

**HABITAT FOR HUMANITY  
OF UTAH COUNTY**  
(A Non Profit Corporation)

FINANCIAL STATEMENTS

JUNE 30, 2010

**HABITAT FOR HUMANITY OF UTAH COUNTY**  
**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditor's Report.....	1
Statement of Financial Position.....	2
Statement of Activities and Changes in Net Assets.....	3
Statement of Cash Flows.....	4
Notes to the Financial Statements.....	5-9
Supplemental Schedule of Functional Expenses.....	10



# GILBERT & STEWART

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION  
ESTABLISHED 1974

RANDEL A. HEATON, CPA  
LYNN A. GILBERT, CPA  
JAMES A. GILBERT, CPA  
BEN H. PROBST, CPA  
RONALD J. STEWART, CPA

SIDNEY S. GILBERT, CPA  
JAMES E. STEWART, CPA

## INDEPENDENT AUDITOR'S REPORT

Habitat for Humanity of Utah County  
Provo, Utah

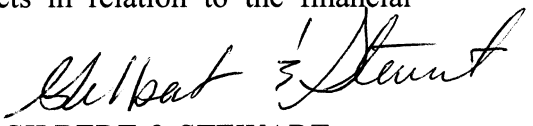
December 20, 2010

We have audited the accompanying statement of financial position of Habitat for Humanity of Utah County (a nonprofit organization) as of June 30, 2010, and the related statements of activities and changes in net assets, 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 the Habitat for Humanity of Utah County 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The schedule of functional expenses as listed in the table of contents 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.

  
GILBERT & STEWART  
Certified Public Accountants

AMERICAN FORK OFFICE  
85 NORTH CENTER STREET  
AMERICAN FORK, UT 84003  
(801) 756-9666  
FAX (801) 756-9667

PROVO OFFICE  
190 WEST 800 NORTH #100  
PROVO, UT 84601  
(801) 377-5300  
FAX (801) 373-5622

HEBER OFFICE  
45 SOUTH MAIN ST  
HEBER, UT 84032  
(435) 654-6477  
FAX (801) 373-5622

WWW.GILBERTANDSTEWART.COM





**HABITAT FOR HUMANITY OF UTAH COUNTY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

Cash Flows from Operating Activities:		
Decrease in Net Assets		\$ (307,840)
Adjustments to Reconcile Net Income to Net Cash		
Provided by Operating Activities:		
Depreciation	\$ 57,272	
In-kind Donations	(32,341)	
Change in classification of grants	7,500	
Bad debt	5,548	
(Increase) Decrease in Receivables	(18,654)	
(Increase) Decrease in Prepaid Expenses	39,431	
(Increase) Decrease in Building Lots	57,891	
(Increase) Decrease in ReStore Inventory	(3,517)	
(Increase) Decrease in Other Assets	(1,851)	
(Increase) Decrease in Construction in Progress	14,475	
Increase (Decrease) in Accounts Payable	(366)	
Increase (Decrease) in Accrued Payroll Liabilities	27,166	
Increase (Decrease) in Income Taxes Payable	(9,923)	
Increase (Decrease) in Other Liabilities	(251)	
Increase (Decrease) in Mortgage Loan Discount	330,586	
(Increase) Decrease in Mortgage Loans	(549,295)	
Total Adjustments	<u>(76,329)</u>	<u>(76,329)</u>
Net Cash Provided (Used) by Operating Activities		(384,169)
Cash Flows from Investing Activities:		
Cash Payments for the Purchase of Fixed Assets	<u>(49,279)</u>	
Net Cash Provided (Used) by Investing Activities		(49,279)
Cash Flow from Financing Activities		
Cash payments on loans outstanding	<u>(30,457)</u>	
Net Cash Provided (Used) by Financing Activities		<u>(30,457)</u>
Net Decrease in Cash and Cash Equivalents		(463,905)
Cash and Cash Equivalents - Beginning of Year		<u>740,467</u>
Cash and Cash Equivalents - End of Year		<u><u>\$ 276,562</u></u>
Noncash Investing and Financing Activities		
In-kind Donations		<u><u>\$ 73,290</u></u>
Fixed Assets Purchased with Debt Financing		<u><u>\$ 352,854</u></u>
Cash Payments for Interest		<u><u>\$ 77,059</u></u>
Cash Payments for Taxes		<u><u>\$ 12,884</u></u>

*See notes to financial statements.*

**HABITAT FOR HUMANITY OF UTAH COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Habitat for Humanity of Utah County (“Habitat”), a nonprofit corporation, was incorporated on December 5, 1991. Habitat is an affiliate of Habitat for Humanity International, Inc. Habitat International, Inc. is a nondenominational Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need and to make decent shelter a matter of conscience with people everywhere. Although Habitat for Humanity International assists with information resources, training, publications, prayer support and in other ways, Habitat is primarily and directly responsible for its own operations.

*Cash and Cash Equivalents* - Habitat considers all highly liquid investments with an original maturity of three months or less and all Certificates of Deposits with financial institutions to be cash equivalents.

*Inventory* - Inventory consists of products purchased for resale in fundraising activities and construction materials on hand. Inventory is stated at the lower of cost or market using the average cost method. Also included in inventory as “construction in progress” are homes under construction and land held for resale.

*Mortgages Receivable* - Mortgages receivable consists of non-interest bearing mortgages which are secured by real estate and payable in monthly installments over the life of the mortgage. These mortgages have been discounted at prevailing market interest rates ranging from 6.25% to 8.88%. The amount shown is net of an allowance for bad debts of \$32,716, which is calculated as 1.0% of the ending receivable balance.

*Property, Equipment and Depreciation* - Property and equipment are recorded at fair market value as of the date of donation for donated assets. Purchased assets are recorded at acquisition cost, including costs necessary to get the asset ready for its intended use. It is the policy of the organization to capitalize items over \$1,000. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the respective assets, ranging from three to ten years. Depreciation expense for the year ended June 30, 2010 was \$57,272. Accumulated depreciation at June 30, 2010 is \$84,224.

*Contributions* - Unconditional promises to give are recognized as revenue when the underlying promises are received by Habitat. Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 UTAH COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2010**

---

**NOTE 1 - SUMMARY (Continued)**

*Donated Services* - A substantial number of volunteers have made significant contributions of their time to Habitat's program and supporting services. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation.

*Transfers to Homeowners* - Transfers to 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. Utilizing an effective interest method, this discount will be recognized as interest income over the term of the mortgage.

*Home Construction Costs* - Costs incurred in conjunction with home construction are capitalized in "construction in progress" and are expensed as the homes are sold. Following is a summary of home building activity:

	<u>Number</u>	<u>Costs</u>
Homes under construction, June 30, 2009	5	\$ 89,980
Construction Costs		462,833
Homes beginning construction during the year	1	131,413
Homes transferred during the year	5	<u>(608,521)</u>
Homes under construction, June 30, 2010	1	<u><u>\$ 75,705</u></u>

*Interest* - Interest cost associated with home construction is capitalized and included in construction in progress. There was no capitalized interest in fiscal year 2010.

*Income Taxes* - Habitat has received exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code under a group exemption letter granted to Habitat for Humanity International by the Internal Revenue Service. However, the organization is subject to income taxes on certain inventory items purchased for sale at the ReStore. For the year ended June 30, 2010, the organization incurred \$2,961 in income taxes due to these sales, the entire amount of which was payable as of the end of the year.

*ReStore Revenue* –Revenues from sales of items from the ReStore are recognized at the time of sale.

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

**HABITAT FOR HUMANITY OF UTAH COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2010**

---

**NOTE 2 - TRANSACTIONS WITH HABITAT INTERNATIONAL**

Habitat for Humanity 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 year ended June 30, 2010, Habitat contributed \$5,450 to Habitat International. Such amount is included in program services expense in the statement of Activities and Changes in Net Assets.

**NOTE 3 - RISKS AND UNCERTAINTIES**

The organization provides mortgage assistance to low-income individuals. These loans receivable are a concentration of credit risk.

Cash balances exceed FDIC Insurance by \$49,537, which represents a concentration of credit risk.

**NOTE 4 – LETTER OF CREDIT**

To comply with Payson City requirements, a \$10,000 certificate of deposit was secured with a letter of credit for the same amount until lot improvements for one home were completed to the City's satisfaction. The \$10,000 certificate of deposit is shown as "restricted cash" on the financial statements. The funds were released in August 2010.

**NOTE 5 – LEASES**

In 2007, Habitat entered into a building lease and opened a retail store where donated building materials could be sold. The lease ended September 30, 2009. Rental expense for the current period was \$25,313.

**NOTE 6 – CONTRACTOR DEFAULT**

In September 2009, the contractor who had overseen the renovations of Habitat's new building went out of business. Although they had received draws from Habitat, they did not use those draws to pay the subcontractors as they should have done. As of the balance sheet date, Habitat had successfully negotiated with all subcontractors that had filed legal liens on the property and all subcontractors that had the ability to file such liens, and had paid \$98,205 in satisfaction of the debt left as a result of their contractor's dissolution.

**HABITAT FOR HUMANITY OF UTAH COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2010**

---

**NOTE 7 – LONG-TERM DEBT**

Habitat purchased a building in 2009 that required renovations. The purchase and renovations were financed with a construction loan, and the entire construction loan obligation of \$1,537,500 was refinanced into a standard mortgage secured by bonds on October 26, 2009. The loan bears interest at 5.25% per annum. The following payments are due:

<b>Mortgage Loan</b>		
<b>Year</b>	<b>Principle</b>	<b>Interest</b>
2011	46,259	78,066
2012	48,745	75,578
2013	51,367	72,957
2014	54,130	70,194
2015	57,040	67,283
After 2015	1,250,438	253,924
Total	1,507,979	618,002

Habitat received \$30,000 in SHOP grant funds since 2008. In the current fiscal year it was determined that they must repay 25% of these funds to comply with the grant requirements. The total amount of \$7,500 will be repaid in equal monthly payments over five years. The note bears no interest. The following payments are due:

<b>SHOP Loan</b>		
<b>Year</b>	<b>Principle</b>	<b>Interest</b>
2011	1,872	-
2012	1,872	-
2013	1,872	-
2014	948	-
Total	6,564	-

The following payments are due for all long-term debt:

<b>TOTAL</b>		
<b>Year</b>	<b>Principle</b>	<b>Interest</b>
2011	48,131	78,066
2012	50,617	75,578
2013	53,239	72,957
2014	55,078	70,194
2015	57,040	67,283
After 2015	1,250,438	253,924
Total	1,514,543	618,002

**HABITAT FOR HUMANITY OF UTAH COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2010**

---

**NOTE 8 – SUBSEQUENT EVENTS**

In preparing these financial statements, Habitat has evaluated events and transactions for potential recognition or disclosure through December 20, 2010, the date the financial statements were available to be issued.

# HABITAT FOR HUMANITY OF UTAH COUNTY

## Supplemental Schedule of Functional Expenses

For the Year Ended June 30, 2010

	Program Services			Supporting Services			Total All Services
	Construction	Discounts on Mortgage Originations	Total Program Service	Management and General	Fundraising	Total Support Services	
Salaries and Benefits	\$ 259,422	\$ -	\$ 259,422	\$ 45,834	\$ 34,563	\$ 80,397	\$ 339,819
Cost of Homes Transferred	939,179	-	939,179	-	-	-	939,179
Cost of Inventory Sold	76,643	-	76,643	-	-	-	76,643
Repairs & Maintenance	15,088	-	15,088	14,722	14,722	29,444	44,532
Insurance	21,620	-	21,620	9,439	1,155	10,594	32,214
Fundraising Supplies	980	-	980	980	14,209	15,189	16,169
Tithe to Habitat for Humanity							
International	5,450	-	5,450	-	-	-	5,450
Office Building Expenses	8,564	-	8,564	8,485	8,485	16,970	25,534
Retail Store Expenses	84,810	-	84,810	1,500	-	1,500	86,310
Professional Services	-	-	-	11,595	-	11,595	11,595
Depreciation	42,915	-	42,915	14,357	-	14,357	57,272
Bad Debt Expense	5,548	-	5,548	-	-	-	5,548
Mortgage Servicing	12,236	-	12,236	-	-	-	12,236
Mortgage Discounts	-	738,316	738,316	-	-	-	738,316
Supplies	27,075	-	27,075	5,914	5,168	11,082	38,157
Utilities	788	-	788	1,120	788	1,908	2,696
Postage	1,491	-	1,491	1,491	-	1,491	2,982
Printing	1,763	-	1,763	-	-	-	1,763
Travel & Training	8,145	-	8,145	2,506	799	3,305	11,450
Interest	71,777	-	71,777	2,641	2,641	5,282	77,059
Income Tax	2,961	-	2,961	-	-	-	2,961
Other	29,292	-	29,292	135	-	135	29,427
<b>TOTAL</b>	<b>\$ 1,615,747</b>	<b>\$ 738,316</b>	<b>\$ 2,354,063</b>	<b>\$ 120,719</b>	<b>\$ 82,530</b>	<b>\$ 203,249</b>	<b>\$ 2,557,312</b>