

CENTRAL MINNESOTA HABITAT FOR HUMANITY

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Central Minnesota Habitat
for Humanity
St. Cloud, Minnesota

We have audited the accompanying statement of financial position of CENTRAL MINNESOTA HABITAT FOR HUMANITY (a nonprofit organization), as of June 30, 2012, and the related statements of activities and changes in net assets, 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. The prior year summarized comparative information has been derived from CENTRAL MINNESOTA HABITAT FOR HUMANITY'S June 30, 2011 financial statements and, in our report dated September 29, 2011, we expressed an unqualified opinion on those financial statements

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 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 CENTRAL MINNESOTA HABITAT FOR HUMANITY, as of June 30, 2012, 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.

MILLER, WELLE, HEISER & CO., LTD.
Certified Public Accountants

St. Cloud, Minnesota
September 28, 2012

CENTRAL MINNESOTA HABITAT FOR HUMANITY

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

(With Comparative Totals for June 30, 2011)

	<u>2012</u>	<u>2011</u>
CURRENT ASSETS:		
Cash	\$ 164,789	\$ 82,086
Restricted cash	22,074	21,498
Accounts receivable	218	218
Current maturities of pledges receivable	39,358	-
Works in progress	473,940	294,830
Inventory	3,834	6,458
Prepaid expense	13,333	13,333
Prepaid insurance	10,755	13,421
Current maturities of mortgages	<u>48,581</u>	<u>45,289</u>
Total current assets	<u>\$ 776,882</u>	<u>\$ 477,133</u>
PROPERTY AND EQUIPMENT – NET	<u>\$ 1,129,102</u>	<u>\$ 1,149,939</u>
OTHER ASSETS:		
Mortgages, less current maturities	\$ 2,035,498	\$ 2,017,755
Pledges receivable, less current maturities	100,427	-
Land available for construction	486,273	640,632
Refundable deposits	<u>3,161</u>	<u>3,161</u>
Total other assets	<u>\$ 2,625,359</u>	<u>\$ 2,661,548</u>
TOTAL ASSETS	<u><u>\$ 4,531,343</u></u>	<u><u>\$ 4,288,620</u></u>

See accompanying notes to financial statements.

CENTRAL MINNESOTA HABITAT FOR HUMANITY
STATEMENT OF FINANCIAL POSITION (CONTINUED)

JUNE 30, 2012

(With Comparative Totals for June 30, 2011)

	<u>2012</u>	<u>2011</u>
CURRENT LIABILITIES:		
Line of credit	\$ 74,495	\$ 157,495
Current maturities of long-term debt	126,981	87,404
Accounts payable	53,546	40,986
Accrued payroll taxes	-	10,192
Accrued sales taxes	1,612	697
Accrued wages	7,568	5,804
Accrued vacation	16,665	11,852
Accrued retirement	22	2,250
Homeowner escrows	<u>31,100</u>	<u>24,973</u>
 Total current liabilities	 <u>\$ 311,989</u>	 <u>\$ 341,653</u>
 LONG-TERM LIABILITIES:		
Long-term debt - net of current portion	<u>\$ 2,776,711</u>	<u>\$ 2,404,657</u>
 TOTAL LIABILITIES	 <u>\$ 3,088,700</u>	 <u>\$ 2,746,310</u>
 NET ASSETS:		
Unrestricted	\$ 1,302,858	\$ 1,542,310
Temporary restricted	<u>139,785</u>	<u>-</u>
 TOTAL NET ASSETS	 <u>\$ 1,442,643</u>	 <u>\$ 1,542,310</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 4,531,343</u>	 <u>\$ 4,288,620</u>

See accompanying notes to financial statements.

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CENTRAL MINNESOTA HABITAT FOR HUMANITY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

(With Comparative Totals for the Year Ended June 30, 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	
			<u>2012</u>	<u>2011</u>
REVENUES AND OTHER SUPPORT:				
Contributions-				
Business	\$ 29,886	\$ 11,500	\$ 41,386	\$ 20,067
Church	22,206	-	22,206	28,050
Grants and foundations	175,568	-	175,568	517,539
In-kind	219,092	-	219,092	854,110
Individual	157,511	128,285	285,796	135,859
Service group	24,994	-	24,994	26,709
	<u>629,257</u>	<u>139,785</u>	<u>769,042</u>	<u>1,582,334</u>
Total contributions	\$ 629,257	\$ 139,785	\$ 769,042	\$ 1,582,334
Sales of completed homes	\$ 119,834	\$ -	\$ 119,834	\$ 234,977
Income from home foreclosure and mortgage payoff	45,813	-	45,813	-
Fundraising	40,939	-	40,939	56,124
Miscellaneous-				
Interest	154,828	-	154,828	153,934
Other income	11,762	-	11,762	2,099
Loss on sale of assets	(77,652)	-	(77,652)	(15,235)
Restore Revenue	193,059	-	193,059	31,166
Net assets released from restrictions	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	<u>\$ 1,117,840</u>	<u>\$ 139,785</u>	<u>\$ 1,257,625</u>	<u>\$ 2,045,399</u>
EXPENSES:				
Program expenses	\$ 873,497	\$ -	\$ 873,497	\$ 1,347,760
Management and general	124,135	-	124,135	108,459
Fundraising, net	359,660	-	359,660	214,062
	<u>1,357,292</u>	<u>-</u>	<u>1,357,292</u>	<u>1,670,281</u>
TOTAL EXPENSES	<u>\$ 1,357,292</u>	<u>\$ -</u>	<u>\$ 1,357,292</u>	<u>\$ 1,670,281</u>
CHANGE IN NET ASSETS	\$ (239,452)	\$ 139,785	\$ (99,667)	\$ 375,118
NET ASSETS - BEGINNING OF YEAR	<u>1,542,310</u>	<u>-</u>	<u>1,542,310</u>	<u>1,167,192</u>
NET ASSETS - END OF YEAR	<u>\$ 1,302,858</u>	<u>\$ 139,785</u>	<u>\$ 1,442,643</u>	<u>\$ 1,542,310</u>

See accompanying notes to financial statements.

CENTRAL MINNESOTA HABITAT FOR HUMANITY

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2012

(With Comparative Totals for the Year Ended June 30, 2011)

	<u>Program Services</u>	<u>Management and General</u>
Cost of homes sold	\$ 321,836	\$ -
Community awareness	45,150	-
Computer and internet	11,637	2,909
Dining, lodging and travel	5,964	1,491
Dues and subscriptions	1,036	259
Insurance	40,144	12,742
Interest	16,554	-
Licenses and fees	18,089	4,522
Office supplies and expense	2,205	551
Other building costs	4,334	629
Payroll taxes	37,660	10,004
Postage and freight	5,007	1,252
Printing and publications	17,599	4,400
Professional fees	34,897	8,724
Property taxes	-	-
Rent	10,800	2,700
Retirement	4,915	1,325
Salary and benefits	256,549	67,040
Telephone	4,334	1,084
Tithe/donations	15,729	-
Training and conferences	3,027	757
Utilities	2,771	693
Miscellaneous expense	10,880	2,458
	<hr/>	<hr/>
Total expense before depreciation	\$ 871,117	\$ 123,540
Depreciation	2,380	595
	<hr/>	<hr/>
TOTAL EXPENSES	<u>\$ 873,497</u>	<u>\$ 124,135</u>

See accompanying notes to financial statements.

CENTRAL MINNESOTA HABITAT FOR HUMANITY

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2012

(With Comparative Totals for the Year Ended June 30, 2011)

<u>Fundraising</u>	<u>Totals</u>	
	<u>June 30, 2012</u>	<u>June 30, 2011</u>
\$ -	\$ 321,836	\$ 811,582
31,677	76,827	90,527
11,449	25,995	23,771
4,144	11,599	15,993
926	2,221	2,319
16,893	69,779	64,174
45,394	61,948	24,041
18,555	41,166	30,101
2,303	5,059	7,289
24,549	29,512	19,097
12,342	60,006	47,075
2,518	8,777	9,261
7,957	29,956	29,971
15,564	59,185	33,277
14,716	14,716	-
4,500	18,000	18,000
1,630	7,870	6,451
86,319	409,908	355,117
2,850	8,268	9,159
-	15,729	34,043
1,262	5,046	2,267
14,923	18,387	11,170
7,858	21,196	18,491
<u>\$ 328,329</u>	<u>\$ 1,322,986</u>	<u>\$ 1,663,176</u>
<u>31,331</u>	<u>34,306</u>	<u>7,105</u>
<u>\$ 359,660</u>	<u>\$ 1,357,292</u>	<u>\$ 1,670,281</u>

See accompanying notes to financial statements.

CENTRAL MINNESOTA HABITAT FOR HUMANITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

(With Comparative Totals for the Year Ended June 30, 2011)

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (99,667)	\$ 375,118
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	34,306	7,105
Loss on sale of assets	77,652	15,235
Mortgages issued	(119,836)	(234,977)
Mortgage imputed interest	(154,528)	(152,478)
Mortgage collections	253,331	193,578
(Increase) decrease in:		
Accounts receivable	-	969
Pledges receivable	(139,785)	38,690
Works in progress	(289,970)	37,020
Inventory	2,624	2,173
Prepaid expense	-	(13,333)
Prepaid insurance	2,666	(4,248)
Land available for construction	72,067	(282,718)
Increase (decrease) in:		
Accounts payable	12,560	23,385
Homeowner escrows	6,127	4,026
Wages and benefits payable	(4,928)	10,405
Net cash provided (used) by operating activities	<u>\$ (347,381)</u>	<u>\$ 19,950</u>

See accompanying notes to financial statements.

CENTRAL MINNESOTA HABITAT FOR HUMANITY

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2012

(With Comparative Totals for the Year Ended June 30, 2011)

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) decrease in restricted cash	\$ (576)	\$ (1,298)
Proceeds from sale of assets	115,500	-
Capital acquisitions	<u>(13,471)</u>	<u>(1,137,621)</u>
Net cash provided (used) by investing activities	<u>\$ 101,453</u>	<u>\$ (1,138,919)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	\$ 531,849	\$ 1,160,000
Payments on long-term debt	(120,218)	(79,303)
Proceeds from line of credit	17,000	107,855
Payments on line of credit	<u>(100,000)</u>	<u>(326,532)</u>
Net cash provided by financing activities	<u>\$ 328,631</u>	<u>\$ 862,020</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ 82,703	\$ (256,949)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>82,086</u>	<u>339,035</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 164,789</u>	<u>\$ 82,086</u>

See accompanying notes to financial statements.

CENTRAL MINNESOTA HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

This summary of significant accounting policies of CENTRAL MINNESOTA HABITAT FOR HUMANITY is presented to assist the reader in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

a. Nature of Organization -

Central Minnesota Habitat for Humanity ("Organization") is a non-profit corporation that works with selected families and communities to build or renovate homes for qualifying families in need. The Organization provides the qualified families with a mortgage on the home, of which a portion is forgiven over time.

b. Basis of Accounting -

The financial statements of Central Minnesota Habitat for Humanity have been prepared on the accrual basis. The accounting policies of the Organization conform to accounting principles generally accepted in the United States of America applicable to non-profit organizations.

c. Financial Statement Presentation -

The Organization adopted FASB ASC 958-205-45, formerly Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under FASB ASC 958-205-45, the Organization is required to report information regarding its financial position and activities according to three classes of net asset restrictions: Unrestricted, temporarily restricted and permanently restricted. Net asset restrictions are categorized as follows:

Unrestricted net assets – All financial resources that are not permanently restricted or temporarily restricted by donor-imposed stipulations. Resources may be used at the discretion of the Board of Directors.

Temporarily restricted net assets – Accounts for (a) contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, (b) other asset enhancements and diminishment subject to the same kinds of stipulations, and (c) reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Organization pursuant to those stipulations.

Permanently restricted net assets – Accounts for all financial resources which includes a donor imposed restriction that stipulates the resources be maintained permanently, but permits the Board of Directors to use or expend part or all of the income derived from the donated assets.

CENTRAL MINNESOTA HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. Contributions -

The Organization reports gifts of cash and other assets as 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. The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. All other contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

The Organization reports receipts of unconditional promises to give cash or other assets in future periods as restricted support unless explicit donor stipulations or circumstances surrounding the receipt of the promise make clear that the donor intended it to be used to support activities of the current period.

e. Donated Services -

Volunteers donate time to help with home construction, renovation and other projects. The family that is moving into the house is also required to volunteer labor and services. The value of donated services by volunteers has not been included in the financial statements as no objective basis is available to measure the value of such services.

f. Donated Materials and Equipment -

Donated materials, tools, and equipment are recorded as in-kind contribution revenue at the estimated fair value at the date of contribution. Tools and equipment are either recorded as fixed assets or expensed when used. Materials are added to inventory and expensed as they are used in the construction of houses. Donated materials received during the year ended June 30, 2012 consist of tools, equipment, and materials to be used to build the houses.

g. In-Kind Services -

Central Minnesota Habitat for Humanity receives in-kind contribution of services, such as, plumbing and electrical work on the houses. These services are valued at the actual cost of the service and recorded as revenues and expenses in the financial statements.

h. Support and Revenues -

Central Minnesota Habitat for Humanity receives its support primarily from contributions and fundraisers. Support received is recorded on the accrual basis, recognized when earned.

CENTRAL MINNESOTA HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

i. Functional Allocation of Expenses -

The costs relating to program services, fundraising, and management have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

j. Receivables -

Accounts receivable have been adjusted for all known uncollectible accounts. No allowance for bad debts is considered necessary at year end.

k. Inventory, Works in Progress and Land Available for Construction -

The Organization values inventory by the first-in, first-out (FIFO) method. Donated inventory items to be used in the construction of homes are valued at the estimated fair market value measured as of the date of contribution. Such donations are reported as unrestricted support unless the donor has restricted the use to a specific purpose. Work in progress is the value of materials, inventory and labor that has been added to a particular home or project that was not complete as of year end.

Habitat's ReStore consists of donated building supplies, flooring, and other home improvement items. Donated and deconstruction material inventory for the ReStore is not assigned a value.

l. Mortgages -

The Organization holds interest free mortgages for qualifying homeowners. These interest free loans have been recorded in the financial statements at their total realizable value and interest has been imputed on these loans.

m. Property and Equipment -

Property and equipment are recorded at historical cost for purchased items. Donated items are recorded at estimated fair market value measured as of the date of contribution. Such donations are reported as unrestricted support unless the donor has restricted the asset to a specific purpose. Major improvements are charged to the asset accounts and ordinary repairs are expensed in the current period.

n. Income Taxes -

Central Minnesota Habitat for Humanity is a private non-profit corporation. The Organization is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code. It is also exempt from Minnesota franchise or income tax. Therefore, no income taxes are paid and contributions made to the Organization are tax deductible by the donor.

CENTRAL MINNESOTA HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

o. Estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

p. Advertising -

Advertising costs are expensed when incurred. Advertising costs for the years ended June 30, 2012 and 2011 were \$76,827 and \$90,527 respectively, which was included in program services, management and general, and fundraising.

q. Uncertainty for Income Taxes -

The Organization is subject to the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has the greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the tax positions for the Organization and concluded that the Organization had taken no uncertain income tax positions that require adjustments to the financial statements to comply with the provisions of this guidance. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2008, which is the standard statute of limitations look-back period.

r. Supplemental Disclosure of Cash Flow Information -

1. Cash payments for interest for the period was:

	<u>2012</u>	<u>2011</u>
Interest	<u>\$ 61,948</u>	<u>\$ 24,041</u>

s. Summarized Information/Comparative Data -

The financial statements include certain prior-year summarized comparative 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, 2011, from which the summarized information was derived.

CENTRAL MINNESOTA HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. CASH AND CASH EQUIVALENTS:

For purposes of the statements of cash flows, the Organization considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

	<u>2012</u>	<u>2011</u>
Checking and savings	\$ 129,559	\$ 72,898
Money market	<u>35,230</u>	<u>9,188</u>
Total cash and cash equivalents	<u>\$ 164,789</u>	<u>\$ 82,086</u>

3. PLEDGES RECEIVABLE:

Pledges are recorded as current or long-term assets, depending on the estimated collection date and are included in contribution revenue.

Pledges receivable at June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Receivable in less than one year	\$ 39,358	\$ -
Receivable in one to five years	108,841	-
Receivable more than five years	-	-
Allowance for doubtful receivables	<u>-</u>	<u>-</u>
Total pledges receivable	\$ 148,199	\$ -
Less discounts to net present value	<u>(8,414)</u>	<u>-</u>
Net pledges receivable	<u>\$ 139,785</u>	<u>\$ -</u>

Discount rates used on long-term pledges receivable was 4%.

4. MORTGAGES:

Mortgages are interest free to the qualifying homeowner. Each homeowner has a single mortgage or combination of mortgages and a right of first refusal. The single mortgage or combination of mortgages does not exceed the larger of cost value or appraised value of the home on the day of the sale. The first mortgage is repaid in monthly installments by the homeowner. At June 30, 2012 and 2011 the second mortgages were valued at \$2,073,207 and \$2,369,251, respectively. These amounts have not been recorded as assets on the statement of financial position because they are not expected to be collected, but rather forgiven. The homeowner is responsible for the unforgiven amount of the second mortgage, if the house is sold. Imputed interest income on the mortgages and contracts for deed were \$154,528 and \$152,478 for the years ended June 30, 2012 and 2011, at interest rates varying from 6% to 9%. At June 30 the interest free mortgages were valued as follows:

	<u>2012</u>	<u>2011</u>
Mortgages	\$ 4,516,831	\$ 4,514,324
Less: imputed interest	<u>(2,432,752)</u>	<u>(2,451,280)</u>
	\$ 2,084,079	\$ 2,063,044
Less: current maturities	<u>(48,581)</u>	<u>(45,289)</u>
Total mortgages	<u>\$ 2,035,498</u>	<u>\$ 2,017,755</u>

CENTRAL MINNESOTA HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. MORTGAGES (CONTINUED):

Future collections of mortgages are as follows for the years ending June 30:

2013	\$ 48,581
2014	52,604
2015	56,962
2016	60,246
2017	64,452
Thereafter	<u>1,801,234</u>
Total	<u>\$ 2,084,079</u>

5. PROPERTY AND EQUIPMENT:

The following is a summary of property and equipment at June 30:

	<u>2012</u>	<u>2011</u>
Buildings	\$ 1,124,168	\$ 1,124,168
Tools and equipment	25,100	25,100
House sponsor signs	9,047	8,178
Computers and office equipment	56,599	53,999
Vehicles	<u>19,159</u>	<u>9,159</u>
	\$ 1,234,073	\$ 1,220,604
Less: accumulated depreciation	<u>(104,971)</u>	<u>(70,665)</u>
Net property and equipment	<u>\$ 1,129,102</u>	<u>\$ 1,149,939</u>

Depreciation of the buildings is calculated on a straight-line basis over its estimated useful life. The useful life of the building is 39 years. Depreciation on computers, tools, equipment, and vehicles is calculated using an accelerated depreciation method or calculated on a straight-line basis over the estimated useful lives of the assets. Useful lives range from 3 to 7 years. Depreciation expense for the years ended June 30, 2012 and 2011 amounted to \$34,306 and \$7,105, respectively.

6. LONG-TERM DEBT:

	<u>2012</u>	<u>2011</u>
Habitat for Humanity of Minnesota, Inc. - Maturity dates from October 2019 to June 2039, monthly payments of \$6,648, with no interest, secured by mortgages held by Central Minnesota Habitat for Humanity.	\$ 1,483,465	\$ 1,428,658
Maturity date January 2020, monthly payments of \$554, including interest at 3.0%, secured by mortgages held by Central Minnesota Habitat for Humanity.	45,020	50,229
Maturity date March 2019, single payment with no interest, secured by mortgages held by Central Minnesota Habitat for Humanity.	18,077	18,077

CENTRAL MINNESOTA HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. LONG-TERM DEBT (CONTINUED):

	<u>2012</u>	<u>2011</u>
Maturity date October 2034, monthly payments of \$449, including interest at 2.25%, secured by mortgages held by Central Minnesota Habitat for Humanity.	94,544	-
Maturity date November 2036, monthly payments of \$339, including interest at 3.0%, secured by mortgages held by Central Minnesota Habitat for Humanity.	70,334	-
Note payable to bank, maturity date March 2039, monthly payments of \$1,226 with no interest, secured by mortgages held by Central Minnesota Habitat for Humanity.	223,680	-
Note payable to bank, maturity date January 2013, monthly payments of \$177, including interest at 6%, secured by land.	-	20,419
Note payable to limited partnership, maturity date May 2018. Monthly payments of \$3,300 through December 2011 including interest at 3.93%. Monthly payments then increase to \$5,000 through December 2012 including interest at 5%. Monthly payments then increase to \$6,652 including interest at 5% until May 2018.	<u>968,572</u>	<u>974,678</u>
	\$ 2,903,692	\$ 2,492,061
Less: current maturities	<u>(126,981)</u>	<u>(87,404)</u>
Total long-term debt	<u>\$ 2,776,711</u>	<u>\$ 2,404,657</u>

Future payments on long-term debt are as follows for the years ending June 30:

2013	\$ 126,981
2014	138,667
2015	140,675
2016	142,779
2017	144,982
Thereafter	<u>2,209,608</u>
Total	<u>\$ 2,903,692</u>

7. LINE OF CREDIT:

The Organization has available a line of credit with a bank for \$175,000. The unpaid balance under the loan is collateralized by land and bears interest at a fluctuating rate equal to the prime rate but not less than 5.75% per annum. Any outstanding principal is due October 16, 2012. At June 30, 2012 and 2011 the Organization had balances on the line of credit of \$74,495 and \$157,495, respectively.

CENTRAL MINNESOTA HABITAT FOR HUMANITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. OPERATING LEASE:

Beginning July 1, 2010, the Organization leases a building from Lehnen, LLC. The lease agreement expires June 30, 2013. Under the terms of the lease, the Organization must pay monthly lease payments of \$1,500, increasing to \$1,600 on July 1, 2012. Rent expense totaled \$18,000 and \$18,000 for the years ended June 30, 2012 and 2011, respectively.

9. RESTORE OPERATION:

During 2011 the Organization purchased a building and started operations of a thrift store known as Restore. The Organization accepts donations of household goods and supplies from individuals and businesses and then sells the items to the general public at thrift store prices. Revenues are recognized at the time of sale. As part of the restore, the Organization purchased a building in March 2011 from a limited partnership and also obtained financing for the purchase from the same party, see Note 6.

10. RETIREMENT PLAN:

The Organization has a SIMPLE plan covering all employees who qualify as to age and length of service. The plan is a defined contribution plan, with all contribution amounts (if any) determined by management. The contributions to the plan were \$7,870 and \$6,451 for the years ended June 30, 2012 and 2011, respectively.

11. SUBSEQUENT EVENTS:

Subsequent events were evaluated through September 28, 2012, the date the financial statements were available to be issued.

Subsequent to year end, mortgage amendments were made to three mortgages receivable for a total of \$54,100. The mortgages were lowered by that amount to comply with grant agreements.