



**Financial Statements
Years Ended June 30, 2011 and 2010**

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.

Table of Contents

Years Ended June 30, 2011 and 2010

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	6
Notes to Financial Statements	9
Supplementary Information	
Statement of Functional Expenses	18



Hoyman Dobson

Independent Auditors' Report

To the Board of Directors
Habitat for Humanity of Brevard County, Inc.

We have audited the accompanying statements of financial positions of Habitat for Humanity of Brevard 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 audits 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 Brevard County, Inc., as of June 30, 2011 and 2010, 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 audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information on pages 18-21 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 audits 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 taken as a whole.

Hoyman Dobson

Hoyman Dobson
Melbourne, Florida
September 19, 2011

Certified Public Accountants

215 Baytree Drive | Melbourne, FL 32940 | p: (321) 255.0088 | f: (321) 259.8648
4767 New Broad Street | Orlando, FL 32814 | p: (407) 422.1681 | f: (407) 514.2604
www.hoyman.com

THIS PAGE IS INTENTIONALLY LEFT BLANK.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.

Statements of Financial Position

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 325,623	\$ 284,238
Restricted cash	144,375	97,769
Mortgages receivable, current portion	321,277	316,549
Inventory	535,080	444,032
Construction in progress	378,328	371,474
ReStore inventory	1,500	-
Rental property	-	52,261
Investments	1,468	-
Prepaid expenses	19,403	18,918
Due from employee	-	491
Deposits	2,011	6,301
Total current assets	<u>1,729,065</u>	<u>1,592,033</u>
Noncurrent assets:		
Property, plant and equipment at cost, less accumulated depreciation of \$52,179 and \$61,400 for the years ended June 30, 2011 and 2010, respectively	12,977	8,041
Mortgages receivable, long-term net of a discount of \$2,963,268 and \$2,737,118 for the years ended June 30, 2011 and 2010, respectively	2,051,497	2,198,234
Forgivable mortgages net of a discount of \$547,589 and \$475,019 and an allowance of \$1,067,513 and \$944,894 for the years ended June 30, 2011 and 2010, respectively	-	-
Total noncurrent assets	<u>2,064,474</u>	<u>2,206,275</u>
Total assets	<u>\$3,793,539</u>	<u>\$3,798,308</u>
LIABILITIES AND FUND BALANCE		
Current liabilities		
Accounts payable and accrued expenses	\$ 68,316	\$ 79,565
Homeowner deposits for new homes	13,400	17,725
Homeowner escrow deposits	86,212	60,187
Line of credit	50,000	-
Total current liabilities	<u>217,928</u>	<u>157,477</u>
Total liabilities	<u>217,928</u>	<u>157,477</u>
Net assets		
Unrestricted	3,431,236	3,543,062
Temporarily restricted	108,267	61,661
Permanently restricted	36,108	36,108
Total net assets	<u>3,575,611</u>	<u>3,640,831</u>
Total liabilities and net assets	<u>\$3,793,539</u>	<u>\$3,798,308</u>

The accompanying notes are an integral part of these financial statements

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.

Statements of Activities

For the years ended June 30, 2011 and 2010

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support:				
Contributions	\$ 88,719	\$ 749,692	\$ -	\$ 838,411
In-kind donations	18,811	105,080	-	123,891
Home sales and late fees	629,933	-	-	629,933
Fundraising	280,557	-	-	280,557
ReStore	229,138	-	-	229,138
Miscellaneous	619	-	-	619
Gain on sale of fixed assets	7,614	-	-	7,614
Net assets released from restriction	808,166	(808,166)	-	-
Total revenue and other support	<u>2,063,557</u>	<u>46,606</u>	<u>-</u>	<u>2,110,163</u>
Expenses:				
Program services				
Mortgage program	449,589	-	-	449,589
Construction	1,142,734	-	-	1,142,734
ReStore	239,606	-	-	239,606
Support services				
Management and general	81,361	-	-	81,361
Fundraising	262,093	-	-	262,093
Total expense	<u>2,175,383</u>	<u>-</u>	<u>-</u>	<u>2,175,383</u>
Change in net assets	<u>(111,826)</u>	<u>46,606</u>	<u>-</u>	<u>(65,220)</u>
Net assets, beginning of year, as previously stated	3,543,062	61,661	36,108	3,640,831
Prior period adjustment (Note 15)	-	-	-	-
Net assets, beginning of year, as adjusted	<u>3,543,062</u>	<u>61,661</u>	<u>36,108</u>	<u>3,640,831</u>
Net assets, end of year	<u>\$ 3,431,236</u>	<u>\$ 108,267</u>	<u>\$ 36,108</u>	<u>\$ 3,575,611</u>

2010

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 86,722	\$ 473,327	\$ -	\$ 560,049
7,500	83,775	-	91,275
471,328	-	-	471,328
264,384	-	-	264,384
250,874	-	-	250,874
6,143	-	-	6,143
-	-	-	-
790,467	(790,467)	-	-
<u>1,877,418</u>	<u>(233,365)</u>	<u>-</u>	<u>1,644,053</u>
445,785	-	-	445,785
702,925	-	-	702,925
241,528	-	-	241,528
105,614	-	-	105,614
255,441	-	-	255,441
<u>1,751,293</u>	<u>-</u>	<u>-</u>	<u>1,751,293</u>
<u>126,125</u>	<u>(233,365)</u>	<u>-</u>	<u>(107,240)</u>
3,425,461	295,026	36,108	3,756,595
(8,524)	-	-	(8,524)
<u>3,416,937</u>	<u>295,026</u>	<u>36,108</u>	<u>3,748,071</u>
<u>\$ 3,543,062</u>	<u>\$ 61,661</u>	<u>\$ 36,108</u>	<u>\$ 3,640,831</u>

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.

Statements of Cash Flows

For the years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Cash received from customers	\$ 2,153,262	\$ 1,746,499
Cash paid to suppliers and employees	(2,103,093)	(1,955,292)
Net cash provided by (used in) operating activities	<u>50,169</u>	<u>(208,793)</u>
Cash flows from investing activities:		
Purchase of property, plant and equipment	(10,710)	(1,400)
Purchase of investments	(1,468)	-
Net cash used in investing activities	<u>(12,178)</u>	<u>(1,400)</u>
Cash flows from financing activities:		
Proceeds from line of credit	50,000	-
Principal payments on note payable	-	(14,800)
Net cash provided by (used in) financing activities	<u>50,000</u>	<u>(14,800)</u>
Increase (decrease) in cash and cash equivalents	87,991	(224,993)
Cash and cash equivalents, beginning of year	<u>382,007</u>	<u>607,000</u>
Cash and cash equivalents, end of year	<u>\$ 469,998</u>	<u>\$ 382,007</u>
Cash and cash equivalents	\$ 325,623	\$ 284,238
Restricted cash	144,375	97,769
Cash and cash equivalents, end of year	<u>\$ 469,998</u>	<u>\$ 382,007</u>

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.

Statements of Cash Flows (continued)

For the years ended June 30, 2011 and 2010

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:

	<u>2011</u>	<u>2010</u>
Change in net assets	\$ (65,220)	\$ (107,240)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	5,774	7,484
Increase in accounts receivable	(4,728)	(6,276)
(Increase) decrease in inventory	(91,048)	14,407
Increase in construction in progress	(6,854)	(310,947)
Increase in ReStore inventory	(1,500)	-
(Increase) decrease in rental property	52,261	(52,261)
Increase in prepaid expenses	(485)	(924)
(Increase) decrease in due from employee	491	(466)
Decrease in deposits	4,290	-
Decrease in mortgage receivables	146,737	226,801
Increase (decrease) in accounts payable and accrued expenses	(11,249)	46,967
Decrease in homeowner deposits for new homes	(46,787)	(48,135)
Increase in homeowner escrow deposits	68,487	21,797
Net cash provided by (used in) operating activities	<u>\$ 50,169</u>	<u>\$ (208,793)</u>
Supplemental schedule of noncash operating activities:		
Donated services and materials	<u>\$ 123,891</u>	<u>\$ 91,275</u>
Gain on sale of fixed asset	<u>\$ 7,614</u>	<u>\$ -</u>

THIS PAGE INTENTIONALLY LEFT BLANK

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF THE ENTITY – Habitat for Humanity of Brevard County, Inc. (the “Organization”) is a nonprofit, Christian affordable housing developer dedicated to the elimination of substandard housing in Brevard County, Florida. It is affiliated with Habitat for Humanity International, Inc. (“HFHI”) based in Americus, Georgia.

To be considered for home ownership, families must be low-income families who demonstrate a need for better housing, an ability to make mortgage payments, and a willingness to work in partnership with the Organization. The partnership consists, in part, of each family completing 200 hours of “sweat equity” and meeting monthly mortgage payments. Houses are sold at no profit and with no interest on the mortgage.

The Organization also operates a ReStore. The ReStore program provides access to quality used building materials and household items, to economically disadvantaged people to help them create a better human habitat in which to live and work. The ReStore receives donated materials and sells them.

BASIS OF ACCOUNTING – The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

BASIS OF PRESENTATION – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. Under these standards, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Subsequent events have been reviewed through September 19, 2011, the date which the financial statements were available to be issued.

CASH AND CASH EQUIVALENTS – For purposes of the statement of cash flows, cash and cash equivalents include time deposits, and all highly liquid debt instruments with original maturities of three months or less.

RESTRICTED CASH – Donations received for a specific purpose are restricted by the donor. Of the balance of temporarily restricted cash, \$36,108 is permanently restricted for an endowment fund at June 30, 2011 and 2010, and \$108,267 and \$61,661 is temporarily restricted for construction of future homes at June 30, 2011 and 2010, respectively.

HOME SALES AND MORTGAGES RECEIVABLE – Home sales represent the sale to qualified families of houses built in Brevard County by the Organization. The home sales are financed by the Organization utilizing non-interest bearing 20 to 30 year mortgages due in monthly installments from the families. The mortgages are secured by the underlying real estate, and are less than the appraised value of the home; therefore, there is no allowance for doubtful accounts. The mortgages receivable are discounted based upon prevailing market interest rates for low-income housing determined by HFHI. The financing discounts are amortized and reflected as revenue when mortgage payments are collected, which is included net of discount in mortgages expense within the low-cost housing program. The present value discount on mortgages for homes sold is shown as amortization of discount in mortgages expense within the mortgage program.

DEPRECIATION – The cost of property, plant and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed using the straight-line method.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONSTRUCTION IN PROGRESS – Construction in progress represents home construction and land costs incurred on incomplete homes in progress and completed homes not yet conveyed to the recipient family. Construction in progress is expensed to cost of homes sold expense within the low-cost housing program when the home is transferred to the recipient family.

INVENTORY – Inventory consists of land, purchased or donated, and foreclosed land and homes that has not yet been transferred to a family. The land is valued at fair value, which is the purchase price, or the appraised value at the date of donation. Any foreclosed land and homes are at the lower of fair market value or the remaining mortgage receivable.

RESTORE INVENTORY – ReStore Inventory consists of items donated for resale with an estimated value greater than \$500 that has not yet been sold.

CONTRIBUTION REVENUE – Contributions are recognized when donors make a promise to give to the Organization that is, in substance, unconditional. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a restriction expires, net assets are reclassified to unrestricted net assets and are reported in the statement of activities as “net assets released from restrictions.”

IN-KIND DONATIONS – In-kind donations consist of advertising and other supplies or services that the Organization would have to purchase if not otherwise donated. The amount recognized for the year ended June 30, 2011 and 2010 was \$123,891 and \$91,275, respectively.

FUNCTIONAL ALLOCATION OF EXPENSES – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting service categories. Allocations are based primarily on the actual cost incurred by the activity or square footage of space utilized for the activity.

USE OF 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.

ADVERTISING – The Organization’s advertising costs are expensed as incurred. Advertising expenses for the year ended June 30, 2011 and 2010 were \$112,205 and \$97,948, respectively, of which \$65,180 and \$83,775, respectively, were in-kind donations. The in-kind advertising was for the Strawberry Festival.

INCOME TAXES – The Organization received approval for exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and is considered to be an organization which is not a private foundation.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 2 – CONCENTRATION OF CREDIT RISK

The Organization maintains its temporary cash investments with several financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC). The Company maintains cash balances at financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC). Beginning December 31, 2010 the FDIC began insuring all noninterest-bearing transaction accounts through December 31, 2012. In addition, other deposit accounts are insured up to \$250,000. All of the cash balances are insured by the FDIC at June 30, 2011 and 2010.

NOTE 3 – MORTGAGES RECEIVABLE

Mortgages receivable consisted of the following at June 30:

	2011	2010
Mortgages receivable	\$ 5,336,042	\$ 5,251,901
Financing discount based upon imputed interest at rates ranging from 7.69% to 8.18%	(2,963,268)	(2,737,118)
Total	<u>\$ 2,372,774</u>	<u>\$ 2,514,783</u>

Future maturities of the mortgages receivable for the year ended June 30, 2011 are as follows:

Year ending June 30:	
2012	\$ 321,277
2013	320,012
2014	315,419
2015	313,157
2016	302,968
Thereafter	799,941
	<u>\$ 2,372,774</u>

NOTE 4 – FORGIVABLE MORTGAGES

In addition to the first mortgages, which make up the mortgage receivable, the Organization also has forgivable mortgages. These mortgages are for the difference between the fair market value of the house and the total of all other mortgages. Some homeowners receive forgivable mortgages from municipalities that reduce the forgivable mortgage they receive from the Organization. The Organization's forgivable mortgages are forgiven in equal installments on the anniversary of the mortgage over ten to fifteen years. These mortgages are also non-interest bearing.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 4 – FORGIVABLE MORTGAGES (CONTINUED)

Forgivable mortgages as of June 30:

	2011	2010
Forgivable mortgages receivable	\$ 1,615,102	\$ 1,419,913
Financing discount based upon imputed interest at rates ranging from 7.69% to 8.18%	(547,589)	(475,019)
Net forgivable mortgages	1,067,513	944,894
Less allowance for doubtful accounts	(1,067,513)	(944,894)
Total	\$ -	\$ -

NOTE 5 – FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the organization has the ability to access.
- Level 2: Inputs to the valuation methodology include
- quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2011 or 2010.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 5 – FAIR VALUE MEASUREMENTS (CONTINUED)

Mortgages receivable: Valued at amortized cost.

Common Stock: Valued at quoted market prices.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2011.

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Observable Inputs other than Quoted Prices (Level 2)	Significant Unobservable Inputs (Level 3)
Mortgages receivable	\$ 2,372,774	\$ -	\$ -	\$ 2,372,774
Common stock	1,468	1,468	-	-
	<u>\$ 2,374,242</u>	<u>\$ 1,468</u>	<u>\$ -</u>	<u>\$ 2,372,774</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2010.

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Observable Inputs other than Quoted Prices (Level 2)	Significant Unobservable Inputs (Level 3)
Mortgages receivable	\$ 2,514,783	\$ -	\$ -	\$ 2,514,783

Level 3 Gains and Losses

The following table sets forth a summary of changes in the fair value of the plan's level 3 assets for the year ended June 30, 2011.

Beginning balance	Mortgage receivable	\$ 2,514,783
Issuances and payments (net)		(142,009)
Ending balance		<u>\$ 2,372,774</u>

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 6 – RENTAL PROPERTY/LEASE

The Organization leased a home to a family for \$410 a month during fiscal year 2011. The rental property was broken out separately and valued at a fair market value of \$52,261 as of June 30, 2010. At June 30, 2011, the rental property is included in inventory since the home is no longer being leased. The Organization received \$4,510 and \$0 in rental income during 2011 and 2010, respectively.

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

Property and equipment consists of the following at June 30:

	2011			
	Cost	Accumulated Depreciation	Net Book Value	Estimated Life
Vehicles	\$ 37,814	\$ (29,195)	\$ 8,619	5 years
Furniture and fixtures	24,246	(22,708)	1,538	5 years
Office Equipment	3,096	(276)	2,820	5 years
TOTAL	<u>\$ 65,156</u>	<u>\$ (52,179)</u>	<u>\$ 12,977</u>	

	2010			
	Cost	Accumulated Depreciation	Net Book Value	Estimated Life
Vehicles	\$ 45,195	\$ (41,371)	\$ 3,824	5 years
Furniture and fixtures	24,246	(20,029)	4,217	5 years
TOTAL	<u>\$ 69,441</u>	<u>\$ (61,400)</u>	<u>\$ 8,041</u>	

Depreciation expense for 2011 and 2010 was \$5,774 and \$7,484, respectively.

NOTE 8 – OPERATING LEASE OBLIGATION

The Organization leases a copier, a mail meter, and their office under operating leases expiring during the Organization's fiscal years ending June 30, 2011, 2013 and 2014, respectively, with monthly payments ranging from \$50 to \$9,725.

Minimum future rental payments under non-cancelable operating leases as of June 30, 2011 are as follows:

Year ending June 30:

2012	\$ 117,300
2013	117,300
2014	19,450
	<u>\$ 254,050</u>

The total rent expense for the years ended June 30, 2011 and 2010 was \$119,163, and \$121,816, respectively.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 9 – LINES OF CREDIT

The Organization has a \$525,000 line of credit from Brevard County Housing Authority. At June 30, 2011 and 2010, the outstanding amount under the line of credit was \$50,000 and \$0, respectively. There is no interest on the line of credit. The money has to be used for purchases of land or property. The line expires July 31, 2013.

The Organization obtained a \$250,000 line of credit in fiscal year 2011 from a bank. At June 30, 2011, \$0 was outstanding under this line of credit. Interest on the line of credit's outstanding balance is charged on a monthly basis and is at the bank's prime rate (3.25 percent at June 30, 2011). The account is collateralized by the Organization's assets. The line expires November 20, 2011.

Interest expense under this line of credit was \$0 for the year ended June 30, 2011.

NOTE 10 – RELATED PARTY TRANSACTIONS

The Organization has one loan made to an employee with a remaining balance of \$0 and \$491 as of June 30, 2011 and 2010, respectively. The employee had \$100 withheld from their paycheck every pay period to pay back the loan.

The Organization tithes to Habitat for Humanity International, Inc. and remitted \$6,110 and \$12,160 during the year ended June 30, 2011 and 2010, respectively.

NOTE 11 – RETIREMENT PLAN

Any employee of the Organization can contribute to a tax deferred annuity plan. The Organization does not make any contributions to the plan.

NOTE 12 – ECONOMIC DEPENDENCY

The Organization provides services to residents located in Brevard County. The Organization is dependent on the local economy for contributions and fundraising revenue to support its operations.

NOTE 13 – DONATED SERVICES

Donated services with an estimated value of \$727,166 and \$644,521 for the year ended June 30, 2011 and 2010, respectively, were not recognized in the financial statements because they did not meet the criteria for recognition. Donated services are estimated strictly for maintaining the Organization's tax exempt status.

NOTE 14 – FUNDRAISING EXPENSE

The total fundraising expenses for the year ended June 30, 2011 and 2010 were \$262,093 and \$255,441, respectively, including in-kind expenses of \$105,080 and \$88,475, respectively. Fundraising expenses relating to the Strawberry Festival were \$202,352 or 65% and \$90,631 or 43%, respectively, of the total revenue.

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.

Notes to Financial Statements

June 30, 2011 and 2010

NOTE 15 – PRIOR PERIOD ADJUSTMENT

Management discovered during fiscal year ended June 30, 2010 that the balance of Homeowner escrow payments were understated. Also, during the fiscal year ended June 30, 2010 management began to apply overhead to their construction in progress so an adjustment was made to the prior year so the same accounting method was applied consistently.

The following accounts changed as of July 1, 2009:

	<u>Increase</u>
Homeowner escrow deposits	<u>\$ 24,590</u>
Construction in progress	<u>\$ 16,066</u>
Retained earnings	<u>\$ (8,524)</u>

NOTE 16 – ACCOUNTING FOR UNCERTAIN INCOME TAX POSITIONS

The Organization is exempt from federal and state income tax under section 501(a) of the Internal Revenue Code. Therefore, only income from business unrelated to the Organization's charitable purpose is subject to federal or state income tax.

Effective July 1, 2009, the Organization implemented the accounting guidance for uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by the tax authorities.

As of June 30, 2011, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Additionally, the Organization had no interest and penalties related to income taxes.

With few exceptions, the Organization is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before 2008.

SUPPLEMENTARY INFORMATION

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.

Statement of Functional Expenses

For the year ended June 30, 2011

	PROGRAM SERVICES		
	Mortgage Program	Construction	ReStore
Accounting	\$ 16,786	\$ -	\$ -
Advertising	2,253	-	4,872
Amortization of interest discount	226,150	-	-
Construction	-	721,727	-
Costs of goods sold	-	-	13,060
Closing costs	-	28,852	-
Food	-	-	-
Fuel	73	4,437	5,150
Fundraising supplies	-	-	-
Insurance	835	26,311	4,659
Land sold	-	162,040	-
Legal	8,252	-	-
Licenses & taxes	389	647	4,092
Miscellaneous	10,369	9,007	260
Office rent	24,534	-	83,126
Office supplies	3,625	29	121
Postage	3,286	-	-
Rental equipment	4,004	-	182
Repairs and maintenance	17,830	7,713	3,589
Salaries and benefits	104,148	177,364	117,401
Tithe	6,110	-	-
Training and travel	6,430	-	370
Telephone	4,614	1,787	-
Utilities	8,814	-	2,334
Subtotal expenses before depreciation	448,502	1,139,914	239,216
Depreciation	1,087	2,820	390
Total expenses reported by function	\$ 449,589	\$ 1,142,734	\$ 239,606

**SUPPORTING
SERVICES**

Management And General	Fundraising	TOTALS
\$ 4,586	\$ -	\$ 21,372
-	105,080	112,205
-	-	226,150
-	-	721,727
-	-	13,060
-	-	28,852
-	43,739	43,739
-	-	9,660
-	25,197	25,197
-	-	31,805
-	-	162,040
-	-	8,252
-	-	5,128
34	14,990	34,660
3,325	6,179	117,164
336	4,630	8,741
293	796	4,375
-	14,153	18,339
-	-	29,132
67,304	46,254	512,471
-	-	6,110
-	-	6,800
1,538	-	7,939
2,858	685	14,691
80,274	261,703	2,169,609
1,087	390	5,774
<u>\$ 81,361</u>	<u>\$ 262,093</u>	<u>\$ 2,175,383</u>

HABITAT FOR HUMANITY OF BREVARD COUNTY, INC.

Statement of Functional Expenses (continued)

For the year ended June 30, 2010

	PROGRAM SERVICES		
	Mortgage Program	Construction	ReStore
Accounting	\$ 17,797	\$ -	\$ -
Advertising	440	-	6,853
Amortization of interest discount	224,159	-	-
Construction	-	343,122	-
Closing costs	-	22,269	-
Food	-	-	-
Fuel	-	2,814	4,229
Fundraising supplies	-	-	-
Insurance	2,421	9,991	9,793
Land sold	-	119,908	-
Legal	6,473	-	-
Licenses & taxes	583	347	393
Miscellaneous	8,987	-	8,036
Office rent	24,614	3,900	86,237
Office supplies	4,433	-	29
Postage	2,653	-	-
Rental equipment	5,373	-	144
Repairs and maintenance	20,888	5,276	617
Salaries and benefits	98,012	189,070	118,695
Tithe	12,160	-	-
Training and travel	2,233	-	148
Telephone	4,600	4,183	-
Utilities	8,131	-	4,414
Subtotal expenses before depreciation	443,957	700,880	239,588
Depreciation	1,828	2,045	1,940
Total expenses reported by function	\$ 445,785	\$ 702,925	\$ 241,528

**SUPPORTING
SERVICES**

Management And General	Fundraising	TOTALS
\$ 4,875	\$ -	\$ 22,672
-	90,655	97,948
-	-	224,159
-	-	343,122
-	-	22,269
-	44,891	44,891
-	-	7,043
-	22,746	22,746
1,816	1,210	25,231
-	-	119,908
1,290	-	7,763
-	-	1,323
294	11,568	28,885
4,131	-	118,882
780	4,587	9,829
356	2,881	5,890
-	16,600	22,117
477	-	27,258
87,769	59,687	553,233
-	-	12,160
-	288	2,669
1,369	-	10,152
1,043	71	13,659
<u>104,200</u>	<u>255,184</u>	<u>1,743,809</u>
<u>1,414</u>	<u>257</u>	<u>7,484</u>
<u>\$ 105,614</u>	<u>\$ 255,441</u>	<u>\$ 1,751,293</u>