

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2011 AND 2010**

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Habitat for Humanity of Collier County, Inc.  
Naples, Florida

We have audited the accompanying statements of financial position of Habitat for Humanity of Collier County, Inc., (the "Organization"), a nonprofit organization, as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these 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 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 audits provide 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 Collier County, Inc., as of June 30, 2011 and 2010, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*LarsonAllen LLP*  
LarsonAllen LLP

Naples, Florida  
November 16, 2011



(1)

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**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2011 AND 2010**

	2011	2010
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,513,945	\$ 3,333,063
Grants Receivable	545,000	234,000
Other Receivables and Other Assets	1,041,173	1,576,375
Deferred Gifts Receivable	-	362,575
Prepaid Insurance	81,567	38,284
First Mortgage Notes Receivable, Net	29,205,108	26,077,010
Second Mortgage Notes Receivable	30,000	30,000
Houses Under Construction	3,189,831	4,640,228
Houses Available for Sale	695,811	213,762
Land and Land Improvements	24,425,496	24,811,862
Property and Equipment, Net	3,873,299	3,902,985
 Total Assets	 \$ 65,601,230	 \$ 65,220,144
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 264,119	\$ 629,770
Accrued Construction Costs	73,730	73,730
Deposits on Houses	14,500	18,500
Escrow Deposits From Homeowners	548,266	740,655
Line of Credit	1,000,000	-
Due from Homeowner Associations	24,260	-
Notes Payable	4,049,845	3,152,157
Total Liabilities	5,974,720	4,614,812
<b>NET ASSETS</b>		
Unrestricted	55,753,211	56,254,482
Investment in Property and Equipment	3,873,299	3,902,985
Total Unrestricted	59,626,510	60,157,467
Temporarily Restricted	-	447,865
Total Net Assets	59,626,510	60,605,332
 Total Liabilities and Net Assets	 \$ 65,601,230	 \$ 65,220,144

See accompanying Notes to Financial Statements.

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2011**

	Unrestricted	Temporarily Restricted	Total
<b>OPERATING REVENUES AND SUPPORT</b>			
Contributions	\$ 4,775,601	\$ -	\$ 4,775,601
In-kind Contributions	116,094	-	116,094
Sales of Completed Houses	11,205,000	-	11,205,000
Collections on Second Mortgages	10,000	-	10,000
Grants	1,385,062	-	1,385,062
Investment Return	2,089	-	2,089
Thrift Shop Revenue	817,842	-	817,842
Other Revenue	348,315	-	348,315
Total Operating Revenue and Support - Before Releases from Restrictions	18,660,003	-	18,660,003
Net Assets Released from Restrictions	447,865	(447,865)	-
Total Operating Revenue and Support	19,107,868	(447,865)	18,660,003
 <b>OPERATING EXPENSES</b>			
Program Services	12,156,814	-	12,156,814
Management and General	636,600	-	636,600
Fund-Raising	374,219	-	374,219
Thrift Shop	363,523	-	363,523
Total Operating Expenses	13,531,156	-	13,531,156
 <b>OPERATING INCREASE IN NET ASSETS</b>	5,576,712	(447,865)	5,128,847
 <b>NONOPERATING ACTIVITIES</b>			
Mortgage Discounts on Homes Sold	(7,068,063)	-	(7,068,063)
Loss on Impairment of Asset	(2,474,407)	-	(2,474,407)
Gain on Sale of Mortgages	1,043,900	-	1,043,900
Gain on Paid-Off Mortgages	(6,650)	-	(6,650)
Amortization of Mortgage Discounts	2,397,551	-	2,397,551
 <b>NONOPERATING (DECREASE) IN NET ASSETS</b>	(6,107,669)	-	(6,107,669)
 <b>CHANGE IN NET ASSETS</b>	(530,957)	(447,865)	(978,822)
 <b>NET ASSETS - BEGINNING OF YEAR</b>	60,157,467	447,865	60,605,332
 <b>NET ASSETS - END OF YEAR</b>	\$ 59,626,510	\$ -	\$ 59,626,510

See accompanying Notes to Financial Statements.

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2010**

	Unrestricted	Temporarily Restricted	Total
<b>OPERATING REVENUES AND SUPPORT</b>			
Contributions	\$ 4,436,504	\$ -	\$ 4,436,504
In-kind Contributions	155,530	-	155,530
Sales of Completed Houses	11,400,000	-	11,400,000
Grants	444,772	-	444,772
Investment Return	60,417	-	60,417
Thrift Shop Revenue	770,319	-	770,319
Gain on Sale of Asset	142,477	-	142,477
Other Revenue	671,542	-	671,542
Total Operating Revenue and Support	<u>18,081,561</u>	<u>-</u>	<u>18,081,561</u>
<b>OPERATING EXPENSES</b>			
Program Services	10,877,620	-	10,877,620
Management and General	446,883	-	446,883
Fund-Raising	382,912	-	382,912
Thrift Shop	369,515	-	369,515
Total Operating Expenses	<u>12,076,929</u>	<u>-</u>	<u>12,076,929</u>
<b>OPERATING INCREASE IN NET ASSETS</b>	6,004,632	-	6,004,632
<b>NONOPERATING ACTIVITIES</b>			
Mortgage Discounts on Homes Sold	(7,668,792)	-	(7,668,792)
Gain on Sale of Mortgages	846,872	-	846,872
Gain on Paid-Off Mortgages	89,499	-	89,499
Amortization of Mortgage Discounts	1,920,655	-	1,920,655
<b>NONOPERATING (DECREASE) IN NET ASSETS</b>	(4,811,766)	-	(4,811,766)
<b>CHANGE IN NET ASSETS</b>	<u>1,192,866</u>	<u>-</u>	<u>1,192,866</u>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>58,964,601</u>	<u>447,865</u>	<u>59,412,466</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 60,157,467</u>	<u>\$ 447,865</u>	<u>\$ 60,605,332</u>

See accompanying Notes to Financial Statements.

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2011**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Thrift Shop</u>	<u>Total</u>
Advertising	\$ -	\$ -	\$ 44,803	\$ 2,288	\$ 47,091
Auto	50,277	5,586	-	36,229	92,092
Construction Costs	10,320,108	-	-	-	10,320,108
Depreciation	44,284	28,836	9,270	20,597	102,987
Family Services	22,438	-	-	-	22,438
Insurance	38,186	21,557	615	1,232	61,590
Interest	-	239,723	-	-	239,723
Merchandise	-	-	-	3,356	3,356
Occupancy	32,390	14,134	12,367	28,449	87,340
Office Expenses	161,428	40,357	65,150	30,552	297,487
Printing and Postage	11,899	1,322	45,780	-	59,001
Professional Fees	17,886	31,683	511	1,022	51,102
Salaries and Benefits	1,177,477	241,170	185,426	236,150	1,840,223
Telephone	29,023	5,805	3,870	3,648	42,346
Habitat International	200,000	-	-	-	200,000
Taxes, Real Estate	51,418	6,427	6,427	-	64,272
	<u>\$ 12,156,814</u>	<u>\$ 636,600</u>	<u>\$ 374,219</u>	<u>\$ 363,523</u>	<u>\$ 13,531,156</u>

See accompanying Notes to Financial Statements.

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2010**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Thrift Shop</u>	<u>Total</u>
Advertising	\$ -	\$ -	\$ 33,891	\$ 2,680	\$ 36,571
Auto	55,035	6,115	-	32,841	93,991
Construction Costs	9,213,223	-	-	-	9,213,223
Depreciation	46,278	30,134	9,686	21,525	107,623
Family Services	19,168	-	-	-	19,168
Insurance	57,822	32,642	933	1,865	93,262
Interest	-	66,075	-	28,000	94,075
Line of Credit	3,277	2,134	686	1,524	7,622
Merchandise	-	-	-	2,743	2,743
Occupancy	32,168	14,037	12,282	21,407	79,895
Office Expenses	123,796	30,949	50,900	26,639	232,284
Printing and Postage	8,337	926	56,211	-	65,474
Professional Fees	24,298	43,042	694	1,388	69,423
Salaries and Benefits	1,024,635	209,865	208,866	225,360	1,668,726
Telephone	33,010	6,602	4,401	3,542	47,555
Habitat International	201,682	-	-	-	201,682
Taxes, Real Estate	34,890	4,361	4,361	-	43,612
	<u>\$10,877,620</u>	<u>\$ 446,883</u>	<u>\$ 382,912</u>	<u>\$ 369,515</u>	<u>\$ 12,076,929</u>

See accompanying Notes to Financial Statements.

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (978,822)	\$ 1,192,866
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) in Operating Activities:		
Depreciation	102,987	107,623
(Gain) on Sale of Securities	-	(9,528)
(Gain) on Sale of Mortgages	(1,043,900)	(846,872)
(Gain) Loss on Paid-Off Mortgages	6,650	(89,499)
Loss on Impairment of Asset	2,474,407	-
Amortization of Mortgage Discount	(2,397,551)	(1,920,655)
Discounts on Sales	7,068,063	7,668,792
Face Value of Mortgages Issued	(11,129,870)	(12,079,000)
(Increase) Decrease in Deferred Gifts Receivable	362,575	(44,243)
Repossessed Homes	232,325	199,004
(Increase) Decrease in:		
Grants Receivable	(311,000)	578,969
Other Receivables and Other Assets	535,202	(575,553)
Prepaid Insurance	(43,283)	9,913
Houses Available for Sale	(482,049)	859,846
Houses Under Construction	1,450,397	3,727,530
Land and Improvements	(2,088,041)	(4,301,818)
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(365,651)	192,524
Accrued Construction Costs	-	(696,138)
Due from Homeowner Associations	24,260	-
Deposits on Houses	(4,000)	(11,500)
Escrow Deposits From Homeowners	(192,389)	25,864
Net Cash (Used) in Operating Activities	(6,779,690)	(6,011,875)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(73,301)	-
Redemption of Certificates of Deposit	-	1,005,078
Mortgage Loan Collections	3,092,285	2,396,284
Proceeds From Sales of Mortgage Loans	1,043,900	884,000
Proceeds From Sales of Investments	-	1,503,063
Net Cash Provided by Investing Activities	4,062,884	5,788,425
Subtotal	\$ (2,716,806)	\$ (223,450)

See accompanying Notes to Financial Statements.

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2011 AND 2010**

	2011	2010
Subtotal from Previous Page	\$ (2,716,806)	\$ (223,450)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds (Payments) From Line of Credit	1,000,000	(200,000)
Principal Payments on Notes Payable	897,688	2,101,143
Net Cash Provided by Financing Activities	1,897,688	1,901,143
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(819,118)	1,677,693
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	3,333,063	1,655,370
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,513,945	\$ 3,333,063
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Cash Paid for Interest	\$ 239,723	\$ 94,075
<b>NON-CASH INVESTING AND FINANCING TRANSACTIONS</b>		
Contributions of Securities at Fair Market Value	\$ 775,978	\$ 748,781

See accompanying Notes to Financial Statements.

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Habitat for Humanity of Collier County, Inc. (the "Organization"), was incorporated in 1978 as an interdenominational organization for the purpose of working with economically disadvantaged people, helping them create a better environment in which to live. The Organization, using contributions and volunteer labor, constructs houses and sells them to low-income persons in Collier County, Florida at a value that approximates cost.

The Organization pursues its mission by building and rehabilitating homes using donated supplies, volunteer labor, contributed funds, and properties. The Organization then sells these homes for a price that is less than market value to pre-selected, low-income families. These families provide 300-500 hours of work as their investment in the home for which they have been chosen. The contributions of supplies, labor, cash and properties enable the Organization to provide these families with no-interest financing. Monthly principal payments from families who buy homes from the Organization are added to the pool of resources used to build more homes for more families in need.

**Basis of Accounting**

The accounts of the Organization are maintained, and the accompanying financial statements have been prepared, on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recorded when the obligation is incurred.

**Financial Statement Presentation**

Net assets and revenues, gains and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted – Resources over which the Board of Directors had discretionary control.

Temporarily Restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time.

Permanently Restricted – Those resources subject to donor imposed restriction that they be maintained permanently by the Organization. The Organization had no such assets at June 30, 2011 and 2010.

Non-operating activities include all non-cash activities relating to discounting contracts for deed and mortgages receivable and debt.

**Liquidity**

Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all unrestricted bank and similar deposits, demand accounts, money market funds and short-term investments with an original maturity of three months or less to be cash equivalents, except those held for long-term investment. The Organization maintains bank accounts with balances, which, at times may exceed federally insured limits.

**Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions are reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time or use restriction. However, restricted contributions whose restrictions are met in the same reporting period are shown as unrestricted support.

**Contributed Goods and Services**

Many individuals volunteer their time and perform a variety of tasks that assist the Organization in its program services, thrift shop, and fund-raising campaigns. The Organization received more than 50,000 volunteer hours this year. The volunteer hours are not reflected in the financial statements since the services do not meet the criteria for recognition. Additionally, many individuals also volunteer in the construction of the houses; see the policy on construction cost.

Donations of investments are recorded at fair market value on the date received. Donations of inventory items held for resale are recognized when sold because the Organization does not have an objective measurement basis for determining fair value.

**Federal Grants**

The Organization receives funding from several federal financial assistance programs that supplement its traditional funding sources. Habitat recognizes the awards as grant revenues as the expenditures stipulated in the grant agreement have been incurred and requests for reimbursements have been submitted. Funds not utilized are required to be maintained in separate bank accounts.

**Revenue Recognition and Sales**

Sales of completed houses are accounted for under the deposit method because the Organization continues to have obligations with respect to the property. Under the deposit method, no gain or receivable is recognized until closing and any payments received from the potential buyers are recorded as liabilities.

**Escrow Reserves**

The Organization services the mortgages on homes the Organization sells. Included in cash are amounts received from homeowners for insurance, property taxes and home maintenance (escrow funds). These amounts will be used to pay amounts as they become due. A corresponding liability is included in accounts payable and escrow reserves in the accompanying statement of financial position. At June 30, 2011 and 2010, escrow reserves totaled \$548,266 and \$740,655, respectively.

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Split-interest agreements**

The Organization's split-interest agreements with donors consist of charitable gift annuities and charitable remainder trusts. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements. The present value of expected future cash inflows under these agreements is calculated using a discount rate of 4%. This rate represents the risk-free rate in existence at the date of the gift. Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the value of split-interest agreements in the statement of activities, if applicable.

**Investments**

Investments are initially recorded at cost, if purchased, or, if donated, at fair market value on the date received. Investment securities are reflected at market value and realized and unrealized gains and losses are recognized as changes in unrestricted net assets, unless restricted by the donor, in which case the amounts are reflected as temporarily restricted until expended according to the donors' stipulations.

**Construction Costs**

House costs consist of land and direct construction costs. The value of donated labor related to building construction is not recorded because a substantial number of volunteers and homeowners have made significant contributions of their time; however, this labor does not require a specialized skill.

**Property and Equipment**

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire land, buildings or equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service or purchased and reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method calculated over the estimated useful lives of five through thirty-nine years. All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of the assets are capitalized.

**Land and Land Improvements**

Land and land improvements are carried at cost and represent land available for current and future development in fulfillment of the Organization's mission.

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Mortgages Receivable**

The Organization has a policy of selling affordable housing with interest free mortgages. Therefore, mortgages receivable do not have a stated interest rate. Receivables are assessed individually for collectibility based on the surrounding facts and circumstances and management's past history. The Organization does not maintain an allowance for uncollectible mortgages receivable because the houses are sold at below market prices and the Organization has the ability to foreclose on properties and resell them to collect any past due amounts.

All mortgages and contracts for deed are due based on the notes terms (Note 4). Management believes all mortgages and contracts for deed receivable are realizable through either collection or foreclosure proceeds, if not collected.

**Homes Under Construction**

Homes under construction are stated at cost and include land under development, developed lots, direct and indirect costs of housing construction and capitalized interest, property taxes and overhead incurred during the development period. Cost is determined by the specific identification and per unit methods. Land and offsite development costs associated with homes under construction are included in construction in progress in the accompanying statement of financial position.

**Income Taxes**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income (UBTI) would be taxable.

The Organization follows the policy that clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. The policy prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The Organization determined it has no uncertain tax positions.

The Organization files as a tax-exempt organization. As of June 30, 2011 and 2010, its 2008 through 2010 fiscal year tax returns are open for examination by the IRS.

**Functional Allocation of Expenses**

The costs of providing various supports to the Organization operations, as well as other management and general activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 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.

**Fair Value Measurement**

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 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 own assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised value.

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.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial instruments at fair value. However, it may elect to measure newly acquired financial instruments at fair value in the future.

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2011 AND 2010**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 16, 2011, the date the financial statements were available to be issued.

**NOTE 2 DEFERRED GIFTS RECEIVABLE**

At June 30, 2011 and 2010, the Organization had amounts due from an estate totaling \$0 and \$373,151, respectively, with a net present value discount in the amount of \$0 and \$10,574, for a net receivable of \$0 and \$362,575 at June 30, 2011 and 2010, respectively.

The following table presents the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis as of June 30, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Deferred Gifts Receivable	\$ -	\$ -	\$ 362,575	\$ 362,575
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 362,575</u>	<u>\$ 362,575</u>

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

Deferred gifts receivable are measured at fair value with a valuation technique utilizing estimated payout percentages of the assets that comprise the deferred gift.

**NOTE 3 PROPERTY AND EQUIPMENT, NET**

Property and equipment at June 30, 2011 and 2010, consists of the following:

	<u>2011</u>	<u>2010</u>
Land	\$ 1,803,546	\$ 1,803,546
Vehicles	224,300	271,583
Buildings	2,520,897	2,478,103
Office Equipment	89,891	68,702
	<u>4,638,634</u>	<u>4,621,934</u>
Less: Accumulated Depreciation	<u>(765,335)</u>	<u>(718,949)</u>
	<u>\$ 3,873,299</u>	<u>\$ 3,902,985</u>

For the year ended June 30, 2011 and 2010 depreciation expense was \$102,987 and \$107,623.

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 4 FIRST MORTGAGE NOTES RECEIVABLE, NET**

Mortgage notes secured by houses sold are non-interest bearing and have original terms of eighteen to thirty years. Interest is imputed at market rates at the date of the note and amortized over the term of the note using the interest method. The mortgage discount rates utilized for calculating the mortgage discounts range from 6% to 9%. The receivable and discounts are as follows at June 30, 2011 and 2010:

	2011	2010
Mortgage Notes Receivable	\$ 64,762,719	\$ 58,306,613
Less: Unamortized Discounts	(35,557,611)	(32,229,603)
	\$ 29,205,108	\$ 26,077,010

Maturities of first mortgage notes receivables are summarized as follows:

Amounts Due in:		
Less Than One Year	\$ 10,786	\$ 6,405
One to Five Years	186,311	146,812
Thereafter	64,565,622	58,153,396
Total	\$ 64,762,719	\$ 58,306,613

At June 30, 2011 and 2010, the Organization was servicing 344 and 335 loans, respectively, which it had sold to various banks. Under the sales agreements with the banks, the Organization agrees to service all loans in accordance with all applicable federal and state laws and regulations, and customary practices, policies and procedures for servicing residential mortgage loans. Additionally, in the event a loan is delinquent more than 90 days, the Organization is required to replace the loan with a similar loan (amount and terms) or repurchase the non-performing loan.

The balance of the sold mortgages as of June 30, 2011 and 2010 was \$17,565,500 and \$17,787,638, respectively. The Organization obtains a second mortgage from each homeowner for the appropriate difference between the estimated fair value of the house and the purchase price. The second mortgage, which is forgiven over the term of the first mortgage, is assumed to have no economic value and, accordingly, is not recognized in the Organization's financial statements.

**NOTE 5 GRANT REVENUE**

During the years ended June 30, 2011 and 2010, the Organization recognized \$1,385,062 and \$444,772 in grant revenue, respectively. For the years ended June 30, 2011 and 2010, the funds were from a Supportive Housing Grant. Funds earned were as follows:

	2011	2010
CDBG	\$ -	\$ 444,772
NSP2 Grant	1,385,062	-
Total	\$ 1,385,062	\$ 444,772

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.**  
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**NOTE 6 LINE OF CREDIT**

The Organization has a line of credit with a financial institution in the amount of \$2,850,000. As of June 30, 2011 there was an outstanding amount of \$1,000,000 drawn from the line of credit. As of June 30, 2010, there were no amounts outstanding. The interest rate on the line of credit at June 30, 2011 and 2010, was 3.00%.

The Organization also has a standby letter of credit with a financial institution in the amount of \$917,479. As of June 30, 2011, there were no amounts outstanding. The letter of credit was required by the county as a contingency to secure the funding source for the impact fees related to the future development of a community.

**NOTE 7 EMPLOYEE BENEFIT PLAN**

The Organization has a tax-deferred annuity plan, which covers full time employees of the Organization. Employees are allowed to contribute up to 20% of their salary. The Organization matches contributions to the plan up to 3% of the employee's salary. Employer contributions to the plan were \$27,803 and \$26,295 for the years ended June 30, 2011 and 2010, respectively.

**NOTE 8 RELATED PARTY TRANSACTIONS**

The Organization received \$580,425 and \$629,747 in contributions from several Board members during the years ended June 30, 2011 and 2010. The contributions consisted of \$208,343 in contributed securities and \$372,082 in cash for the year ended June 30, 2011, \$289,220 in contributed securities, and \$340,527 in cash for the year ended June 30, 2010. The total of these contributions was approximately eighteen percent (18%) and thirteen percent (13%) of total contributions for both of the years ended June 30, 2011 and 2010, respectively.

The Organization remits a portion of its revenues as a tithe to Habitat for Humanity International, Inc. For the years ended June 30, 2011 and 2010, the Organization remitted \$200,000 and \$201,682, respectively.

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.**  
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**NOTE 9 NOTES PAYABLE**

Notes payable consist of the following at June 30, 2011 and 2010:

	2011	2010
Secured note payable, collateralized by land, to an unrelated third party, bearing 8% interest, payable in 2 installments, one for \$200,000 and one for \$150,000. Matured September 30, 2010.	\$ -	\$ 150,000
Unsecured note payable to Habitat for Humanity International, Inc., bearing no interest, payable in monthly installments of \$3,411. Matured December 31, 2010.	-	20,488
Unsecured note payable to Habitat for Humanity International, Inc., bearing no interest, payable in monthly installments of \$2,625. Maturity at June 30, 2012.	31,500	63,000
Secured note payable to Habitat for Humanity International, Inc., Loan is collateralized by the first mortgage receivables owned by the Organization, bearing interest at 5.5% per annum, payable in quarterly installments of \$64,907. Maturity at December 31, 2016.	1,208,985	1,410,827
Secured note payable to Habitat for Humanity International, Inc., Loan is collateralized by the first mortgage receivables owned by the Organization, bearing interest at 5.5% per annum, payable in quarterly installments of \$51,663. Maturity at July 31, 2017.	1,303,074	1,499,400
Secured note payable to Habitat for Humanity International, Inc., Loan is collateralized by the first mortgage receivables owned by the Organization, bearing interest at 5.5% per annum, payable in quarterly installments of \$64,881. Maturity at July 31, 2020.	1,500,652	-
Unsecured note payable to Habitat for Humanity International, Inc., bearing no interest, payable in monthly installments of \$234. Maturity at June 30, 2013.	5,634	8,442
	\$ 4,049,845	\$ 3,152,157

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.**  
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**NOTE 9 NOTES PAYABLE (CONTINUED)**

Future maturities of principal amounts on the notes payable as of June 30, 2011, are anticipated to be as follows:

Year Ending June 30,	
2012	\$ 497,708
2013	541,497
2014	571,881
2015	603,989
2016	637,900
Thereafter	<u>1,196,870</u>
	<u><u>\$ 4,049,845</u></u>

**NOTE 10 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of deferred gifts receivable and other time restricted net assets totaling \$447,865 at June 30, 2010. There were no temporarily restricted net assets at June 30, 2011.