

**HABITAT FOR HUMANITY
OF LA PLATA COUNTY, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2011

(With Comparative Totals for June 30, 2010)

CONTENTS

<u>Independent Auditors' Report</u>	1
<u>Financial Statements</u>	
Statement of Financial Position	2-3
Statement of Activity	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-13



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Habitat for Humanity of La Plata County, Inc.

We have audited the accompanying statement of financial position of Habitat for Humanity of La Plata County, Inc., as of June 30, 2011, and the related statements of activity, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on the financial statements based on our audit. The prior year summarized comparative information has been derived from Habitat for Humanity of La Plata County, Inc.'s June 30, 2010 financial statements, which were audited by other auditors whose report dated October 1, 2010 expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of La Plata County, Inc., as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads 'Bauerle and Company, P.C.'.

Bauerle and Company, P.C.

August 16, 2011
Denver, Colorado

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010**

ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash - Unrestricted	\$ 152,716	\$ 68,297
Cash - Restricted	2,555	-
Promises to Give	6,039	1,909
Current Portion of Mortgages Receivable - Net	15,766	27,906
Inventory - Building Supplies	-	1,980
Prepaid Expenses	679	5,964
Construction in Progress	<u>276,560</u>	<u>393,688</u>
Total Current Assets	<u>454,315</u>	<u>499,744</u>
PROPERTY AND EQUIPMENT - AT COST		
Leasehold Improvements	60,854	1,384
Vehicles	20,674	20,674
Equipment and Furniture	<u>18,664</u>	<u>22,123</u>
	100,192	44,181
Less: Accumulated Depreciation	<u>43,096</u>	<u>36,846</u>
Property and Equipment - Net	<u>57,096</u>	<u>7,335</u>
LONG-TERM ASSETS		
Long-Term Portion of Mortgages Receivable - Net	<u>507,996</u>	<u>446,143</u>
TOTAL ASSETS	<u>\$ 1,019,407</u>	<u>\$ 953,222</u>

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

LIABILITIES AND NET ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 9,581	\$ 20,382
Deferred Gain - Current Portion	23,213	17,835
Notes Payable - Due Within One Year	4,753	5,845
Line-of-Credit Payable	-	25,000
Accrued Payroll Liabilities	6,249	-
Other Current Liabilities	3,692	-
	<u>47,488</u>	<u>69,062</u>
LONG-TERM LIABILITIES		
Deferred Gain - Long-Term	525,695	457,119
Notes Payable - Due After One Year	19,221	23,750
	<u>544,916</u>	<u>480,869</u>
Total Liabilities	<u>592,404</u>	<u>549,931</u>
NET ASSETS		
Unrestricted	194,199	92,923
Temporarily Restricted	232,804	310,368
	<u>427,003</u>	<u>403,291</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,019,407</u>	<u>\$ 953,222</u>

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

**STATEMENT OF ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2011
(With Comparative Totals for the Year Ended June 30, 2010)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2011</u>	<u>Total 2010</u>
CHANGES IN NET ASSETS:				
Revenues and Support:				
Contributions	\$ 28,300	\$ 6,600	\$ 34,900	\$ 38,002
Grants	7,667	49,878	57,545	92,022
Donated Services and Materials	-	72,812	72,812	235,951
Sale to Homeowners	323,119	-	323,119	333,300
Mortgage Discount Amortization	62,575	-	62,575	36,460
Special Events Income	41,772	-	41,772	49,634
Outlet Store Revenue	268,114	-	268,114	289,624
Amortization of Deferred Gain	23,213	-	23,213	17,835
Interest Income	61	-	61	-
Miscellaneous Income	20,905	-	20,905	6,487
Gain on Sale of Mortgage	5,734	-	5,734	-
Gain on Sale of Property	122,340	-	122,340	-
(Loss) on Sale of Fixed Assets	(1,331)	-	(1,331)	-
Net Assets Released from Restriction	206,854	(206,854)	-	-
TOTAL REVENUES AND SUPPORT	<u>1,109,323</u>	<u>(77,564)</u>	<u>1,031,759</u>	<u>1,099,315</u>
Expenses:				
Program Services	665,777	-	665,777	650,734
Outlet Store	243,223	-	243,223	213,834
Fundraising	64,607	-	64,607	47,705
Management and General	34,440	-	34,440	69,857
TOTAL EXPENSES	<u>1,008,047</u>	<u>-</u>	<u>1,008,047</u>	<u>982,130</u>
INCREASE (DECREASE) IN NET ASSETS	101,276	(77,564)	23,712	117,185
NET ASSETS - BEGINNING OF YEAR	<u>92,923</u>	<u>310,368</u>	<u>403,291</u>	<u>286,106</u>
NET ASSETS - END OF YEAR	<u>\$ 194,199</u>	<u>\$ 232,804</u>	<u>\$ 427,003</u>	<u>\$ 403,291</u>

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

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011
(With Comparative Totals for the Year Ended June 30, 2010)**

	Program Services	Outlet Store	Fundraising	Management and General	Total 2011	Total 2010
Expenses:						
Advertising, Printing and Publication	\$ 2,399	\$ 5,639	\$ 800	\$ -	\$ 8,838	\$ 11,761
Bank and Credit Card Fees	6,454	3,991	807	807	12,059	619
Conferences, Meals and Entertainment	2,620	-	1,209	1,209	5,038	1,956
Construction Costs	545,697	-	-	-	545,697	567,564
Special Events Expenses	-	-	13,063	-	13,063	-
Depreciation	3,849	4,555	52	1,306	9,762	2,685
Employee Benefits	4,624	3,157	1,268	393	9,442	17,618
Insurance	3,307	5,171	400	252	9,130	4,754
Interest Expense	957	-	119	119	1,195	887
Miscellaneous	6,534	-	78	-	6,612	5,496
Office Expenses	7,609	6,057	2,397	417	16,480	15,174
Payroll Taxes	6,617	8,685	1,814	562	17,678	18,270
Professional Fees	14,199	-	2,444	1,404	18,047	28,066
Rent	15,652	73,162	2,795	186	91,795	73,990
Repairs and Maintenance	-	1,351	-	-	1,351	1,142
Salaries and Wages	27,522	114,759	36,985	27,685	206,951	208,366
Telephone and Utilities	6,729	10,952	376	100	18,157	16,032
Tithe	11,008	-	-	-	11,008	1,500
Vehicles Expenses	-	5,744	-	-	5,744	6,250
TOTAL EXPENSES	\$ 665,777	\$ 243,223	\$ 64,607	\$ 34,440	\$ 1,008,047	\$ 982,130

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

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011
(With Comparative Totals for the Year Ended June 30, 2010)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in Net Assets	\$ 23,712	\$ 117,185
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used in Operating Activities:		
Loss on Sale of Fixed Assets	1,331	-
Depreciation Expense	9,762	2,685
Mortgage Discount Amortization	36,642	(36,460)
Amortization of Deferred Gain	73,954	(17,835)
(Increase) Decrease in Promises to Give	(4,130)	72,322
Decrease in Other Receivables	-	2,105
Decrease in Inventory	1,980	-
(Increase) Decrease in Construction in Progress	117,128	(73,659)
Decrease in Prepaid Expenses	5,285	11,282
(Decrease) in Accounts Payable	(10,801)	(24,980)
Increase in Other Accrued Liabilities	9,941	-
Net Cash Provided By		
 Operating Activities	<u>264,804</u>	<u>52,645</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(60,854)	-
Mortgage Loans Made	(322,399)	(127,400)
Mortgage Payments Received	236,044	94,535
Net Cash (Used In)		
 Investing Activities	<u>(147,209)</u>	<u>(32,865)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from New Notes Payable	-	61,250
(Payments) on Notes Payable	(5,621)	-
(Payments) on Line-of-Credit	(25,000)	(124,642)
Net Cash (Used In)		
 Financing Activities	<u>(30,621)</u>	<u>(63,392)</u>
NET INCREASE (DECREASE) IN CASH	86,974	(43,612)
CASH AT BEGINNING OF YEAR	<u>68,297</u>	<u>111,909</u>
CASH AT END OF YEAR	<u>\$ 155,271</u>	<u>\$ 68,297</u>
<u>SUPPLEMENTAL DISCLOSURE:</u>		
Interest Paid	<u>\$ 1,195</u>	<u>\$ 887</u>

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

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

(With Comparative Totals for June 30, 2010)

1 Summary of Significant Accounting Policies.

Nature of Organization. The Organization is a non-profit, tax-exempt Organization formed to construct and renovate homes with and for people in need. The Organization is an exempt organization under Section 501(c) (3) of the Internal Revenue Code of 1954, as amended; and accordingly, a provision for income taxes has not been made. The Internal Revenue Service has determined the Organization is not a private foundation.

Method of Accounting. The financial statements of the Organization are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other assets and liabilities.

Comparative Financial Information. The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. The prior year presentation 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 audited financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Financial Statement Presentation. Financial statement presentation follows the requirements under Generally Accepted Accounting Principles for Not-for-Profit Organizations. Under this presentation the Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted, temporarily restricted, and permanently restricted net assets. Unrestricted net assets come primarily from donations, grants, outlet store revenue, sales to homeowners, and contributions and are used by the Organization for program or supporting services. Temporarily restricted net assets are those net assets whose use has been limited by donors to later periods of time, after specified dates or to specified purposes. Permanently restricted net assets must be maintained in perpetuity.

Contributions. The Organization records unconditional contributions in accordance with the requirements of Generally Accepted Accounting Principles for Not-for-Profit Organizations. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activity as Net Assets Released from Restrictions.

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

(With Comparative Totals for June 30, 2010)

1 Summary of Significant Accounting Policies. (Continued)

Recognition of Revenue and Support. The Organization reports unconditional gifts of cash or other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activity as Net Assets Released from Restrictions.

Conditional promises to give are recognized as support when the conditions on which they depend are substantially met. Assets received with a conditional promise for use of those assets are accounted for as refundable advances, until the conditions on which they depend are substantially met.

Donations of assets are recorded at estimated fair market value.

Grants are reported as revenue at the time the grant is obtained.

Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents. For purpose of the Statement of Cash Flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Fair Value of Financial Instruments. The Organization's financial instruments include cash and cash equivalents, receivables, accounts payable, and short-term borrowings. The fair value of these financial instruments approximates their carrying amounts based on current market indicators such as prevailing interest rates and their nearness to maturity.

Donated Services. Donated services are recognized as contributions in accordance with Generally Accepted Accounting Principles for Not-for-Profit Organizations, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. During the years ended June 30, 2011 and 2010, the Organization received and recognized \$72,812 and \$235,951, respectively, of donated professional services. Volunteers also provided assistance with specific programs and fund-raising events throughout the year that were not recognized as contributions in the financial statements because the recognition criteria were not met.

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

(With Comparative Totals for June 30, 2010)

1 Summary of Significant Accounting Policies. (Continued)

Functional Allocation of Expenses. The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Program activities are those that are conducted in accordance with the Organization's nature of operations and certain necessary costs. Management and general activities are those that are not identifiable with a single program or fundraising activity, but that are indispensable to the conduct of those activities and to an organizations existence. Fundraising activities involve inducing potential donors to contribute money, securities, services, materials, facilities, other assets or time. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses by function have been allocated based upon management's estimates of the time each employee spends working in each category or the percentage of office space devoted to each category.

Property and Equipment. Property and equipment is carried at cost or fair-market value at date of contribution. Property and equipment acquired with an estimated useful life in excess of one year is capitalized and depreciated using the straight-line method over the estimated useful lives of the assets.

Donations of assets are recorded at estimated fair market value. Long-lived assets are recorded without implying a time restriction, therefore increasing unrestricted net assets at the fair market value in the year which the assets are received.

Concentration of Credit Risk. Financial instruments that potentially subject the Organization to credit risk consist primarily of the following:

Cash. From time to time, the Organization may maintain cash balances in a financial institution in excess of the FDIC insured limit.

Mortgages Receivable. The Organization constructs homes to be sold with interest-free mortgages. These mortgages are discounted based upon the prevailing market interest rates at the inception of the mortgage. The rates determined by the IRS used to discount the mortgages funded in 2011 and 2010 were 7.69% and 7.81%, respectively. The discounts are amortized over the life of the mortgages on a straight-line basis. From time to time, the Organization may sell mortgages rather than hold them to term. In this situation the Organization discounts the mortgage based upon the estimated time they will hold the mortgage before sale.

Construction in Progress. All costs incurred in constructing a home are capitalized. These costs include donated goods and services associated with the individual project. These accumulated costs are not subject to depreciation.

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

(With Comparative Totals for June 30, 2010)

1 Summary of Significant Accounting Policies. (Continued)

Income Tax Status. The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from activities not directly related to the Organization's tax exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(ii) and has been classified as an organization other than a private foundation under Section 509(a)(1).

In accordance with Generally Accepted Accounting Principles, a private entity is required to disclose any material uncertain tax positions that management believes does not meet a "more-likely-than-not" standard of being sustained under an income tax audit, and to record a liability for any such taxes including penalty and interest. Management of the Organization has not identified any uncertain tax positions that require the recording of a liability mentioned above or further disclosure.

Advertising. The Organization uses advertising to promote among the audience it serves. The production costs of advertising are expensed as incurred. Advertising costs totaled \$8,838 and \$11,761, during the years ended June 30, 2011 and 2010, respectively.

Variable Interest Entities. The "Consolidation of Variable Interest Entities" topic of the Accounting Standards Codification requires variable interest entities to be consolidated for financial statement presentation. The objective is to improve the financial reporting by organizations involved in variable interest entities. Management of the Organization has not identified any variable interest entities that require consolidation.

Subsequent Events. In preparing its financial statements, the Organization has evaluated subsequent events through August 16, 2011, which is the date the financial statements were available to be issued. Management of the Organization has not identified any material subsequent events that require reporting or disclosure.

Reclassifications. Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the current year presentation.

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

(With Comparative Totals for June 30, 2010)

2 Property and Equipment.

Property and equipment, net of accumulated depreciation, consisted of the following at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Leasehold Improvements	\$ 53,754	\$ 1,223
Vehicles	1,508	2,514
Equipment and Furniture	1,834	3,598
	<u>\$ 57,096</u>	<u>\$ 7,335</u>

Depreciation expense charged to operations for the years ended June 30, 2011 and 2010, was \$9,762 and \$2,685, respectively.

3 Unconditional Promises to Give.

The Organization has unconditional promises to give of \$6,039 and \$1,909, respectively, at June 30, 2011 and 2010. There are no long-term commitments related to the receivables.

4 Mortgages Receivable.

Mortgages receivable at June 30, 2011 and 2010, are as follows:

	<u>2011</u>	<u>2010</u>
Mortgage Loans Receivable	\$ 1,156,665	\$ 1,069,590
Related Discounts	(632,903)	(595,541)
Total Mortgages Receivable	523,762	474,049
Less: Current Portion, Net of Discounts	(15,766)	(27,906)
Net Mortgages Receivable	<u>\$ 507,996</u>	<u>\$ 446,143</u>

The following are future maturities of the notes receivable for the years ending June 30:

2012	\$ 54,133
2013	54,133
2014	54,133
2015	54,133
2016 and Beyond	940,133
	<u>\$ 1,156,665</u>

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

(With Comparative Totals for June 30, 2010)

4 Mortgages Receivable. (Continued)

At June 30, 2011 and 2010, the Organization had thirteen and fourteen outstanding mortgage receivables, respectively, with applicable discount rates ranging from 7.69% to 8.34%. The discount rates are set by Habitat for Humanity International based on the annual simple average of the rates published by the Internal Revenue Service under 2010-5 section 42(B)(2) for buildings placed into service during the period. The rate in effect at the time the loan is made is the rate that is used to discount the mortgage. During the years ended June 30, 2011 and 2010, the Organization funded two new mortgages in both years, in the amounts of \$323,119 and \$330,000, respectively. When the mortgages are funded the Discount to Net Present Value is calculated and expensed.

5 Notes Payable.

The following is a summary of the notes payable at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Housing Solutions (payable in annual installments of \$3,125, with 0.0% interest; matures April 10, 2015; secured by receivables)	\$ 12,500	\$ 15,625
Habitat for Humanity International, Inc. (two notes payable in monthly installments of \$52 and \$234, with 0.0% interest; maturing January 1, 2011 and 2016, secured by future donations)	<u>11,474</u>	<u>13,970</u>
	23,974	29,595
Less: Current Maturities Included in Current Liabilities	<u>4,753</u>	<u>5,845</u>
Notes Payable – Due After One Year	<u>\$ 19,221</u>	<u>\$ 23,750</u>

The following are future maturities of the notes payable for the years ending June 30:

2012	\$ 4,753
2013	5,933
2014	5,933
2015	5,933
2016	<u>1,422</u>
	<u>\$ 23,974</u>

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2011

(With Comparative Totals for June 30, 2010)

6 Line-of-Credit.

The Organization has negotiated a \$100,000 line-of-credit with Alpine Bank. The line is secured by all assets and the deed of trust for Lot 34A of Fox Farm Village, and bears interest of 6.0%. The line matures on July 20, 2011. The outstanding balance on this line at June 30, 2011 and 2010, was \$-0- and \$25,000, respectively.

7 Temporarily Restricted Contributions.

The Organization receives contributions from various organizations and individuals, which are temporarily restricted. At June 30, 2011 and 2010, temporarily restricted contributions are related to the development of Fox Farm Village and have balances of \$232,804 and \$310,368, respectively.

8 Operating Lease.

The Organization leases office space and commercial outlet space under non-cancelable operating leases. The minimum future lease payments for the years ending June 30, are as follows:

2012	\$ 67,200
2013	67,200
2014	67,200
2015	67,200
2016	22,400
	<u>\$ 291,200</u>

9 Deferred Revenue.

From time to time, the Organization sells mortgages to a third party. The revenues from the sales are amortized over the life of the mortgages. Deferred revenue related to these mortgage sales is \$548,908 and \$474,954, at June 30, 2011 and 2010, respectively.