

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

**FINANCIAL STATEMENTS
Year Ended June 30, 2012
(With Comparative Totals for 2011)**

HABITAT FOR HUMANITY OF
BUCKS COUNTY, INC.

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BAUM, SMITH & CLEMENS, LLP

CERTIFIED PUBLIC ACCOUNTANTS and BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Habitat for Humanity of Bucks County, Inc.

We have audited the accompanying statements of financial position of Habitat for Humanity of Bucks County, Inc., a non-profit organization, as of June 30, 2012 and 2011, 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 U.S. generally accepted auditing standards. 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 the 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 Bucks County, Inc., as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Baum, Smith & Clemens, LLP

Lansdale, PA
October 16, 2012

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

	2012	2011
ASSETS		
Current		
Cash - operating	\$ 179,123	\$ 243,072
Cash - restricted	161,038	250,450
Cash - escrow	79,514	79,514
Cash - money market	166,091	251,261
Mortgages receivable, current	112,121	121,804
Notes and loans receivable, current	12,834	4,503
Contributions receivable	3,014	6,681
Construction in progress	1,170,018	964,203
Inventory	145,070	109,487
Prepaid expenses	24,681	25,157
Total current assets	2,053,504	2,056,132
Property and equipment, net	50,421	58,629
Other		
Mortgages receivable, net of current portion and discount	976,596	996,856
Notes and loans receivable, net of current portion	92,177	96,358
Marketable securities	3,398,424	3,451,367
Investment in joint venture	3,853,178	3,790,617
Intangibles, net	286,099	329,778
Miscellaneous	18,152	18,152
Total other assets	8,624,626	8,683,128
Total assets	\$ 10,728,551	\$ 10,797,889
LIABILITIES		
Current		
Current portion of long-term debt	\$ 537,713	\$ 833,058
Line of credit	641,064	657,328
Accounts payable and accrued expenses	55,641	187,013
Escrows for real estate taxes and insurance	5,194	20,006
Total current liabilities	1,239,612	1,697,405
Long-term debt, net of current portion	5,561,052	4,970,358
Total liabilities	6,800,664	6,667,763
NET ASSETS		
Unrestricted	3,924,887	4,127,126
Unrestricted - board designated	3,000	3,000
Total net assets	3,927,887	4,130,126
Total liabilities and net assets	\$ 10,728,551	\$ 10,797,889

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Support and revenue		
Contributions	\$ 381,983	\$ 297,191
In-kind contributions	17,553	29,840
Fundraising activities, net	89,390	47,231
Net income from sale of merchandise	2,260	5,686
Sale of homes to Habitat homeowners	438,217	740,550
Amortization of mortgage discounts	82,751	71,869
Restore activity, net	468,543	432,035
Investment income	86,834	660,524
Other income	118,666	202,499
Total support and revenue	1,686,197	2,487,425
Expenses		
Program services	1,606,494	2,135,533
Management and general	176,419	220,091
Fundraising expenses	105,523	97,523
Total expenses	1,888,436	2,453,147
Change in net assets	(202,239)	34,278
Net assets, beginning of year	4,130,126	4,095,848
Net assets, end of year	\$ 3,927,887	\$ 4,130,126

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Homeownership</u>	<u>ReStore</u>	<u>Total Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>2012 Total</u>
Gifts of equity to homeowners	\$ 62,434	\$ -	\$ 62,434	\$ -	\$ -	\$ 62,434
Costs of homes sold to homeowners	448,766	-	448,766	-	-	448,766
Impairment on constructed projects	117,486	-	117,486	-	-	117,486
Discontinued projects	41,411	-	41,411	-	-	41,411
Interest discounts, first mortgages	62,706	-	62,706	-	-	62,706
Interest expense	83,955	-	83,955	-	-	83,955
Salaries	182,487	157,133	339,620	86,750	60,000	486,370
Payroll taxes	25,566	17,613	43,179	8,785	6,076	58,040
Fringe benefits	11,731	29,615	41,346	5,865	5,865	53,076
Tithe	21,567	-	21,567	-	-	21,567
Depreciation	8,032	7,676	15,708	2,900	-	18,608
Insurance	21,139	1,514	22,653	939	1,370	24,962
New market tax credit amortization	43,679	-	43,679	-	-	43,679
Newsletter and promotion	2,457	3,728	6,185	10,312	15,813	32,310
Office expense	6,009	18,131	24,140	22,817	7,706	54,663
Other expenses	3,982	-	3,982	1,676	384	6,042
Professional fees	2,540	-	2,540	16,850	-	19,390
Rent	24,229	145,199	169,428	10,951	5,256	185,635
Repairs and maintenance	4,070	11,793	15,863	3,079	-	18,942
Telephone and utilities	9,582	18,262	27,844	4,051	1,728	33,623
Travel and seminars	12,002	-	12,002	1,444	1,325	14,771
	<u>\$ 1,195,830</u>	<u>\$ 410,664</u>	<u>\$ 1,606,494</u>	<u>\$ 176,419</u>	<u>\$ 105,523</u>	<u>\$ 1,888,436</u>

See Accompanying Notes to Financial Statements

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

	<u>Homeownership</u>	<u>ReStore</u>	<u>Total Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>2011 Total</u>
Gifts of equity to homeowners	\$ 81,550	\$ -	\$ 81,550	\$ -	\$ -	\$ 81,550
Costs of homes sold to homeowners	722,003	-	722,003	-	-	722,003
Impairment on constructed units	194,836	-	194,836	-	-	194,836
Interest discounts, first mortgages	265,066	-	265,066	-	-	265,066
Interest expense	68,824	-	68,824	-	-	68,824
Salaries	147,640	163,515	311,155	107,750	54,707	473,612
Payroll taxes	28,684	18,373	47,057	10,782	5,473	63,312
Fringe benefits	38,509	22,158	60,667	6,824	3,000	70,491
Tithe	21,001	-	21,001	-	-	21,001
Depreciation	19,249	7,676	26,925	3,000	-	29,925
Insurance	33,152	829	33,981	4,024	1,437	39,442
New market tax credit amortization	40,040	-	40,040	-	-	40,040
Newsletter and promotion	500	5,992	6,492	6,401	11,954	24,847
Office expense	6,752	17,443	24,195	20,967	12,113	57,275
Other expenses	4,560	-	4,560	3,324	917	8,801
Professional fees	325	-	325	38,177	-	38,502
Rent	24,230	145,752	169,982	9,677	4,801	184,460
Repairs and maintenance	3,678	10,758	14,436	3,224	-	17,660
Telephone and utilities	8,490	22,525	31,015	2,314	1,244	34,573
Travel and seminars	11,302	121	11,423	3,627	1,877	16,927
	<u>\$ 1,720,391</u>	<u>\$ 415,142</u>	<u>\$ 2,135,533</u>	<u>\$ 220,091</u>	<u>\$ 97,523</u>	<u>\$ 2,453,147</u>

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Cash flows from operating activities		
Change in net assets	\$ (202,239)	\$ 34,278
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	18,608	29,925
Amortization of intangibles	43,679	40,040
Transfer of debt to homeowners	(95,900)	(264,000)
Mortgage discounts - default	(57,471)	-
Mortgage receivable - default	102,688	-
Mortgages issued	(110,330)	(435,179)
Mortgage discounts	62,706	265,066
Impairment on constructed units	117,486	194,836
Discontinued projects	41,411	-
Joint Venture income	(99,434)	(149,559)
Realized gain on sale of capital assets	-	(26,678)
Donated securities	(15,006)	(14,956)
Unrealized/realized (gain)/loss on investments	5,969	(565,769)
Amortization of mortgage discounts	(82,751)	(71,869)
Changes in assets and liabilities:		
Contributions receivable	3,667	96,169
Collection of mortgages receivable	137,552	130,828
Repayment to PHFA for mortgages	(22,451)	(19,596)
Construction in progress	(364,712)	(36,631)
Inventory	(35,583)	(156)
Prepaid expenses	476	(1,103)
Miscellaneous assets	-	(306)
Accounts payable and accrued expenses	(131,372)	(61,479)
Escrows for real estate taxes and insurance	(14,812)	16,513
Net cash used by operating activities	(697,819)	(839,626)
Cash flows from investing activities		
Reinvestment of dividends and interest	(92,166)	(92,389)
Transfer to operating	239,316	95,484
Proceeds from sale of capital assets	-	42,500
Capital expenditures	(10,400)	(11,775)
Distributions from joint venture	36,873	37,145
Notes and loans receivable, net	(4,150)	(12,233)
Transfer from escrow	-	157,391
Net cash provided by investing activities	169,473	216,123
Cash flows from financing activities		
Proceeds (payments) - lines of credit, net	(16,264)	437,430
Proceeds from long-term debt	598,956	224,770
Net repayments of long-term debt	(207,707)	(8,477)
Net cash provided by financing activities	374,985	653,723
Net change in cash	(153,361)	30,220
Beginning cash - operating	493,522	463,302
Ending cash	340,161	493,522
Less restricted cash	(161,038)	(250,450)
Ending cash - operating	\$ 179,123	\$ 243,072
<u>Supplementary disclosure of cash flow information:</u>		
Cash paid for interest:		
Interest paid - net of amount capitalized	\$ 83,955	\$ 68,824

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

Habitat for Humanity of Bucks County, Inc. is a Pennsylvania non-profit organization, and has been granted an exemption from federal income tax under Section 501(c) (3) of the Internal Revenue Code as an affiliate of Habitat for Humanity International, Inc.

The mission of Habitat for Humanity of Bucks County, Inc. is to build affordable homes, better lives, stronger families, and safer communities through partnerships with people and organizations throughout Bucks County. The Organization's activities focus primarily on three key areas: Homeownership, Basic Home Repairs, and the ReStore.

Homeownership

Provide economic and social stability to work-force families in need of affordable housing. Homes are built by volunteers and homeowners, and receive Energy Star ratings to help reduce costs for homeowners. This process also includes educational components such as budgeting workshops, homeownership workshops and an advocate for each family.

Basic Home Repairs

Launched in 2011, *A Brush With Kindness* is a program to serve low-income homeowners who, due to illness, age, or economic difficulties are unable to take care of basic repairs on the exterior of their homes. This program offers security and healthy living conditions for homeowners, and brings stability and revitalization to neighborhoods. The expenditures for this program are included with Homeownership on the Statement of Functional Expenses.

ReStore

A thrift-style retail outlet, the ReStore offers new and gently used household goods and building materials at deeply discounted prices while providing volunteer and recycling opportunities for the community at large. In addition, free *Do It Yourself (DIY)* clinics have been started, teaching people basic skills in areas of electrical, plumbing, and furniture repair.

Habitat for Humanity of Bucks County, Inc. is an affiliate of Habitat for Humanity International, Inc., (HfHI) a non-profit organization whose purpose is to create decent, affordable housing for those in need. While HfHI provides training, publications and on-line resources, Habitat for Humanity of Bucks County, Inc. is primarily and directly responsible for its own operations.

Basis of Presentation

The Organization follows FASB ASC 958, Not-for-Profit Entities, to prepare its financial statements. Under FASB ASC 958, 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. There are no temporarily or permanently restricted net assets.

Restricted and Unrestricted Support

The Organization follows FASB ASC 958 - 605, Revenue Recognition, in recording contributions received. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as unrestricted 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 Activities as net assets released from restrictions.

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Management's Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Significant estimates included in the financial statements are the valuation of the ReStore inventory, impairment on real estate held by the Organization and the estimated joint venture income from the New Market Tax Credit Program (NMTC).

Cash Non-operating

Cash is restricted at the request of a lender and is held in a money market account as collateral for a line of credit. The cash amount above the outstanding balance on the line of credit is available to the organization for operations. The cash available to the organization as of June 30, 2012 and 2011 was approximately \$119,000 and \$126,000, respectively.

An escrow account has been reserved, at the request of Milford Township, for paving and other common area expenses that may be incurred during the completion of construction at Emerald Hollow. Cash, held in a money market, is generally not available for operations and is only drawn upon if needed.

Inventory

Construction Materials

Inventory is valued at cost (first-in, first-out) or market, whichever is lower, and consists of construction materials and supplies.

ReStore

Inventory consists of donated building materials and household appliances and goods. Items are valued at thrift shop value.

Investments

Investments in marketable securities are reported at their fair value in the statement of financial position. Realized gains or losses and the unrealized appreciation (depreciation) on investments are included in the statements of activities.

The Organization's investments in marketable securities are subject to market risk. The investments are managed by an investment committee subject to its respective investment goals for the total investment return, yield, tolerance of investment risk, and investment turnover. The degree and concentration of risk varies by the type of investment.

Investment in the joint venture related to the (NMTC) Program is recorded using the equity method of accounting.

Property, Equipment and Depreciation

Property, equipment and improvements in excess of \$1,000 are recorded at acquisition cost, including costs necessary to get the asset ready for its intended use. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the respective assets. When assets are retired or otherwise disposed of, the cost and related depreciation are removed from the books and any resulting gain or loss is reflected in income for the period.

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction in Progress

Management reviews its construction in progress assets for impairment when there is an event or change in circumstances that indicates an impairment in value. An asset is considered impaired when the undiscounted future cash flows are not sufficient to recover the asset's carrying value. If such impairment is present, an impairment loss is recognized based on the excess of the carrying amount of the asset over its fair value. The Organization records impairment losses and reduces the carrying amounts of construction in progress when the carrying amounts exceed the estimated selling proceeds, based upon an independent third party appraisal.

Intangible Assets

The intangible costs consist of loan costs and guarantee fees in regard to the NMTC program. The loan costs are being amortized over fifteen years, the term of the debt incurred and the tax credit allowance period. The guarantee fees are being amortized over seven years.

Contributions

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values on the date of donation.

Donated Services and Materials

The Organization follows FASB ASC 958 in recognition of donated services which create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization receives donated services from a variety of unpaid volunteers assisting the Organization with the construction and renovation of the homes. The Organization records the value of contributed goods when there is an objective basis available to measure their value.

Sale of Homes to Habitat Homeowners

Sale of homes to Habitat homeowners are recorded at the gross mortgage amount plus down payment received. Non-interest bearing mortgages have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages. On a straight-line basis, the discount will be recognized as income over the term of the mortgages.

ReStore Activity

ReStore sales are shown net of contributed inventory.

Sales Tax

The Organization collects sales tax. The amount received is credited to a liability account and as payments are made, this account is charged. At any point in time, this account represents the net amount owed to the tax authority for amounts collected but not yet remitted.

Advertising

Advertising costs are expensed as incurred.

Designated Net Assets

The Organization follows FASB ASC 958-605, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*. The Board established an endowment fund with The Philadelphia Foundation (the Foundation). As stipulated in the fund agreement, the Board of Managers of the Foundation shall have the right to use the Fund for such other charitable purposes as deemed appropriate if it is not possible to use the funds in accordance with the governing instrument.

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE A: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization follows FASB ASC 740 guidance for reporting uncertainty in 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. The Organization believes that it has appropriate support for the income tax positions taken on its tax returns. The Organization's open tax year audit periods are 2008 - 2010.

As of June 30, 2012, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Real Estate and Insurance Escrow Accounts

At settlement, the Organization may set up escrow accounts in the name of the Organization for Habitat homeowners for the payment of real estate taxes and insurance on behalf of the homeowners.

Reclassifications

Reclassifications of prior year totals have been reclassified to conform to current year presentation

Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued which was October 16, 2012.

NOTE B: CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash in bank deposit accounts which, at times, may exceed federally insured limits set by the Federal Deposit Insurance Corporation (FDIC). Effective through December 31, 2012, all non-interest-bearing accounts are fully insured, regardless of the balance of the account and the ownership capacity of the funds. Accounts bearing interest are covered by the current FDIC limit for each bank. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk. At June 30, 2012, the Organization's uninsured cash balances were approximately \$173,000.

The Organization maintains accounts with a brokerage firm. The accounts contain cash and securities. Balances are insured up to \$500,000 (with a limit of \$250,000 for cash) by the Securities Investor Protection Corporation. Cash balances held in these accounts may at times exceed federal limits, but the Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

NOTE C: MORTGAGES RECEIVABLE

The Organization has financed mortgages to homeowners, collateralized by first mortgages recorded as liens against the properties sold to the homeowner by the Organization. The mortgages are payable in monthly installments ranging from \$151 to \$327 over a term of 240, 300 or 360 months. The mortgages are non-interest bearing. A valuation discount, of approximately 8%, has been recorded to reflect an interest rate recommended by Habitat for Humanity International, Inc. for valuation purposes. Unamortized discounts for mortgages financed to homeowners during the years ended June 30, 2012 and 2011, of \$62,706 and \$265,066, respectively, have been included in the statements of functional expenses.

A mortgage loss reserve has not been included in the financial statements. The Organization believes its risk is minimal due to the fact that in the event of foreclosure the Organization will take the property back. The Organization has developed and implemented a formal mortgage collection policy.

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE C: MORTGAGES RECEIVABLE (Continued)

Pennsylvania Housing Finance Agency (PHFA) has purchased various mortgages receivable from the Organization. These proceeds are to be used to provide additional loans to low income families. The Organization will continue to service these mortgages, collecting monthly installments, which are remitted to PHFA on a quarterly basis along with a report of the status of each mortgage. The Organization must adhere to agreed upon obligations, and in the event of a default, all obligations purchased at PHFA's option shall cease and terminate, and PHFA may declare the mortgage indebtedness immediately due and payable by the Organization. At June 30, 2012 and 2011, the outstanding mortgage balances held by PHFA were \$279,737 and \$302,188, respectively.

Below is a summary of the mortgages receivable as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Non-interest bearing mortgages receivable from homeowners	\$ 2,638,433	\$ 2,768,343
Mortgages receivable - PHFA	(279,737)	(302,188)
Valuation discount	<u>(1,269,979)</u>	<u>(1,347,495)</u>
Net mortgages receivable	1,088,717	1,118,660
Current maturities of mortgages receivable	<u>(112,121)</u>	<u>(121,804)</u>
	<u>\$ 976,596</u>	<u>\$ 996,856</u>

NOTE D: NOTES AND LOANS RECEIVABLE

Upon sale of the properties to homeowners, the Organization advances the closing costs incurred on the sale of the property net of any deposit paid by the homeowner. The closing costs are repaid on a monthly basis over terms of 240, 300 or 360 months on a non-interest bearing basis. Some of the *A Brush with Kindness* homeowners are required to payback a portion of the home repair expense over a period of 5-10 years. Amounts due for this program are included in the current portion of the June 30, 2012 total. The following is a summary of the notes and loans from homeowners:

	<u>2012</u>	<u>2011</u>
Current	\$ 12,834	\$ 4,503
Long-term	<u>92,177</u>	<u>96,358</u>
	<u>\$ 105,011</u>	<u>\$ 100,861</u>

NOTE E: CONSTRUCTION IN PROGRESS

The following properties were under construction or have incurred acquisition costs:

	<u>2012</u>	<u>2011</u>
Colonial Ave. - Bristol	\$ -	\$ 146,942
Penn Villa - West Rockhill	526,005	-
Chestnut St. - Perkasio	434,168	494,000
Emerald Hollow - Phase II	-	217,333
Plymouth Street - Bristol	49,226	33,023
Watson Street - Bristol	<u>160,619</u>	<u>35,117</u>
	\$ 1,170,018	\$ 926,415
Preliminary acquisition costs and escrows:		
Other	-	1,319
New Street - Quakertown	<u>-</u>	<u>36,469</u>
	<u>\$ 1,170,018</u>	<u>\$ 964,203</u>

The Organization had a lot on Colonial Avenue in Bristol, PA on which 4 townhomes had been built. As of June 30, 2012, all of these townhomes have been sold.

In May of 2012, the Organization purchased land in West Rockhill, PA for the construction of town homes which will be known as the Penn Villa. Penn Villa will consist of 10 town homes when completed.

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE E: CONSTRUCTION IN PROGRESS (Continued)

In August of 2008, the Organization purchased a building in Perkasio, PA for the development of condominiums known as the Stitchery. The Stitchery consists of 6 condominiums, 3 of which have been sold as of June 30, 2012.

The Organization purchased land in Trumbauersville, PA for the development of a housing community known as Emerald Hollow. The first phase of the community was a 37 home development that was completed in 2005. The second phase of the community is a 36 home development. As of June 30, 2012, all the homes were sold for Phase II.

Two plots of land in Bristol, PA (on Plymouth and Watson Streets) were purchased during the fiscal year ended June 30, 2011 with the intention of constructing a single family ranch style home on each lot.

All costs related to each project are recorded as construction in progress. As the homes and condominiums are sold the accumulated costs for the homes are removed from construction in progress.

The pending project at New Street in Quakertown did not receive final zoning approval. Plans to build at New Street were discontinued during the current year ending June 30, 2012.

NOTE F: PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	Estimated useful lives in years	2012	2011
Office equipment	5	\$ 26,658	\$ 19,758
Vehicle	5	71,086	71,086
Construction equipment	5	538	538
Furniture and fixtures	7	10,224	6,724
Leasehold Improvements	10	<u>31,516</u>	<u>31,516</u>
		140,022	129,622
Less: accumulated depreciation		<u>89,601</u>	<u>70,993</u>
		<u>\$ 50,421</u>	<u>\$ 58,629</u>

Depreciation expense for the years ended June 30, 2012 and 2011 was \$18,608 and \$29,925, respectively.

NOTE G: MARKETABLE SECURITIES

Investments held by the Organization at June 30, 2012 and 2011 consist of:

	2012	2011
Mutual Funds	<u>\$ 3,398,424</u>	<u>\$ 3,451,367</u>

Investment income (loss) is summarized as follows:

	2012	2011
Unrealized income (losses)	\$ (5,698)	\$ 565,749
Realized income (losses)	(271)	20
Dividends and interest	92,166	92,389
Other	<u>637</u>	<u>2,366</u>
	<u>\$ 86,834</u>	<u>\$ 660,524</u>

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE H: FAIR VALUE MEASUREMENT

FASB ASC 820, *Fair Value Measurement*, 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 measurement) 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 in active markets that the Organization has the ability to access.
Level 2	<p>Inputs to the valuation methodology include:</p> <ul style="list-style-type: none"> ▪ Quoted prices for similar assets 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. <p>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.</p>
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset'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.

Assets measured on a recurring basis using quoted prices from exchanges to determine fair value:

As of June 30, 2012

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Equity/growth funds	\$ 166,071	\$ -	\$ -	\$ 166,071
Debt/fixed income funds	<u>1,051,756</u>	<u>-</u>	<u>-</u>	<u>1,051,756</u>
Total mutual funds	<u>1,217,827</u>	<u>-</u>	<u>-</u>	<u>1,217,827</u>
Exchange traded funds				
Equity/growth	694,745	-	-	694,745
Equity	1,294,535	-	-	1,294,535
Other - REIT	<u>191,317</u>	<u>-</u>	<u>-</u>	<u>191,317</u>
Total exchange traded funds	<u>2,180,597</u>	<u>-</u>	<u>-</u>	<u>2,180,597</u>
Total assets at fair value	<u>\$ 3,398,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,398,424</u>

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE H: FAIR VALUE MEASUREMENT (Continued)

As of June 30, 2011

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Equity/growth funds	\$ 170,461	\$ -	\$ -	\$ 170,461
Debt/fixed income funds	<u>1,018,273</u>	<u>-</u>	<u>-</u>	<u>1,018,273</u>
Total mutual funds	<u>1,188,734</u>	<u>-</u>	<u>-</u>	<u>1,188,734</u>
Exchange traded funds				
Equity/growth	785,273	-	-	785,273
Equity	1,301,628	-	-	1,301,628
Other - REIT	<u>175,732</u>	<u>-</u>	<u>-</u>	<u>175,732</u>
Total exchange traded funds	<u>2,262,633</u>	<u>-</u>	<u>-</u>	<u>2,262,633</u>
Total assets at fair value	<u>\$ 3,451,367</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,451,367</u>

NOTE I: JOINT VENTURE

In November 2009, the Organization invested, along with five other Habitat affiliates, in a joint venture with a 21.0488 percent ownership in order to take advantage of New Market Tax Credit (NMTC) financing. The NMTC program provides tax credit incentives to investors who invest in low-income communities and is administered by the U.S. Treasury Department. The Organization invested \$3,687,369 in the joint venture and was able to obtain a loan in the amount of \$4,571,637, from a community development entity (an affiliate of the joint venture). The proceeds received by the Organization are to be used for the purpose of constructing qualified housing properties for low income residents.

In connection with this arrangement, the Joint Venture has the option to buy back the Organization's ownership interest. The exercise of this option will effectively allow the Organization to extinguish its debt owed to the community development entity.

NOTE J: INTANGIBLES

The following is a summary of the non-goodwill intangible incurred related to the New Market Tax Credit Program as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Guarantee fee	\$ 221,034	\$ 221,034
Loan costs	181,543	181,543
Less accumulated amortization	<u>116,478</u>	<u>72,799</u>
	<u>\$ 286,099</u>	<u>\$ 329,778</u>

Amortization expense for the years ending June 30, 2012 and 2011 was \$43,679 and \$40,040, respectively. As of June 30, 2012 estimated amortization expense for the next five years is as follows:

2013	\$ 43,679
2014	43,679
2015	43,679
2016	43,679
2017	22,630
Thereafter	<u>88,753</u>
	<u>\$ 286,099</u>

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE K: LINE OF CREDIT

The Organization obtained a line of credit in July 2011. The line is renewable annually and is secured by the Organization's bank deposits and marketable securities held by the institution, which are used as collateral. The interest rate is variable and was 2.03% at June 30, 2012. At June 30, 2012 the available unused credit was approximately \$1,265,000. The outstanding balance at June 30, 2012 was \$641,064.

The Organization has a line of credit, expiring in October 2012, for \$750,000 for new projects. The interest rates were 3.25% and 4.50% at June 30, 2012 and 2011, respectively. The outstanding balances at June 30, 2012 and 2011 was \$ - and \$657,328, respectively.

NOTE L: LONG-TERM DEBT

	<u>2012</u>	<u>2011</u>
Long-term debt consists of the following:		
New Market Tax Credit note payable, collateralized by assets purchased with loan proceeds, .8126% interest rate; semi-annual payments of interest only until December 2016; principal and interest to be paid in semi-annual payments in an amount sufficient to fully amortize the remaining principal balance over the following eight years, all outstanding principal due in November 2024. (See Note I)	\$ 4,571,637	\$ 4,571,637
Note payable, 7.65% interest, collateralized by certain mortgage receivables. \$3,224 (principal and interest) payable monthly to April 2036.	398,938	406,566
\$750,000 Construction line of credit, collateralized by Perkasio property, interest payable on a monthly basis at prime rate (3.25% at June 30, 2012 and 2011) to October 2012.	329,232	407,232
Note payable, no interest, no payments due unless sale or refinance of property for the Stitchery located in Perkasio or other transfer of title, principal will be released and a lien placed on each individual condo as sold and lien will be transferred from Habitat to the buyer.	200,002	200,002
Note payable up to \$780,000, no interest, no payments due unless sale or refinance of property for the Penn Villa located in West Rockhill or other transfer of title, principal will be released and a lien placed on each individual town home as sold and lien will be transferred from Habitat to the buyer.	598,956	-
\$330,000 note payable, no interest, no payments due unless sale or refinance of property for units at Liberator and Colonial or other transfer of title, principal will be released and a lien placed on each individual property as sold and lien will be transferred from Habitat to the buyer. This loan was paid in full.	-	65,900
Note payable, no interest, no payments due unless sale or refinance of property for Phase II of Emerald Hollow or other transfer of title, principal will be released and a lien placed on each individual lot upon sale to homeowners. The loan was paid in full during 2012.	-	30,000

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE L: LONG-TERM DEBT (Continued)

Construction line of credit, collateralized by a money market account held with lender, interest payable on a monthly basis at prime minus .25 percent (3% at June 30, 2011). The line of credit was paid in full during 2012.

	-	122,079
	6,098,765	5,803,416
Less: current portion	537,713	833,058
Long-term debt	\$ 5,561,052	\$ 4,970,358

Aggregate maturities of long-term debt are as follows:

Years ending June 30	Amount
2013	\$ 537,713
2014	608,094
2015	9,862
2016	10,644
2017	11,487
Thereafter	4,920,965
	\$ 6,098,765

The Organization follows the policy of capitalizing construction interest as a component of the construction in progress. During the years ended June 30, 2012 and 2011, total interest incurred was \$102,071 and \$109,245, of which \$83,955 and \$68,824, respectively, was charged to operations.

NOTE M: LETTERS OF CREDIT

At June 30, 2012, the Organization had outstanding letters of credit of \$646, \$13,474 and \$107,511. These letters of credit will be released upon final approval of Milford Township regarding the Emerald Hollow development.

NOTE N: FUND RAISING ACTIVITIES

The Organization has an annual Signature Event and other fundraising events. The support received and expenses incurred for these events were as follows:

	2012	2011
Gross receipts	\$ 106,466	\$ 74,791
Expenses	17,076	27,560
Net fund raising	\$ 89,390	\$ 47,231

NOTE O: RESTORE ACTIVITY

The ReStore had the following activity for the years ended June 30, 2012 and 2011:

	2012	2011
Gross sales	\$ 432,960	\$ 432,429
Cost of sales	(413,950)	(412,083)
	19,010	20,346
In-kind contributions	449,533	411,689
ReStore activity	\$ 468,543	\$ 432,035

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE P: EMPLOYEE BENEFIT PLAN

The Organization has a 401(k) plan for its employees. Eligible employees may contribute a percentage of their salary, up to federal limits. The Plan provides the option for an employer contribution. The Organization's contribution is discretionary from year to year. For the years ended June 30, 2012 and 2011, there were no contributions made by the Organization.

NOTE Q: TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL

The Organization annually remits a portion of its contributions (excluding in-kind contributions) to Habitat for Humanity International. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2012 and 2011, the Organization voluntarily contributed \$21,567 and \$21,001, respectively, to Habitat for Humanity International. This amount is included in program services expense in the Statement of Activities.

NOTE R: ADDITIONAL INFORMATION

	2012	2011
Donated goods and services	\$ 17,553	\$ 29,840
Advertising expense	\$ 10,240	\$ 7,026

NOTE S: LEASES

The Organization leases building space and office equipment under operating leases. The office and ReStore lease expires in 2018 and includes a monthly charge of operating expenses at \$1.10 per square foot. The lease for office equipment expires in 2017.

Total rent expense was \$185,635 and \$184,460 for the years ending June 30, 2012 and 2011, respectively.

Future minimum rental payments under the operating leases as of June 30, 2012 are as follows:

Years ending June 30	Amount
2013	\$ 188,855
2014	196,122
2015	196,782
2016	196,782
2017	196,503
Thereafter	209,554
	\$ 1,184,598

HABITAT FOR HUMANITY OF BUCKS COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE T: GIFTS OF EQUITY

The Organization has received funds from the HOME program for several of its properties in lieu of debt repayment by the Organization. When the homes are sold a pro-rata allocation of the note is transferred to the home buyer. The third mortgage varies in amount and is forgiven by the Organization as long as the homeowner does not sell, transfer the property or refinance.

The following properties benefitted from the HOME program:

	Total HOME Funds <u>Received</u>	Balance to be <u>Transferred</u>
Chestnut Street - Perkasio	\$ 400,000	\$ 200,002
Penn Villa - West Rockhill	\$ 521,814	\$ 521,814
Watson Street - Bristol	\$ 77,142	\$ 77,142

At June 30, 2012 approximately \$128,000 and \$52,000 is available from the HOME program for the Penn Villa and Watson Street projects, respectively.

NOTE U: SUBSEQUENT EVENTS

In July 2012, the outstanding letter of credit was released for Phase I at Emerald Hollow. Approximately \$79,000 was returned to the Organization's operating account from the escrow account.

In July 2012, a portion of the outstanding letter of credit was released for Phase II at Emerald Hollow. Approximately \$40,000 was returned to the Organization's operating account from the restricted cash.