

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

**FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

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, 2019 and 2018, 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, 2019 and 2018 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

Harleysville, PA
October 22, 2019

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Current		
Cash - operating	\$ 738,656	\$ 480,914
Mortgages receivable, current	106,555	107,213
Notes and loans receivable, current	40,085	16,228
Other receivables - pledges	167,421	32,751
Construction in progress	1,023,924	734,804
Inventory	168,740	151,000
Prepaid expenses	37,892	40,070
Total current assets	2,283,273	1,562,980
Property and equipment, net	297,459	295,915
Other		
Mortgages receivable, net of current portion and discount	849,680	872,289
Notes and loans receivable, net of current portion	104,001	110,806
Cash - money market	108,272	130,909
Marketable securities	5,134,598	4,831,439
Property held for sale	-	747,500
Miscellaneous - deposits	32,106	32,106
Total other assets	6,228,657	6,725,049
Total assets	\$ 8,809,389	\$ 8,583,944
LIABILITIES		
Current		
Current portion of long-term debt	\$ 90,000	\$ -
Line of credit	613,426	1,230,227
Accounts payable and accrued expenses	172,464	143,251
Deferred rent	14,590	16,521
Total liabilities	890,480	1,389,999
NET ASSETS		
Without donor restrictions	7,757,235	7,188,945
With donor restrictions	161,674	5,000
Total net assets	7,918,909	7,193,945
Total liabilities and net assets	\$ 8,809,389	\$ 8,583,944

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions	\$ 611,519	\$ 348,348	\$ 959,867	\$ 585,883	\$ -	\$ 585,883
In-kind contributions	111,640	-	111,640	99,243	-	99,243
Fundraising activities, net	139,041	-	139,041	145,786	-	145,786
Sale of homes to Habitat homeowners	665,000	-	665,000	1,243,000	-	1,243,000
Proceeds of home held for resale	747,500	-	747,500	-	-	-
Amortization of mortgage discounts	109,089	-	109,089	100,418	-	100,418
Restore revenue, from contributed inventory	2,351,491	-	2,351,491	1,984,759	-	1,984,759
Restore costs of goods sold	(86,874)	-	(86,874)	-	-	-
Investment income, net	294,469	-	294,469	378,517	-	378,517
Other income	82,298	-	82,298	30,481	-	30,481
Net assets, released from restriction	191,674	(191,674)	-	40,000	(40,000)	-
Total support and revenue	5,216,847	156,674	5,373,521	4,608,087	(40,000)	4,568,087
EXPENSES						
Program services	4,286,764	-	4,286,764	3,949,228	-	3,949,228
Management and general	182,400	-	182,400	207,345	-	207,345
Fundraising expenses	179,393	-	179,393	150,701	-	150,701
Total expenses	4,648,557	-	4,648,557	4,307,274	-	4,307,274
Change in net assets	568,290	156,674	724,964	300,813	(40,000)	260,813
Net assets, beginning of year	7,188,945	5,000	7,193,945	6,888,132	45,000	6,933,132
Net assets, end of year	<u>\$ 7,757,235</u>	<u>\$ 161,674</u>	<u>\$ 7,918,909</u>	<u>\$ 7,188,945</u>	<u>\$ 5,000</u>	<u>\$ 7,193,945</u>

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Homeownership</u>	<u>ReStore</u>	<u>Total Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Costs of homes sold to homeowners	\$ 805,696	\$ -	\$ 805,696	\$ -	\$ -	\$ 805,696
Cost of property held for sale	799,313	-	799,313	-	-	799,313
Gifts of equity to homeowners	147,670	-	147,670	-	-	147,670
Interest discounts, first mortgages	66,976	-	66,976	-	-	66,976
Salaries	285,428	724,530	1,009,958	128,284	107,452	1,245,694
Payroll taxes	37,343	66,345	103,688	11,226	9,402	124,316
Fringe benefits	117,892	79,625	197,517	3,946	10,944	212,407
Tithe	40,289	-	40,289	-	-	40,289
Newsletter and promotion	28,763	86,756	115,519	-	16,179	131,698
Office expense	46,554	111,976	158,530	5,646	15,349	179,525
Professional fees	1,846	-	1,846	18,057	3,300	23,203
Travel and seminars	24,964	42,095	67,059	-	2,594	69,653
Rent	34,139	456,733	490,872	9,418	8,241	508,531
Depreciation	19,859	57,843	77,702	-	837	78,539
Insurance	15,794	13,139	28,933	-	-	28,933
Repairs and maintenance	7,643	58,139	65,782	2,109	1,845	69,736
Telephone and utilities	13,464	95,950	109,414	3,714	3,250	116,378
	<u>\$ 2,493,633</u>	<u>\$ 1,793,131</u>	<u>\$ 4,286,764</u>	<u>\$ 182,400</u>	<u>\$ 179,393</u>	<u>\$ 4,648,557</u>

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Homeownership</u>	<u>ReStore</u>	<u>Total Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Costs of homes sold to homeowners	\$ 1,404,305	\$ -	\$ 1,404,305	\$ -	\$ -	\$ 1,404,305
Gifts of equity to homeowners	187,250	-	187,250	-	-	187,250
Forgiveness of loan receivable	170,469	-	170,469	-	-	170,469
Interest discounts, first mortgages	84,156	-	84,156	-	-	84,156
Salaries	300,130	594,819	894,949	121,659	92,689	1,109,297
Payroll taxes	33,291	58,535	91,826	10,948	8,485	111,259
Fringe benefits	53,092	113,568	166,660	3,591	9,390	179,641
Interest expense	3,576	-	3,576	-	-	3,576
Tithe	40,058	-	40,058	-	-	40,058
Newsletter and promotion	42,167	50,624	92,791	-	15,361	108,152
Office expense	15,708	75,947	91,655	38,275	8,815	138,745
Professional fees	-	-	-	18,660	-	18,660
Travel and seminars	23,081	30,830	53,911	-	955	54,866
Rent	35,202	407,996	443,198	11,756	11,713	466,667
Depreciation	19,753	53,902	73,655	-	837	74,492
Insurance	11,567	13,235	24,802	-	-	24,802
Repairs and maintenance	8,049	25,095	33,144	-	-	33,144
Telephone and utilities	7,369	85,454	92,823	2,456	2,456	97,735
	<u>\$ 2,439,223</u>	<u>\$ 1,510,005</u>	<u>\$ 3,949,228</u>	<u>\$ 207,345</u>	<u>\$ 150,701</u>	<u>\$ 4,307,274</u>

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY OF BUCKS COUNTY, 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	\$ 724,964	\$ 260,813
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Inventory	(17,740)	(29,000)
Depreciation	78,539	74,492
Transfer of debt to homeowners	(192,330)	(375,000)
Impairment on property	-	170,469
Mortgages issued	(121,557)	(153,924)
Mortgage discounts	66,976	84,156
Donated assets	(111,640)	(99,243)
Unrealized/realized gain on investments	(203,226)	(303,150)
Amortization of mortgage discounts	(109,089)	(100,418)
Changes in assets and liabilities:		
Other receivables	(134,670)	19,170
Collection of mortgages receivable, net	186,937	177,068
Construction in progress	(177,480)	166,645
Prepaid expenses	2,178	4,739
Accounts payable and accrued expenses	29,213	8,427
Deferred rent	(1,931)	(9,929)
Net cash provided (used) by operating activities	19,144	(104,685)
Cash flows from investing activities		
Reinvestment of dividends and earnings	(120,365)	(116,005)
Transfer to operating, net	43,069	371,015
Capital expenditures	(80,083)	(75,684)
Construction on property held for sale	-	(138,717)
Proceeds from property held for sale	747,500	
Notes and loans issued	(58,291)	(14,924)
Collection of notes and loans receivable, net	41,239	5,506
Net cash provided by investing activities	573,069	31,191
Cash flows from financing activities		
Payments - line of credit, net	(616,801)	(213,270)
Proceeds from long-term debt	282,330	360,578
Net cash (used) provided by financing activities	(334,471)	147,308
Net change in cash	257,742	73,814
Beginning cash	480,914	407,100
Ending cash	\$ 738,656	\$ 480,914
<u>Supplementary disclosure of cash flow information</u>		
Cash paid for interest		
Interest paid - net of amount capitalized	\$ -	\$ 3,576

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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 - *Building Communities, Empowering Families*. The Organization's activities focus primarily on three key areas: Homeownership, Home Repairs, and the ReStores.

Homeownership

Habitat for Humanity of Bucks County, Inc. provides opportunities for low-income individuals and families to increase their independence and economic well-being through affordable homeownership. In order to keep costs down, Habitat utilizes volunteers for approximately 70% of the actual construction of each home and the homeowners also invest their own sweat equity in helping to build their future homes. All Habitat homes are built to the Energy Star standards, meaning they are built to help save money on energy costs and to protect the environment through energy-efficient products and practices.

Home Repairs

Home Repair is a program to serve low-income homeowners who, due to age, disability, or family circumstances are unable to take care of repairs on 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

Thrift-style retail outlets, the ReStores offer 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 are offered, 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.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented if required by the pronouncement.

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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 8%, 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 can 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 *Home Repair* homeowners are required to payback a portion of the home repair expense over a period of 2-10 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

Inventory, at the ReStores, consists of donated building materials, household appliances and goods, and inventory purchased for resale. Items are valued based on historical sales and the square footage of each ReStore location.

Property, Equipment and Depreciation

All acquisitions in excess of \$1,000 are capitalized. Property and equipment are reported 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 gains (losses) 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.

Property Held For Sale

Properties held and available for sale include the costs to purchase maintain and improve the properties until they are sold. These properties are reviewed on an ongoing basis for impairment.

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.

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

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. These balances are reported in the accounts payable and accrued expense line item on the statements of financial position.

Deferred Rent

Rent expense is being recognized on the straight-line basis over the life for the lease. The difference between rent expense recognized and rental payments, as stipulated in the lease, is reflected as deferred rent in the statement of financial position.

Net Assets

Net assets consist of the following.

Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and board of directors.

With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Donor restrictions are temporary in nature; those restrictions will be by the passage of time or specified purpose. Donor restricted contributions are reported as increased in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

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. Salary and other personnel costs that are not directly coded to programmatic activity are allocated based on personnel time and the best estimate of employees. Building maintenance and depreciation expenses are allocated among the programs and supporting services benefited. Other operating costs are allocated using one of the following methodologies personnel time, direct cost allocation, or the best estimate of employees.

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

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

Advertising

Advertising costs are expensed as incurred.

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. The plan also provides 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 plan participants.

Shipping and Handling

Shipping and handling costs to deliver product to the Restore locations are expensed as incurred and is classified as office expense.

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 2015.

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, property impairment, donated construction services included in construction in progress and the cost of homes sold.

Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation.

Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued which was October 22, 2019.

NOTE B: CONCENTRATIONS

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.

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE B: CONCENTRATIONS (Continued)

Concentrations represent individual amounts which account for 10% or more of the activity or balances. Following are concentrations for 2019 and 2018.

	2019	2018
<u>Receivable Balance</u>		
Homeowner - A	-%	10%
Homeowner - B	11%	13%

NOTE C: MORTGAGES RECEIVABLE

The mortgages are payable by the homeowners in monthly installments ranging from \$150 to \$390 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, 2019 and 2018 of \$66,976 and \$84,156, respectively, have 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.

	2019	2018
Non-interest bearing mortgages receivable from homeowners	\$ 2,007,301	\$ 2,080,827
Mortgages receivable - PHFA	(89,115)	(97,261)
Valuation discount	(961,951)	(1,004,064)
Net mortgages receivable	956,235	979,502
Current maturities of mortgages receivable	(106,555)	(107,213)
	\$ 849,680	\$ 872,289

NOTE D: NOTES AND LOANS RECEIVABLE

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

	2019	2018
Current	\$ 40,085	\$ 16,228
Long-term	104,001	110,806
	\$ 144,086	\$ 127,034

NOTE E: CONSTRUCTION IN PROGRESS

The following properties were under construction or have incurred acquisition costs as of June 30, 2019 and 2018.

<u>Project Name</u>	<u>Location</u>	<u>Number of units</u>	<u>2019 Status</u>	2019	2018
Sycamore	Croydon	1	Sold	\$ -	\$ 5,000
Woodland	Morrisville	4	In Process	795,293	212,612
Willow	Bristol	1	Sold	-	107,241
Holly	Levittown	1	In Process	130,097	115,748
Winding Way	Morrisville	1	Sold	-	131,201
Hillcrest	Morrisville	1	Sold	-	163,002
Cedar	Croydon	1	In Process	98,534	-
				\$ 1,023,924	\$ 734,804

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE F: PROPERTY AND EQUIPMENT

Property and equipment consists of the following.

	Estimated useful lives <u>in years</u>	<u>2019</u>	<u>2018</u>
Office equipment	3 - 5	\$ 68,692	\$ 39,304
Vehicles	5	254,899	254,899
Construction equipment	5	8,299	7,184
Storage Trailers	7	8,430	-
Furniture and fixtures	7	69,498	42,491
Leasehold Improvements	5 - 10	<u>188,397</u>	<u>174,254</u>
		598,215	518,132
Less: accumulated depreciation		<u>300,756</u>	<u>222,217</u>
		<u>\$ 297,459</u>	<u>\$ 295,915</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$78,539 and \$74,492, respectively.

NOTE G: MARKETABLE SECURITIES

Investments held by the Organization at June 30 consist of the following.

	<u>2019</u>	<u>2018</u>
Mutual funds	\$ 1,281,180	\$ 1,245,201
Exchange traded funds	<u>3,853,418</u>	<u>3,586,238</u>
	<u>\$ 5,134,598</u>	<u>\$ 4,831,439</u>

Investment income is summarized as follows.

	<u>2019</u>	<u>2018</u>
Unrealized gains	\$ 203,226	\$ 74,036
Realized gains	-	229,114
Dividends and interest (net of fees)	<u>91,243</u>	<u>75,367</u>
	<u>\$ 294,469</u>	<u>\$ 378,517</u>

Investment fees for the year ended June 30, 2019 and 2018 were \$29,827 and \$29,459, respectively.

NOTE H: FAIR VALUE MEASUREMENT

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

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NOTE H: FAIR VALUE MEASUREMENT(Continued)

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques 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, 2019 or 2018.

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.

	<u>Assets at Fair Value as of June 30, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds				
Equity/growth funds	\$ 256,609	\$ -	\$ -	\$ 256,609
Debt/fixed income funds	<u>1,024,571</u>	-	-	<u>1,024,571</u>
Total mutual funds	<u>1,281,180</u>	-	-	<u>1,281,180</u>
Exchange traded funds				
Equity/growth funds	1,733,787	-	-	1,733,787
Equity	<u>2,119,631</u>	-	-	<u>2,119,631</u>
Total exchange traded funds	<u>3,853,418</u>	-	-	<u>3,853,418</u>
Total assets at fair value	<u>\$ 5,134,598</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,134,598</u>

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NOTE H: FAIR VALUE MEASUREMENT(Continued)

Assets at Fair Value as of June 30, 2018				
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Mutual funds				
Equity/growth funds	\$ 254,987	\$ -	\$ -	\$ 254,987
Debt/fixed income funds	990,214	-	-	990,214
Total mutual funds	1,245,201	-	-	1,245,201
Exchange traded funds				
Equity/growth funds	1,668,868	-	-	1,668,868
Equity	1,917,370	-	-	1,917,370
Total exchange traded funds	3,586,238	-	-	3,586,238
Total assets at fair value	\$ 4,831,439	\$ -	\$ -	\$ 4,831,439

NOTE I: 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 4.15% and 3.85% at June 30, 2019 and 2018, respectively. At June 30, 2019 the available unused credit was approximately \$2,665,000. The outstanding balances at June 30, 2019 and 2018 were \$613,426 and \$1,230,227, respectively.

NOTE J: LONG-TERM DEBT

	2019	2018
Debt		
Notes payable, no interest, no payments due unless sale, refinance or other transfer of title of the property on Woodland Ave. located in Morrisville, PA; principal is released and a lien is placed on each individual home as sold and transferred from Habitat to the buyer.	\$ 90,000	\$ -
	90,000	-
Less: current portion	90,000	-
Long-term debt	\$ -	\$ -

The Organization follows the policy of capitalizing construction interest as a component of the construction in progress. During the years ended June 30, 2019 and 2018, interest expense is as follows.

	2019	2018
Interest capitalized	\$ 30,619	\$ 45,712
Interest charged to operations	-	3,576
Total interest	\$ 30,619	\$ 49,288

NOTE K: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for use in future periods for restricted purposes at June 30, 2019 and 2018 were as follows.

	2019	2018
Purpose	\$ 161,674	\$ -
Time	-	5,000
Total	\$ 161,674	\$ 5,000

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE K: NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets with donor restrictions released for the years ended June 30, 2019 and 2018 were as follows.

	<u>2019</u>	<u>2018</u>
Purpose restrictions	\$ 186,674	\$ 20,000
Time	5,000	20,000
Total	\$ 191,674	\$ 40,000

NOTE L: 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.

	<u>2019</u>	<u>2018</u>
Gross receipts	\$ 172,967	\$ 185,629
Expenses	33,926	39,843
	\$ 139,041	\$ 145,786

NOTE M: RESTORE ACTIVITY

The ReStores had the following activity for the years ended June 30, 2019 and 2018.

	<u>2019</u>		
	<u>Chalfont</u>	<u>Langhorne</u>	<u>Total</u>
ReStore sales	\$ 1,168,719	\$ 1,182,772	\$ 2,351,491
Cost of purchased inventory sold	(51,017)	(47,530)	(98,547)
Contributions – change in inventory	8,051	3,622	11,673
ReStore activity, from contributed inventory	\$ 1,125,753	\$ 1,138,864	\$ 2,264,617
	<u>2018</u>		
	<u>Chalfont</u>	<u>Langhorne</u>	<u>Total</u>
ReStore sales	\$ 914,919	\$1,044,515	\$ 1,959,434
Contributions – change in inventory	5,148	20,177	25,325
ReStore activity, from contributed inventory	\$ 920,067	\$1,064,692	\$ 1,984,759

NOTE N: 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 and provide housing solutions in economically depressed areas around the world. In addition, the Organization pays \$15,000 annually to Habitat for Humanity International to offset a portion of the costs associated with efforts that benefit all affiliates; efforts such as brand protection and promotion, and regulatory advocacy. For the years ended June 30, 2019 and 2018, the Organization voluntarily contributed \$40,289 and \$40,058, 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 calls for monthly association fees and the terms renew on an annual basis. Additional costs are incurred based on program usage (i.e. shipping fees). For the years ended June 30, 2019 and 2018, the Organization incurred expenses related to this agreement of \$5,400 for both years.

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
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JUNE 30, 2019 AND 2018

NOTE O: ADDITIONAL INFORMATION

	2019	2018
Total donated property, goods and services	\$ 111,640	\$ 99,243
Advertising expense	\$ 102,670	\$ 73,877
Employer matching retirement contribution	\$ 18,688	\$ 12,953
401(K) administration costs	\$ 1,854	\$ 1,348

NOTE P: LEASES

The Organization leases building space and office equipment under operating leases expiring in various years through 2022. The Chalfont and Langhorne office leases include a monthly charge for operating expenses of \$1.10 and \$1.00 per square foot, respectively. Total lease expense was \$512,901 and \$471,282 for the years ending June 30, 2019 and 2018, respectively.

Minimum future rental payments under non-cancellable operating leases having remaining terms in excess of one year as of June 30, 2019 are as follows:

Years ending June 30	Amount
2020	\$ 427,169
2021	357,847
2022	1,864
	\$ 786,880

NOTE Q: 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.

	Funds Received/ Balances Transferred
Woodland Avenue – Morrisville, PA	\$ 200,000
Holly Drive – Levittown, PA	\$ 60,000

At June 30, 2019 \$170,000 is available from this program for the Holly Drive and Woodland Avenue 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.

NOTE R: SUBSEQUENT EVENTS

Subsequent to the end of the year, the Organization received notice that \$45,000 of Bucks County HOME funding would be available for the Cedar Avenue project. These funds will be made available once rehabilitation work begins on the project. This is expected to be November 2019.

On July 11, 2019, July 23, 2019 and September 17, 2019, the Organization sold property at Woodland Avenue, Morrisville, PA for \$240,000, \$242,000 and \$270,000, respectively.

On September 11, 2019, the Organization signed a five year extension to the current lease at the Langhorne Shopping Center for its Restore, thereby extending the lease until 2026.

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

NOTE R: SUBSEQUENT EVENTS (Continued)

On September 30, 2019, the Organization signed a six month lease, with monthly extension options, for a donation station on Street Road in Southampton. This site will provide the opportunity to accept additional merchandise for the Restores.

NOTE S: LIQUIDITY

The organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Financial assets in excess of daily cash requirements are invested in money market accounts, certificates of deposit, and other short term/long term investments.

The following table reflects the organizations' financial assets as of June 30, 2019 that are available to meet cash needs for operating expenditures within one year.

	Amount
Cash	\$ 738,656
Mortgages receivable, current	106,555
Notes and loans receivable, current	40,085
Other receivables	167,421
Cash – money market	108,272
Marketable securities	5,134,598
Total	6,295,587
Less: Net assets with donor restrictions	(161,674)
Financial assets available to meet general expenditures over the next twelve months	\$ 6,133,913

In the event of an unanticipated liquidity need, the organization can also draw upon \$2,665,000 of an available line of credit.