax credit incentives to investors who invest in low-income communities and is administered by the U.S. Treasury Department. The Organization invested \$3,687,369 in the joint venture and was able to obtain a loan in the amount of \$4,571,637, from a community development entity (an affiliate of the joint venture).

The proceeds received by the Organization were used for the purpose of constructing qualified housing properties for low income residents.

In connection with this arrangement, the Joint Venture has the option to buy back the Organization's ownership interest. The exercise of this option will effectively allow the Organization to extinguish its debt owed to the community development entity. The exercise of this option is anticipated to occur in the fiscal year ended June 30, 2017.

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**NOTE J: NEW MARKET TAX CREDIT PROGRAM**

The following is a summary of the non-goodwill intangible incurred related to the New Market Tax Credit Program as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Loan costs	\$ 181,543	\$ 181,543
Less accumulated amortization	<u>68,583</u>	<u>56,480</u>
	<u>\$ 112,960</u>	<u>\$ 125,063</u>

Amortization expense for the years ending June 30, 2015 and 2014 was \$12,103. As of June 30, 2015 estimated amortization expense for the next five years and after is as follows:

2016	\$ 12,103
2017	12,103
2018	12,103
2019	12,103
2020	12,103
Thereafter	<u>52,445</u>
	<u>\$ 112,960</u>

In addition to the above amortization costs, guarantee fee expenses for the New Market Tax Credit Program were paid. For the years ending June 30, 2015 and 2014 the amortization and guarantee fees were \$43,664 and 43,754, respectively.

**NOTE K: LINE OF CREDIT**

The line is renewable annually and is secured by the Organization's deposits and marketable securities held by the investment company, which are used as collateral. The interest rate is variable and was 1.96% and 1.90% at June 30, 2015 and 2014, respectively. At June 30, 2015 the available unused credit was approximately \$2,086,000. The outstanding balance at June 30, 2015 and 2014 was \$414,427 and \$900,121, respectively.

The Organization had a line of credit for \$500,000. The interest rate was 3.25% at June 30, 2014. The Organization had no outstanding balance as of June 30, 2014. The line was cancelled early during the fiscal year ended June 30, 2015.

**NOTE L: LONG-TERM DEBT**

	<u>2015</u>	<u>2014</u>
Long-term debt consists of the following:		
New Market Tax Credit note payable, collateralized by assets purchased with loan proceeds, .8126% interest rate; semi-annual payments of interest only until December 2016; principal and interest to be paid in semi-annual payments in an amount sufficient to fully amortize the remaining principal balance over the following eight years, all outstanding principal due in November 2024. (See Note I)	\$ 4,571,637	\$ 4,571,637

**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
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NOTE L: LONG-TERM DEBT (Continued)

Notes payable, no interest, no payments due unless sale, refinance or other transfer of title of property for Penn Villa located in West Rockhill, Hawk Road in Levittown or State Road in Croyden; principal was released and a lien was placed on each individual home as sold and transferred from Habitat to the buyer.

	-	319,765
	4,571,637	4,891,402
Less: current portion	-	319,765
Long-term debt	\$ 4,571,637	\$ 4,571,637

Aggregate maturities on long-term debt at June 30, 2015 are as follows:

Years ending June 30	Amount
2016	\$ -
2017	568,911
2018	557,978
2019	562,529
2020	567,117
Thereafter	2,315,102
	\$ 4,571,637

The Organization follows the policy of capitalizing construction interest as a component of the construction in progress. During the years ended June 30, 2015 and 2014, interest is as follows:

	2015	2014
Interest capitalized	\$ 5,139	\$ 5,581
Interest charged to operations	45,004	51,405
Total interest	\$ 50,143	\$ 56,986

NOTE M: LETTERS OF CREDIT

At June 30, 2014, the Organization had outstanding letters of credit of \$646, \$13,474 and \$107,511. These letters of credit were released in January, 2015 on final approval of Milford Township regarding the Emerald Hollow development.

NOTE N: RESTRICTED NET ASSETS

Temporarily restricted net assets are available for use in future periods for restricted purposes at June 30 were as follows:

	2015	2014
Purpose:		
Housing Projects	\$ 122,024	\$ 109,024
Time	3,000	-
Total	\$ 125,024	\$ 109,024

Temporarily restricted net assets released for the years ended June 30 were as follows:

Purpose restrictions	\$ 37,500	\$ 34,067
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**HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.**  
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NOTE O: FUND RAISING ACTIVITIES

The Organization has an annual Signature Event and other fundraising events. The support received and expenses incurred for these events were as follows:

	2015	2014
Gross receipts	\$ 130,871	\$ 135,122
Expenses	26,525	27,164
	\$ 104,346	\$ 107,958

NOTE P: RESTORE ACTIVITY

The ReStore had the following activity for the years ended June 30:

	2015	2014
ReStore sales	\$ 533,685	\$ 487,428
Contributions - change in inventory	(7,850)	(19,522)
Inventory write-offs	(40,000)	(20,000)
ReStore activity, from contributed inventory	\$ 485,835	\$ 447,906

NOTE Q: TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL

The Organization annually remits a portion of its contributions (excluding in-kind contributions) to Habitat for Humanity International. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2015 and 2014, the Organization voluntarily contributed \$35,575 and \$31,751, respectively, to Habitat for Humanity International. This amount is included in program services expense in the Statement of Activities.

The Organization participates in the Habitat for Humanity ReStore Association Program. The program provides support to the Organization's Restore including training, coaching and technical assistance. The agreement through December 2014 required 2% of ReStore sales be remitted to Habitat for Humanity International and the term was on a year to year basis. Beginning in January 2015, the Organization received new terms calling for an introductory \$150 per month membership fee. Additional costs are incurred based on program usage. Terms renew on an annual basis. For the years ended June 30, 2015 and 2014, the Organization incurred \$6,455 and \$9,478 in expenses related to the agreement, respectively.

NOTE R: ADDITIONAL INFORMATION

	2015	2014
Total donated property, goods and services	\$ 108,525	\$ 59,246
Donated construction program services	\$ 17,058	\$ 9,050
Advertising expense	\$ 23,560	\$ 9,104
Employer matching retirement contribution	\$ 4,000	\$ -
401(K) administration costs	\$ 1,594	\$ -

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NOTE S: LEASES

The Organization leases building space and office equipment under operating leases. The office and ReStore lease expires in 2018 and includes a monthly charge of operating expenses at \$1.10 per square foot. The leases for office equipment expire in years ranging from 2017 to 2019.

Total rent expense was \$197,243 and \$188,925 for the years ending June 30, 2015 and 2014, respectively.

Minimum future rental payments under non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2015 are as follows:

<u>Years ending June 30</u>	<u>Amount</u>
2016	\$ 197,982
2017	197,703
2018	197,633
2019	1,200
	<u>\$ 594,518</u>

NOTE T: GIFTS OF EQUITY

The Organization has received funds from Bucks County's HOME and Housing Trust Funds to build affordable homes. In lieu of debt repayment by the Organization, the note is transferred to the home buyer at the time of sale as a second mortgage payable to the County. The second mortgage is payable to the County in full if the homeowner sells, refinances or transfers the property.

The following properties benefitted from these programs:

	<u>Funds Received/ Balances Transferred</u>
Penn Villa - West Rockhill	\$ 325,000
Hawk Road	\$ 60,000

At June 30, 2015 \$1,165,000 is available from this program for the Harrison Avenue, B Avenue and Jackson Village projects.

The Organization may place a third mortgage on a property at the time of sale if the appraised value of the home exceeds the combined first and second mortgage values. The mortgage is forgiven over time for all properties sold prior to June 1, 2015. Homes sold after June 1, 2015 will have a permanent third mortgage placed on the property.