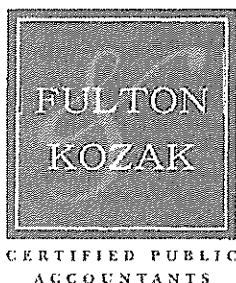


**SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2011 AND 2010**

**With Independent Auditors' Report Thereon**



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Southern Crescent Habitat for Humanity, Inc.

We have audited the accompanying statements of financial position of Southern Crescent Habitat for Humanity, Inc., ("SCHFH", a not-for-profit organization) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of SCHFH's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 SCHFH as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

A handwritten signature in black ink, appearing to be "L. O. Kozak".

Morrow, Georgia  
October 11, 2011

SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 JUNE 30, 2011 AND 2010

ASSETS		
	2011	2010
Cash and cash equivalents	\$ 79,539	\$ 150,154
Investments	520	395
Mortgages receivable	2,425,634	2,012,075
Accounts receivable	108,109	45,449
Grant receivable	22,199	60,000
Construction in progress	1,068,444	737,989
Property and equipment, net	922,526	903,294
Prepaid expenses and deposits	<u>7,185</u>	<u>10,362</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>4,634,156</u></b>	<b>\$ <u>3,919,718</u></b>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 59,929	\$ 31,055
Payroll taxes payable	11,636	5,617
Deposits on house purchases	4,571	7,068
Unearned revenue	89,111	22,082
Line of credit	70,000	0
Note payable	2,975	4,184
Due to Clayton County – NSP CIP	790,028	349,128
Due to Clayton County – NSP Homes Sold	<u>89,111</u>	<u>22,082</u>
<b>TOTAL LIABILITIES</b>	<b>1,117,361</b>	<b>441,216</b>
NET ASSETS		
Unrestricted	3,516,504	3,477,936
Temporarily restricted	<u>291</u>	<u>566</u>
<b>TOTAL NET ASSETS</b>	<b><u>3,516,795</u></b>	<b><u>3,478,502</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>4,634,156</u></b>	<b>\$ <u>3,919,718</u></b>

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

SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.  
 STATEMENTS OF ACTIVITIES  
 FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CHANGES IN UNRESTRICTED NET ASSETS		
CONTRIBUTIONS, RECEIPTS AND OTHER SUPPORTS		
Transfers to homeowners	\$ 1,173,342	\$ 1,051,978
Government grants	476,252	1,402,554
Foundation and business grants	309,311	290,962
Contributions	183,161	161,859
Mortgage discount amortization	172,793	188,148
In-kind contributions	122,571	92,247
Developers fees	122,282	0
Other income	16,009	5,638
Interest income	659	2,518
Realized gain (loss)	0	(276,305)
Unrealized gain (loss)	111	62
Net assets released from restriction	<u>275</u>	<u>384</u>
 TOTAL CONTRIBUTIONS, RECEIPTS AND OTHER SUPPORTS	 2,576,766	 2,920,045
 EXPENSES		
Program activities	2,186,105	1,854,210
Management and general	275,154	206,618
Fundraising	<u>76,939</u>	<u>23,323</u>
 TOTAL EXPENSES	 <u>2,538,198</u>	 <u>2,084,151</u>
 CHANGE IN UNRESTRICTED NET ASSETS	 38,568	 835,894
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Net assets released from restriction	<u>(275)</u>	<u>(384)</u>
 DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	 <u>(275)</u>	 <u>(384)</u>
 CHANGE IN NET ASSETS	 38,293	 835,510
 NET ASSETS AT THE BEGINNING OF THE YEARS	 <u>3,478,502</u>	 <u>2,642,992</u>
 NET ASSETS AT THE END OF THE YEARS	 <u>\$ 3,516,795</u>	 <u>\$ 3,478,502</u>

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

SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	Program activities		Management and general		Fundraising		Totals	
	2011	2010	2011	2010	2011	2010	2011	2010
Cost of houses sold	\$ 1,860,342	\$ 1,557,894	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,860,342	\$ 1,557,894
Salaries	155,109	154,719	53,443	29,764	60,267	18,229	268,819	202,712
Professional fees	33,959	29,238	44,724	30,735	2,017	3,676	80,700	63,649
General and administrative expenses	2,434	11,095	52,847	57,090	9,170	0	64,451	68,185
Insurance	0	0	46,476	25,432	0	0	46,476	25,432
Rent	0	0	37,500	21,875	0	0	37,500	21,875
Homeowner education and support	35,690	1,862	0	0	0	0	35,690	1,862
Utilities	21,027	12,870	7,007	4,289	0	0	28,034	17,159
Payroll taxes	14,613	6,429	5,157	10,575	5,485	1,418	25,255	18,422
Tithe	25,000	35,000	0	0	0	0	25,000	35,000
Depreciation	16,204	15,011	6,593	5,003	0	0	22,797	20,014
Supplies and tools	10,526	14,659	3,509	4,885	0	0	14,035	19,544
Repairs and maintenance	0	0	8,908	8,823	0	0	8,908	8,823
Travel	5,129	5,088	1,709	1,696	0	0	6,838	6,784
Telephone	4,946	8,822	1,648	2,941	0	0	6,594	11,763
Interest	0	0	3,923	384	0	0	3,923	384
Postage	1,126	1,523	375	508	0	0	1,501	2,031
Property taxes	0	0	1,335	2,618	0	0	1,335	2,618
<b>TOTAL EXPENSES</b>	<b>\$ 2,186,105</b>	<b>\$ 1,854,210</b>	<b>\$ 275,154</b>	<b>\$ 206,618</b>	<b>\$ 76,939</b>	<b>\$ 23,323</b>	<b>\$ 2,538,198</b>	<b>\$ 2,084,151</b>

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

SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 38,293	\$ 835,510
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	22,797	20,014
Loss on disposal of property	0	276,305
Unrealized (gain) loss	(111)	(62)
Non-cash present value discount of note payable	(279,683)	(69,052)
Decrease (increase) in operating assets		
Prepaid expenses	3,177	(3,128)
Mortgages receivable	(469,805)	(526,345)
Receivables	(24,859)	(59,686)
Construction in progress	(274,209)	(19,067)
Increase (decrease) in operating liabilities		
Accounts payable	28,874	600
Payroll liabilities	6,019	1,761
Deposits on house purchases	(2,497)	(3,872)
Unearned revenue	67,029	22,082
Payroll taxes payable	<u>0</u>	<u>(20,160)</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(884,975)</b>	<b>454,900</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(42,029)	(915,463)
Purchase of securities	<u>(14)</u>	<u>(13)</u>
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(42,043)</b>	<b>(915,476)</b>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds of notes payable	1,096,403	582,342
Repayments to notes payable	<u>(240,000)</u>	<u>(143,196)</u>
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b><u>856,403</u></b>	<b><u>439,146</u></b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(70,615)</b>	<b>(21,430)</b>
 <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEARS</b>	<b><u>150,154</u></b>	<b><u>171,584</u></b>
 <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEARS</b>	<b><u>\$ 79,539</u></b>	<b><u>\$ 150,154</u></b>
 Supplemental disclosure		
Cash paid for:      Interest	<u>\$ 3,923</u>	<u>384</u>
Income taxes	<u>\$ 0</u>	<u>0</u>

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

SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010

**1. ORGANIZATION**

The Southern Crescent Habitat for Humanity, Inc. ("SCHFH") is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"). SCHFH is a nondenominational Christian organization dedicated to eliminating poverty housing by building modest but adequate housing in partnership with responsible, low-income families. By having volunteers and the families work together in partnership, SCHFH builds new hope, new relationships, and a new sense of community, as well as new houses. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, SCHFH is primarily and directly responsible for its own operations.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

• **Basis of accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting and reflect all significant receivables and payables.

• **Basis of presentation of financial statements**

In accordance with FASB ASC 958, the financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets.

• **Cash and cash equivalents**

For financial statement purposes, SCHFH considers all highly liquid investments with an original maturity of three months or less to be cash equivalents

• **Mortgages receivable**

Mortgages receivable consist of noninterest-bearing mortgages which are secured by real estate and payable in monthly installments. Most of the mortgages receivable have an original maturity of 20 to 30 years and arose in connection with SCHFH's homebuilding initiative in the Clayton, Henry and Fayette Counties of Georgia. Consistent with Habitat for Humanity International, these receivables have been discounted using discount rates ranging between 6% and 9%. Interest income is recorded under the interest method of FASB ASC 835-30-45.

SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.  
NOTES TO FINANCIAL STATEMENTS – Continued

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont)**

- **Construction in progress**

Construction in progress represents those houses which are currently under construction for families. Purchased materials for the construction of these houses are recorded at cost. Donated materials and labor, if applicable, are recorded at the fair market value of such.

Substantial improvements were made on land held by SCHFH through an agreement with Atlanta Habitat for Humanity. These improvements were for land development and were paid and recorded by Atlanta Habitat for Humanity.

- **Investments**

Investments are stated at market value in accordance with FASB ASC 958-320-50.

- **Property and equipment**

Property and equipment are recorded at acquisition cost, or if donated, the fair market value of the gift, plus the costs necessary to get the asset ready for its intended use. Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the respective assets.

- **Notes payable**

Notes payable consist of notes payable to a local bank, which carried an interest rate below the prevailing market rates at the time of borrowing. It has been discounted using the same interest rate as the mortgages receivable. Interest expense is recorded under the interest method of FASB ASC 835-30-45.

- **Net assets**

SCHFH's net assets and its revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of SCHFH and changes therein are classified as unrestricted and temporarily restricted as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may be met either by actions of SCHFH or the passage of time.



SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.  
NOTES TO FINANCIAL STATEMENTS – Continued

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont)**

- **Contributions**

In accordance with the provisions of FASB ASC 958-310-25 contributions are recognized when the donor makes a promise to give to SCHFH that is, in substance, unconditional. 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 statements of activities as net assets released from restrictions. 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 reported.

- **Government grants**

Grant revenue is deemed to be a fee-for-services transaction and is not considered contribution revenue. Therefore, grant revenue is recognized during the period in which the related grant expenses are incurred. Accordingly, grant revenue is accrued or deferred so as to match grant revenue with the related grant expenses.

- **Transfers to homeowners**

Transfers to homeowners represent the sale of houses built. The resulting mortgages are non-interest bearing and have been discounted based upon the prevailing market rates. The transfers to homeowners presented in the statement of activities are net of this discount.

- **Contributed materials and services**

Materials donated to SCHFH are reflected in the financial statements at the fair value of the materials received. In addition, a substantial number of volunteers have made significant contributions of their time to SCHFH's program and supporting services. The value of this contributed time is not reflected in these financial statements since it does not require a specialized skill. However, from time to time certain other contributed services that require specialized skills are provided by individuals possessing those skills that would otherwise need to be purchased if not provided by donation, are recognized as revenue.

Total contributed materials and services for the years ended June 30, 2011 and 2010 is as follows:

	<u>2011</u>		<u>2010</u>
Donated materials and equipment	\$ 42,000		\$ 22,500
Donated services	43,071		39,539
Donated rent	<u>37,500</u>		<u>30,208</u>
	<u>\$ 122,571</u>		<u>\$ 92,247</u>

SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.  
NOTES TO FINANCIAL STATEMENTS – Continued

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont)**

- **Estimates in the financial statements**

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 disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

- **Reclassifications**

Certain reclassifications have been made to prior year financial statements to conform to the current year presentation.

**3. MORTGAGES RECEIVABLE**

The following table sets forth the face value of the mortgages receivable and the unamortized discount. Consistent with Habitat for Humanity International, mortgages were discounted rates ranging between 6% and 9% to calculate imputed interest:

	<u>2011</u>	<u>2010</u>
Face value	\$ 5,127,346	\$ 4,082,329
less unamortized discount	<u>(2,701,712)</u>	<u>(2,070,254)</u>
	<u>\$ 2,425,634</u>	<u>\$ 2,012,075</u>

The following table sets forth the projected five year maturity schedule for the years ended June 30:

2012	\$	70,881
2013		78,748
2014		81,783
2015		87,203
2016		91,081
Thereafter		<u>2,015,938</u>
		<u>\$ 2,425,634</u>

SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.  
NOTES TO FINANCIAL STATEMENTS – Continued

**4. PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2011 and 2010 consists of the following:

	<u>2011</u>	<u>2010</u>
Land	\$ 133,565	133,565
Buildings	781,898	781,898
Building improvements	25,030	0
Computer equipment	8,670	7,171
Office equipment	5,850	5,850
Trailer	1,905	1,905
Vehicles	<u>15,500</u>	<u>0</u>
	972,418	930,389
Less accumulated depreciation	<u>(49,892)</u>	<u>(27,095)</u>
	<u>\$ 922,526</u>	<u>\$ 903,294</u>

**5. NOTES PAYABLE**

The note payable at June 30, 2011 consisted of an unsecured note payable bearing no interest, payable to Heritage Bank in monthly installments of \$125.

The following table sets forth the face value of the note payable and the unamortized discount. The note payable was discounted using an 8% rate to calculated imputed interest:

	<u>2011</u>	<u>2010</u>
Face value	\$ 3,250	\$ 4,750
Less unamortized discount	<u>(275)</u>	<u>(566)</u>
	<u>\$ 2,975</u>	<u>\$ 4,184</u>

Future principal payments over the next five years are as follows:

2012	\$	1,309
2013		1,418
2014		<u>248</u>
		<u>\$ 2,975</u>

**6. LINE OF CREDIT**

SCHFH has a \$200,000 revolving line of credit agreement with Heritage Bank expired September 1, 2011. The organization renewed the line of credit in the subsequent period. The interest rate is a minimum of 5.50%. The outstanding balance on the line of credit was \$70,000 at June 30, 2011. Interest is due monthly and the principal is payable upon the expiration of the agreement. The line of credit is secured by real property owned by SCHFH.

SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.  
NOTES TO FINANCIAL STATEMENTS – Continued

**7. DUE TO CLAYTON COUNTY**

The amounts due to Clayton County at June 30, 2011 consisted of notes payable obtained through the Neighborhood Stabilization Program (NSP). As a qualified vendor under the program SCHFH receives reimbursement for the purchase and rehabilitation costs for approved homes.

Homes that are sold to SCHFH qualified homeowners are financed with non-interest bearing notes through NSP. The following table sets forth the face value of the Due to Clayton County – NSP Homes Sold and the unamortized discount. Consistent with Habitat for Humanity International, the note payable were discounted at rates ranging between 6% and 9% to calculate imputed interest:

*Due to Clayton County – NSP Homes Sold*

	<u>2011</u>	<u>2010</u>
Face value	\$ 230,237	\$ 57,486
Less unamortized discount	<u>(141,126)</u>	<u>(35,404)</u>
	<u>\$ 89,111</u>	<u>\$ 22,082</u>

During the rehabilitation period all amounts are considered short-term loans and as such have not been discounted.

Future principal payments over the next five years for funds Due to Clayton County are as follows:

	<u>NSP Homes Sold</u>	<u>NSP CIP</u>
2012	\$ 1,653	\$ 790,028
2013	1,786	0
2014	1,928	0
2015	2,083	0
2016 and thereafter	<u>81,661</u>	<u>0</u>
	<u>\$ 89,111</u>	<u>790,028</u>

**8. TRANSACTIONS WITH AFFILIATE**

In addition to the other transactions described herein, SCHFH annually remits a portion of its contributions (excluding in-kind contributions) to Habitat International. These funds are used to construct homes in economically depressed areas around the world. For the year ended June 30, 2011 and 2010, SCHFH contributed \$25,000 and \$35,000 respectively, to Habitat International. Such amount is included in program services expense in the Statement of Functional Expenses.

SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.  
NOTES TO FINANCIAL STATEMENTS – Continued

**9. INCOME TAXES**

SCHFH has received a favorable determination letter dated September 21, 1993 from the Internal Revenue Service (IRS) exempting it from income taxation under Section 501(c)(3) of the Internal Revenue Code (the "IRC") whereby only unrelated business income, as defined by Section 512(a)(1) of the IRC is subject to federal income tax. Therefore no provision for income taxes has been made.

**10. RELATED PARTIES**

During fiscal years June 30, 2011 and 2010, SCHFH paid approximately \$35,000 and \$23,000, respectively to a company owned by a member of its board of directors. The payments were made for construction costs required to complete homes.

In addition, payments were made to legal counsel for services performed in conjunction with operations of SCHFH. Certain members of management are related to individuals within the firm.

**11. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 11, 2011, which is the date the financial statements were available to be issued.