

**HABITAT FOR HUMANITY PHILADELPHIA, INC.  
AND SUBSIDIARY**

**Financial Statements and Supplementary Schedules**

**For the years ended June 30, 2018 and 2017**

**(With Independent Auditor's Report thereon)**

**HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY**  
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**For the years ended June 30, 2018 and 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Habitat for Humanity Philadelphia, Inc. and Subsidiary

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated 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 above present fairly, in all material respects, the consolidated financial position of Habitat for Humanity Philadelphia, Inc. and Subsidiary as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Habitat for Humanity Philadelphia, Inc. and Subsidiary taken as a whole. The schedule of Consolidating Statement of Financial Position, Consolidating Statement of Activities and Consolidating Statement of Functional Expenses as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Organization. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**HOLMAN FRENIA ALLISON, P.C.**  
*Certified Public Accountants*

January 14, 2019  
Toms River, New Jersey

**HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY**  
**Consolidated Statements of Financial Position**  
**June 30, 2018 and 2017**

<b>ASSETS</b>	<u><b>2018</b></u>	<u><b>2017</b></u>
Current assets:		
Cash and cash equivalents	\$ 801,706	\$ 1,401,876
Investments	30,666	14,586
Mortgage receivable - current portion net of accumulated amortization of \$219,922 and 206,339, respectively	225,489	228,149
Accounts receivable, net of allowance for doubtful accounts of \$10,088 and \$46,652, respectively	355,646	518,778
Construction in progress	672,459	167,017
Prepaid expenses	69,286	50,267
Other current assets	<u>13,150</u>	<u>29,969</u>
Total current assets	<u>2,168,402</u>	<u>2,410,642</u>
Property and equipment:		
Land	5,000	5,000
Buildings and improvements	726,277	637,320
Office equipment and furnishings	45,431	30,581
Construction equipment	27,728	27,728
Transportation equipment	<u>137,388</u>	<u>122,388</u>
Total property and equipment	941,824	823,017
Less: accumulated depreciation	<u>(311,228)</u>	<u>(260,927)</u>
Property and equipment, net	<u>630,596</u>	<u>562,090</u>
Other Assets:		
Completed houses under lease purchase	85,000	85,000
Deposits	10,000	10,000
Loan origination fee, net of accumulated amortization of \$1,862 and \$686, respectively	32,738	33,914
Mortgage receivable net of accumulated amortization of \$4,345,885 and \$4,133,258, respectively	<u>3,284,218</u>	<u>3,172,213</u>
Total other assets	<u>3,411,956</u>	<u>3,301,127</u>
Total assets	<u><u>\$ 6,210,954</u></u>	<u><u>\$ 6,273,859</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY**  
**Consolidated Statements of Financial Position (continued)**  
**June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	\$ 116,773	\$ 74,835
Accrued payroll and payroll taxes	100,759	95,734
Accrued vacation	55,450	40,635
Accrued expenses	32,863	42,862
Deferred revenue	137,400	-
Lines of credit	250,000	-
Notes payable - current	55,609	53,833
Total current liabilities	748,854	307,899
Long-term liabilities:		
Escrow deposits	167,258	128,764
Notes payable	1,607,272	1,662,880
Total long-term liabilities	1,774,530	1,791,644
Total liabilities	2,523,384	2,099,543
<b>NET ASSETS</b>		
Unrestricted	3,536,556	3,963,866
Temporarily restricted	151,014	210,450
Total net assets	3,687,570	4,174,316
Total liabilities and net assets	\$ 6,210,954	\$ 6,273,859

The accompanying notes to the financial statements are an integral part of this statement.

**HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY**  
**Consolidated Statement of Activities**  
**For the year ended June 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Sales to homeowners	\$ 750,000	\$ -	\$ 750,000
Individuals	431,840	-	431,840
Corporations and foundations	355,415	1,498,800	1,854,215
Government	81,116	-	81,116
Churches and schools	76,023	-	76,023
Amortization of mortgage discount	207,794	-	207,794
Interest	2,123	-	2,123
Donated materials and services	448,643	-	448,643
Special events	447,595	-	447,595
Restore	948,321	-	948,321
Home repairs	102,839	-	102,839
Other revenue	10,456	-	10,456
Realized gain (loss) on investments	388	-	388
Unrealized gain (loss) on investments	(516)	-	(516)
Net assets released from restrictions	1,558,236	(1,558,236)	-
	<u>5,420,273</u>	<u>(59,436)</u>	<u>5,360,837</u>
Total revenues and support			
Expenses:			
Program	4,534,137	-	4,534,137
Administrative	725,097	-	725,097
Fundraising	588,349	-	588,349
	<u>5,847,583</u>	<u>-</u>	<u>5,847,583</u>
Total expenses			
Change in net assets	<u>(427,310)</u>	<u>(59,436)</u>	<u>(486,746)</u>
Net assets, beginning of year	<u>3,963,866</u>	<u>210,450</u>	<u>4,174,316</u>
Net assets, end of year	<u>\$ 3,536,556</u>	<u>\$ 151,014</u>	<u>\$ 3,687,570</u>

The accompanying notes to the financial statements are an integral part of this statement.

**HABITAT FOR HUMANITY PHILADELPHIA, INC.**  
**Consolidated Statement of Activities**  
**For the year ended June 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Sales to homeowners	\$ 2,060,000	\$ -	\$ 2,060,000
Individuals	351,588	10,321	361,909
Corporations and foundations	263,888	1,627,310	1,891,198
Government	418,884	-	418,884
Churches and schools	59,307	17,250	76,557
Legacies and bequests	110	-	110
Amortization of mortgage discount	191,591	-	191,591
Interest	1,864	-	1,864
Donated materials and services	455,229	-	455,229
Special events	448,952	-	448,952
Restore	910,552	-	910,552
Home repairs	143,977	-	143,977
Other revenue	133,965	-	133,965
Realized gain (loss) on investments	116	-	116
Unrealized gain (loss) on investments	(319)	-	(319)
Net assets released from restrictions	1,581,109	(1,581,109)	-
	<u>7,020,813</u>	<u>73,772</u>	<u>7,094,585</u>
Total revenues and support			
Expenses:			
Program	6,118,485	-	6,118,485
Administrative	561,072	-	561,072
Fundraising	564,911	-	564,911
	<u>7,244,468</u>	<u>-</u>	<u>7,244,468</u>
Total expenses			
Change in net assets	<u>(223,655)</u>	<u>73,772</u>	<u>(149,883)</u>
Net assets, beginning of year	<u>4,187,521</u>	<u>136,678</u>	<u>4,324,199</u>
Net assets, end of year	<u>\$ 3,963,866</u>	<u>\$ 210,450</u>	<u>\$ 4,174,316</u>

The accompanying notes to the financial statements are an integral part of this statement.



**HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY**  
**Consolidated Statement of Functional Expenses**  
**For the year ended June 30, 2018**

	Program Services			Support Services			Total
	Home Ownership	Critical Home Repair	Restore	Program Services	Management and General	Fundraising	
Americorps	\$ 45,515	\$ 20,340	\$ -	\$ 65,855	\$ 190	\$ -	\$ 66,045
Bank fees	-	-	26,943	26,943	1,971	498.00	29,412
Construction/repair costs	769,930	864,771	11,651	1,646,352	2,458	-	1,648,810
Depreciation	2,137	2,185	26,506	30,828	19,474	-	50,302
Dues and subscriptions	4,425	2,212	6,930	13,567	6,497	2,698	22,762
Employee benefits	107,389	75,395	36,822	219,606	26,785	58,812	305,203
Insurance	71,210	54,896	35,066	161,172	1,273	982	163,427
Interest	-	-	-	-	55,506	-	55,506
Loan origination fee amortization	-	-	-	-	1,176	-	1,176
Miscellaneous	15,246	1,760	2,149	19,155	103,061	1,964	124,180
Mortgage amortization	434,004	-	-	434,004	-	-	434,004
→ Office expense	3,673	3,212	26,324	33,209	24,343	1,272	58,824
Payroll	383,755	502,038	406,911	1,292,704	265,424	382,326	1,940,454
Payroll service	-	-	-	-	6,453	-	6,453
Payroll taxes	64,079	37,540	34,766	136,385	24,085	22,717	183,187
Postage and delivery	527	6	21	554	3,854	3,006	7,414
Printing	1,393	605	789	2,787	1,867	9,286	13,940
Professional fees	81,954	-	-	81,954	65,147	5,343	152,444
Program expenses	37,751	16,892	64,254	118,897	5,490	500	124,887
Rent	-	7,375	127,913	135,288	-	-	135,288
Special event costs	295	-	-	295	-	93,298	93,593
Telephone	-	597	3,472	4,069	26,604	-	30,673
Tithe	11,640	-	-	11,640	60,000	-	71,640
Training and education	2,714	15,139	-	17,853	8,929	280	27,062
Travel	12,654	7,571	33,411	53,636	5,523	4,246	63,405
Utilities	1,824	65	25,075	26,964	8,838	-	35,802
Website	-	-	420	420	149	1,121	1,690
<b>Total expenses</b>	<b>\$ 2,052,115</b>	<b>\$ 1,612,599</b>	<b>\$ 869,423</b>	<b>\$ 4,534,137</b>	<b>\$ 725,097</b>	<b>\$ 588,349</b>	<b>\$ 5,847,583</b>

The accompanying notes to the financial statements are an integral part of this statement.

**HABITAT FOR HUMANITY PHILADELPHIA, INC.**  
**Consolidated Statement of Functional Expenses**  
**For the year ended June 30, 2017**

	Program Services			Total	Support Services			Total
	Home Ownership	Critical Home Repair	Restore		Program Services	Management and General	Fundraising	
Americorps	\$ 66,875	\$ 34,173	\$ -	\$ 101,048	\$ -	\$ 1,136	\$ 102,184	
Bank fees	-	-	19,160	19,160	4,540	8,642	32,342	
Construction/repair costs	1,816,679	841,661	-	2,658,340	-	-	2,658,340	
Depreciation	2,456	2,185	26,977	31,618	11,807	-	43,425	
Dues and subscriptions	2,892	892	4,874	8,658	8,830	2,849	20,337	
Employee benefits	108,858	68,535	31,634	209,027	19,287	52,766	281,080	
Insurance	58,020	45,833	28,919	132,772	1,643	2,345	136,760	
Interest	-	-	-	-	44,338	-	44,338	
Loan origination fee amortization	-	-	-	-	35,657	-	35,657	
Miscellaneous	29,922	21,714	1,554	53,190	38,546	13,600	105,336	
Mortgage amortization	1,212,311	-	-	1,212,311	-	-	1,212,311	
Office expense	4,237	3,286	28,264	35,787	20,313	2,439	58,539	
Payroll	233,907	448,562	378,019	1,060,488	211,841	302,841	1,575,170	
Payroll service	-	-	-	-	6,182	-	6,182	
Payroll taxes	47,119	40,729	34,673	122,521	19,340	28,056	169,917	
Postage and delivery	298	899	839	2,036	3,696	3,410	9,142	
Printing	2,304	662	2,858	5,824	3,420	20,707	29,951	
Professional fees	56,051	800	904	57,755	24,791	32,714	115,260	
Program expenses	61,398	11,228	64,759	137,385	5,013	4,891	147,289	
Rent	-	5,400	144,536	149,936	-	-	149,936	
Special event costs	-	-	-	-	-	77,973	77,973	
Telephone	429	4,809	3,742	8,980	23,560	-	32,540	
Tithe	-	-	-	-	55,000	-	55,000	
Training and education	5,241	1,733	1,055	8,029	8,084	895	17,008	
Travel	20,195	9,727	47,231	77,153	7,229	8,874	93,256	
Utilities	-	2,029	24,438	26,467	7,955	-	34,422	
Website	-	-	-	-	-	773	773	
<b>Total expenses</b>	<b>\$ 3,729,192</b>	<b>\$ 1,544,857</b>	<b>\$ 844,436</b>	<b>\$ 6,118,485</b>	<b>\$ 561,072</b>	<b>\$ 564,911</b>	<b>\$ 7,244,468</b>	

The accompanying notes to the financial statements are an integral part of this statement.

**HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY**

**Consolidated Statements of Cash Flows**  
**For the years ended June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (486,746)	\$ (149,883)
Items which did not use cash:		
Depreciation	50,302	43,425
Donation of construction in progress	(33,168)	(74,623)
Unrealized loss on investments	(516)	(319)
Amortization of mortgage discount	226,210	1,020,720
Amortization of loan origination fee	1,176	35,657
Bad debt expense	62,671	34,633
Working capital changes which (used) provided cash:		
Accounts receivable	100,461	(278,599)
Mortgage receivable	(335,557)	(1,551,113)
Construction in progress	(472,274)	573,328
Prepaid expenses	(19,019)	2,437
Other current assets	16,819	(11,829)
Deferred revenue	137,400	-
Deposits	-	18,671
Accounts payable	41,938	16,126
Accrued payroll and payroll taxes	5,025	19,142
Accrued vacation	14,815	-
Accrued expenses	(9,999)	(32,768)
Escrow and lease deposits	38,494	22,261
Net cash used by operating activities	(661,968)	(312,734)
<b>Cash flows from investing activities:</b>		
Purchase of fixed assets	(118,806)	(162,323)
Net change in investments	(15,564)	1,467,344
Net cash (used) / provided by investing activities	(134,370)	1,305,021
<b>Cash flows from financing activities:</b>		
Cash received from line of credit	250,000	-
Cash received from notes payable	-	1,441,023
Repayment of notes payable	(53,832)	(1,688,575)
Cash paid on loan origination fee	-	(34,600)
Net cash provided / (used) by financing activities	196,168	(282,152)
Net (decrease) / increase in cash	(600,170)	710,135
Cash, beginning of year	1,401,876	691,741
Cash, end of year	\$ 801,706	\$ 1,401,876
<b>Other Supplementary Information:</b>		
Interest paid	\$ 55,506	\$ 44,338

The accompanying notes to the financial statements are an integral part of this statement.

## HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY

### Notes to Financial Statements

For the years ended June 30, 2018 and 2017

#### NOTE 1: NATURE OF ORGANIZATION

**Habitat for Humanity Philadelphia, Inc.** (the Organization) was incorporated in February 2003 under the laws of the Commonwealth of Pennsylvania as a nonprofit, ecumenical Christian housing ministry affiliated with Habitat for Humanity International, Inc., an organization with affiliates worldwide that seeks to eradicate poverty housing, and to make decent shelter a matter of conscience and action. Through volunteer labor and donations of money and materials, the Organization builds and repairs simple, decent houses with the help of low-income homeowner families. The Organization focuses its efforts in Philadelphia, Pennsylvania.

The houses built by the Organization and its volunteers are sold to partner families at no profit, financed with affordable, no-interest loans. The homeowners' monthly mortgage payments are used to build more houses. In addition to a down payment and the monthly mortgage payment, each homeowner family invests hundreds of hours of their own labor into the building of their house as well as the houses of others.

The Organization operates a retail business (ReStore) that accepts donated home goods and building materials that are sold to the public. Proceeds from the ReStore are used by the Organization to build and repair homes.

**HFHP Funding Company I, LLC** (the Company) was organized by Habitat for Humanity Philadelphia Inc.'s board as a Pennsylvania single member limited liability company on November 8, 2016. The sole purpose of the Company is to engage solely in the activity of acquiring and holding and pledging mortgage loans and related documents originated by Habitat for Humanity Philadelphia, Inc. Any mortgage loans are acquired and held and pledged so as to comply with the terms of any note purchase agreement between the Company and any financial institution. Habitat for Humanity Philadelphia, Inc. is the sole shareholder of the Company. The Company was formed with a single member with the intent that it be a disregarded entity for the purpose of the Internal Revenue Code.

#### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Accounting Method

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

##### B. Basis of Presentation

Habitat for Humanity Philadelphia, Inc. and Subsidiary is required to report information regarding its financial position and activities that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions, as follows:

**Unrestricted Net Assets** – Net assets that are not subject to externally imposed restrictions.

**Temporarily Restricted Net Assets** – Net assets subject to externally imposed restrictions that will be met by the passage of time.

**HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY**  
**Notes to Financial Statements (continued)**  
**For the years ended June 30, 2018 and 2017**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of Presentation (continued)**

**Permanently Restricted Net Assets** – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

For the years ended June 30, 2018 and 2017, the Organization had accounting transactions in the unrestricted net assets and temporarily restricted net assets categories. For the year ended June 30, 2018 and 2017, there were no permanently restricted net assets.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**C. Basis of Consolidation**

The accompanying consolidated financial statements include the accounts of the Organizations listed in Note 1. The Organizations have common control since Habitat for Humanity Philadelphia Inc. is the sole member. There is also an element of economic interest since the HFHP Funding Company I, LLC holds significant resources that must be used only for purposes of the Habitat for Humanity Philadelphia, Inc. Inter-company transactions and balances have been eliminated in consolidation.

**D. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**E. Cash and Cash Equivalents**

For the purpose of the statement of cash flows, cash includes unrestricted time deposits, certificates of deposit and highly liquid debt instruments with original maturities of three months or less.

**F. Revenue Recognition**

Contributions and donations received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and or nature of any donor restrictions. All operating funds are available for the support of the Habitat for Humanity Philadelphia, Inc.'s operations and are therefore classified as unrestricted. Habitat for Humanity Philadelphia, Inc. recognizes contributions as restricted if donor imposed.

**HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY**  
**Notes to Financial Statements (continued)**  
**For the years ended June 30, 2018 and 2017**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Revenue Recognition (continued)**

The Organization 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.

**G. Government Grants**

Habitat receives funding from several federal financial assistance programs that supplement its traditional funding sources. Habitat recognizes the award as government grant revenue as the expenses stipulated in the grant agreement have been incurred. Grant revenue on cost-reimbursement grants is recognized after the program expenditures have been incurred. As such, Habitat recognizes revenue and records a receivable for the reimbursement amount from the granting agency. Such grant programs are subject to independent audit under the Office of Management and Budget's (OMB's) Uniform Guidance (2 CFR 200), as well as review by grantor agencies. Such review could result in disallowance of expenditures under the terms of the grant or reductions in future grant funds. Based on prior experience, Habitat's management believes the costs ultimately disallowed, if any, would not materially affect the consolidated financial statements.

**H. Functional Allocation of Expenses**

Certain operating expenses have been allocated to program services based on the reasonable benefit that the programs 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.

**I. Compensated Absences**

Employees of the Organization are entitled to paid vacation and paid sick days off depending on job classification, length of service and other factors. Vacation days earned are accrued annually as an expense. At June 30, 2018 and 2017, the Organization had compensated absences totaling \$55,450 and \$40,635, respectively.

**J. Accounts Receivable**

Accounts receivables are stated at the amount management expects to collect from outstanding accounts. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivables.

**K. Federal and State Income Taxes**

Habitat for Humanity Philadelphia, Inc. is a non-profit entities as described in Section 501(c)(3),

**HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY**  
**Notes to Financial Statements (continued)**  
**For the years ended June 30, 2018 and 2017**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**K. Federal and State Income Taxes (continued)**

of the Internal Revenue Code and is exempt from federal and state income taxes. Accordingly, there is no provision for income taxes.

HFHP Funding Company I, LLC was formed with Habitat for Humanity Philadelphia, Inc. as a single member limited liability company. As a result, the entity is recognized as a disregarded entity for the purpose of the Internal Revenue Code. A disregarded entity is not recognized for tax purposes as an entity separate from its owner.

The Organization is required to file Form 990, Return of Organization Exempt from Income Tax, with the Internal Revenue Service and the New Jersey Charities Registration & Investigation Form (CRI). The Organization follows the income tax standards for uncertain tax positions. This standard had no impact on the Organization's financial statements. The Organization's income tax returns are subject to review and examination by federal and state authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status or any activities that are subject to tax on unrelated business income taxes.

**L. Property and Equipment**

Land, buildings and building improvements, furniture and equipment are recorded at cost, except for donated assets, which are recorded at their estimated fair market value at the date of donation. Such donations are reported as unrestricted unless the donor has restricted the donated asset to a specific purpose. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The estimated lives are as follows:

Building and building improvements	15-39 years
Furniture, equipment and transportation equipment	5-7 years

Repairs and maintenance which do not extend the useful lives of the related assets are expensed as incurred.

**M. Contributed Service and Materials**

Unpaid volunteers have made significant contributions of their time to the Organization's activities. However, the value of the contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or evaluation. Construction materials, professional services, and fixed assets donated have been recorded at their estimated fair market value.

**N. Investment Policy**

Investments of the Organization are reported at fair market value as June 30, 2018 and 2017. Investment earnings on the Statement of Activities include interest, dividends and gains and losses on the sale of assets. Change in market value of assets held is reported as unrealized gains and losses.

**HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY**  
**Notes to Financial Statements (continued)**  
**For the years ended June 30, 2018 and 2017**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**O. Investment in Joint Venture**

The Organization invested, along with five other Habitat affiliates, in a joint venture (HFHI-SA Leverage III, LLC) with 7.35 percent (7.35%) ownership to take advantage of New Market Tax Credit (NMTC) financing. NMTC financing allows an entity to receive a loan or investment capital from outside investors, who will receive new markets tax credits to be applied against their federal tax liability. As a result, Habitat has invested \$1,364,323 and was able to secure a 15-year loan in the amount of \$1,585,101 payable to a community development entity (an affiliate of the joint venture). The loan proceeds are to be used solely for the purpose of constructing and selling qualified housing properties to low income residents. The loan accrues interest only for years 1 through 7 at a reduced rate of 0.8126%. Beginning in year 8 through year 15 the principal balance of the loan is reduced by an eight-year amortization at the same rate of 0.8126%. On December 7, 2016, the Organization liquidated their share of the joint venture investment.

**P. Fair Value Measurements**

The Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III).

If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

*Level I* – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access. Fair values for these instruments are estimated using pricing models or quoted prices of securities with similar characteristics.

*Level II* – Inputs that include quoted market prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

*Level III* – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised values.

Subsequent to initial recognition, the Organization may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

The following methods and assumptions were used by Habitat in estimating the fair value of its financial instruments:

*Mortgage receivables* – The carrying amount is at net present value of the loan.



**HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY**  
**Notes to Financial Statements (continued)**  
**For the years ended June 30, 2018 and 2017**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**P. Fair Value Measurements (continued)**

*Notes payable* – The carrying amount of one note is at net present value of the loan. For the remaining notes, the carrying values and interest rates are considered to approximate the net realizable value.

*Accounts payable* – The carrying amount reported in the statement of financial position approximates fair value because of the short maturity of those instruments.

*Common Stock* – Valued at closing price reported in the active market in which the individual securities are traded.

**Q. Impact of Recently Issued Accounting Principles**

*Recently Issued Pronouncements*

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers, which is applicable for all entities that enter into contracts with customers to transfer goods and services or enter into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (for example, insurance or lease contracts). This ASU supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, the most industry-specific guidance. The core principal of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects. There are five steps to achieve this core principle. Entities can either apply this standard retrospectively to each prior reporting period presented or retrospectively apply with the cumulative effect at the date of initial application. This statement is effective for annual reporting periods beginning after December 15, 2018. Early adoption is permitted for fiscal years beginning after December 15, 2016. The Organization has not yet implemented this ASU and is currently evaluating the impact of the adoption of this standard on the financial statements and related disclosures.

In February 2016, the FASB issued (ASU) 2016-02, Leases. The new ASU will require lessees to recognize for all leases (with terms of more than 12 months) at the commencement date the following a) a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis, and b) a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. The new lease guidance also simplified the accounting for sale and lease back transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. This standard will be effective for nonpublic businesses for fiscal years beginning after December 15, 2019. Early implementation will be permitted. The Organization has not yet implemented this ASU and is currently evaluating the impact of the adoption of this standard on the financial statements and related disclosures.

In August 2016, the FASB issued (ASU) 2016-14, Not-for-Profit Entities: Topic 958. The amendments in this update affect not-for-profit entity’s (NFP’s) and the users of their general purpose financial statements. The amendments in this update make certain improvements to the

**HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY**  
**Notes to Financial Statements (continued)**  
**For the years ended June 30, 2018 and 2017**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Q. Impact of Recently Issued Accounting Principles (continued)**

current net asset classification requirements and the information presented in financial statements and notes about a not for profit's liquidity, financial performance, and cash flows. The amendments in the ASU are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Organization has not yet implemented this ASU and is currently evaluating the impact of the adoption of this standard on the financial statements and related disclosures.

In January 2017, the FASB issued (ASU) 2017-02, Not-for-Profit Entities – Consolidation (Subtopic 958-810). The amendments in this update apply to a not for profit entity that is a general partner or a limited partner of a for-profit limited partnership or a similar legal entity. These amendments clarify when a not-for-profit entity that is a general partner or a limited partner should consolidate a for-profit limited partnership or similar legal entity once the amendments in Accounting Standards Update No. 2015-02, Consolidation (Topic 810): *Amendments to the Consolidation Analysis*, become effective. This update is effective for fiscal years beginning after December 15, 2016. Implementation of this statement did not impact the Organization's financial statements.

In February 2017, the FASB issued (ASU) 2017-05, Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20). The amendment clarifies the scope of asset derecognition guidance and accounting for partial sales of nonfinancial assets, such as intangible assets, land, buildings, materials and supplies. It is effective for annual periods beginning after December 15, 2018. An entity is required to apply the amendments in ASU 2017-05 at the same time that it applies the new revenue recognition standard (see ASU 2014-09 above). The Organization has not yet implemented this ASU and is currently evaluating the impact of the adoption of this standard on the financial statements and related disclosures.

**R. Subsequent Events**

The Organization has evaluated subsequent events occurring after the Statement of Financial Position date through the date of January 14, 2019, which is the date the financial statements were available to be issued. See note 23.

**NOTE 3: CASH**

The deposits held by the Organization at June 30, 2018 and 2017, and reported at fair value, are as follows:

<u>Type</u>	<u>2018</u>	<u>2017</u>
<b>Deposits:</b>		
Demand deposits	\$ 801,706	\$ 1,401,876
<b>Total deposits</b>	<u>\$ 801,706</u>	<u>\$ 1,401,876</u>

**HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY**  
**Notes to Financial Statements (continued)**  
**For the years ended June 30, 2018 and 2017**

**NOTE 3: CASH (continued)**

	<u>2018</u>	<u>2017</u>
<b>Reconciliation of Consolidated Statements of Financial Position:</b>		
Cash and cash equivalents	\$ 801,706	\$ 1,401,876
Total	<u>\$ 801,706</u>	<u>\$ 1,401,876</u>

**Custodial Credit Risk** - Deposits in financial institutions, reported as components of cash had a bank balance of \$946,772 and \$1,452,999 at June 30, 2018 and 2017, respectively. Of the bank balance, \$582,404 and \$1,141,167 was fully insured by depository insurance at June 30, 2018 and 2017, respectively. \$364,368 and \$311,832 was uninsured at June 30, 2018 and 2017, respectively.

**Concentration of Credit Risk** - Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash investments. The Organization limits the amount of credit exposure to any one financial institution and invests cash in accounts with high credit quality.

**NOTE 4: INVESTMENTS**

Investments are unrestricted assets stated at fair value and consist of equity investments. Fair value at June 30, 2018 and 2017, was \$30,666 and \$14,586, respectively.

	<i>Assets as Fair Value as of June 30, 2018</i>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks	\$ 30,666	\$ -	\$ -	\$ 30,666
Total assets at fair value	<u>\$ 30,666</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,666</u>

	<i>Assets as Fair Value as of June 30, 2017</i>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks	\$ 14,586	\$ -	\$ -	\$ 14,586
Total assets at fair value	<u>\$ 14,586</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,586</u>

**HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY**  
**Notes to Financial Statements (continued)**  
**For the years ended June 30, 2018 and 2017**

**NOTE 4: INVESTMENTS (continued)**

**Level 3 Gains and Losses**

During the fiscal year ended June 30, 2017 the Organization liquidated all of their level 3 investments. The following table sets forth a summary of changes in the fair value of the plan's level 3 assets for the year ended June 30, 2017:

	<i>Year Ended June 30, 2017</i>	
	<i>Investment</i>	
	<i>in HFHI-SA Leverage III, LLC</i>	
Balance, beginning of year	\$	1,481,611
Realized gains/(losses)		7,001
Purchases, sales, issuances, and settlements (net)		(1,488,612)
Balance, end of year	<u>\$</u>	<u>-</u>

**NOTE 5: MORTGAGES RECEIVABLE**

Mortgages receivable consists of mortgages to homeowners. The mortgages are non-interest bearing and are secured by real estate. The mortgage loans are payable in monthly installments ranging from \$71 to \$456 over 10 to 30 year terms. The mortgages are discounted using rates provided by Habitat for Humanity International, Inc., which reflect the current market conditions. The discount rate for the year ended June 30, 2018 and 2017 was 7.57% and 7.47%. Mortgages receivable at June 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Mortgages receivable	\$ 8,075,514	\$ 7,739,959
Less: unamortized mortgage discount	<u>(4,565,807)</u>	<u>(4,339,597)</u>
Total net mortgages receivable	3,509,707	3,400,362
Less: current portion	<u>(225,489)</u>	<u>(228,149)</u>
Long-term portion	<u>\$ 3,284,218</u>	<u>\$ 3,172,213</u>

**HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY**  
**Notes to Financial Statements (continued)**  
**For the years ended June 30, 2018 and 2017**

**NOTE 6: ACCOUNTS RECEIVABLE**

Accounts receivables consisted of the following as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Grant receivable	\$ 186,000	\$ 129,852
Donations receivable	51,770	262,874
Home repair program	<u>127,964</u>	<u>172,704</u>
Total accounts receivable	365,734	565,430
Less: allowance for doubtful accounts	<u>(10,088)</u>	<u>(46,652)</u>
Total accounts receivable net	<u>\$ 355,646</u>	<u>\$ 518,778</u>

**NOTE 7: CONSTRUCTION IN PROGRESS**

Construction in progress represents costs incurred to build/rehabilitate single family dwellings. Upon completion of construction, these houses will be sold or leased under a lease purchase agreement until clear title can be transferred to the member family. The balance as of June 30, 2018 and 2017 was \$672,459 and \$167,017, respectively.

**NOTE 8: OTHER CURRENT ASSETS**

Other current assets consisted of prepaid gift cards totaling \$13,150 and \$29,969 as of June 30, 2018 and 2017, respectively.

**NOTE 9: COMPLETED HOUSES UNDER LEASE PURCHASE**

In some cases, houses completed and available are leased to the future homeowner until final closing and transfer of ownership occur. Prior to the transfer, the future homeowner makes payments, which the Organization holds and applies to defray closing costs. Once a family moves into the home, they are required to make monthly payments, which are applied toward real estate taxes, property and a down payment to reduce the mortgage they will assume. The balance as of June 30, 2018 and 2017, was \$85,000 and \$85,000, respectively.

**NOTE 10: INVESTMENT IN HFHI-SA LEVERAGE III, LLC**

For the year ended June 30, 2017, the Organization participated in a New Markets Tax Credit (NMTC) program. The program provides funds to eligible organizations for investment in “qualified low-income community investment”. Program compliance requirements included creation of a promissory note and investment in a qualified community development entity (CDE). Tax credit recapture is required if compliance requirements are not met over a seven-year period.

At June 30, 2010, the Organization recorded its 7.35% investment in HFHI-SA Leverage III, LLC at the cost. In December 2016, City First Capital Investment Fund, LLC, (the Fund), and the upstream

**HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY**  
**Notes to Financial Statements (continued)**  
**For the years ended June 30, 2018 and 2017**

**NOTE 10: INVESTMENT IN HFHI-SA LEVERAGE III, LLC (continued)**

effective owner of City First Capital 21, LLC (holder of the promissory note due from Habitat) exercised its put option. Under the terms of the put option agreement HFHI-SA Leverage III, LLC purchased the ownership interest of the Fund. Exercise of the option effectively allowed Habitat to extinguish its outstanding debt owed to the Fund and liquidated Habitat's share of the investment. As of June 30, 2017, the investment in HFHI-SA Leverage III, LLC and corresponding debt balances were extinguished.

**NOTE 11: DEFERRED REVENUE**

As of June 30, 2018 and 2017, deferred income consisted of the following:

	<u>2018</u>	<u>2017</u>
Fundraising	\$ 119,900	\$ -
Repair program	<u>17,500</u>	<u>-</u>
Total deferred revenue	<u>\$ 137,400</u>	<u>\$ -</u>

**NOTE 12: COMMITMENTS AND CONTINGENCIES**

The Pennsylvania Housing Finance Agency (PHFA), a state agency, assumed 9 mortgages held by the Organization. The Organization is responsible for maintaining the mortgages by collecting the payments. Should a homeowner become delinquent, PHFA will require repayment and discontinue the agreement for that mortgage. As of June 30, 2018 and 2017, the Organization was contingently liable for the balance of those mortgages totaling \$111,603 and \$130,293, respectively.

An unemployment claim arising from the normal course of operation is pending against the Organization. This claim is specifically covered by insurance and is not material. While the outcome of such actions cannot be determined at this time, legal counsel and management believe that any loss which may arise from these actions will not have a material effect on the financial position or results of operations of the organization.

**NOTE 13: LINE OF CREDIT**

The Organization has established a revolving line of credit with Santander Bank in the amount of \$750,000 with a financial institution with an interest rate of 1% above the bank's prime rate. The interest rate as of June 30, 2018 was 6%. The line of credit is due and payable in full upon demand by lender. As of June 30, 2018 and 2017, balances outstanding were \$250,000 and \$-0-, respectively.

**HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY**  
**Notes to Financial Statements (continued)**  
**For the years ended June 30, 2018 and 2017**

**NOTE 14: NOTES PAYABLE**

The Organization had the following notes outstanding at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
On January 4, 2015, the Organization refinanced a loan held by Santander Bank in the amount of \$270,356 at 3.85%. The loan is to be paid monthly over 5 years at \$1,987 per month, principal and interest, with the total remaining principal balance becoming due after 5 years. The loan is secured by Stiles Street properties.	\$ 221,859	\$ 236,724
On December 5, 2016, the Organization obtained a note payable for \$2,182,243 from PNC Community Development Company, LLC. Proceeds from the loan were \$1,478,087. The note includes \$680,056 of prepaid interest and \$24,100 of loan fees. The note is secured by \$865,472 of mortgages receivable (net of discount of \$1,316,771) as of June 30, 2018 and requires monthly payments ranging from \$252 to \$6,903 based on a payment schedule that is based on the anticipated amounts to be received from those mortgages receivable. The note matures May 9, 2046.	<u>1,441,022</u>	<u>1,479,989</u>
Total net notes payable	1,662,881	1,716,713
Less: current portion	<u>(55,609)</u>	<u>(53,833)</u>
Long-term portion	<u>\$ 1,607,272</u>	<u>\$ 1,662,880</u>

Total maturities of notes payable for the year ending June 30, are as follows:

2019	\$ 55,609
2020	247,775
2021	42,632
2022	43,928
2023	45,265
2024-2028	247,831
2029-2033	287,884
2034-2038	316,237
2039-2043	298,619
2044-2046	<u>77,101</u>
Total	<u>\$ 1,662,881</u>

**HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY**  
**Notes to Financial Statements (continued)**  
**For the years ended June 30, 2018 and 2017**

**NOTE 15: NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors, as follows:

	<u>2018</u>	<u>2017</u>
Construction	\$ 914,575	\$ 1,028,100
Home repair program	633,661	453,162
Restore	10,000	29,847
Home furnishings	-	20,000
Capacity	-	50,000
	_____	_____
Total released from restriction	\$ 1,558,236	\$ 1,581,109

**NOTE 16: TRANSACTION WITH HABITAT FOR HUMANITY INTERNATIONAL, INC.**

The Organization annually remits a portion of its unrestricted contributions, excluding in-kind contributions. These funds are used to construct homes in economically depressed areas around the world. For the year ended June 30, 2018 and 2017, the Organization made contributions totaling \$71,640 and \$55,000, respectively.

**NOTE 17: PENSION PLAN**

The Organization has a 403(b) plan where employees may make payroll deductions, which may be tax deferred in accordance with the Internal Revenue Code. All funds contributed are 100% vested in the employee's name. On November 22, 2015, the Organization increased its maximum employer matching contribution from 2% to 3% of the employees' salary. The annual contribution for the year ended June 30, 2018 and 2017 was \$39,161 and \$35,377, respectively.

**NOTE 18: OPERATING LEASES**

The Organization leases space for its Restore as well as copiers, a forklift, and a garage for storage. These last lease expires October 2022. Minimum future rental payments under the operating leases at June 30 are as follows:

2019	\$	149,702
2020		76,101
2021		2,919
2022		2,432
		\$ 231,154



**HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY**  
**Notes to Financial Statements (continued)**  
**For the years ended June 30, 2018 and 2017**

**NOTE 19: IN-KIND DONATIONS**

The Organization was the recipient of contributed legal services in the amount of \$55,494 and \$48,138 for the years ended June 30, 2018 and 2017, respectively. This was recorded in donated services and materials. In-kind donations for the year ended June 30, 2018 consisted of the following:

	<u>2018</u>	<u>2017</u>
Donated services and materials	\$ 448,643	\$ 455,229
Total in-kind donations	\$ 448,643	\$ 455,229

**NOTE 20: SALE OF MORTGAGE RECEIVABLES**

On May 25, 2014, the Organization sold 16 mortgage loans. Under the terms of the transaction, the Organization received the net present value of the remaining payments. In addition, if before the 15<sup>th</sup> year anniversary of a mortgage loan the mortgaged property is sold, the buyer of the mortgages has agreed to pay to the Organization the difference between the mortgage loan amount, which was amortized over 30 years, and the payoff amount received.

In the event that a loan is delinquent, the Organization has agreed to reimburse the buyer of the mortgages the delinquent amount. As of June 30, 2018 and 2017, the Organization has elected not to record a reserve amount for this contingent liability due to the mortgage delinquency on the loans sold to be below 1%, which is immaterial to the financial statements.

**NOTE 21: RESTRICTION ON NET ASSETS**

Temporarily restricted net assets at June 30, 2018 and 2017 are available for the following purposes:

	<u>2018</u>	<u>2017</u>
House sponsorships	\$ 14,000	\$ 186,675
Repair program	137,014	23,775
Total	\$ 151,014	\$ 210,450

**NOTE 22: FINANCIAL STATEMENT PRESENTATION**

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentations. Such reclassifications have no effect on the previously reported change in net assets.

**NOTE 23: SUBSEQUENT EVENT**

On December 31, 2018 the Organization sold 14 mortgages with a balance of \$1,914,883, net of a 1,153,176 discount for \$1,875,911 cash for a total gain of \$1,114,204.

**HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY**  
**Consolidating Statement of Financial Position**  
**June 30, 2018**

	2018			
ASSETS	Habitat for Humanity Philadelphia, Inc.	HFHP Funding Company 1, LLC	Eliminations	Consolidated
Current assets:				
Cash and cash equivalents	\$ 661,780	\$ 139,926	\$ -	\$ 801,706
Investments	30,666	-	-	30,666
Mortgage receivable - current portion net of accumulated amortization of \$219,922	205,566	19,923	-	225,489
Accounts receivable, net of allowance for doubtful accounts of \$10,088	355,646	-	-	355,646
Construction in progress	672,459	-	-	672,459
Prepaid expenses	69,286	-	-	69,286
Due to/from affiliate	-	462,736	(462,736)	-
Other current assets	13,150	-	-	13,150
	2,008,553	622,585	(462,736)	2,168,402
Total current assets				
Property and equipment:				
Land	5,000	-	-	5,000
Buildings and improvements	726,277	-	-	726,277
Office equipment and furnishings	45,431	-	-	45,431
Construction equipment	27,728	-	-	27,728
Transportation equipment	137,388	-	-	137,388
Total property and equipment	941,824	-	-	941,824
Less: accumulated depreciation	(311,228)	-	-	(311,228)
Property and equipment, net	630,596	-	-	630,596
Other Assets:				
Completed houses under lease purchase	85,000	-	-	85,000
Deposits	10,000	-	-	10,000
Loan origination fee, net of accumulated amortization of \$1,862	-	32,738	-	32,738
Mortgage receivable net of accumulated amortization of \$4,345,885	2,491,035	793,183	-	3,284,218
	2,586,035	825,921	-	3,411,956
Total other assets				
Total assets	\$ 5,225,184	\$ 1,448,506	\$ (462,736)	\$ 6,210,954

The accompanying notes to the financial statements are an integral part of this statement.

**HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY**  
**Consolidating Statement of Financial Position (continued)**  
**June 30, 2018**

2018

	<b>Habitat for Humanity Philadelphia, Inc.</b>	<b>HFHP Funding Company 1, LLC</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 116,773	\$ -	\$ -	\$ 116,773
Accrued payroll and payroll taxes	100,759	-	-	100,759
Accrued vacation	55,450	-	-	55,450
Accrued expenses	32,863	-	-	32,863
Deferred revenue	137,400	-	-	137,400
Due to/from affiliate	462,736	-	(462,736)	-
Line of credit	250,000	-	-	-
Notes payable - current	16,642	38,967	-	55,609
Total current liabilities	<u>1,172,623</u>	<u>38,967</u>	<u>(462,736)</u>	<u>748,854</u>
Long-term liabilities:				
Escrow deposits	167,258	-	-	167,258
Notes payable	205,216	1,402,056	-	1,607,272
Total long-term liabilities	<u>372,474</u>	<u>1,402,056</u>	<u>-</u>	<u>1,774,530</u>
Total liabilities	<u>1,545,097</u>	<u>1,441,023</u>	<u>(462,736)</u>	<u>2,523,384</u>
<b>NET ASSETS</b>				
Unrestricted	3,529,073	7,483	-	3,536,556
Temporarily restricted	151,014	-	-	151,014
Total net assets	<u>3,680,087</u>	<u>7,483</u>	<u>-</u>	<u>3,687,570</u>
Total liabilities and net assets	<u>\$ 5,225,184</u>	<u>\$ 1,448,506</u>	<u>\$ (462,736)</u>	<u>\$ 6,210,954</u>

The accompanying notes to the financial statements are an integral part of this statement.

**HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY**  
**Consolidating Statement of Financial Position**  
**June 30, 2017**

ASSETS	2017			
	Habitat for Humanity Philadelphia, Inc.	HFHP Funding Company 1, LLC	Eliminations	Consolidated
Current assets:				
Cash and cash equivalents	\$ 1,179,335	\$ 222,541	\$ -	\$ 1,401,876
Investments	14,586	-	-	14,586
Mortgage receivable - current portion net of accumulated amortization of \$206,339	181,592	46,557	-	228,149
Accounts receivable, net of allowance for doubtful accounts of \$46,652	518,778	-	-	518,778
Construction in progress	167,017	-	-	167,017
Prepaid expenses	50,267	-	-	50,267
Due to/from affiliate	-	381,928	(381,928)	-
Other current assets	29,969	-	-	29,969
	<u>2,141,544</u>	<u>651,026</u>	<u>(381,928)</u>	<u>2,410,642</u>
Total current assets				
Property and equipment:				
Land	5,000	-	-	5,000
Buildings and improvements	637,320	-	-	637,320
Office equipment and furnishings	30,581	-	-	30,581
Construction equipment	27,728	-	-	27,728
Transportation equipment	122,388	-	-	122,388
Total property and equipment	<u>823,017</u>	<u>-</u>	<u>-</u>	<u>823,017</u>
Less: accumulated depreciation	<u>(260,927)</u>	<u>-</u>	<u>-</u>	<u>(260,927)</u>
Property and equipment, net	<u>562,090</u>	<u>-</u>	<u>-</u>	<u>562,090</u>
Other Assets:				
Completed houses under lease purchase	85,000	-	-	85,000
Deposits	10,000	-	-	10,000
Loan origination fee, net of accumulated amortization of \$686	-	33,914	-	33,914
Mortgage receivable net of accumulated amortization of \$4,133,258	2,374,728	797,485	-	3,172,213
	<u>2,469,728</u>	<u>831,399</u>	<u>-</u>	<u>3,301,127</u>
Total other assets				
Total assets	<u>\$ 5,173,362</u>	<u>\$ 1,482,425</u>	<u>\$ (381,928)</u>	<u>\$ 6,273,859</u>

The accompanying notes to the financial statements are an integral part of this statement.

**HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY**  
**Consolidating Statement of Financial Position (continued)**  
**June 30, 2017**

2017

	<b>Habitat for Humanity Philadelphia, Inc.</b>	<b>HFHP Funding Company 1, LLC</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 74,835	\$ -	\$ -	\$ 74,835
Accrued payroll and payroll taxes	95,734	-	-	95,734
Accrued vacation	40,635	-	-	40,635
Accrued expenses	42,862	-	-	42,862
Due to/from affiliate	381,928	-	(381,928)	-
Notes payable - current	14,866	38,967	-	53,833
Total current liabilities	<u>650,860</u>	<u>38,967</u>	<u>(381,928)</u>	<u>307,899</u>
Long-term liabilities:				
Escrow deposits	128,764	-	-	128,764
Notes payable	221,858	1,441,022	-	1,662,880
Total long-term liabilities	<u>350,622</u>	<u>1,441,022</u>	<u>-</u>	<u>1,791,644</u>
Total liabilities	<u>1,001,482</u>	<u>1,479,989</u>	<u>(381,928)</u>	<u>2,099,543</u>
<b>NET ASSETS</b>				
Unrestricted	3,961,430	2,436	-	3,963,866
Temporarily restricted	210,450	-	-	210,450
Total net assets	<u>4,171,880</u>	<u>2,436</u>	<u>-</u>	<u>4,174,316</u>
Total liabilities and net assets	<u>\$ 5,173,362</u>	<u>\$ 1,482,425</u>	<u>\$ (381,928)</u>	<u>\$ 6,273,859</u>

The accompanying notes to the financial statements are an integral part of this statement.

**HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY**  
**Consolidating Statement of Activities**  
**For the year ended June 30, 2018**

	Unrestricted			Temporarily Restricted	
	Habitat for Humanity Philadelphia, Inc.	HFHP Funding Company 1, LLC	Consolidated	Habitat for Humanity Philadelphia, Inc.	Consolidated Totals
Support and revenue:					
Sales to homeowners	\$ 750,000	-	\$ 750,000	-	\$ 750,000
Net gain (loss) on sales and disposals of assets	-	-	-	-	-
Individuals	431,840	-	431,840	-	431,840
Corporations and foundations	355,415	-	355,415	1,498,800	1,854,215
Government	81,116	-	81,116	-	81,116
Churches and schools	76,023	-	76,023	-	76,023
Legacies and bequests	0	-	-	-	-
Amortization of mortgage discount	157,922	49,872	207,794	-	207,794
Interest	1,865	258	2,123	-	2,123
Donated materials and services	448,643	-	448,643	-	448,643
Donated buildings	-	-	-	-	-
Special events	447,595	-	447,595	-	447,595
Restore	948,321	-	948,321	-	948,321
Home repairs	102,839	-	102,839	-	102,839
Other revenue	10,456	-	10,456	-	10,456
Realized gain (loss) on investments	388	-	388	-	388
Unrealized gain (loss) on investments	(516)	-	(516)	-	(516)
Net assets released from restrictions	1,558,236	-	1,558,236	(1,558,236)	-
Total revenues and support	5,370,143	50,130	5,420,273	(59,436)	5,360,837
Expenses:					
Program	4,534,137	45,083	4,579,220	-	4,579,220
Management and General	680,014	-	680,014	-	680,014
Fundraising	588,349	-	588,349	-	588,349
Total expenses	5,802,500	45,083	5,847,583	-	5,847,583
Change in net assets	(432,357)	5,047	(427,310)	(59,436)	(486,746)
Net assets, beginning of year	3,961,430	2,436	3,963,866	210,450	4,174,316
Net assets, end of year	\$ 3,529,073	\$ 7,483	\$ 3,536,556	\$ 151,014	\$ 3,687,570

The accompanying notes to the financial statements are an integral part of this statement.

**HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY**  
**Consolidating Statement of Activities**  
**For the year ended June 30, 2017**

	Unrestricted			Temporarily Restricted		Consolidated Totals
	Habitat for Humanity Philadelphia, Inc.	HFHP Funding Company 1, LLC	Consolidated	Habitat for Humanity Philadelphia, Inc.	Consolidated	
Support and revenue:						
Sales to homeowners	\$ 2,060,000	\$ -	\$ 2,060,000	\$ -	\$ -	\$ 2,060,000
Individuals	351,588	-	351,588	10,321	-	361,909
Corporations and foundations	263,888	-	263,888	1,627,310	-	1,891,198
Government	418,884	-	418,884	-	-	418,884
Churches and schools	59,307	-	59,307	17,250	-	76,557
Legacies and bequests	110	-	110	-	-	110
Amortization of mortgage discount	162,499	29,092	191,591	-	-	191,591
Interest	1,712	152	1,864	-	-	1,864
Donated materials and services	455,229	-	455,229	-	-	455,229
Special events	448,952	-	448,952	-	-	448,952
Restore	910,552	-	910,552	-	-	910,552
Home repairs	143,977	-	143,977	-	-	143,977
Other revenue	133,965	-	133,965	-	-	133,965
Realized gain (loss) on investments	116	-	116	-	-	116
Unrealized gain (loss) on investments	(319)	-	(319)	-	-	(319)
Net assets released from restrictions	1,581,109	-	1,581,109	(1,581,109)	-	-
Total revenues and support	6,991,569	29,244	7,020,813	73,772	-	7,094,585
Expenses:						
Program	6,117,799	26,808	6,144,607	-	-	6,117,799
Administrative	534,950	-	534,950	-	-	534,950
Fundraising	564,911	-	564,911	-	-	564,911
Total expenses	7,217,660	26,808	7,244,468	-	-	7,217,660
Change in net assets	(226,091)	2,436	(223,655)	73,772	-	(152,319)
Net assets, beginning of year	4,187,521	-	4,187,521	136,678	-	4,324,199
Net assets, end of year	\$ 3,961,430	\$ 2,436	\$ 3,963,866	\$ 210,450	\$ -	\$ 4,174,316

The accompanying notes to the financial statements are an integral part of this statement.

**HABITAT FOR HUMANITY PHILADELPHIA, INC. AND SUBSIDIARY**  
**Consolidating Statement of Functional Expenses**  
**For the year ended June 30, 2018**

	Habitat for Humanity Philadelphia, Inc.				Support Services			HFHP Funding Company I, LLC				
	Program Services		Critical		Program Services		Management and General		Fundraising		Support Services	
	Home Ownership	Home Repair	Restore	Total	Management and General	Fundraising	Total	Management and General	Total	Management and General	Total	Consolidated Total
Americorps	\$ 45,515	\$ 20,340	\$ -	\$ 65,855	\$ 190	\$ -	\$ 66,045	\$ -	\$ -	\$ -	\$ 66,045	\$ 66,045
Bank fees	-	-	26,943	26,943	1,931	498	29,372	40	40	-	29,412	29,412
Construction/repair costs	769,930	864,771	11,651	1,646,352	2,458	-	1,648,810	-	-	-	1,648,810	1,648,810
Depreciation	2,137	2,185	26,506	30,828	19,474	-	50,302	-	-	-	50,302	50,302
Dues and subscriptions	4,425	2,212	6,930	13,567	6,497	2,698	22,762	-	-	-	22,762	22,762
Employee benefits	107,389	75,395	36,822	219,606	26,785	58,812	305,203	-	-	-	305,203	305,203
Insurance	71,210	54,896	35,066	161,172	1,273	982	163,427	-	-	-	163,427	163,427
Interest	-	-	-	-	11,639	-	11,639	43,867	-	-	43,867	55,506
Loan origination fee amortization	-	-	-	-	-	-	-	1,176	-	-	1,176	1,176
Miscellaneous	15,246	1,760	2,149	19,155	103,061	1,964	124,180	-	-	-	124,180	124,180
Mortgage amortization	434,004	-	-	434,004	-	-	434,004	-	-	-	434,004	434,004
Office expense	3,673	3,212	26,324	33,209	24,343	1,272	58,824	-	-	-	58,824	58,824
Payroll	383,755	502,038	406,911	1,292,704	265,424	382,326	1,940,454	-	-	-	1,940,454	1,940,454
Payroll service	-	-	-	-	6,453	-	6,453	-	-	-	6,453	6,453
Payroll taxes	64,079	37,540	34,766	136,385	24,085	22,717	183,187	-	-	-	183,187	183,187
Postage and delivery	527	6	21	554	3,854	3,006	7,414	-	-	-	7,414	7,414
Printing	1,393	605	789	2,787	1,867	9,286	13,940	-	-	-	13,940	13,940
Professional fees	81,954	-	-	81,954	65,147	5,343	152,444	-	-	-	152,444	152,444
Program expenses	37,751	16,892	64,254	118,897	5,490	500	124,887	-	-	-	124,887	124,887
Rent	-	7,375	127,913	135,288	-	-	135,288	-	-	-	135,288	135,288
Special event costs	295	-	-	295	-	93,298	93,593	-	-	-	93,593	93,593
Telephone	-	597	3,472	4,069	26,604	-	30,673	-	-	-	30,673	30,673
Tithe	11,640	-	-	11,640	60,000	-	71,640	-	-	-	71,640	71,640
Training and education	2,714	15,139	-	17,853	8,929	280	27,062	-	-	-	27,062	27,062
Travel	12,654	7,571	33,411	53,636	5,523	4,246	63,405	-	-	-	63,405	63,405
Utilities	1,824	65	25,075	26,964	8,838	-	35,802	-	-	-	35,802	35,802
Website	-	-	420	420	149	1,121	1,690	-	-	-	1,690	1,690
Total expenses	\$ 2,052,115	\$ 1,612,599	\$ 869,423	\$ 4,534,137	\$ 680,014	\$ 588,349	\$ 5,802,500	\$ 45,083	\$ 45,083	\$ 45,083	\$ 5,847,583	\$ 5,847,583

The accompanying notes to the financial statements are an integral part of this statement.



