



**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2010**

# HABITAT OF EVANSVILLE, INC.

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Accounting & Financial Services, P.C.  
Lance Stephens, C.P.A.

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Habitat for Humanity of Evansville, Inc.

We have audited the accompanying statement of financial position of Habitat for Humanity of Evansville, Inc. (a nonprofit organization) as of June 30, 2010, and the related statements of activities, functional expenses 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 of Evansville, Indiana, as of June 30, 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.

A handwritten signature in black ink that reads "Vision Accounting &amp; Financial Services, P.C." in a cursive, slightly slanted script.

Vision Accounting & Financial Services, PC.

October 17, 2010

**Habitat for Humanity of Evansville, Inc.**  
**Statement of Financial Position**  
June 30, 2010

	<b>06/30/2010</b>
<b>ASSETS</b>	
Current Assets	
Cash and Equivalents - Unrestricted	\$ 318,650
Cash and Equivalents - Restricted	18,825
Investments	116,411
Inventory(Cost)	7,363
Houses Available for Sale	56,696
Construction in Process	79,571
Land Held for Development(Cost)	534,610
Prepaid Expenses	13,626
Current Maturities Mort.	604,932
Total Current Assets	1,750,684
Fixed Assets	
Construction Equipment	\$ 54,219
Office Equipment	74,191
Accumulated Depreciation	(86,229)
Total Fixed Assets	\$ 42,181
Other Long - Term Assets	
Mortgage Receivables-Net	\$ 4,051,822
<b>TOTAL ASSETS</b>	<b>\$ 5,844,687</b>
<b>LIABILITIES &amp; NET ASSETS</b>	
Current Liabilities	
Accounts Payable	\$ 95,051
Escrow Payable-Mortgage	48,834
Total Current Liabilities	\$ 143,885
Net Assets	
Net Assets Temporarily Restricted	\$ 18,825
Net Assets Unrestricted	5,681,977
Total Equity	\$ 5,700,802
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$ 5,844,687</b>

See Independent Auditors Report.

**Habitat for Humanity of Evansville, Inc.**  
**Statement of Activities and Changes in Net Assets**  
For the Year Ended June 30, 2010

<b>Unrestricted &amp; Restricted Revenue</b>		
<i>Unrestricted revenues and gains</i>		
Transfers to homeowners	\$	1,342,000
Grants		377,755
Donations-In-Kind		79,547
Contributions		972,594
Other Income		24,228
Interest Income		301,422
<b>Total unrestricted revenue and gains</b>		<b>3,097,546</b>
<b>Restricted Revenue</b>		
Temporarily restricted contributions		365,411
<b>Total Restricted and Unrestricted Revenue</b>		
<b>Gains and other Support</b>		<b>3,462,957</b>
<b>Expenses</b>		
<i>Program services</i>		
Housing & finance		2,661,633
<i>Supporting services</i>		
Fundraising		103,809
Management and general		205,837
Total supporting services		309,646
<b>Total expenses</b>		<b>2,971,279</b>
<b>Change in net assets</b>		<b>491,678</b>
Net assets at beginning of year		5,190,299
<b>Net assets at end of year</b>	<b>\$</b>	<b>5,681,977</b>

See Independent Auditors Report.

**Habitat for Humanity of Evansville, Inc.**  
**Statement of Cash Flows**  
For the Year Ended June 30, 2010

<b>Cash Flows From Operating Activities</b>	
Increase (Decrease) in net assets	\$ 491,678
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Depreciation	3,409
(Increase) decrease in operating assets:	
Houses Available for Sale	(27,150)
Life Insurance Contract	75,855
Construction in process	252,670
Inventory	(3,694)
Prepaid Expenses	(3,915)
Land Held for Development	(189,480)
Mortgage Receivables	(592,720)
Increase (decrease) in operating liabilities:	
Accounts payable & accrued expenses	(9,248)
Escrow - mortgages	(11,175)
Net Cash Provided By Operations	<u>\$ (13,770)</u>
 <b>Cash Flows From Investing Activities:</b>	
Investments	61,810
Capital expenditures	<u>-</u>
Net Cash Used in Investing Activities	<u>61,810</u>
 <b>Cash Flows From Financing Activities:</b>	
	<u>-</u>
 <b>Net Increase (Decrease) in Cash</b>	 48,040
 <b>Cash- Beginning of Year</b>	 <u>289,435</u>
 <b>Cash- End of Year</b>	 <u>\$ 337,475</u>

See Independent Auditors Report.

**Habitat for Humanity of Evansville, Inc.**  
**Statement of Functional Expenses**  
For the Year Ended June 30, 2010

	<b>Program Services</b>	<b>Supporting Services</b>		
	Housing & Finance	Management and General	Fundraising	Total Supporting Services
Building Transfer Costs	<b>\$2,098,233</b>	\$ -	\$ -	\$ -
Salaries	283,949	93,497	48,121	141,618
Auto & Travel	20,550	-	1,023	1,023
Credit Reports	-	-	-	-
Depreciation	2,450	959	-	959
Employee Benefits	61,406	16,941	17,342	34,283
Insurance	5,498	6,676	-	6,676
Legal & Accounting	11,282	11,357	-	11,357
Other	8,052	7,793	-	7,793
Communications	5,567	2,677	-	2,677
Office Supplies/Supplies	14,105	3,406	3,939	7,345
Payroll Taxes	20,374	7,033	4,409	11,442
Postage & Delivery	1,273	2,749	327	3,076
Printing	868	-	-	-
Promotions/Advertising/PR	420	-	9,580	9,580
Rent	22,200	9,000	-	9,000
Repairs & Maintenance	10,721	29,147	-	29,147
Tithe/Contributions	84,039	-	-	-
Training/Education	-	6,228	-	6,228
Volunteer	5,579	6,572	-	6,572
Utilities	5,067	1,802	-	1,802
Newsletter/Direct Mail	-	-	19,068	19,068
	<b>\$2,661,633</b>	<b>\$ 205,837</b>	<b>\$ 103,809</b>	<b>\$ 309,646</b>

See Independent Auditors Report.

**HABITAT FOR HUMANITY OF EVANSVILLE, INC**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - ORGANIZATION AND PURPOSE**

Nature of Organization and Purpose

Habitat for Humanity of Evansville, Inc. is a nondenominational Christian not-for-profit organization whose purposes are to partner with specific domestic and international habitat programs by constructing modest but adequate housing, and to associate with other organizations functioning with purposes consistent with those of Habitat. Habitat's goal is to eliminate poverty housing and homelessness worldwide and to stir the hearts and minds of others to take action on this issue.

Habitat's mission is fulfilled primarily through the efforts of volunteers and operates in Vanderburgh County.

Habitat is exempt from federal income taxation under Section 501(a) as an organization described in Section 501 c (3) of the Internal Revenue Code of 1986, as amended, pursuant to a group exemption letter received from the Internal Revenue Service.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The organization has adopted Statement of Financial Accounting Standards No. 117 "Financial Statements of Not-For-Profit Organizations". Accordingly, the Organization reports 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. In addition, the Organization is required to present a statement of cash flows. At June 30, 2010, the organization had net assets with temporary restrictions totaling \$18,825.

Contributions

The Organization has adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made". In accordance with SFAS No. 116, 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 an increase in unrestricted net assets if the restriction expires during the same period the support is received. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets based on the nature of the restriction. When the restriction expires or its conditions have been satisfied, restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

See Independent Auditor's Report



**HABITAT FOR HUMANITY OF EVANSVILLE, INC**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

Promises to Give

Contributions are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give in subsequent years are reported at the present value of their net realizable value, rates ranging from 4 to 6 percent to be received.

The organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Cash and Equivalents

For purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributed Services

Numerous volunteers donated significant amounts of their time in the organization's program services and its fund raising campaigns. The value of this contributed time is not reflected in the financial statements since it does not require a specialized skill. However, certain other contributed services that require specialized skills, provided by individuals possessing those skills, which would otherwise need to be purchased, if not provided by donation, are recognized as revenue and expense. Such amounts are included in the accompanying statements of activities and changes in net assets.

Investments

Short-term investments are carried at lower of cost or market and have a maturity greater than three months.

See Independent Auditor's Report

**HABITAT OF EVANSVILLE, INC**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

Property and Equipment

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Any donated property and equipment is carried at its fair market value.

Revenue Recognition

Revenues are recognized when homes are completed and a signed mortgage is received by Habitat of Evansville, Inc.

Transfer to Homeowners

Houses sold are carried at cost that includes goods and services that have been donated by the community. The donated goods and services are valued at their fair market value.

**NOTE 3 - MORTGAGES RECEIVABLE**

Long-term mortgages receivable at June 30, 2010 are as follows:

	<u>Total</u>	<u>June 30, 2010</u> <u>Current</u>	<u>Long-Term</u>
Mortgages receivable	9,319,043	604,932	8,714,111
Less unamortized discount	<u>4,662,289</u>	<u>-</u>	<u>4,662,289</u>
Mortgages receivable - net	<u>4,656,754</u>	<u>966,769</u>	<u>4,051,822</u>

**NOTE 4 - UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give as of June 30, 2010 are unrestricted net assets. These unconditional promises to give are to be received by the Organization for years subsequent to June 30, 2010, and are deemed to be fully collectible by management.

Receivable in less than one year	\$ -
Receivable in one to five years	<u>-</u>
Less: discounts to net present value	<u>-</u>
Net Contributions Receivable	\$ -

Unconditional promises to give are primarily from local companies and churches, and are reflected at present value of estimated future cash flows using discount rates ranging from 4.36% to 8.5%.

See Independent Auditor's Report

**HABITAT OF EVANSVILLE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - PAYMENT TO NATIONAL AFFILIATES**

The goal of Habitat of Evansville, Inc. is to contribute to the National Organization, Habitat for Humanity, it gave \$84,039.00 through June 30, 2010.

**NOTE 6 - PROPERTY AND EQUIPMENT**

At June 30, 2010 property and equipment consisted of the following:

	<u>June 30, 2010</u>	
	<u>Cost</u>	<u>Accumulated Depreciation/ Amortization</u>
Office Equipment	54,219	40,118
Construction Equipment	74,191	46,111
	<u>128,410</u>	<u>86,229</u>

The amount charged to depreciation for the years ended June 30, 2010 is \$3,409.

**NOTE 7 - HOUSES FOR SALE**

Houses for sale represents the cost of homes that Habitat of Evansville, Inc. has received from a qualifying family or has foreclosed on the mortgage and construction in process.

**NOTE 8 - LEASES**

Habitat of Evansville, Inc. leases its office space from Ocnad Investments, LLC. with an expiration date of December 31, 2015, and monthly rents at \$2,600.00 per month. The total rent expensed for the year ended June 30 was \$31,200

**NOTE 9 - CONCENTRATIONS OF CREDIT RISK**

Financial statements that potentially subject Habitat for Humanity of Evansville, Inc. to concentrations of credit risk consist principally of cash and operations in Vanderburgh County. The Organization does not have any excess balances over the insured amounts at June 30, 2010.

**NOTE 10 - OTHER MORTGAGE RECEIVABLE INFORMATION**

In 1994, Habitat for Humanity of Evansville, Inc. began issuing second mortgages on homes they sold to qualifying families. The second mortgage was designed to discourage mortgagees from selling properties in the first 10 years, due to the market value exceeding the value of the first mortgage.

The organization believes that early termination gains are remotely possible and would represent immaterial gain, so therefore no gain or loss has been included in the financial statements nor its potential impact on them estimated.

**NOTE 11 - LETTER OF CREDIT**

The organization carries a letter of credit at Integra National Bank for \$251,071 and \$682,518 at Old National bank in order to cover infrastructure costs that are in process. The city requires such costs to be secured until final inspections can be made. None of the letter has been used at June 30, 2010.

See Independent Auditor's Report