

HABITAT FOR HUMANITY SOUTH SARASOTA COUNTY, INC.

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2012

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Habitat for Humanity South Sarasota County, Inc.

We have audited the accompanying statement of financial position of Habitat for Humanity of South Sarasota County, Inc. (a non-profit "Organization") as of June 30, 2012, and the related statements of activities 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 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 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 South Sarasota County, Inc., as of June 30, 2012, 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on Page 5 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Dowd, Whittaker & Associates
Certified Public Accountants
Venice, Florida

January 23, 2013

HABITAT FOR HUMANITY SOUTH SARASOTA COUNTY, INC.
Statement of Financial Position
June 30, 2012

(See Independent Auditors' Report)

ASSETS

Current Assets:

Cash and equivalents - unrestricted	\$ 545,292
Cash and equivalents - Restore - unrestricted	437,106
Certificates of deposit not considered cash equivalent	250,000
Construction in process - homes	180,088
Accounts receivable	2,766
Grant receivable (Note 4)	35,625
Due from Garden Park Association	29,087
Investments	10,064
Prepaid expenses	<u>33,021</u>

Total Current Assets 1,523,049

Non Current Assets

Land inventory	417,708
Mortgages receivable (Note 2)	488,216
Property and equipment - Habitat, net of \$109,138 accumulated depreciation	267,230
Property and equipment - Restore, net of \$154,850 accumulated depreciation	989,664
Rental properties, net of \$34,610 accumulated depreciation	365,389
Deposits	<u>105</u>

Total Non Current Assets 2,528,309

TOTAL ASSETS \$ 4,051,358

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable and accrued expenses	\$ 9,498
Applicant deposits	18,290
Escrow accounts	<u>114,221</u>

Total Current Liabilities 143,009

Net Assets:

Temporarily restricted	13,589
Unrestricted	<u>3,894,760</u>

Total Net Assets 3,908,349

TOTAL LIABILITIES AND NET ASSETS \$ 4,051,358

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

HABITAT FOR HUMANITY SOUTH SARASOTA COUNTY, INC.
Statement of Activities
For the year ended June 30, 2012

(See Independent Auditors' Report)

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTALS
Revenue and Support:			
Public Support:			
Individuals	\$ 164,887	\$ 5,653	\$ 160,540
Individuals - Restore	5,415	-	5,415
Governmental	58,699	-	58,699
Businesses and civic organizations	340,445	-	340,445
Foundations, grants and bequests	113,800	-	113,800
Foundations, grants and bequests - Restore	19,944	-	19,944
Churches	16,809	-	16,809
Gifts in Kind	93,145	-	93,145
Gifts in Kind - Restore	975	-	975
Revenues			
Special events and fund raising	101,060	-	101,060
Restore sales	628,009	-	628,009
Income from home sales	695,052	-	695,052
Rental income	38,200	-	38,200
Mortgage collection fees	6,210	-	6,210
Investment income	3,699	-	3,699
Investment income - Restore	13	-	13
Mortgage discount interest amortization	24,041	-	24,041
Miscellaneous income	4,012	-	4,012
Miscellaneous income - Restore	341	-	341
	2,304,756	5,653	2,310,409
Total Revenue and Support			
Net assets released from restriction	343,786	(343,786)	-
Total Revenue and Support	2,648,542	(338,133)	2,310,409
Cost of Sales:			
House and lots	1,627,769	-	1,627,769
Cost of goods sold-Restore	32,742	-	32,742
Total Cost of Sales	1,660,511	-	1,660,511
Gross Profit	888,031	(338,133)	649,898
Expenses:			
Program services	549,544	-	549,544
Management and general	56,787	-	56,787
Fund raising	81,725	-	81,725
Pass-through grant - Affordable Housing Program	195,938	-	195,938
Loss on disposition of assets	248	-	248
Restore expenses	297,612	-	297,612
Total Expenses	1,181,854	-	1,181,854
Increase (decrease) in net assets	(193,823)	(338,133)	(531,956)
Net assets at beginning of year	4,088,583	351,722	4,440,305
Net assets at end of year	3,894,760	13,589	3,908,349

The accompanying notes are an integral part of these financial statements.
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Dowd, Whittaker & Associates, CPA's, PA
Certified Public Accountants

HABITAT FOR HUMANITY SOUTH SARASOTA COUNTY, INC.
Statement of Cash Flows
For the year ended June 30,2012

(See Independent Auditors' Report)

Cash flows from operating activities	
Change in Net Assets	\$ (531,956)
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	69,819
Loss on disposition of assets	248
Change in accounts receivable	703
Change in grants receivable	226,851
Change in due from Garden Park Association	(12,024)
Change in construction in process	946,597
Change in mortgages receivable	(191,325)
Change in inventory-Restore	4,004
Change in land inventory	(1,826)
Change in accounts payable and accrued expenses	(31,726)
Change in applicant deposits	995
Change in other deposits	1,540
Change in escrow accounts	10,584
Change in prepaid expenses	<u>3,167</u>
Total adjustments	1,027,607
Net cash provided by operating activities	<u>495,651</u>
Cash flows from investing activities:	
Investment in certificates of deposit	(250,000)
Investment in Gulf Coast Community Foundation fund	(10,064)
Cash proceeds from disposition of assets	4,335
Cash payments for the purchase of property	(4,995)
Cash payments for the purchase of property-Restore	<u>(67,206)</u>
Net cash used by investing activities	<u>(327,930)</u>
Cash flows from financing activities:	
Repayment of Northern Trust loan	<u>(55,000)</u>
Net cash used by financing activities	<u>(55,000)</u>
Net increase (decrease) in cash and equivalents	112,721
Cash and equivalents, beginning of year	<u>869,677</u>
Cash and equivalents, end of year	<u>\$ 982,398</u>
Supplemental disclosures of cash flow information:	
Cash paid during the year for interest paid:	\$ 770

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

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HABITAT FOR HUMANITY SOUTH SARASOTA COUNTY, INC.
Statement of Functional Expenses
For the year ended June 30, 2012

(See Independent Auditors' Report)

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUND RAISING</u>	<u>TOTALS</u>
Salary and wages	204,999	28,063	37,408	\$ 270,470
Leased employees	95,211	13,034	17,374	125,619
Payroll taxes	13,124	1,797	2,395	17,316
Employee benefits & costs	1,194	163	218	1,575
Construction support	15,891	-	-	15,891
Contract labor	34,850	-	-	34,850
Credit card fees	398	-	-	398
Rental houses expense	37,162	-	-	37,162
Professional fees	12,589	-	-	12,589
Office and supplies	5,747	1,642	821	8,210
Annual Meeting expenses	668	-	-	668
Telephone	1,898	542	271	2,711
Postage	1,798	514	257	2,569
Development & fund raising	20,431	-	20,431	40,862
Interest expense	770	-	-	770
Occupancy and maintenance	9,307	2,327	-	11,634
Travel and conferences	162	40	-	202
Licenses and permits	1,247	-	-	1,247
Habitat International tithes	15,718	-	-	15,718
Newsletter	7,649	-	2,550	10,199
Bad debt expense	2,600	-	-	2,600
Insurance expenses	21,026	5,256	-	26,281
Family services	11,236	-	-	11,236
Volunteer program	11,055	-	-	11,055
	<u>526,729</u>	<u>53,378</u>	<u>81,725</u>	<u>661,832</u>
Depreciation and amortization	<u>22,815</u>	<u>3,409</u>	<u>-</u>	<u>26,224</u>
Total Expenses	<u>\$ 549,544</u>	<u>\$ 56,787</u>	<u>\$ 81,725</u>	<u>\$ 688,056</u>

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

HABITAT FOR HUMANITY SOUTH SARASOTA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

(See Independent Auditors' Report)

NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES

Organization and Purpose

Habitat for Humanity of South Sarasota County, Inc. (Habitat) was incorporated as a nonprofit organization in the State of Florida. It is affiliated with Habitat for Humanity International, a worldwide nonprofit organization. Their purpose is to develop a better habitat for economically disadvantaged people by building or renovating houses and then selling the houses at approximately cost on an interest-free basis. Habitat is supported primarily through contributions and government support.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Habitat and changes therein are classified and reported as follows:

Unrestricted net assets

Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets

Net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of Habitat and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets

Net assets that are subject to donor-imposed stipulations that they be maintained permanently by Habitat. Generally, the donors of these assets permit Habitat to use all or part of the income earned on any related investments for general or specific purposes. As of the balance sheet date, there are no permanently restricted net assets.

Donated Assets and Services

The value of donated property received during the year is recorded as a donation at its fair market value at the time of receipt in accordance with generally accepted accounting principles (GAAP).

No amounts have been reflected in the statements for other donated services because no objective basis is available to measure the value of such services. All substantial skilled labor used in home construction has been paid for at fair market value, and recorded in the statement of activities.

HABITAT FOR HUMANITY SOUTH SARASOTA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2012

(See Independent Auditors' Report)

NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at cost or, if donated, at the fair market value at the date of donation. Expenditures for repairs and maintenance are charged to current operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from five (5) to thirty-nine (39) years.

Income Tax Status

Habitat has been determined to be an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Income from certain activities not directly related to Habitat's tax-exempt purpose is subject to taxation as unrelated business income.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, Habitat considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents.

Functional Allocation of Expenses

The cost of providing the program and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Home Construction Costs

Costs incurred in conjunction with home construction are capitalized and then expenses are recognized at the completion and sale of each home.

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. Accordingly, actual results could differ from those estimates.

HABITAT FOR HUMANITY SOUTH SARASOTA COUNTY, INC.

NOTE TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2012

(See Independent Auditors' Report)

NOTE 2 - MORTGAGE NOTES RECEIVABLE

Mortgage notes receivable are interest free notes received from purchasers of Habitat houses. Terms of repayment are twenty years, twenty-five years or thirty years, collateralized by real property and contain certain restrictions regarding disposition of the property. Generally, a purchaser receives a substantial discount below market value at purchase but must pay this differential if the house is sold. To reflect the time value of money, the receivable recorded in the financial statements reflects future receipts discounted at an imputed interest rate of 8%. The Board at their discretion may extend the terms. Mortgage notes receivable on the Statement of Financial Position are shown net of an unamortized discount of \$643,273 for a net total of \$488,215.

Substantially, all mortgage notes receivable at the date of the statement of financial position are considered collectible by management; therefore, no allowance for uncollectible accounts has been provided.

NOTE 3 - HABITAT RESTORE

Habitat Restore is a retail sales division within Habitat which purchases merchandise and also receives merchandise donations for subsequent resale to the general public. Inventory cost and merchandise donation income is not reflected on the accompanying financial statements. Net profit from merchandise sales is used for the exclusive benefit and support for Habitat for Humanity South Sarasota County, Inc.

NOTE 4 - GRANT RECEIVABLE

The Federal Home Loan Bank's Affordable Housing Program grant was awarded in December 2010 in the amount of \$285,000 or \$17,812.50 per unit. The grant requires mortgages to FHLB's funding bank Synovus Bank in the name of each unit owner. Since four units had already been closed and their respective mortgages sold the amount of the grant was reduced to \$213,750. The first disbursement was received in July 2011. At June 30, 2012 the receivable was \$35,625.

NOTE 5 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses as follows:

Construction of Garden Park Homes	\$ 163,666
Family Emergency Funds - Various	634
Women Build Projects	<u>179,486</u>
	<u>\$ 343,786</u>

As of the Statement of Financial Position date, the remaining balance of temporarily restricted assets were as follows:

Family Emergency Funds -- Various	\$ <u>13,589</u>
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HABITAT FOR HUMANITY SOUTH SARASOTA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2012

(See Independent Auditors' Report)

NOTE 6 - PROPERTY AND EQUIPMENT

Property and Equipment consist of the following at Affiliate:

Office/Warehouse	312,683	
Equipment	16,996	
Computer/Office Equipment	17,633	
Trucks & Trailers	<u>29,055</u>	
Total Affiliate Property		376,367
Less: Accumulated Depreciation		<u>(109,138)</u>
Net Affiliate Property and Equipment		267,229

Property and Equipment consist of the following at Restore:

Retail Store/Office	936,575	
Vehicles & Machinery	78,069	
Improvements	108,266	
Furniture/Equipment	<u>21,603</u>	
Total Restore Property		1,144,513
Less: Accumulated Depreciation		<u>(154,850)</u>
Net Restore Property and Equipment		989,663

Rental Property in Laurel, FL:

Buildings	285,000	
Land	<u>115,000</u>	
Total Rental Property		400,000
Less: Accumulated Depreciation		<u>(34,610)</u>
Net Rental Property		365,390

NOTE 7 - LEASE

On April 11, 2000 Habitat entered into a lease agreement with Sarasota County for the main office located in Venice, Florida. Terms of the lease include a \$1 per year payment for 20 years. The lease expires on April 10, 2020, and an option to extend the lease for an additional 10 years is available at the same terms.

In-kind donation income due to below market rent has not been recorded on the accompanying financial statements since the fair market value of the rent was not determined.

HABITAT FOR HUMANITY SOUTH SARASOTA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2012

(See Independent Auditors' Report)

NOTE 8 - MORTGAGE NOTES SOLD TO NORTHERN TRUST BANK

Various existing mortgage notes held by Habitat are sold to Northern Trust Bank. The agreement includes a repurchase provision where Habitat is required to repurchase the mortgage note in the event of default by any mortgagor and 90 days notice of the default from Northern Trust Bank. For the fiscal year ending June 30, 2008 mortgage notes in the amount of \$788,873 were sold to Northern Trust Bank for \$670,542 reflecting a 15% discount. The repurchase price of these mortgages would be at the discounted amount in the event of default.

Mortgage notes from the following fiscal years were sold at 100% of the note balance:

Fiscal year ending June 30, 2009 mortgage notes in the amount of \$701,270 were sold.
Fiscal year ending June 30, 2010 mortgage notes in the amount of \$412,110 were sold.
Fiscal year ending June 30, 2011 mortgage notes in the amount of \$892,208 were sold.

Habitat is the servicing-agent for all mortgage loans sold to Northern Trust. Habitat receives a service fee equal to \$10 for each payment processed. Habitat also maintains and services "Escrow" accounts for each mortgage to handle insurance and tax payments.

NOTE 9 - CREDIT LINE

On October 1, 2010 Habitat had entered into a line of credit arrangement with Synovus Bank, which carries a maximum possible balance of \$100,000. The loan has a variable interest rate that is 1% higher than the bank's prime lending rate. As of the date of these financial statements the balance of this credit line was zero. Collateral used to secure the loan include various business assets. On November 15, 2012 the line was renewed for a 12 month period.

NOTE 10 - EXCESS DEPOSITS

Habitat maintains its cash balances at financial institutions located in Venice, Florida. Non-interest bearing accounts at each bank are fully insured by the Federal Deposit Insurance Corporation (FDIC) but interest bearing accounts are insured by the FDIC only up to \$250,000. Any amounts in excess of \$250,000 are uninsured. Uninsured balances at June 30, 2012 were \$53,180.

NOTE 11 - GARDEN PARK CONDOMINIUM

Habitat is the developer for Garden Park Condominium in Nokomis, FL which consists of 18 townhouses and duplexes. The Garden Park Condominium Association, Inc. (Association) was established in 2010 to manage the common assets of the Condominium. Habitat as the developer has funded various expenses until the condominium has been turned over to the Association. A developer guarantee is not in place but in lieu of Habitat paying its share of common expenses and assessments it must pay portions of common expenses that exceed the amount assessed against unit owners at turnover. At June 30, 2012 the Association owes Habitat \$29,087.

HABITAT FOR HUMANITY SOUTH SARASOTA COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

JUNE 30, 2012

(See Independent Auditors' Report)

NOTE 12 - SUBSEQUENT EVENTS

Habitat did not have any other subsequent events through January 23, 2013, which is the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the twelve months ended June 30, 2012.

HABITAT FOR HUMANITY SOUTH SARASOTA COUNTY, INC.
Schedule of Revenue and Expenses-Restore
For the Year Ended June 30, 2012

(See Independent Auditors' Report)

Revenue & Support	
Store sales	\$ 628,009
Donations	5,415
Donations - in-kind	975
Foundations, grants and bequests	19,944
Interest income	13
Miscellaneous	341
Total Revenue	654,697
Cost of Goods Sold	32,742
Gross Profit	621,955
Expenses	
Advertising and promotion	13,147
Bank fees	6
Contract labor	64
Credit card fees	9,148
Depreciation and amortization	43,595
Dues and subscriptions	264
Employee benefits	2,103
Insurance	8,039
Miscellaneous	770
Office supplies & expense	1,265
Payroll expense	170,299
Postage and delivery	18
Printing & reproduction	632
Professional fees	90
Repairs and maintenance	8,835
Supplies	2,413
Taxes	7,410
Utilities	19,444
Vehicle expense	10,070
Total Expenses	297,612
Net Income	\$ 324,343