

DAYTON OHIO HABITAT FOR HUMANITY, INC.

FINANCIAL REPORT

JUNE 30, 2011 AND 2010

DAYTON OHIO HABITAT FOR HUMANITY, INC.

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JUNE 30, 2011 AND 2010

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FLAGEL, HUBER, FLAGEL & Co.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Dayton Ohio Habitat for Humanity, Inc.

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

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 Habitat 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 accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules of functional expenses are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The supplementary schedules are the responsibility of Habitat management. The schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Flagel, Huber, Flagel & Co.

Certified Public Accountants

Dayton, Ohio

November 1, 2011



FLAGEL, HUBER, FLAGEL & Co.

CERTIFIED PUBLIC ACCOUNTANTS

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Flagel, Huber, Flagel & Co.

Certified Public Accountants

Dayton, Ohio

November 1, 2011

DAYTON OHIO HABITAT FOR HUMANITY, INC.

STATEMENTS OF FINANCIAL POSITION

	JUNE 30,	
	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 262,511	\$ 314,775
Escrow cash	63,991	56,979
Investments	38,345	18,625
Investments - permanently restricted	67,570	67,570
Pledges receivable	28,596	24,275
Grants receivable	227,192	49,365
Other receivables	6,126	7,566
Prepaid expenses	2,956	996
Construction in progress	215,042	260,257
Non-interest bearing mortgage loans	5,048,538	4,852,982
Discount on non-interest bearing mortgage loans	(2,623,029)	(2,512,430)
Land for development	134,013	216,802
Property and equipment, net	177,504	195,342
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 3,649,355</u>	<u>\$ 3,553,104</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 135,476	\$ 85,630
Escrows - taxes and insurance	63,991	56,979
Escrows - other	75,835	60,710
Lines of credit	110,166	90,166
Notes payable - long-term	30,049	48,152
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>415,517</u>	<u>341,637</u>
NET ASSETS		
Unrestricted	3,166,268	3,143,897
Temporarily restricted	0	0
Permanently restricted	67,570	67,570
	<u> </u>	<u> </u>
TOTAL NET ASSETS	<u>3,233,838</u>	<u>3,211,467</u>
	<u> </u>	<u> </u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,649,355</u>	<u>\$ 3,553,104</u>

The accompanying notes are an integral part of these statements.

DAYTON OHIO HABITAT FOR HUMANITY, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

	<u>UNRESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUE, GAINS AND OTHER SUPPORT:			
Cash contributions	\$ 564,762	\$ 0	\$ 564,762
In-kind contributions	202,873	0	202,873
Grants	453,135	0	453,135
Sales of Houses and Land	614,788	0	614,788
Mortgage loan discount amortization	161,407	0	161,407
ReStore sales	257,436	0	257,436
Other revenue	650	0	650
Net investment return	23,976	0	23,976
	<u>2,279,027</u>	<u>0</u>	<u>2,279,027</u>
Net assets released from program restrictions	<u>0</u>	<u>0</u>	<u>0</u>
Total revenue, gains and other support	2,279,027	0	2,279,027
EXPENSES AND LOSSES:			
Program services	1,990,395	0	1,990,395
Supporting services:			
Fund raising	86,110	0	86,110
Management and general	180,151	0	180,151
	<u>2,256,656</u>	<u>0</u>	<u>2,256,656</u>
CHANGE IN NET ASSETS	22,371	0	22,371
NET ASSETS - beginning of year	<u>3,143,897</u>	<u>67,570</u>	<u>3,211,467</u>
NET ASSETS - end of year	<u>\$ 3,166,268</u>	<u>\$ 67,570</u>	<u>\$ 3,233,838</u>

The accompanying notes are an integral part of these statements.

DAYTON OHIO HABITAT FOR HUMANITY, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

	<u>UNRESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUE, GAINS AND OTHER SUPPORT:			
Cash contributions	\$ 572,034	\$ 0	\$ 572,034
In-kind contributions	229,490	0	229,490
Grants	367,062	0	367,062
Sales of Houses and Land	570,927	0	570,927
Mortgage loan discount amortization	161,871	0	161,871
ReStore sales	279,213	0	279,213
Special events	32,635	0	32,635
Other revenue	1,520	0	1,520
Net investment return	13,544	0	13,544
	<u>2,228,296</u>	<u>0</u>	<u>2,228,296</u>
Net assets released from program restrictions	<u>0</u>	<u>0</u>	<u>0</u>
Total revenue, gains and other support	2,228,296	0	2,228,296
EXPENSES AND LOSSES:			
Program services	1,607,439	0	1,607,439
Supporting services:			
Fund raising	85,105	0	85,105
Management and general	137,578	0	137,578
	<u>1,830,122</u>	<u>0</u>	<u>1,830,122</u>
CHANGE IN NET ASSETS	398,174	0	398,174
NET ASSETS - beginning of year	<u>2,745,723</u>	<u>67,570</u>	<u>2,813,293</u>
NET ASSETS - end of year	<u>\$ 3,143,897</u>	<u>\$ 67,570</u>	<u>\$ 3,211,467</u>

The accompanying notes are an integral part of these statements.

DAYTON OHIO HABITAT FOR HUMANITY, INC.

STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED	
	JUNE 30,	
	2011	2010
	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 22,371	\$ 398,174
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Transfers to homeowners	(288,602)	(292,034)
Depreciation	27,021	28,837
Loss on disposal of equipment	0	302
Forgiveness of notes payable	0	(4,167)
Mortgage loan discount amortization	(161,407)	(161,871)
Net investment gain	(19,720)	(9,376)
Effect of changes in assets and liabilities:		
Pledges receivable	(4,321)	5,823
Grants receivable	(177,827)	(27,581)
Other receivables	1,440	20,825
Prepaid expenses	(1,960)	(996)
Construction in progress	45,215	(45,434)
Land for development	82,789	(30,554)
Accounts payable and accrued expenses	49,846	(19,155)
Escrows - taxes and insurance	7,012	(22,312)
Escrows - other	15,125	11,935
	<u>(403,018)</u>	<u>(147,584)</u>
NET CASH USED IN OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Mortgage payments received	365,052	355,930
Purchase of equipment	(9,183)	(21,469)
	<u>355,869</u>	<u>334,461</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES		

The accompanying notes are an integral part of these statements.

DAYTON OHIO HABITAT FOR HUMANITY, INC.

STATEMENTS OF CASH FLOWS (CONTINUED)

	FOR THE YEARS ENDED JUNE 30,	
	2011	2010
	<u> </u>	<u> </u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of notes payable	(18,103)	(26,071)
Proceeds from notes payable and lines of credit	<u>20,000</u>	<u>3,694</u>
NET CASH PROVIDED (USED IN) FINANCING ACTIVITIES	<u>1,897</u>	<u>(22,377)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(45,252)	164,500
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>371,754</u>	<u>207,254</u>
End of year	<u><u>\$ 326,502</u></u>	<u><u>\$ 371,754</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ 3,817	\$ 4,888
Non-cash investing and financing activities:		
Issuance of non-interest bearing mortgage loans	\$ 560,608	\$ 570,927
Discount on non-interest bearing mortgage loans	297,643	308,501
Transfers to homeowners subject to non-interest bearing mortgage loans	288,602	292,034

The accompanying notes are an integral part of these statements.

DAYTON OHIO HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

1. ORGANIZATION AND PURPOSE

Dayton Ohio Habitat for Humanity, Inc. ("Habitat") (a not-for-profit corporation) was incorporated on March 31, 1983. Habitat is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"), a nondenominational 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 with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, Habitat is primarily and directly responsible for its own operations. Habitat is supported primarily through donor contributions and grants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

Financial Statement Presentation

Habitat 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. There are no temporarily restricted net assets. In addition, Habitat is required to present a statement of cash flows.

Cash and Cash Equivalents

Habitat considers cash and cash equivalents to be all highly liquid demand accounts that include interest and non-interest bearing demand deposit accounts.

Escrow Cash

Habitat currently services the mortgages on the homes it sells. Included in escrow cash are amounts received for insurance and property taxes on such homes. Habitat also services mortgages partially financed through a third party lender. In servicing these homes, Habitat collects owner repayments on behalf of the third parties. Monies collected on behalf of these third parties are reflected as escrows – other.

Investments

All investments are reported at fair value. Investment income, including interest and dividends and realized and unrealized gains or losses, are recorded in the statements of activities as unrestricted or temporarily restricted, based upon donor restrictions.

DAYTON OHIO HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgages Receivable

Mortgages receivable consist of non-interest bearing mortgages, which are secured by real estate and payable in monthly installments over the life of the mortgage. The mortgages have an original maturity of twenty (20) to thirty (30) years and arise in connection with Habitat's homebuilding initiatives. Every effort is made to assist homeowners who have become delinquent in their mortgage payments. However, foreclosure proceedings may be initiated and/or Habitat may accept back the deed in lieu of foreclosure where homeowner mortgage payments are deemed seriously delinquent. Properties acquired through foreclosure or accepting a deed in lieu of foreclosure may be sold directly on the open market, or refurbished in partnership with and sold to other families in need of decent, affordable housing.

Pledges Receivable

Pledges receivable represent unconditional pledges from donors to contribute cash or other assets to Habitat. Pledges receivable are recognized when received at the net present value of their estimated future cash flows. Management reviewed pledges receivable and has determined no allowance for doubtful accounts is considered necessary as of June 30, 2011 and 2010, respectively.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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. However, restricted contributions may be reported as unrestricted support if the restrictions are met in the same reporting period.

Transfers to Homeowners

Transfers to homeowners are recorded at the gross amount of payments to be received over the lives of the mortgages. Non-interest bearing mortgages have been discounted at various rates ranging from 6.0% to 9.0% based upon prevailing market rates at the inception of the mortgages. Discounts are amortized using the effective interest method over the lives of the mortgages.

DAYTON OHIO HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Habitat. Also, 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.

Donated Goods

Habitat receives donated goods for resale at the ReStore and records the donated goods at zero value rather than its fair market value as is the practice prevalent with other organizations engaged in similar activities.

Property and Equipment

Habitat capitalizes all expenditures for property and equipment in excess of \$1,000 that have a useful life of at least three years. Property and equipment are recorded at acquisition cost, including costs necessary to get the asset ready for its intended use. Donated equipment is recorded at fair market value at the date of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, ranging from 3 to 39 years.

Home Construction Costs

Construction in process represents the construction costs, including donated building materials or services, of homes either under construction or completed but not yet transferred to homeowners. Construction in process is valued at purchased cost or if donated, at the fair market value as of the date of donation. Costs incurred in conjunction with home construction are capitalized until the completion of each home. Following is a summary of home building activity:

	2011		2010	
	Number	Costs	Number	Costs
Homes under construction, beginning of year	7	\$ 260,257	7	\$ 214,823
Additional costs in process		266,879		342,850
New homes started during the year	8	467,309	8	342,287
Homes transferred during the year	(10)	(779,403)	(8)	(639,703)
Homes under construction, end of year	5	\$ 215,042	7	\$ 260,257

DAYTON OHIO HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that effect 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 these estimates.

Impairment of Long-Lived Assets

Habitat reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value. No impairment losses were recognized during the years ended June 30, 2011 and 2010.

Fair Value of Instruments

Habitat's financial instruments are cash and cash equivalents, cash reserves, pledges receivable, non-interest bearing mortgage loans, accounts payable and notes payable. The recorded values of cash and cash equivalents, cash reserves and accounts payable approximate their fair values based on their short-term nature. The fair value of pledges receivable and non-interest bearing mortgage loans is estimated by discounting the future cash flows using rates currently offered for deposits of similar remaining maturities. The recorded value of notes payable approximate their fair values based on current borrowing rates for similar notes of the same terms.

Concentration of Credit Risk

Habitat maintains its cash balances in various financial institution accounts, which at times, may exceed federally insured limits. Habitat has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. In addition, Habitat's concentration of credit risk with respect to mortgage loans receivable depends on its partner families' ability to repay, which varies with economic conditions in this geographic area.

Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated to the appropriate programs and supporting services.

DAYTON OHIO HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 International by the Internal Revenue Service.

Accounting principles generally accepted in the United States of America prescribe attributes for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. It requires affirmative evaluation that it is more-likely-than-not, based on the technical merits of a tax position, that an enterprise is entitled to economic benefits resulting from positions taken in income tax returns. If a tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements, and additional disclosures about uncertain tax positions are required.

Habitat's evaluation as of June 30, 2011 revealed no income tax positions that, if overturned, would have a material impact on the financial statements. The 2007 through 2009 tax years remain subject to examination by the Internal Revenue Service. Habitat does not believe that any reasonable possible changes will occur within the next twelve months that will have a material impact on the financial statements.

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

COST:	JUNE 30,		Estimated Useful Life in Years
	2011	2010	
Land	\$ 26,605	\$ 26,605	--
Building and improvements	163,971	160,866	39
Tools	6,648	6,648	5 - 7
Office equipment	35,587	29,509	3 - 7
Vehicles	128,052	128,052	4 - 7
TOTAL	360,863	351,680	
Less accumulated depreciation	(183,359)	(156,338)	
	<u>\$ 177,504</u>	<u>\$ 195,342</u>	

Depreciation expense was \$27,021 and \$28,837 for the years ended June 30, 2011 and 2010, respectively.

DAYTON OHIO HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

4. LINE OF CREDIT

Habitat has a revolving line of credit with JPMorgan Chase Bank, N.A. with a maximum borrowing limit of \$125,000 to provide for normal working capital requirements. The line of credit bears interest at prime (3.25% at June 30, 2011 and 2010). The outstanding balance on this note was \$90,166 as of June 30, 2011 and 2010.

Habitat has a revolving line of credit with Wright –Patt Credit Union, Inc. with a maximum borrowing limit of \$50,000. The line of credit has an imputed interest rate of 3.25%. The outstanding balance on this note was \$20,000 as of June 30, 2011.

5. OPERATING LEASES

Effective January 2010, Habitat entered into a lease for office space located in Dayton, Ohio. The lease is for an initial term of two years, and contains a one year renewal term. Habitat also leases certain office equipment under long-term lease agreements. These leases are classified as operating leases and expire in 2016.

Rent expense under operating lease agreements for the years ended June 30, 2011 and 2010 was \$14,455 and \$7,713, respectively.

Minimum future lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2012	\$ 10,860
2013	2,460
2014	2,460
2015	2,460
2016	2,460
	<u>\$ 20,700</u>

6. RETIREMENT PLAN

Habitat sponsors a defined contribution plan (the Plan) covering substantially all of its employees. The Organization makes a contribution to the Plan up to 3% of the participant's compensation. Total expense for the years ended June 30, 2011 and 2010 was \$8,193 and \$10,054, respectively.

DAYTON OHIO HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

7. TRANSACTIONS WITH HABITAT INTERNATIONAL

Habitat annually remits a portion of its unrestricted contributions (excluding in-kind contributions) to Habitat International. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2011 and 2010, Habitat contributed \$6,436 and \$6,035, respectively, to Habitat International. Such amounts are included in program services expense in the Statements of Activities.

8. NOTES PAYABLE

Notes payable consist of the following:

	JUNE 30,	
	2011	2010
	<u> </u>	<u> </u>
Habitat for Humanity International, Inc. - payable in quarterly installments of \$3,616, including interest at 3.89%, due March 2013, mortgages pledged as collateral.	\$ 24,505	\$ 37,538
Habitat for Humanity International, Inc. - payable in monthly installments of \$125, including interest at 0%, due January 2014.	1,980	3,800
Habitat for Humanity International, Inc. - payable in monthly installments of \$96, including interest at 0%, due January 2014.	3,564	6,814
	<u>\$ 30,049</u>	<u>\$ 48,152</u>

Maturities of the notes payable for each of the five years succeeding June 30, 2011 and thereafter are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2012	\$ 16,661
2013	13,388
	<u>\$ 30,049</u>

9. CONTINGENCIES

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against Habitat for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

DAYTON OHIO HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

10. INVESTMENTS

Investments are comprised of the following at:

	JUNE 30, 2011	
	<u>Cost</u>	<u>Fair Value</u>
Money funds, exchange traded and closed funds, common stocks and mutual funds held at Dayton Foundation	<u>\$ 78,071</u>	<u>\$ 105,915</u>

Investments are comprised of the following at:

	JUNE 30, 2010	
	<u>Cost</u>	<u>Fair Value</u>
Money funds, exchange traded and closed funds, common stocks and mutual funds held at Dayton Foundation	<u>\$ 77,618</u>	<u>\$ 86,195</u>

Components of investment return include the following:

	FOR THE YEARS ENDED JUNE 30,	
	<u>2011</u>	<u>2010</u>
Unrealized gains	\$ 19,268	\$ 8,955
Interest and dividend income	2,297	2,135
Investment fees	(1,844)	(1,714)
Other	4,255	4,168
	<u>\$ 23,976</u>	<u>\$ 13,544</u>

11. RESTRICTIONS ON NET ASSETS

Permanently restricted net assets consist of endowment fund investments to be held indefinitely, the income from which is unrestricted for use of Habitat.

DAYTON OHIO HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

12. FAIR VALUE MEASUREMENTS

Habitat applies accounting principles generally accepted in the United States of America (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received for an asset or paid to transfer a liability, in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants at the measurement date. A three-level fair value hierarchy has been established that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Observable inputs such as quoted prices in active markets;
- Level 2 - Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 - Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The fair values of investments categorized as level one are a combination of money market funds, exchange traded and closed end funds, common stocks, and mutual funds. The fair values are determined by quoted prices in active exchange markets, such as the New York Stock Exchange.

The discount on non-interest bearing mortgage loans is categorized as level two. The discount rate used for all mortgages closed during a fiscal year, published annually by Habitat for Humanity International on June 30, is based on an average of the low-income housing credit annual discount rate, Revenue Ruling 2009-16 section 42(b)(1), for buildings placed in service during the period.

13. SUBSEQUENT EVENTS

Management evaluated the activity of Habitat through November 1, 2011 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

DAYTON OHIO HABITAT FOR HUMANITY, INC.

SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2011

	Program Services		Supporting Services		TOTAL
	Programs *	Discounts on Mortgage Originations	Fund Raising	Management and General	
Salaries and benefits	\$ 467,751	\$ 0	\$ 65,130	\$ 59,209	\$ 592,090
Building materials and supplies	499,289	0	0	0	499,289
Building services	516,410	0	0	0	516,410
Depreciation	21,347	0	0	5,674	27,021
Mortgage discounts	0	297,643	0	0	297,643
Rent	14,455	0	0	0	14,455
Vehicles	8,949	0	895	8,054	17,898
Utilities	24,654	0	2,466	22,190	49,310
Publicity	493	0	2,954	1,477	4,924
Special projects	2,251	0	0	0	2,251
Printing and postage	1,511	0	2,015	1,511	5,037
ReStore expenses	6,104	0	0	0	6,104
Professional fees	20,344	0	2,712	10,849	33,905
Insurance	13,605	0	1,020	2,381	17,006
Interest expense	0	0	0	3,817	3,817
Travel and entertainment	9,042	0	2,763	13,311	25,116
Office supplies	36,466	0	6,078	18,234	60,778
Education	982	0	77	476	1,535
Property maintenance	24,736	0	0	6,576	31,312
Other	24,363	0	0	26,392	50,755
	<u>\$ 1,692,752</u>	<u>\$ 297,643</u>	<u>\$ 86,110</u>	<u>\$ 180,151</u>	<u>\$ 2,256,656</u>
Portion of above expenditures supported by in-kind contributions	<u>\$ 201,447</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,425</u>	<u>\$ 202,872</u>

* Programs include Family Services, Volunteer Services, Affordable Housing through Construction, ReStore

DAYTON OHIO HABITAT FOR HUMANITY, INC.

SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2010

	Program Services		Supporting Services		TOTAL
	Programs *	Discounts on Mortgage Originations	Fund Raising	Management and General	
Salaries and benefits	\$ 425,876	\$ 0	\$ 59,299	\$ 53,908	\$ 539,083
Building materials and supplies	435,788	0	0	0	435,788
Building services	274,981	0	0	0	274,981
Depreciation	22,781	0	0	6,056	28,837
Mortgage discounts	0	308,501	0	0	308,501
Rent	7,713	0	0	0	7,713
Vehicles	7,017	0	702	6,315	14,034
Utilities	18,636	0	1,864	16,772	37,272
Publicity	2,113	0	12,675	6,338	21,126
Special projects	9,968	0	0	0	9,968
Printing and postage	1,889	0	2,519	1,889	6,297
ReStore expenses	7,730	0	0	0	7,730
Professional fees	12,046	0	1,606	6,424	20,076
Insurance	16,143	0	1,211	2,825	20,179
Interest expense	0	0	0	4,888	4,888
Travel and entertainment	5,070	0	1,549	7,465	14,084
Office supplies	22,012	0	3,669	11,006	36,687
Education	144	0	11	70	225
Property maintenance	21,808	0	0	5,797	27,605
Other	7,223	0	0	7,825	15,048
	<u>\$ 1,298,938</u>	<u>\$ 308,501</u>	<u>\$ 85,105</u>	<u>\$ 137,578</u>	<u>\$ 1,830,122</u>
Portion of above expenditures supported by in-kind contributions	<u>\$ 116,674</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 112,816</u>	<u>\$ 229,490</u>

* Programs include Family Services, Volunteer Services, Affordable Housing through Construction, ReStore