

**HABITAT FOR HUMANITY OF
MONTGOMERY COUNTY, INC.
FINANCIAL STATEMENTS
JUNE 30, 2016**

HABITAT FOR HUMANITY OF MONTGOMERY COUNTY, INC.

JUNE 30, 2016

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O'Hara, Ward & Associates
Certified Public Accountants
1036 Mill Creek Drive
Feasterville, PA 19053
TEL (215) 322-5558
FAX (215) 322-5624

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Habitat for Humanity of Montgomery County, Inc.
West Norriton, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity of Montgomery County, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, 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.

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 County, Inc. as of June 30, 2016 and 2015, 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

January 18, 2017

HABITAT FOR HUMANITY OF MONTGOMERY COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

ASSETS	<u>2016</u>	<u>2015</u>
<u>Current Assets</u>		
Cash and Cash Equivalents (Includes restricted cash of \$164,667 in 2016 and \$82,417 in 2015)	\$ 682,768	\$ 221,694
Mortgage Receivables	53,196	65,532
Accounts Receivable	9,343	1,087
Prepaid Expenses	7,344	2,630
Construction in Progress	<u>355,398</u>	<u>81,250</u>
Total Current Assets	<u>1,108,049</u>	<u>372,193</u>
Property and Equipment Net of Accumulated		
Depreciation of \$280,670 and \$249,283	<u>1,228,598</u>	<u>1,235,906</u>
<u>Other Assets</u>		
Mortgage Receivables, Net of Mortgage Amortization and Allowance for Doubtful Accounts	1,103,698	1,075,234
Financing Costs, Net of Accumulated Amortization of \$4,313 and \$3,711	10,747	11,349
Deposit	<u>5,585</u>	<u>5,585</u>
Total Other Assets	<u>1,120,030</u>	<u>1,092,168</u>
TOTAL ASSETS	<u>\$ 3,456,677</u>	<u>\$ 2,700,267</u>
LIABILITIES AND NET ASSETS		
<u>Current Liabilities</u>		
Accounts Payable	\$ 75,750	\$ 62,429
Accrued Expenses	9,990	11,201
Accrued Payroll and Payroll Taxes	11,406	2,588
Funds Held in Escrow	33,360	36,420
Demand Note Payable	270,000	414,984
Current Maturities of Long-Term Debt	<u>34,040</u>	<u>32,372</u>
Total Current Liabilities	<u>434,546</u>	<u>559,994</u>
<u>Long-Term Liabilities</u>		
Long-Term Debt	<u>968,495</u>	<u>1,002,536</u>
Total Liabilities	<u>1,403,041</u>	<u>1,562,530</u>
<u>Net Assets</u>		
Unrestricted		
Undesignated	1,662,076	1,091,740
Board Designated	<u>250,000</u>	<u>-</u>
Total Unrestricted	1,912,076	1,091,740
Temporarily Restricted	<u>141,560</u>	<u>45,997</u>
Total Net Assets	<u>2,053,636</u>	<u>1,137,737</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,456,677</u>	<u>\$ 2,700,267</u>

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

HABITAT FOR HUMANITY OF MONTGOMERY COUNTY, INC
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016			2015		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Support and Revenues</u>						
Home Sales	\$ 193,000	\$ -	\$ 193,000	\$ 85,000	\$ -	\$ 85,000
Interest Income - Mortgage Receivables	84,253	-	84,253	84,581	-	84,581
House Sponsorship	5,350	-	5,350	795	75,450	76,245
ReStore Sales	432,963	-	432,963	359,649	-	359,649
Neighborhood Revitalization Initiative	7,139	13,851	20,990	10,818	84,000	94,818
Contributions:						
Individuals	1,240,797	1,287	1,242,084	345,091	-	345,091
Churches	17,916	5,000	22,916	20,003	-	20,003
Foundations	9,424	85,000	94,424	43,724	19,500	63,224
Businesses	93,380	38,500	131,880	96,427	22,500	118,927
Government	191,000	10,000	201,000	600	-	600
Donated Home and Services	300	-	300	20,633	-	20,633
Interest Income - Other	43	1,622	1,665	37	149	186
Miscellaneous	(423)	-	(423)	151	-	151
Net Assets Released from Restrictions	59,697	(59,697)	-	198,128	(198,128)	-
Total Support and Revenue	<u>2,334,839</u>	<u>95,563</u>	<u>2,430,402</u>	<u>1,265,637</u>	<u>3,471</u>	<u>1,269,108</u>
<u>Expenses</u>						
Program Services	1,199,032	-	1,199,032	746,480	-	746,480
Management and General	125,123	-	125,123	168,002	-	168,002
Fundraising	190,348	-	190,348	232,301	-	232,301
Total Expenses	<u>1,514,503</u>	<u>-</u>	<u>1,514,503</u>	<u>1,146,783</u>	<u>-</u>	<u>1,146,783</u>
Change in Net Assets	820,336	95,563	915,899	118,854	3,471	122,325
Net Assets, Beginning of Year	<u>1,091,740</u>	<u>45,997</u>	<u>1,137,737</u>	<u>972,886</u>	<u>42,526</u>	<u>1,015,412</u>
Net Assets, End of Year	<u>\$ 1,912,076</u>	<u>\$ 141,560</u>	<u>\$ 2,053,636</u>	<u>\$ 1,091,740</u>	<u>\$ 45,997</u>	<u>\$ 1,137,737</u>

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

HABITAT FOR HUMANITY OF MONTGOMERY COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Home Sales and Repairs</u>	<u>ReStore</u>	<u>Total Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<u>Personnel</u>						
Salaries	\$ 142,179	\$ 187,249	\$ 329,428	\$ 39,037	\$ 94,724	\$ 463,189
Payroll Taxes	27,724	22,810	50,534	3,622	9,919	64,075
Employee Benefits	18,640	11,912	30,552	57	3,217	33,826
Total Personnel	188,543	221,971	410,514	42,716	107,860	561,090
<u>Operating Expenses</u>						
Advertising	941	9,799	10,740	890	6,517	18,147
Auto and Truck	8,575	6,511	15,086	21	-	15,107
Bank and Merchant Fees	32	7,129	7,161	1,411	2,487	11,059
Construction Costs of Homes Sold	270,902	-	270,902	-	-	270,902
Depreciation and Amortization	8,765	16,614	25,379	4,309	2,300	31,988
Dues, Fees, and Subscriptions	1,217	3,625	4,842	28,492	11,329	44,663
Equipment Rental	1,677	800	2,477	1,730	1,166	5,373
Facility Expenses	18,944	30,783	49,727	5,059	2,250	57,036
Fundraising	-	-	-	-	34,750	34,750
Homeowner Services	17,255	32	17,287	165	255	17,707
Insurance	10,679	9,125	19,804	3,015	818	23,637
Interest Expense	16,480	41,198	57,678	5,493	5,493	68,664
Meetings	1,196	60	1,256	2,240	211	3,707
Mortgage Discount Expense	110,103	-	110,103	-	-	110,103
Neighborhood Revitalization Initiative Repair Costs	90,650	-	90,650	-	-	90,650
Other Expense	3,426	1,177	4,603	529	-	5,132
Postage	58	-	58	1,866	-	1,924
Professional Fees	19,919	5,626	25,545	9,398	5,999	40,942
Supplies	23,051	9,461	32,512	6,015	1,767	40,294
Telephone	7,596	3,261	10,857	4,268	4,476	19,601
Tithe	-	-	-	4,000	-	4,000
Travel and Seminars	6,716	1,421	8,137	3,327	2,022	13,486
Vista	22,427	-	22,427	-	-	22,427
Volunteer Expense	750	537	1,287	179	648	2,114
Total Operating Expenses	641,359	147,159	788,518	82,407	82,488	953,413
Total Expenses	\$ 829,902	\$ 369,130	\$ 1,199,032	\$ 125,123	\$ 190,348	\$ 1,514,503

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

HABITAT FOR HUMANITY OF MONTGOMERY COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Home Sales and Repairs</u>	<u>ReStore</u>	<u>Total Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
<u>Personnel</u>						
Salaries	\$ 56,711	\$ 124,764	\$ 181,475	\$ 82,967	\$ 117,770	\$ 382,212
Payroll Taxes	13,984	14,818	28,802	8,159	12,323	49,284
Employee Benefits	<u>21,774</u>	<u>3,588</u>	<u>25,362</u>	<u>883</u>	<u>11,519</u>	<u>37,764</u>
Total Personnel	<u>92,469</u>	<u>143,170</u>	<u>235,639</u>	<u>92,009</u>	<u>141,612</u>	<u>469,260</u>
<u>Operating Expenses</u>						
Advertising	1,834	4,589	6,423	321	1,699	8,443
Auto and Truck	4,113	5,613	9,726	-	-	9,726
Bank and Merchant Fees	25	4,405	4,430	3,714	2,363	10,507
Construction Costs of Homes Sold	203,269	-	203,269	-	-	203,269
Depreciation and Amortization	8,474	16,342	24,816	4,444	2,203	31,463
Dues, Fees, and Subscriptions	555	1,220	1,775	26,365	8,750	36,890
Equipment Rental	941	827	1,768	1,069	780	3,617
Facility Expenses	8,529	30,549	39,078	3,459	1,890	44,427
Fundraising	-	-	-	-	56,600	56,600
Homeowner Services	815	-	815	-	-	815
Insurance	9,528	10,305	19,833	2,439	679	22,951
Interest Expense	19,887	38,473	58,360	5,469	4,747	68,576
Meetings	196	97	293	2,665	149	3,107
Mortgage Discount Expense	62,452	-	62,452	-	-	62,452
Neighborhood Revitalization Initiative Repair Costs	29,089	-	29,089	-	-	29,089
Other Expense	369	1,247	1,616	628	-	2,244
Postage	-	-	-	1,726	406	2,132
Professional Fees	11,429	3,948	15,377	4,515	3,810	23,702
Supplies	2,325	4,837	7,162	4,249	1,716	13,127
Telephone	3,887	3,399	7,286	3,210	2,421	12,917
Tithe	-	-	-	4,000	-	4,000
Travel and Seminars	2,261	1,873	4,134	4,406	2,476	11,016
Vista	10,688	1,933	12,621	-	-	12,621
Volunteer Expense	<u>506</u>	<u>12</u>	<u>518</u>	<u>3,314</u>	<u>-</u>	<u>3,832</u>
Total Operating Expenses	<u>381,172</u>	<u>129,669</u>	<u>510,841</u>	<u>75,993</u>	<u>90,689</u>	<u>677,523</u>
Total Expenses	<u>\$ 473,641</u>	<u>\$ 272,839</u>	<u>\$ 746,480</u>	<u>\$ 168,002</u>	<u>\$ 232,301</u>	<u>\$ 1,146,783</u>

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

HABITAT FOR HUMANITY OF MONTGOMERY COUNTY, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities:		
Change in Net Assets	\$ 915,899	\$ 122,325
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities:		
Home Sales	(183,042)	(91,727)
Depreciation and Amortization	31,988	31,463
Mortgage Discount	110,103	62,452
Interest Income - Mortgage Receivables	(83,893)	(83,971)
(Increase) Decrease in Operating Assets:		
Accounts Receivables	(8,256)	(1,087)
Mortgages Receivable Receivables	140,704	138,352
Prepaid Expenses	(4,714)	6,989
Construction in Progress	(274,148)	(69,167)
Deposits	-	(4,010)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	13,321	(32,150)
Accrued Expenses	(1,211)	(163)
Accrued Payroll and Payroll Taxes	8,818	(14,987)
Funds Held in Escrow	(3,060)	(5,221)
Net Cash From Operating Activities	<u>662,509</u>	<u>59,098</u>
Cash Flows From Investing Activities:		
Purchases of Property and Equipment	(24,078)	(2,912)
Net Cash From Investing Activities	<u>(24,078)</u>	<u>(2,912)</u>
Cash Flows From Financing Activities:		
Net Borrowings (Repayments) of Demand Note Payable	(144,984)	87,429
Principal Repayments of Long Term Debt	(32,373)	(85,613)
Net Cash From Financing Activities	<u>(177,357)</u>	<u>1,816</u>
Change in Cash and Cash Equivalents	461,074	58,002
Cash and Cash Equivalents, Beginning of Year	<u>221,694</u>	<u>163,692</u>
Cash and Cash Equivalents, End of Year	<u>\$ 682,768</u>	<u>\$ 221,694</u>
Supplemental Disclosures:		
Interest Paid	<u>\$ 68,664</u>	<u>\$ 68,576</u>

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

HABITAT FOR HUMANITY OF MONTGOMERY COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

Note 1. Organization

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

Note 2. Summary of Significant Accounting Policies

Basis of Financial Statement Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Habitat and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Habitat and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restriction.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by Habitat. There were no permanently restricted net assets as of June 30, 2016 and 2015.

HABITAT FOR HUMANITY OF MONTGOMERY COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

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

Cash and Cash Equivalents:

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

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

Property and Equipment:

It's Habitat's policy to capitalize property and equipment over \$500. 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.

Financing Costs:

Financing costs are being amortized using the straight-line method. Amortization expense is estimated as \$602 per year for the next five years.

Compensated Absences:

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

Management's Use of Estimates and Assumptions:

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

HABITAT FOR HUMANITY OF MONTGOMERY COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

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

Contributed Services:

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

Revenue Recognition, Construction in Progress, and Mortgage Receivables:

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

Contributions are recognized as support in the period received or when the donor makes a promise to give that is unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

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

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

HABITAT FOR HUMANITY OF MONTGOMERY COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

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

Public Support and Revenue Recognition (Cont'd):

instructed by the donor. Habitat reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Habitat accounts for grant and contract revenues, which are exchange transactions, in the Statements of Activities to the extent that expenses have been incurred for the purpose specified by the grantor during the period. In applying this concept, the legal and contractual requirements of each individual program are used as guidance. Any excess or deficiency of cash receipts over expenditures incurred is reported as "deferred income" or "government receivables", respectively. Upon termination, unexpended cash funds received under the terms of the grant provisions revert to the grantor, and are recorded as refundable advances in the Statements of Financial Position.

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

Federal Income Tax Status:

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

Functional Allocation of Expenses:

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

Advertising:

All advertising costs, which approximated \$18,100 and \$8,500 for the years ending June 30, 2016 and 2015, respectively, are expensed as incurred or when the first time advertising takes place.

Date of Management Evaluation of Subsequent Events:

Management has evaluated subsequent events through January 18, 2017, the date on which the financial statements were available to be issued.

HABITAT FOR HUMANITY OF MONTGOMERY COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

Note 3. 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, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Mortgages Receivable	\$ 2,844,551	\$ 2,802,213
Less: Allowance for Doubtful Accounts	(24,143)	(24,143)
Less: Unamortized Mortgage Discount	<u>(1,663,514)</u>	<u>(1,637,304)</u>
Net Mortgages Receivable	1,156,894	1,140,766
Less: Current Portion	<u>(53,196)</u>	<u>(65,532)</u>
Mortgages Receivable, Long-Term	<u>\$ 1,103,698</u>	<u>\$ 1,075,234</u>

Note 4. Property and Equipment

Property and equipment includes the following at June 30, 2016 and 2015:

	Estimated useful lives in years	<u>2016</u>	<u>2015</u>
Land		\$ 207,937	\$ 207,937
Buildings and Improvements	20-40	1,192,458	1,179,608
Furniture and Fixtures	5-7	36,967	36,193
Vehicles	5	63,568	53,113
Tools and Small Equipment	5	<u>8,338</u>	<u>8,338</u>
		1,509,268	1,485,189
Accumulated Depreciation		<u>(280,670)</u>	<u>(249,283)</u>
		<u>\$ 1,228,598</u>	<u>\$ 1,235,906</u>

Depreciation expense for the years ended June 30, 2016 and 2015 was \$31,386 and \$30,861, respectively.

HABITAT FOR HUMANITY OF MONTGOMERY COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

Note 5. 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, 2016 and 2015 the balance due was \$-0- and \$144,984, respectively.

In February 2015, Habitat obtained a commercial demand loan from Customers Bank in the amount of \$270,000 collateralized by Mortgage Receivables. Interest is payable monthly at a rate of 1% over prime. Principle is payable upon demand or by February, 2017.

Note 6. Long Term Debt:

Long term debt consists of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
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.....	\$ 7,038	\$ 9,846
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.....	<u>995,497</u>	<u>1,025,062</u>
	1,002,535	1,034,908
Current maturities.....	<u>(34,040)</u>	<u>(32,372)</u>
	<u>\$ 968,495</u>	<u>\$1,002,536</u>

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

<u>Year ended June 30,</u>	<u>Amount</u>
2017	\$ 34,040
2018	35,802
2019	36,277
2020	36,821
2021	38,898
Thereafter	<u>820,697</u>
Total	<u>\$ 1,002,535</u>

HABITAT FOR HUMANITY OF MONTGOMERY COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

Note 7. 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. One mortgage was fully repaid and one is still currently being maintained with a June 30, 2016 balance of \$5,460 and \$8,575 on June 30, 2015.

Note 8. Unrestricted Board Designated and Temporarily Restricted Net Assets:

In March 2016, the board designated \$250,000 to be set aside in a separate account for the purpose of start up costs for the opening of a new ReStore.

Temporarily restricted net assets at June 30 are as follows:

	<u>2016</u>	<u>2015</u>
Neighborhood Revitalization Initiative.....	\$ 33,886	\$ 45,997
Critical Home Repairs	45,000	--
Construction	<u>62,674</u>	<u>--</u>
Total	<u>\$ 141,560</u>	<u>\$ 45,997</u>

Net assets were released from donor restrictions as follows:

	<u>2016</u>	<u>2015</u>
Purpose restriction accomplished:		
Neighborhood Revitalization Initiative.....	\$ 45,997	\$ 175,602
General Operations.....	--	10,026
Construction	<u>13,700</u>	<u>12,500</u>
Total.....	<u>\$ 59,697</u>	<u>\$ 198,128</u>

Note 9. Related Party Transaction:

As described in Note 6, 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. during the years ending June 30, 2016 and 2015.

HABITAT FOR HUMANITY OF MONTGOMERY COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2016 AND 2015

Note 10. Concentrations

The Organization received approximately 41% of its total support and revenue from one individual for the year ended June 30, 2016.

Note 11. Reclassifications

Certain reclassifications have been made to the 2015 financial statement presentation to correspond to the current year's formats. Net assets and changes in net assets are unchanged due to these reclassifications.