

**HABITAT FOR HUMANITY OF BOULDER  
VALLEY, INC.  
AND SUBSIDIARY  
DBA FLATIRONS HABITAT FOR HUMANITY  
(a Colorado not-for-profit corporation)**

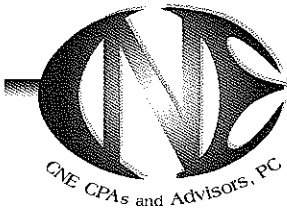
**Audited Financial Statements  
Years Ended June 30, 2011 and 2010**

**HABITAT FOR HUMANITY OF BOULDER VALLEY, INC.  
AND SUBSIDIARY  
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**Audited Financial Statements  
June 30, 2011 and 2010**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Habitat for Humanity of Boulder Valley, Inc., and Subsidiary,  
dba Flatirons Habitat for Humanity (Flatirons Habitat)  
Boulder, Colorado

We have audited the accompanying consolidated statements of financial position of Habitat for Humanity of Boulder Valley, Inc., and Subsidiary, dba Flatirons Habitat for Humanity (Flatirons Habitat), a Colorado not-for-profit corporation, as of June 30, 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of Flatirons Habitat. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Flatirons Habitat June 30, 2010 financial statements and, in our report dated October 26, 2010; we expressed an unqualified opinion on those financial statements.

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 Flatirons Habitat for Humanity, at June 30, 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*CNE CPAs + Advisors PC*

**Certified Public Accountants**  
**October 17, 2011**

**HABITAT FOR HUMANITY OF BOULDER VALLEY, INC.  
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**STATEMENTS OF FINANCIAL POSITION**

	<b>Years Ended June 30,</b>	
	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 278,830	\$ 404,736
Accounts receivable	36,665	47,148
Pledges receivable (net of allowance for uncollectible pledges of \$5,440 and \$11,000 in 2011 and 2010, respectively)	75,653	414,437
Prepaid expenses	27,338	23,119
First mortgage loans receivable (net of discounts of \$2,106,824 and \$1,935,014 in 2011 and 2010, respectively) (Note 4)	1,468,354	1,340,484
ReStore inventory (Note 8)	-	946
Inventory of grocery coupons	18,630	10,360
Construction in progress (Note 6)	688,518	124,460
Deposits	4,440	4,440
Total current assets	2,598,428	2,370,130
<b>PROPERTY AND EQUIPMENT (Note 3)</b>		
Land, buildings and improvements	832,867	966,817
Furniture, fixtures and equipment	115,867	92,338
	948,734	1,059,155
Less accumulated depreciation	(82,277)	(76,481)
Net property and equipment	866,457	982,674
Total assets	\$ 3,464,885	\$ 3,352,804
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 91,912	\$ 58,584
Accrued compensation	35,588	48,532
Homeowner escrow accounts held	13,046	14,292
Note payable-line of credit (Note 5)	50,000	100,000
Current portion of long-term liabilities (Note 7)	15,044	27,769
Total current liabilities	205,590	249,177
<b>LONG-TERM LIABILITIES</b>		
Fund loan (Note 13)	100,000	140,000
Notes payable, net of current portion (Note 7)	4,800	19,844
Total long-term liabilities	104,800	159,844
Total liabilities	310,390	409,021
<b>NET ASSETS</b>		
Unrestricted	1,802,266	1,962,677
Temporarily restricted	1,352,229	981,106
Total net assets	3,154,495	2,943,783
Total liabilities and net assets	\$ 3,464,885	\$ 3,352,804

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

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**STATEMENTS OF ACTIVITIES**

	Years Ended June 30,					
	2011			2010		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
<b>SUPPORT AND REVENUE</b>						
In-kind donations	\$ 8,503	\$ 395,969	\$ 404,472	\$ 304	\$ 257,812	\$ 258,116
Contributions	95,483	165,370	260,853	192,887	168,884	361,771
Grant revenue	24,925	261,826	286,751	16,000	702,389	718,389
Transfers to homeowners	646,000	-	646,000	1,138,800	-	1,138,800
ReStore revenue (Note 8)	433,266	-	433,266	418,570	-	418,570
Fundraising - special events	66,412	-	66,412	64,714	20,000	84,714
Mortgage loan discount amortization	219,963	-	219,963	83,658	-	83,658
Investment income	663	-	663	3,236	-	3,236
Other income	22,556	-	22,556	7,907	-	7,907
Net assets (added to) released from restriction	452,042	(452,042)	-	699,364	(699,364)	-
Total support and revenue	<u>1,969,813</u>	<u>371,123</u>	<u>2,340,936</u>	<u>2,625,440</u>	<u>449,721</u>	<u>3,075,161</u>
<b>EXPENSES</b>						
Program services						
Direct assistance programs	1,491,957	-	1,491,957	2,364,067	-	2,364,067
ReStore	369,514	-	369,514	348,262	-	348,262
Supporting services						
Fundraising	192,416	-	192,416	178,724	-	178,724
Management and general	76,337	-	76,337	94,952	-	94,952
Total expenses	<u>2,130,224</u>	<u>-</u>	<u>2,130,224</u>	<u>2,986,005</u>	<u>-</u>	<u>2,986,005</u>
<b>CHANGE IN NET ASSETS</b>	(160,411)	371,123	210,712	(360,565)	449,721	89,156
<b>NET ASSETS</b> , beginning of year, as previously reported	1,962,677	981,106	2,943,783	2,443,546	531,385	2,974,931
Prior period adjustments:						
Adjustment due to change in accounting for inventory (Note 14)	-	-	-	(120,304)	-	(120,304)
<b>NET ASSETS</b> , beginning of year, as adjusted	<u>1,962,677</u>	<u>981,106</u>	<u>2,943,783</u>	<u>2,323,242</u>	<u>531,385</u>	<u>2,854,627</u>
<b>NET ASSETS</b> , end of year	<u>\$ 1,802,266</u>	<u>\$ 1,352,229</u>	<u>\$ 3,154,495</u>	<u>\$ 1,962,677</u>	<u>\$ 981,106</u>	<u>\$ 2,943,783</u>

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

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**STATEMENTS OF CASH FLOWS**

	<b>Years Ended June 30,</b>	
	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 210,712	\$ 89,156
Adjustments to reconcile net income to net cash from operating activities		
Depreciation expense	7,774	8,000
(Gain) Loss on sale of asset	790	750
Changes in assets and liabilities		
(Increase) decrease in unconditional promises to give	338,784	(369,471)
(Increase) decrease first mortgage loans receivable	(127,870)	(258,042)
(Increase) decrease in inventory	(7,324)	117,624
(Increase) decrease construction in progress	(564,058)	257,167
(Increase) decrease in prepaid expenses	(4,219)	(1,613)
(Increase) decrease in accounts receivable	10,483	(32,516)
Increase (decrease) in accounts payable	33,328	(18,834)
Increase (decrease) in accrued compensation	(12,944)	21,720
Increase (decrease) homeowner escrow accounts held	(1,246)	2,669
Adjustment due to change in accounting for inventory	-	(120,304)
Net cash provided (used) by operating activities	(115,790)	(303,694)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(26,297)	(2,622)
(Increase) decrease land held for development	133,950	(1,534)
Net cash provided (used) by investing activities	107,653	(4,156)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds (payments) on line of credit	(50,000)	25,000
Proceeds from fund loan	(40,000)	140,000
Payments on notes payable	(27,769)	(26,841)
Net cash receipts provided (used) by financing activities	(117,769)	138,159
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	(125,906)	(169,691)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	404,736	574,427
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 278,830	\$ 404,736
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Interest paid	\$ 8,743	\$ 7,083

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**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

**NOTE 1 - ORGANIZATION AND NATURE OF ACTIVITIES**

Habitat For Humanity of Boulder Valley, Inc., and Subsidiary (the Organization) was founded in 1992, and was incorporated in 1993, under the laws of the State of Colorado. The Organization is an affiliate of Habitat for Humanity International, Inc. (“Habitat International”), a non-denominational Christian, non-profit organization, whose purpose is to create decent, affordable housing for those in need, and to make decent shelter a matter of conscience throughout the Boulder Valley and around the world.

In order to accomplish their mission, the Organization builds houses keeping costs as low as possible, by using volunteer labor and donated land and material whenever possible. Completed homes are then generally sold to selected families at cost plus a value for donated professional services, skilled labor and materials. A small down payment may be required, and the Organization finances the remainder of the sale price with non-interest bearing loans to be repaid generally over a 30-year period. Loan repayments are reinvested in other home building projects. The Organization retains a first lien on the properties sold.

The Organization also operates a ReStore in Broomfield, Colorado, where donated new and used construction and home renovations products, as well as donated clothing and other items are sold to the public at deeply discounted prices. All proceeds from the store are directed towards the Organization’s affordable housing program.

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

**Principles of Consolidation.** The consolidated financial statements include the accounts of the Organization and its wholly-owned subsidiary, Flatirons Habitat for Humanity Community Housing Development, Inc. (a Colorado non-profit corporation). The mission of this entity is to develop and provide permanent, affordable housing for low-income families and individuals in the Boulder Valley School District RE-2, and Broomfield County. All inter-company accounts and transactions have been eliminated.

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

**Financial Statement Presentation.** The financial statements are prepared on the accrual basis of accounting and are in conformity with FASB ASC 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*. Under ASC 958-205, 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. In addition, the Organization is required to present a statement of cash flows.

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**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

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

All assets over which the Organization has discretionary control have been reported as unrestricted. Assets available for use but expendable only for purposes specified by the donor have been reported as temporarily restricted. The Organization had no permanently restricted net assets as of June 30, 2011 or 2010.

**Contributions and Promises to Give.** Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. In addition, the Organization has not received any contributions with donor-imposed restrictions that would result in permanently restricted net assets.

**Donated Land, Property and Equipment, Inventories and Services.** Donated land is recorded at locally assessed value for property tax purposes which approximates fair market value. Donated property and building materials used for construction of houses, if significant in amount, are recorded at their estimated fair market value where objectively measurable.

The Organization believes that the inventory of contributed clothing, furniture, vehicles, materials, and other miscellaneous items donated to the Organization's store does not possess an attribute that is easily measurable or verifiable with sufficient reliability to determine an inventory value at the time of donation. As of June 30, 2010 a change in accounting principle was made to inventory, see Note 14. Donations of ReStore items are not valued until sold.

A substantial number of volunteers have made significant contributions of their time to the Organization, principally in the areas of house construction, administration and fundraising. The value of non-professional contributed services is not reflected in the accompanying financial statements. However, the Organization values donated professional construction services based on the market value of the service being provided.

**Use of Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles, requires the use of estimates and assumptions by management in determining 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.

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**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

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

Actual results could differ from those estimates. Significant estimates in these financial statements consist of collectability of accounts and pledges receivable, valuation of donated property, materials and professional services, useful lives of property and equipment, and allocation of functional expenses between activities.

**Allocation of Functional Expenses.** The Organization allocates certain costs between program, administration, fundraising and ReStore activities, according to the estimated relative usage of resources attributable to these activities.

**Cash and Cash Equivalents.** For financial statement purposes, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents are carried at cost, which approximates market value. Cash and cash equivalents totaled \$278,830 and \$404,736 for the years ended June 30, 2011 and 2010, respectively.

**Investments.** Investments are stated at their fair market value. Donated investments are recorded as contributions at their market values at the date of receipt and are usually sold upon receipt. There were no investments for the years ended June 30, 2011 and 2010.

**Transfer 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 (ranging from 7% to 8%). Using the effective interest method, this discount is recognized as interest income over the term of the mortgage.

First mortgages, are secured by a deed of trust. A second deed of trust secures the shared appreciation agreements. In the event of sale of the property or default by the homeowners within twenty years of acquisition, the Organization will be entitled to the difference between the higher of the appraised value or sales prices of the home and the amount at which the property was conveyed to the homeowner. On each anniversary of the mortgage, five percent of that appreciated value will be credited to the homeowner. The value of shared appreciation is a contingent asset and is not reflected in the financial statements.

Subordinate mortgages, and deeds of trust from homeowners, are in place on certain properties that have received assistance from the Federal Home Loan Bank Board. These second mortgages will be forgiven after five years if the residence continues to be the primary residence of the homeowner and is not sold, conveyed or transferred. These second mortgages are not reflected in the financial statements.

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**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

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

**First Mortgage Loans Receivable.** First mortgage loans receivable consist of non-interest bearing mortgages that are secured by real estate and payable in monthly installments over the lives of the mortgages. Because the mortgages provide for no interest, the balance sheet amounts for mortgage receivables have been discounted using an imputed rate of interest determined as of the origination date. Such discounts are amortized over the term of the related mortgage.

**Advertising and Promotions Costs.** Advertising and promotion costs are charged to expense in the period in which they are incurred. Advertising costs totaled \$15,085 and \$17,257 for the years ended June 30, 2011 and 2010, respectively.

**Income Taxes.** No provision for income taxes is provided, as the Organization is exempt under Section 501(c)(3) of the Internal Revenue Code and the Colorado Income Tax Act of 1964 (as amended).

The Organization accounts for income taxes in accordance with income tax accounting guidance in FASB ASC Topic 740, "Income Taxes." On July 1, 2009, the Organization adopted the recent accounting guidance for recognizing and measuring uncertain tax positions. The Organization follows the statutory requirements for its income tax accounting and generally avoids risks associated with potentially problematic tax positions that may be challenged upon examination. Management believes any liability resulting from taxing authorities imposing additional income taxes from activities deemed to be unrelated to the Organization's tax-exempt status would not have a material effect on the Organization's financial statements

**Concentrations of Credit Risk.** Financial instruments, which potentially expose the Organization to concentrations of credit risk, as defined by Financial Accounting Standards Board, Statement No. 105, consist of cash. There were no amounts invested at the financial institutions over the \$250,000 F.D.I.C. insurance.

**Accounts Receivable.** Accounts receivable consist primarily of grants receivable and pledges receivable. The Organization uses the allowance method and provides an allowance for uncollectible accounts and pledges receivable, based on prior years' experience and management's analysis of specific promises made.

Management estimates that no material losses will be realized relating to the collectability of mortgages. Accordingly, no allowance for loan losses or adjustment to the balance of mortgages receivable has been recorded, based on current facts and circumstances.

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**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

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

**Fair Value Measurements.** The fair value of financial assets and liabilities is measured according to the Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification. Fair value is required to be evaluated and adjusted according to the following valuation techniques.

Level 1 - Fair value is determined using quoted market prices in active markets for identical assets and liabilities.

Level 2 - Fair value is determined using quoted market prices in active markets for similar assets and liabilities, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant inputs are observable in the market for substantially the full term of the assets or liabilities.

Level 3 - Fair value is determined using inputs that are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The market for assets and liabilities using level 3 measures is typically inactive.

For the years ended June 30, 2011 and 2010, the Organization has no financial assets or liabilities that are required to be measured at fair value measurements.

**Comparative Amounts.** The financial statements include prior-year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

**Impairment of Long-Lived Assets.** The Organization follows SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*. Accordingly, in the event that facts and circumstances indicate that property and equipment, or other assets, may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying amount to determine if a write-down to market value would be necessary. No impairment losses were recorded during the years ended June 30, 2011 and 2010.

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**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

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

**Property and Equipment.** Property and equipment are stated at cost. Depreciation is computed over the assets' estimated useful lives utilizing straight-line method between five and ten years. The Organization capitalizes purchases that have a useful life of at least three years and cost of over \$1,000. Depreciation expense was \$7,774 and \$8,000 for the years ended June 30, 2011 and 2010, respectively.

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment, as of June 30<sup>th</sup>, consisted of the following:

	<u>2011</u>	<u>2010</u>
Land, buildings and improvements	\$ 832,867	\$ 966,817
Construction equipment	7,497	7,497
Office furniture and equipment	37,827	31,993
Vehicles	35,000	18,000
Leasehold improvements	33,948	33,948
Other fixed assets	1,595	900
Less accumulated depreciation	<u>(82,277)</u>	<u>(76,481)</u>
Total net property and equipment	<u>\$ 866,457</u>	<u>\$ 982,674</u>

**NOTE 4 - FIRST MORTGAGE LOANS RECEIVABLE**

First mortgage loans receivable consist of non-interest bearing mortgages secured by real estate, which are payable in monthly installments. Most of the mortgages have an original maturity of 30 years and arose in connection with the Organization's home building initiatives in Boulder and Broomfield Counties, Colorado. The following mortgages receivable at June 30<sup>th</sup> are presented net of unamortized discount resulting from the imputation of interest and do not anticipate any prepayments of principal:

	<u>2011</u>	<u>2010</u>
Mortgages receivable at face value	\$ 3,575,178	\$ 3,275,498
Unamortized discount based on imputed interest of 7 to 8%	<u>(2,106,824)</u>	<u>(1,935,014)</u>
Net mortgages receivable	<u>\$ 1,468,354</u>	<u>\$ 1,340,484</u>

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**NOTES TO FINANCIAL STATEMENTS  
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**NOTE 5 - NOTE PAYABLE - LINE OF CREDIT**

The Organization has an unsecured, interest bearing line of credit from a bank, under which it may borrow up to \$100,000. As of June 30, 2011 and 2010, the outstanding loan amount was \$50,000 and \$100,000, respectively. The interest rate on the line of credit is prime plus 0% and the outstanding balance is due December 3, 2011.

**NOTE 6 - CONSTRUCTION IN PROGRESS**

Construction in progress consists of the following projects that are under construction:

Northfield Village had two four-unit buildings. Building A was completed in June, 2010 and the four units were sold as of June 30, 2010. Building B was completed in February, 2011 and the four units were sold in April 2011.

Coal Creek will have two four-unit buildings. Building A is currently under construction.

Coburn Square will have two three-unit buildings. Construction of Building A will begin in November, 2011

The city and county of Broomfield (BF) donated two homes in need of rehabilitation in summer, 2010. The rehabilitation of one home was completed prior to June 30, 2011 and that home is scheduled to be sold in July 2011. The work on the second home was still in progress at year end June 30, 2011.

Following is a summary of home building activity for the year ended June 30, 2011:

	<u>Coal Creek</u>		<u>BF Rehab 1 and 2</u>		<u>Northfield Village</u>		<u>Coburn Square</u>		<u>Total</u>	
	<u>No.</u>	<u>Costs</u>	<u>No.</u>	<u>Costs</u>	<u>No.</u>	<u>Costs</u>	<u>No.</u>	<u>Costs</u>	<u>No.</u>	<u>Costs</u>
Homes under construction, beginning of year	-	\$ 19,640	-	\$ -	4	\$ 104,820	-	\$ -	4	\$ 124,460
New Homes and additional construction costs incurred during current year	4	270,188	2	99,455	-	393,197	-	11,235	6	\$ 774,075
Homes transferred during current year	-	-	-	-	(4)	(498,017)	-	-	(4)	(498,017)
Donated property	-	-	2	288,000	-	-	-	-	2	288,000
Homes under construction, end of year	4	<u>\$ 289,828</u>	2	<u>\$ 387,455</u>	-	<u>\$ -</u>	-	<u>\$ 11,235</u>	6	<u>\$ 688,518</u>

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**NOTES TO FINANCIAL STATEMENTS  
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**NOTE 6 - CONSTRUCTION IN PROGRESS** – continued

Housing projects in progress are recorded on the balance sheet as assets until sold, at which time total costs incurred are charged to expense, and revenue from sale is recorded.

**NOTE 7 - NOTES PAYABLE**

Notes payable at June 30, 2011, consisted of the following:

	<b>Total</b>	<b>Current Maturity</b>
Note payable to Habitat International, in the original amount of \$167,088, payable in monthly installments of \$2,271, including interest at 3.63% per annum, through December, 2011; collateralized by first mortgage loans; contains restrictive covenants related to pledged collateral, financial ratios, and reporting requirements, as well as other requirements.	\$ 13,444	\$ 13,444
Note payable to Board of County Commissioners, Adams County, Colorado, at no interest, collateralized by deed of trust on real estate. Under the terms and conditions of the note and deed of trust, principally that housing be provided for a low-income family, the loan will be forgiven at a rate of 5% of the original amount each year beginning with the first anniversary date of the note. The note and deed of trust must be assumed by a “low/very low-income family,” as defined by the Department of Housing and Urban Development.	6,400	1,600
Note payable to Mile High Community Loan Fund, dated April 13, 2010, collateralized by Coal Creek Village lots 5-12. The original amount of the note was \$140,000, payable in monthly interest only installments at 6% interest. All principal and interest is due October 23, 2012.	100,000	140,000
<b>Total notes payable</b>	<b>\$ 119,844</b>	<b>\$ 155,044</b>

**HABITAT FOR HUMANITY OF BOULDER VALLEY, INC.  
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**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

**NOTE 7 - NOTES PAYABLE** - continued

Future maturities of notes payable are as follows:

June 30, 2012	\$ 15,044
2013	101,600
2014	1,600
2015	1,600
	\$ 119,844

**NOTE 8 – RESTORE REVENUE**

ReStore revenue includes contributions of noncash assets such as inventory. Gifts of inventory should be recognized in the period received and measured at fair value. Because obtaining a detailed measurement of the fair value of inventory can be difficult or costly, GAAP allows organizations to estimate the fair value of contributed inventory using approximations or other computational methods provided they are used consistently. As of the year ending June 30, 2010 the Organization made a change in their accounting for inventory, see Note 14.

**NOTE 9 - RETIREMENT PLAN**

The Organization has a SIMPLE IRA effective January 1, 2009, with matching contributions of up to 3%. Total expense under the plan for the years ended June 30, 2011 and 2010, was \$8,498 and \$7,607 respectively.

**NOTE 10 - OPERATING LEASE COMMITMENTS**

**Office Leases.** The Organization has a lease for its Boulder office facility. The lease expiration has been revised from September 1, 2011 to March 1, 2012. The lease states that the Organization has the right, upon written notification to the Landlord to terminate the Lease effective 30 days after written notice is given. The office facility has a base monthly rental of \$1,440 and is subject to annual cost of living increases based upon the Consumer Price Index. Rental expense under this lease totaled \$20,580 and \$19,980 for the years ended June 30, 2011 and 2010, respectively. The Organization has a lease for its Broomfield ReStore, which expired in July 2008. An amendment was made to the lease agreement which commenced as of August 1, 2008, and expires on July 31, 2013. Beginning August 2008, the lease has a base monthly rental of \$6,771, and including insurance and utilities, a total of \$10,791. Rental expense under this lease totaled \$81,995 for the years ended June 30, 2011 and 2010.

**Equipment Leases.** The Organization leases equipment under operating lease agreements expiring through 2015.

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**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

**NOTE 10 - OPERATING LEASE COMMITMENTS - continued**

Future minimum rental payments and lease payments due during the years ending June 30 are as follows:

<u>Year Ending June 30,</u>	<u>Equipment Lease</u>	<u>Office Facility</u>	<u>Thrift Store</u>	<u>Total Obligations</u>
2012	\$ 2,544	\$ 3,446	\$ 129,497	\$ 135,487
2013	2,544	-	10,791	13,335
2014	2,544	-	-	2,544
2015	1,060	-	-	1,060
	<u>\$ 8,692</u>	<u>\$ 3,446</u>	<u>\$ 140,288</u>	<u>\$ 152,426</u>

**NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES**

The Organization receives homeowner's assistance grants from Habitat for Humanity of Colorado, which are sponsored by the Federal Home Loan Bank. These grants are then passed on to each homeowner upon sale of the property to them, and are classified as down payment assistance in the statement of functional expenses. These grants become loans immediately payable to the Federal Home Loan Bank if the homeowner sells or conveys the property, upon death of the homeowner, or if the property is used for purposes other than as the homeowner's primary housing unit, or upon default of the primary loan, for 5 years after the contract date.

**NOTE 12 - TITHE TO HABITAT INTERNATIONAL**

The Organization annually allocates a portion of its unrestricted contributions as a tithe to Habitat International. These funds are used to construct homes in economically depressed areas around the world. The Organization allocated \$40,971 and \$33,276 to Habitat International for the years ended June 30, 2011 and 2010, respectively. These amounts are included in program services expense in the statements of functional expenses.

**NOTE 13 – FUND LOAN**

The Organization borrowed funds in the amount of \$140,000 as of April 13, 2010. In July of 2010 the Organization made a principal payment in the amount of \$40,000 leaving a balance of \$100,000 as of June 30, 2011. These funds were used to acquire certain real property containing eight contiguous lots in Coal Creek Village, Lafayette, Colorado. The interest rate of six percent (6%) per annum shall accrue effective upon disbursement of the loan proceeds. Interest only payments are due on the first day of each month. All remaining principal and interest, together with all other fees, costs and charges, if any, shall be due and payable in 30 months from the date of the Note, October 23, 2012. Interest expense was \$6,006 and \$1,795 for the years ended June 30, 2011 and 2010, respectively.

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**NOTES TO FINANCIAL STATEMENTS  
June 30, 2011 and 2010**

**NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE**

The Organization changed the inventory valuation method to record the value of donated ReStore items when sold. This change was made because of the difficulty in valuing donated thrift store inventory and the major uncertainty about the existence of value. An adjustment was made to reduce the unrestricted funds by removing the asset of the inventory balance of \$133,654 and the obsolete inventory allowance of \$13,350 for a net amount of \$120,304. The value of purchased inventory was \$0 and \$946 for the years ended June 30, 2011 and 2010, respectively.

**NOTE 15 – PRIOR PERIOD ADJUSTMENT**

In the year ended June 30, 2010 the Organization had received a grant dated June 22, 2010 in the amount of \$225,000 from the City of Boulder. As of June 30, 2010 only \$51,480 had been recorded as revenue. Contributions that are part of an organizations ongoing central activity are to be reported as revenue at the time the contribution was granted. The Organization has restated the prior period financials to record the additional revenue of \$173,520 and increase unconditional promises to give for the year ended June 20, 2010. The effect of this restatement on the change in net assets for the year ending June 30, 2010 is as follows:

	Unrestricted	Temporarily Restricted	Total
Change in net assets, as previously reported	\$ (360,565)	\$ 276,201	\$ (84,364)
Restatement	-	173,520	173,520
Change in net assets, as adjusted	\$ (360,565)	\$ 449,721	\$ 89,156

**NOTE 16 – SUBSEQUENT REVIEW**

The Organization is on a month to month lease beginning in September 2011 and is in the processes of finalizing negotiations for a new space in Lafayette by the end of the calendar year. There has been one foreclosure as of the date of the auditors' report.

Subsequent events have been evaluated through October 17, 2011 which was the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

**HABITAT FOR HUMANITY OF BOULDER VALLEY, INC.  
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**STATEMENTS OF FUNCTIONAL EXPENSES**

	<u>Program</u>				<u>Years Ended June 30,</u>	
	<u>Program</u>	<u>ReStore</u>	<u>Fundraising</u>	<u>General &amp; Admin</u>	<u>2011</u>	<u>2010</u>
	<u>Services</u>				<u>Total</u>	<u>Total</u>
Building materials and supplies	\$ 661,265	\$ -	\$ -	\$ -	\$ 661,265	\$ 1,346,904
Salaries, taxes and benefits	270,197	164,389	132,843	23,077	590,506	551,628
Discount on mortgage origination	391,773	-	-	-	391,773	579,539
Rent	16,497	81,995	8,249	8,249	114,990	113,884
Utilities and telephone	8,716	57,252	4,196	2,954	73,118	74,148
Contracted services	26,968	12,614	10,989	14,779	65,350	69,528
Tithe to Habitat International	40,971	-	-	-	40,971	33,276
Interest and finance charges	9,150	10,660	1,915	1,714	23,439	19,973
Supplies and expense	6,189	3,812	4,338	6,800	21,139	21,194
Fundraising expenses	-	-	19,671	-	19,671	33,236
Advertising and publicity	-	14,900	185	-	15,085	17,257
Professional fees	1,489	-	-	13,363	14,852	10,601
Insurance	10,446	-	-	1,100	11,546	7,947
Truck expense	-	11,315	-	-	11,315	6,928
Auto and travel	9,455	-	1,215	402	11,072	11,631
Newsletter and printing	4,932	-	5,756	-	10,688	4,057
Property taxes and licenses	10,056	-	-	-	10,056	5,976
Maintenance and repair	3,454	5,159	-	-	8,613	5,794
Cost of mortgage sale	8,349	-	-	-	8,349	6,775
Depreciation	1,789	2,514	1,719	1,752	7,774	8,000
Miscellaneous	763	4,904	-	1,113	6,780	3,472
Family assistance	6,186	-	-	-	6,186	46,225
Volunteer and sponsor expense	3,312	-	-	1,034	4,346	5,424
Dues and subscriptions	-	-	1,340	-	1,340	775
Education and training	-	-	-	-	-	69
Bad debt expense	-	-	-	-	-	1,764
Total expenses	<u>\$ 1,491,957</u>	<u>\$ 369,514</u>	<u>\$ 192,416</u>	<u>\$ 76,337</u>	<u>\$ 2,130,224</u>	<u>\$ 2,986,005</u>