GLOUCESTER COUNTY HABITAT FOR HUMANITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018 AND

INDEPENDENT AUDITORS' REPORT

Ditmars, Perazza & Co.
CERTIFIED PUBLIC ACCOUNTANT

Kenneth M. Ditmars, CPA

Telephone: (609) 265-8698
Fax: (609) 265-8621

E-mail: KDIT478@aol.com

Office Address
12 Oak Tree Court
Westampton, NJ 08060

Mailing Address
P.O. Box 478
Rancocas, NJ 08073-0478

Independent Auditor's Report

Gloucester County Habitat for Humanity, Inc.:

October 9, 2018

To the Officers and Directors:

Report on Financial Statements

We have audited the accompanying financial statements of **Gloucester County Habitat for Humanity Inc.,** which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, of functional expenses, of cash flows for the year then ended, and the related notes of 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 the 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 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 organization'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 organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Gloucester County Habitat for Humanity, Inc**. as of June 30, 2018, and the results of its operations and its cash flows for the year that ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the **Gloucester County Habitat for Humanity, Inc.'s** 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 8, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ditmars, Perazza & Co.

GLOUCESTER COUNTY HABITAT FOR HUMANITY
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2018

(With summarized totals for 2017)

	2018	2017
ASSETS:		
Cash and cash equivalents	$ 127,078	$ 249,487
Mortgages receivable	996,678	892,402
Unamortized discount on mortgage	(601,016)	(539,978)
Mortgages receivable - Net	395,662	352,424
Grants receivable	5,000	28,617
Other receivables and assets	5,347	3,837
Construction work in progress	193,971	420,706
Certificate of deposit - Retricted	30,000	-
Property and equipment net of depreciation of $ 177,879	626,419	634,985
TOTAL ASSETS	$ 1,383,477	$ 1,690,056
LIABILITIES AND NET ASSETS:		
Liabilities		
Account payable	$ 6,897	$ 20,092
Escrow deposits/advances - net	(1,652)	(4,279)
Closing cost escrows	8,425	16,765
Refundable advances - grants	-	9,665
Line of credit	-	80,000
International Habitat - Escrow	-	30,000
Mortgage payable - GCSF	207,491	349,116
Total Liabilities	221,161	501,359
Net Assets:		
Unrestricted net assets	1,162,316	1,188,697
Total Net Assets	1,162,316	1,188,697
TOTAL LIABILITIES AND NET ASSETS	$ 1,383,477	$ 1,690,056

The accompanying footnotes are an integral part of the financial statements.

GLOUCESTER COUNTY HABITAT FOR HUMANITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

(With summarized totals for 2017)

SUPPORT AND REVENUE:	Unrestricted		Totals 2018	Totals 2017
Direct Public Support				
Individuals, business and other	$ 45,107		$ 45,107	$ 30,127
United Way	2,696		2,696	1,382
Grants	67,505		67,505	155,835
Property donations	93,300		93,300	84,900
Income from Restore sales - net	176,037		176,037	182,138
Specal events	55,587		55,587	75,417
Sale of homes to partner families	581,500		581,500	437,649
Investment income	111		111	283
Other income	177		177	584
Mortgage interest discount amortization	24,742		24,742	23,384
			-	
TOTAL SUPPORT AND REVENUE	1,046,762	-	1,046,762	991,699
EXPENSES:				
Program Services	875,280		875,280	616,336
Administrative	136,272		136,272	132,641
Fund Raising	61,591		61,591	73,357
TOTAL EXPENSES	1,073,143	-	1,073,143	822,334
CHANGE IN NET ASSETS	(26,381)	-	(26,381)	169,365
NET ASSETS, BEGINNING OF YEAR:	1,188,697		1,188,697	1,019,332
NET ASSETS, END OF YEAR	$ 1,162,316	$ -	$ 1,162,316	$ 1,188,697

The acccompanying footnotes are an integral part of the financial statements.

GLOUCESTER COUNTY HABITAT FOR HUMANITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

(With summarized totals for 2017)

	Program Services	Management & General	Fund Raising	Totals 2018	Totals 2017
Construction costs	$ 484,857			$ 484,857	$ 270,461
Home sale adjustment	203,640			203,640	198,545
Mortgage discount expense	85,781			85,781	48,894
Affiliate expenses	15,000			15,000	16,200
Insurance	15,340	$ 17,299		32,639	26,644
Equipment rental and small tools	372			372	1,800
Other program	15,023			15,023	4,744
Personnel costs	27,667	91,280	$ 33,190	152,137	153,603
Office expenses		2,482		2,482	2,610
Professional services		4,981		4,981	5,134
Computer expenses		2,970	486	3,456	1,914
Telephone & fax		3,822	430	4,252	3,474
Travel & meals		311		311	2,915
Warehouse expenses	9,056			9,056	8,319
Depreciation	13,881	1,715		15,596	22,255
Mortgage and other interest		3,109		3,109	3,250
Vehicle		4,195	919	5,114	3,987
Community relations	768			768	931
Volunteer administration	3,895			3,895	1,674
Postage and freight		808		808	683
Special events			24,818	24,818	33,801
Other		3,300	10	3,310	8,518
Fees			1,738	1,738	1,978
	$ 875,280	$ 136,272	$ 61,591	$ 1,073,143	$ 822,334

The accompanying footnotes are an integral part of the financial statements.

GLOUCESTER COUNTY HABITAT FOR HUMANITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	2018
FROM OPERATING ACTIVITIES:	
Change in Net Assets	$ (26,381)
Add - depreciation	30,976
Mortgage payments and adjustments	38,224
New mortgage receivable loan	(142,500)
Change in grants and other receivables	23,617
Change in other receivables and assets	(1,510)
Change in certificate of deposit - Restricted	(30,000)
Change accounts payable	(13,195)
Change in escrow deposits	(6,013)
Change in refundable advances	(9,665)
Change in International Habitat Projects	(30,000)
Cash Flows from (used) in Operating Activities	(166,447)
FROM INVESTING ACTIVITIES:	
Mortage discount expense	85,781
Mortgage discount amortization	(24,742)
Change in construction work in progress	320,334
Donated property	(93,300)
Property additions - net	(22,410)
Cash Flows (used in) from Investing Activities	265,663
FROM FINANCING ACTIVITIES:	
Payments of mortgage principle	(141,625)
Payment of line of credit	(80,000)
Cash Flows used in Financing Activities	(221,625)
CHANGE IN CASH AND CASH EQUIVALENTS	(122,409)
BEGINNING CASH AND CASH EQUIVALENTS	249,487
ENDING CASH AND CASH EQUIVALENTS	$ 127,078
SUPPLEMENTAL INFORMATION:	
Interest paid	$ 3,109

The accompanying footnotes are an integral part of the financial statements.

GLOUCESTER COUNTY HABITAT FOR HUMANITY
NOTES TO THE FINANCIAL, STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose
Gloucester County Habitat for Humanity (GCHH) is a not-for-profit organization affiliated with Habitat International, Inc. Habitat acquires land and buildings for construction and renovation into affordable housing. Materials and labor are largely contributed and volunteered. In addition, the qualified partner family must provide volunteer labor as their sweat equity. GCHH assists the partner family in obtaining a mortgage on the property.

New Accounting Pronouncements Not Yet Adopted

Revenue from Contracts with Customers – In May 2014, the Financial Accounting Standards Board issued guidance that replaces the existing accounting standards for revenue recognition. The guidance requires an organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration it entitled to receive in exchange for those goods or services. The standard is effective for fiscal years beginning after December 15, 2018 and may be adopted either by restating all years presented in GCHH's financial statements or by recording the impact of adoption as an adjustment to retained earnings at the beginning of the fiscal. Early application is permitted. GCHH is assessing the potential impact this guidance will have on its financial statements.

Leases – Issued in February 2016, Accounting Standards Update (ASU) No. 2016-02 requires lessees to recognize right-of-use assets and lease liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than 12 months. This new accounting will apply to both types of leases-capital (or finance) leases and operating leases. Previously, accounting principles generally accepted in the United State of America has required only capital leases to be recognized on lessee balance sheets. The standard will take effect for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. Early application is permitted. GCHH is assessing the potential impact this guidance will have on it financial statements.

Presentation of Financial Statements of Non-for-Profit Entities – Issued in August 2016, Accounting Standards Update (ASU) No.2016-14 is intended to improve the presentation of financial statements of not-for-profit (NFP) entities and provide more useful information to donors, grantors, and other users. The ASU eliminates the distinction between resources with permanent restrictions and those with temporary restrictions form the face of NFP financial statements by reducing the current three net asset classes (unrestricted, temporarily restricted, and permanently restricted) to two classes (net assets with donor restrictions and net assets without donor restrictions). The ASU will also require additional information to be disclosed about investment return, expense classifications, liquidity and availability of resources, and presentations of operating cash flows. The standard is effective for the fiscal years beginning after December 15, 2017. Early application is permitted. GCHH is assessing the potential impact this guidance will have on its financial statements.

Basis of Presentation

The financial statement presentation follows the recommendation of the Financial Accounting Standards Board. Under these standards, GCHH is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Cash and Cash equivalents

GCHH considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of checking accounts and a money market account.

Mortgages receivable

Mortgages receivable consists of non-interest bearing mortgages which are secured by real estate and receivable in monthly installments over the life of the mortgage.

Contributions

Unconditional promises to give are recognized as revenue when the underlying promises are received by GCHH. Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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.

Donated Services and Materials

Donated services are recognized as contributions in accordance with standards of the Financial Accounting Standards Board, if the services (a) create or enhance non financial assets or (b) require specialized skills, as performed by people with those skills, and would otherwise be purchased by GCHH. GCHH does not consider that donated services by individuals with specialized skills to meet this criteria in that they would generally not be required to purchase the services. In addition a substantial number of volunteers have made significant contributions of their time to GCHH's program and supporting services. The value of this contributed time is not reflected in these financial statements since it does not meet the above criteria.

GCHH also receives donated building materials which are used in home construction. These donations are generally not significant and therefore are not included in the accompanying statements.

Transfers to Homeowners

Sales to homeowners are recorded at the gross mortgage amount. Non-interest bearing mortgages have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages. Utilizing a straight-line basis, this discount is recognized as interest income over the term of the mortgage.

Construction in Progress/ Project Income

Direct costs associated with the renovation of properties are capitalized. When the property is sold the related costs are offset against the sales price and the excess revenues or expenses are reflected in the statement of activities. Any excess revenues from the sale of a property are used to offset overhead costs and to provide for the continuation of GCHH's mission. When the property is sold the cost of construction is reflected in the Statement of Activities.

Property and Depreciation

Property and equipment are stated at cost. Depreciation is provided using the straight line method over the estimated useful lives of the related asset.

Income Taxes

GCHH has received exemption from income taxes under Section 501 (c) (3) of the Internal Revenue Code and qualifies as a public charity.

Refundable Advances – Grants

GCHH treats any grant funds that have not been earned and could be returned to the grantor if not spent as refundable advances – grants in the accompanying Statement of Financial Position.

Estimates in the Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make 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.

Subsequent Events

The Financial Accounting Standards Board has issued a standard that applies to annual financial periods ending after June 15, 2009. These standards establish principles setting forth the period after the balance sheet date during which management shall evaluate events and transactions that may occur for potential recognition or disclosure in the financial statements. For the purposes of this accounting standard, the Organization has evaluated subsequent events through October 9, 2018.

Fair Value Measurements

The Organization has adopted the Financial Accounting Standards Board's standards that apply to all assets and liabilities that are being measured and reported on a fair value basis. Under the standards new disclosures are required that establish a framework for measuring fair value in accounting principles generally accepted in the United States of

America, and expands disclosure about fair value measurements. The standards enable the reader of the financial statements to access the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values.

The standards require that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

1. Level 1: Quoted market prices in active markets for identical assets or liabilities
2. Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
3. Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to the Standards.

The carrying amounts of financial instruments including cash and cash equivalents, receivables, prepaid and payables approximates fair value due to the short maturity of these instruments.

Income Taxes

In June 2006 the Financial Accounting Standards Board issued FIN 48, Accounting for Uncertainty in Income Taxes, which prescribes how an entity should measure, recognize, present and disclose in its financial statements tax positions that an organization has taken or expects to take on its information returns. FIN 48 is effective for years beginning after December 31, 2008 for nonpublic entities.
The Organization regularly reviews and evaluates its tax positions taken in previously filed information returns with regard to issues affecting its tax exempt status, unrelated business income and related matters. Based on the Organization's evaluation of their positions relating to any relevant matters no tax benefits or liabilities are required to be recognized in accordance with FIN 48.

Advertising

Advertising costs are expensed as incurred.

2. MORTGAGE RECEIVABLE

The mortgage receivable balance at June 30, 2018 consists of 13 loans on properties developed by GCHH. These loans are non interest bearing loans with original maturities of 30 years. The balance receivable for these loans was $ 996,678 at June 30, 2018.

The amount of principal that will be collected on the above mortgages is approximately $ 38,000 per year for each of the next five years.

Effective July 1, 2013 GCHH has contracted with a service provider to service the loans and to collect the payments and to pay the escrow.

3. CONSTRUCTION IN PROGRESS

As of June 30, 2018 GCHH was in the process of renovating a number of properties for future sales under the program.

4. DISCOUNT ON MORTGAGES RECEIVABLE

GCHH accounts for their mortgages in accordance with the Habitat for Humanity International's U.S. Affiliate Accounting Policy Manual. Under this guide the non interest bearing mortgages are discounted to their present value at the time the mortgage is issued. The discounted amount is amortized over the life of the mortgage using a imputed interest rate, averaging 8 % on a straight line basis.

The following reflects the activity in the related accounts for the year ended June 30, 2018:

Unamortized Discount on Mortgages:	
Balance at June 30, 2017	$ 539,978
Discount on Mortgages Issued in 2018	85,781
Mortgage Discount Amortization for 2018	(24,741)
Balance at June 30, 2018	$ 601,016

5. ZERO EQUIVALENT MORTGAGES

Commencing in 2012 GCHH entered into an arrangement with several local financial institutions to provide mortgages to their partner families for the purchase of the completed home. The mortgages are discounted by the financial institution to achieve a monthly payment that would be the equivalent of the amount of the payment if GCHH took back a non interest bearing mortgage. As a further protection for GCHH they enter into a second mortgage (silent second) with the partner family that is the difference between the sales price of the home and amount of the financial institutions mortgage. If the property were sold, GCHH would have the right to receive this difference. Three mortgages were closed in 2018 under this arrangement with silent second mortgages of $203,640. This amount is treated as a Home Sale Adjustment in the accompanying financial statements.

6. MORTGAGE PAYABLE – INVESTORS BANK

GCHH has entered into a mortgage with a local financial institution to finance the acquisition and renovation of the property that they operate from in Pitman, NJ. The mortgage is payable in monthly installments of $ 2,893.45 including interest computed at the rate of 3.89 %. The original loan date is 3/25/2011 and the maturity date is 4/1/2031. Their property in Pitman is secured for the loan. During the current year GCHH made an additional principle payment. Future minimum principle payments for the next five years are as follows:

June 30, 2019	$ 27,047
June 30, 2020	28,118
June 30, 2021	29,232
June 30, 2022	30,390
June 30, 2023	31,593

7. LINE OF CREDIT

In March 2011 GCHH entered into a line of credit arrangement with a local financial institution in the amount of $ 150,000. Interest on any outstanding balance is computed using a variable NY prime rate as published in the Wall Street Journal. As of June 30, 2018 there was no balance payable on the line.

8. LETTER OF CREDIT

During the year GCHH obtained a Letter of Credit in the amount of $ 30,000 from a local bank. The beneficiary of the letter of credit is the New Jersey Department of Environmental Protection, Site Remediation and Waste Management Program. The letter of credit relates to GCHH's property on Leona Avenue. At the time of the issuance of the letter of credit GCHH opened a certificate of deposit in the amount of $ 30,000 which is restricted by the letter of credit.

9. FUNCTIONAL ALLOCATION OF EXPENSES

Expenses are apportioned to program, management and general and fund raising functions based on specific or estimated allocations.

10. TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL

GCHH annually remits a portion of its unrestricted contributions (excluding in kind contributions) to Habitat for Humanity International. GCHH remitted to Habitat for Humanity International a SOSI (Stewardship and Organization Sustainability Initiative) fee of $ 15,000 for additional support provided by them. This amount is included in direct program costs in the Statement of Activities. The total paid to Habitat International amounted to $ 15,000 for the year.

11. RESTORE PROGRAM

In a prior year GCHH commenced a "ReStore Program". Under this program GCHH sells donated building materials and household items to the public at retail. Income that is received from this program is used to support GCHH's building program. Financial results of the ReStore operation is presented net of direct expenses in the accompanying statement of activities. The mission of the ReStore operation is to offset the management & general expenses of the Organization.

12. LEONA AVENUE

During a prior year GCHH was donated a property (land and building) located in Woodbury, NJ. The property was valued at $ 215,000 at the time of the donation. This amount is included in the Statement of Activities. Additional costs have been incurred in the amount of approximately $ 115,000. The property is to be used as a construction warehouse as well as a storage site for the Restore Program.

13. CALCULATION OF OVERHEAD RATIO

The overhead ratio is calculated as follows. In computing the ratio, GCHH deducts the Net Income from the Restore Program from both the numerator and denominator, as the purpose of the Restore Program is to offset the administrative expenses of the Organization.

Numerator:	
Administrative Expenses	$ 136,272
Fund Raising Expenses	61,591
Less – Net Income from Restore Program	(176,037)
Total Numerator	21,826
Denominator:	
Total Support and Revenue –net of Restore	$ 870,725
OVERHEAD RATIO	2.5 %

14. COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the GCHH'S financial statements for the year ended June 30, 2017.