

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

FINANCIAL STATEMENTS

JUNE 30, 2013

(With Comparative Totals for June 30, 2012)

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity of La Plata County, Inc., which comprise the statement of financial position as of June 30, 2013, and the related statements of activity, functional expenses, and cash flows for the year 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 the financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 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 an audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of La Plata County, Inc., as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Habitat for Humanity of La Plata County, Inc.'s 2012 financial statements, and our report dated August 16, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bauerle and Company, P.C.
Bauerle and Company, P.C.
Denver, Colorado

October 30, 2013

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012**

ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash - Unrestricted	\$ 31,107	\$ 50,446
Cash - Restricted	9,704	2,510
Total Cash	<u>40,811</u>	<u>52,956</u>
Accounts Receivable	600	-
Grants Receivable	-	6,413
Current Portion of Mortgages Receivable - Net	19,403	15,178
Inventory	2,019	300
Property Held for Sale	-	181,415
Construction-in-Progress	<u>174,708</u>	<u>185,499</u>
Total Current Assets	<u>237,541</u>	<u>441,761</u>
PROPERTY AND EQUIPMENT - AT COST		
Leasehold Improvements	65,360	62,117
Vehicles	44,924	20,674
Equipment and Furniture	<u>20,514</u>	<u>20,514</u>
	130,798	103,305
Less: Accumulated Depreciation	<u>72,637</u>	<u>56,499</u>
Property and Equipment - Net	<u>58,161</u>	<u>46,806</u>
LONG-TERM ASSETS		
Long-Term Portion of Mortgages Receivable - Net	<u>738,880</u>	<u>542,155</u>
TOTAL ASSETS	<u>\$ 1,034,582</u>	<u>\$ 1,030,722</u>

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

LIABILITIES AND NET ASSETS

	<u>2013</u>	<u>2012</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 71,919	\$ 24,574
Notes Payable - Due Within One Year	30,087	5,933
Deferred Revenue	-	10,000
Accrued Payroll Liabilities	8,494	10,049
Other Current Liabilities	<u>2,930</u>	<u>2,450</u>
 Total Current Liabilities	113,430	53,006
LONG-TERM LIABILITIES		
Notes Payable - Due After One Year	<u>144,042</u>	<u>19,207</u>
 Total Liabilities	<u>257,472</u>	<u>72,213</u>
NET ASSETS		
Unrestricted	777,110	866,655
Temporarily Restricted	<u>-</u>	<u>91,854</u>
 Total Net Assets	<u>777,110</u>	<u>958,509</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,034,582</u>	 <u>\$ 1,030,722</u>

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

**STATEMENT OF ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2013</u>	<u>Total 2012</u>
CHANGES IN NET ASSETS:				
Revenues and Support:				
Contributions	\$ 15,399	\$ 27,084	\$ 42,483	\$ 52,157
Grants	17,194	55,981	73,175	86,210
Donated Services and Materials	-	1,253	1,253	23,116
Sale to Homeowners	463,770	-	463,770	156,623
Mortgage Discount Amortization	50,263	-	50,263	39,101
Proceeds from Second Mortgage	66,700	-	66,700	66,819
Rental Income	2,750	-	2,750	3,335
Special Events Income	52,915	-	52,915	38,946
Outlet Store Revenue	297,258	-	297,258	281,379
Miscellaneous Income	3,493	-	3,493	3,527
Gain on Sale of Assets	3,733	-	3,733	6,000
Net Assets Released from Restriction	<u>176,172</u>	<u>(176,172)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	<u>1,149,647</u>	<u>(91,854)</u>	<u>1,057,793</u>	<u>757,213</u>
Expenses:				
Program Services	874,927	-	874,927	416,043
Outlet Store	247,004	-	247,004	243,094
Fundraising	75,936	-	75,936	70,867
Management and General	<u>41,325</u>	<u>-</u>	<u>41,325</u>	<u>44,612</u>
TOTAL EXPENSES	<u>1,239,192</u>	<u>-</u>	<u>1,239,192</u>	<u>774,616</u>
INCREASE (DECREASE) IN NET ASSETS	(89,545)	(91,854)	(181,399)	(17,403)
NET ASSETS - BEGINNING OF YEAR	<u>866,655</u>	<u>91,854</u>	<u>958,509</u>	<u>975,912</u>
NET ASSETS - END OF YEAR	<u>\$ 777,110</u>	<u>\$ -</u>	<u>\$ 777,110</u>	<u>\$ 958,509</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, 2013
(With Comparative Totals for the Year Ended June 30, 2012)**

	<u>Program Services</u>	<u>Outlet Store</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total 2013</u>	<u>Total 2012</u>
Expenses:						
Advertising, Printing, and Publication	\$ 210	\$ 8,227	\$ 70	\$ -	\$ 8,507	\$ 11,151
Bank and Credit Card Fees	568	4,528	71	71	5,238	5,359
Conferences, Meals, and Entertainment	663	-	306	306	1,275	2,662
Construction Costs	526,135	-	-	-	526,135	194,346
Depreciation	5,555	8,631	75	1,877	16,138	14,677
Dues and Subscriptions	774	-	774	-	1,548	3,243
Education and Training	619	-	-	-	619	442
Employee Benefits	4,345	1,813	1,174	353	7,685	8,667
Insurance	4,202	4,334	500	300	9,336	10,912
Interest Expense	3,221	167	403	403	4,194	-
Licenses and Fees	2,184	-	-	-	2,184	864
Mortgage Discount Expense	207,664	-	-	-	207,664	94,402
Office Expenses	6,228	7,942	1,962	342	16,474	25,326
Payroll Taxes	4,726	11,685	4,861	3,916	25,188	23,648
Professional Fees	7,608	-	1,348	675	9,631	20,935
Rent	15,852	56,617	2,831	189	75,489	76,550
Repairs and Maintenance	-	-	-	-	-	346
Salaries and Wages	62,913	124,129	49,826	32,831	269,699	237,210
Special Events Expenses	-	-	11,422	-	11,422	9,876
Telephone and Utilities	5,876	11,952	313	62	18,203	16,990
Tithe	12,511	-	-	-	12,511	7,260
Vehicles Expenses	-	6,979	-	-	6,979	6,797
Volunteer and Event Expenses	3,073	-	-	-	3,073	2,953
TOTAL EXPENSES	\$ 874,927	\$ 247,004	\$ 75,936	\$ 41,325	\$ 1,239,192	\$ 774,616

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, 2013
(With Comparative Totals for the Year Ended June 30, 2012)**

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Decrease) in Net Assets	\$ (181,399)	\$ (17,403)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Depreciation Expense	16,138	14,677
Mortgage Discount Amortization	157,486	55,303
(Increase) Decrease in Grants Receivable	6,413	(374)
(Increase) in Accounts Receivable	(600)	-
(Increase) in Inventory - ReStore	(1,719)	(300)
(Increase) Decrease in Property Held for Sale	181,415	(181,415)
Decrease in Construction-in-Progress	10,791	91,061
Decrease in Prepaid Expenses	-	679
Increase in Accounts Payable	47,345	14,993
Increase (Decrease) in Deferred Revenue	(10,000)	10,000
Increase (Decrease) in Other Accrued Liabilities	(1,075)	2,558
Net Cash Provided By (Used In)		
Operating Activities	<u>224,795</u>	<u>(10,221)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(27,493)	(4,387)
Mortgage Loans Made	(433,720)	(156,623)
Mortgage Payments Received	75,284	67,750
Net Cash (Used In)		
Investing Activities	<u>(385,929)</u>	<u>(93,260)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from New Notes Payable	164,250	5,919
(Payments) on Notes Payable	(15,261)	(4,753)
Net Cash Provided By		
Financing Activities	<u>148,989</u>	<u>1,166</u>
NET (DECREASE) IN CASH	(12,145)	(102,315)
CASH AT BEGINNING OF YEAR	<u>52,956</u>	<u>155,271</u>
CASH AT END OF YEAR	<u>\$ 40,811</u>	<u>\$ 52,956</u>
<u>SUPPLEMENTAL DISCLOSURE:</u>		
Interest Paid	<u>\$ 4,194</u>	<u>\$ -</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, 2013

(With Comparative Totals for June 30, 2012)

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, 2012, 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, 2013

(With Comparative Totals for June 30, 2012)

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, 2013 and 2012, the Organization received and recognized \$1,253 and \$23,116, 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, 2013

(With Comparative Totals for June 30, 2012)

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.

To mitigate exposure, the Organization chooses to maintain separate bank accounts for exclusive use with specific grants and programs. The funds in these accounts are restricted to be disbursed only as stipulated by the donors. The balance in these accounts at June 30, 2013 and 2012, was \$9,704 and \$2,510, respectively.

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 for the years ended June 30, 2013 and 2012, were 7.39% and 7.50%, 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 gain or loss on sale of the mortgages is recorded in the year in full in the year in which the mortgage is sold.

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013

(With Comparative Totals for June 30, 2012)

1 Summary of Significant Accounting Policies. (Continued)

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.

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. The years still open for income tax examinations are June 30, 2010 through 2013.

Advertising. The Organization uses advertising to promote among the audience it serves. The production costs of advertising are expensed as incurred. Advertising costs totaled \$8,507 and \$11,151, respectively, during the years ended June 30, 2013 and 2012.

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 October 30, 2013, 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.

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013

(With Comparative Totals for June 30, 2012)

2 Property and Equipment.

Property and equipment, net of accumulated depreciation, consisted of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Leasehold Improvements	\$ 32,546	\$ 42,706
Vehicles	23,443	503
Equipment and Furniture	<u>2,172</u>	<u>3,597</u>
	<u>\$ 58,161</u>	<u>\$ 46,806</u>

Depreciation expense charged to operations for the years ended June 30, 2013 and 2012, was \$16,138 and \$14,677, respectively.

3 Grants Receivable.

The Organization has Grants Receivable to give of \$-0- and \$6,413, respectively, at June 30, 2013 and 2012. There are no long-term commitments related to the receivables.

4 Mortgages Receivable.

Mortgages Receivable at June 30, 2013 and 2012, are as follows:

	<u>2013</u>	<u>2012</u>
Mortgage Loans Receivable	\$ 1,603,974	\$ 1,245,537
Related Discounts	(845,691)	(688,204)
Total Mortgages Receivable	758,283	557,333
Less: Current Portion, Net of Discounts	(19,403)	(15,178)
Net Long-Term Mortgages Receivable	<u>\$ 738,880</u>	<u>\$ 542,155</u>

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

2014	\$ 77,126
2015	77,126
2016	77,126
2017	77,126
2018	77,126
2019 and Beyond	<u>1,218,344</u>
	<u>\$ 1,603,974</u>

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013

(With Comparative Totals for June 30, 2012)

4 Mortgages Receivable. (Continued)

At June 30, 2013 and 2012, the Organization had seventeen and fourteen outstanding mortgage receivables, respectively, with applicable discount rates ranging from 7.39% 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 2011-5 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, 2013 and 2012, the Organization funded three and one new mortgage(s), respectively, in the amounts of \$433,720 and \$156,623, respectively. When the mortgages are funded, the discount to net present value is calculated and expensed. Mortgage discount expense for the years ended June 30, 2013 and 2012, was \$207,664 and \$94,402, respectively.

5 Notes Payable.

The following is a summary of the notes payable at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Housing Solutions (payable in annual installments of \$3,125, with 0.0% interest; matures April 10, 2015; secured by receivables)	\$ 6,250	\$ 9,375
Habitat for Humanity International, Inc. (two notes payable in monthly installments of \$234 and \$123, with 0.0% interest; maturing January 1, 2016 and January 1, 2018, respectively; secured by future donations)	12,957	15,765
First National Bank (payable in monthly installments of \$2,022, with 3.5% interest; matures December 15, 2019; secured by five deeds of trust and promissory notes)	140,672	-
First National Bank (payable in annual installments of \$5,157, with 3.99% interest; matures June 6, 2016; secured by a vehicle)	14,250	-
	<u>174,129</u>	<u>25,140</u>
Less: Current Maturities Included in Current Liabilities	<u>30,087</u>	<u>5,933</u>
Notes Payable – Due After One Year	<u>\$ 144,042</u>	<u>\$ 19,207</u>

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013

(With Comparative Totals for June 30, 2012)

5 Notes Payable. (Continued)

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

2014	\$ 30,087
2015	32,455
2016	28,859
2017	23,265
2018 and Thereafter	<u>59,463</u>
	<u>\$ 174,129</u>

6 Line-of-Credit.

The Organization has negotiated a \$60,000 line-of-credit with Wells Fargo Bank, N.A. The line bears interest of the prime rate plus 1.75%, with a floor rate of 5.0% and is unsecured. The line matures on November 19, 2013. The outstanding balance on this line at June 30, 2013 and 2012, was \$-0-, for both years.

7 Temporarily Restricted Contributions.

The Organization receives contributions from various organizations and individuals, which are temporarily restricted. At June 30, 2013 and 2012, Temporarily Restricted Contributions are related to the development of Fox Farm Village and have balances of \$-0- and \$91,854, 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:

2014	\$ 76,800
2015	76,800
2016	<u>25,600</u>
	<u>\$ 179,200</u>

HABITAT FOR HUMANITY OF LA PLATA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2013

(With Comparative Totals for June 30, 2012)

9 Rental Income.

During the year ended June 30, 2012, the Organization completed construction on two homes and funded one mortgage. The second home had been awarded to a homeowner, however, the homeowner had not met all the requirements to become a homeowner under Habitat for Humanity International standards. The Organization agreed to lease the home to the homeowner while the obligations are being met. During the year ended June 30, 2013, the qualified homeowner met the necessary obligations and took ownership of the home. The lease ended December 31, 2012. Rental income under the lease for the years ended June 30, 2013 and 2012, was \$2,750 and \$3,335, respectively.

10 Reclassifications.

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

11 Prior Period Adjustment

The June 30, 2012 balances for the current and long-term Deferred Gain on the Liability section of the Balance Sheet have been restated to conform with the Habitat for Humanity International financial policies regarding revenue recognition on the sale of mortgages for its affiliates. The gain previously deferred relates to a program with the Colorado Housing and Finance Authority (CHFA) where-in mortgages are sold directly to CHFA. Previously, the gain on the sale of mortgages was deferred and recognized over the life of the mortgage. During 2013, the method used was modified to recognize the gain at the time of the sale. The accounting policy to be used hereafter has been included in Footnote 1 under Mortgages Receivable. The Organization did not sell any mortgages during the years ended June 30, 2013 and 2012. The effect on the financial statements is an increase in Unrestricted Net Assets in the amounts of \$525,696 and \$548,909, respectively, for the years ended June 30, 2013 and 2012. This adjustment also decreases the prior year Change in Net Assets by \$23,213, for the year ended June 30, 2012.