Habitat for Humanity®
Greater Los Angeles

FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
JUNE 30, 2012 AND 2011

HABITAT FOR HUMANITY OF GREATER LOS ANGELES, INC.
FINANCIAL STATEMENTS

Habitat for Humanity®
Greater Los Angeles

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RDF

ROSSI DOSKOCIL & FINKELSTEIN

LLP

Certified Public Accountants & Consultants

REPORT OF INDEPENDENT AUDITORS

To The Board of Directors
Habitat for Humanity of Greater Los Angeles, Inc.
Gardena, California

We have audited the accompanying statement of financial position of Habitat for Humanity of Greater Los Angeles, Inc. (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years 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 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 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 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 for Humanity of Greater Los Angeles, Inc., as of June 30, 2012 and 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.

Rossi Doskocil & Finkelstein LLP

December 20, 2012

400 Oceangate, Suite 1000 * Long Beach, California 90802 * Telephone (562) 495-3325 * Fax (562) 495-3425 * www.rdfcpas.com

HABITAT FOR HUMANITY OF GREATER LOS ANGELES, INC.
STATEMENTS OF FINANCIAL POSITION

As of June 30,	2012	2011
ASSETS		
Cash and cash equivalents	$ 1,514,138	$ 1,628,651
Program service grants receivable, net of allowance for doubtful accounts	1,006,022	543,000
Unconditional promises to give, net of unamortized discount	764,711	831,654
Mortgage notes receivable, net of unamortized discount	6,076,619	5,200,544
Prepaid expenses	180,295	114,910
Inventories	708,047	572,858
Construction in process	19,047,871	11,120,923
Finished homes held for sale	70,273	4,445,125
Property and equipment, net of accumulated depreciation and amortization	309,809	356,883
Investments	48,954	65,873
Deposits and other assets	367,832	424,592
Total assets	$ 30,094,571	$ 25,305,013
LIABILITIES AND NET ASSETS		
Bank line of credit	$ 1,246,692	$ 1,296,692
Accounts payable	1,665,959	1,582,638
Accrued expenses	537,522	528,419
Deposits and impounds	259,108	130,985
Deferred revenue	878,247	828,160
Capital leases payable	29,320	49,220
Notes payable - governmental agencies	1,743,338	2,622,510
Notes payable - Habitat International	1,456,281	1,598,665
Total liabilities	7,816,467	8,637,289
Commitments		
Net assets:		
Unrestricted	21,018,800	15,232,938
Temporarily restricted	1,259,304	1,434,786
Total net assets	22,278,104	16,667,724
Total liabilities and net assets	$ 30,094,571	$ 25,305,013

The accompanying notes are an integral part of these financial statements

HABITAT FOR HUMANITY OF GREATER LOS ANGELES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended June 30, 2012	Unrestricted	Temporarily restricted	Total
Revenue, gains, and other support:			
Contributions	$ 1,779,245	$ 1,100,813	$ 2,880,058
Government grants	-	99,509	99,509
NSP program service grants	10,143,133	-	10,143,133
Sales of homes	5,943,952	707,286	6,651,238
ReStores - donations and sales revenue	4,367,618	-	4,367,618
Mortgage loan discount amortization	352,833	-	352,833
In-kind contributions	372,446	340,396	712,842
New markets tax credits - amortized revenue	88,796	-	88,796
Other income	270,220	(1,169)	269,051
Net assets released from restrictions:			
Satisfaction of program/donor restrictions	2,422,317	(2,422,317)	-
Total revenue, gains, and other support	25,740,560	(175,482)	25,565,078
Expenses:			
Cost of homes sold and program support	18,247,044	-	18,247,044
Management and general	1,388,364	-	1,388,364
Fundraising	319,290	-	319,290
Total expenses	19,954,698	-	19,954,698
Change in net assets	5,785,862	(175,482)	5,610,380
Net assets, beginning of year	15,232,938	1,434,786	16,667,724
Net assets, end of year	$ 21,018,800	$ 1,259,304	$ 22,278,104

The accompanying notes are an integral part of these financial statements

HABITAT FOR HUMANITY OF GREATER LOS ANGELES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the year ended June 30, 2011	Unrestricted	Temporarily restricted	Total
Revenue, gains, and other support:			
Contributions	$ 1,400,792	$ 1,800,230	$ 3,201,022
Government grants	-	502,796	502,796
NSP program service grants	10,595,781	-	10,595,781
Sales of homes	923,928	-	923,928
Special events, net of $23,241 of direct expenses	-	5,952	5,952
ReStores - donations and sales revenue	3,506,069	-	3,506,069
Mortgage loan discount amortization	327,960	-	327,960
In-kind contributions	379,283	253,918	633,201
New markets tax credits - amortized revenue	88,796	-	88,796
Other income	242,039	25,286	267,325
Net assets released from restrictions:			
Satisfaction of program/donor restrictions	2,101,961	(2,101,961)	-
Total revenue, gains, and other support	19,566,609	486,221	20,052,830
Expenses:			
Cost of homes sold and program support	7,782,928	-	7,782,928
Management and general	983,045	-	983,045
Fundraising	411,635	-	411,635
Total expenditures	9,177,608	-	9,177,608
Change in net assets	10,389,001	486,221	10,875,222
Net assets, beginning of year	4,843,937	948,565	5,792,502
Net assets, end of year	$ 15,232,938	$ 1,434,786	$ 16,667,724

The accompanying notes are an integral part of these financial statements

HABITAT FOR HUMANITY OF GREATER LOS ANGELES, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2012	Cost of homes transferred & program support	Management & general	Fundraising	Total
Cost of homes sold - construction costs	$ 8,936,137	$ -	$ -	$ 8,936,137
Cost of homes sold - mortgage discount expense	797,366	-	-	797,366
Cost of goods sold - ReStores	2,299,584	-	-	2,299,584
Salaries	2,449,557	685,903	205,952	3,341,412
Payroll taxes and benefits	597,437	186,433	39,520	823,390
Americorp	81,075	830	853	82,758
Bad debt expense	182,344	-	-	182,344
Bank fees and charges	38,230	18,319	3,065	59,614
A Brush with kindness - supplies	138,180	-	-	138,180
Build events and community programs	130,518	5,318	583	136,419
Contributions to other non-profit organizations	12,500	-	-	12,500
Depreciation	61,358	7,053	2,115	70,526
Facilities - rent / lease costs	631,977	27,570	9,822	669,369
Insurance	44,189	2,828	600	47,617
Interest and amortization of loan fees	151,804	3,343	-	155,147
Office and other	264,594	140,379	34,065	439,038
Professional and outside services	271,951	251,335	8,199	531,485
Real estate - closing and development	173,564	-	-	173,564
Telephone	108,363	18,687	5,662	132,712
Tithes	421,719	-	-	421,719
Travel	45,817	20,946	5,494	72,257
Utilities and facility maintenance	224,015	18,031	3,360	245,406
Vehicles	184,765	1,389	-	186,154
	$ 18,247,044	$ 1,388,364	$ 319,290	$ 19,954,698

The accompanying notes are an integral part of these financial statements

HABITAT FOR HUMANITY OF GREATER LOS ANGELES, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2011	**Cost of homes transferred & program support**	**Management & general**	**Fundraising**	**Total**
Cost of homes sold - construction costs	$ 964,619	$ -	$ -	$ 964,619
Cost of goods sold - ReStores	1,928,525	-	-	1,928,525
Salaries	2,123,146	623,550	237,937	2,984,633
Payroll taxes and benefits	513,667	143,277	58,490	715,434
Americorp	98,994	-	-	98,994
Bank fees and charges	35,970	18,719	15,232	69,921
A Brush with kindness - supplies	42,586	-	-	42,586
Build events and community programs	178,301	-	-	178,301
Contributions to other non-profit organizations	571	-	-	571
Depreciation	47,773	5,492	1,647	54,912
Facilities - rent / lease costs	579,151	17,305	7,998	604,454
Insurance	57,545	2,415	936	60,896
Interest and amortization of loan fees	135,451	1,463	975	137,889
Office and other	256,356	37,802	40,641	334,799
Professional and outside services	212,394	99,881	29,441	341,716
Provision for doubtful grants receivable	87,000	-	-	87,000
Real estate - closing and development	36,410	-	-	36,410
Telephone	76,895	14,702	6,057	97,654
Tithes	4,874	-	-	4,874
Travel	50,387	11,963	7,462	69,812
Utilities and facility maintenance	228,400	5,901	4,684	238,985
Vehicles	123,913	575	135	124,623
	$ 7,782,928	$ 983,045	$ 411,635	$ 9,177,608

The accompanying notes are an integral part of these financial statements

HABITAT FOR HUMANITY OF GREATER LOS ANGELES, INC.
STATEMENTS OF CASH FLOWS

For the year ended June 30,	2012	2011
Operating activities:		
Change in net assets	$ 5,610,380	$ 10,875,222
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Origination of non-interest bearing mortgages, net	(1,821,750)	-
Discount on origination of non-interest bearing mortgages	797,366	-
Forgiveness / transfer of notes payable, government agencies and related accrued interest to homeowners	(2,349,519)	(846,277)
Provision for doubtful grants receivable	-	87,000
In-kind contributions of property, construction costs, and other assets	(274,869)	(409,239)
Mortgage discount amortization	(352,833)	(327,960)
Amortization of discounts on unconditional promises to give, capital leases, and loan fees, net	(5,500)	(8,957)
Loss (gain) on long-term assets	4,953	5,350
Loss on termination of development project	-	20,418
Depreciation	70,526	54,912
(Increase) decrease in assets:		
Program service grants receivable	(463,022)	(630,000)
Contributions receivable	72,443	(292,670)
Prepaid expenses	(65,385)	(6,138)
Inventories	(135,189)	214,845
Construction in process, net of non-cash items	(7,642,681)	(6,806,811)
Finished homes held for sale, net of non-cash reacquistion of properties	4,374,852	(4,253,384)
Deposits and other assets (except loan fees)	56,760	(240,444)
Increase (decrease) in liabilities:		
Accounts payable	83,321	940,610
Accrued expenses, net of accrued capitalized interest and forgiven interest	14,195	9,738
Deposits and impounds	128,123	(228,534)
Deferred revenue	50,087	339,784
Net cash and cash equivalents provided by (used in) operating activities	(1,847,742)	(1,502,535)
Investing activities:		
Proceeds from sale of investments	16,919	22,034
Acquisition of property and equipment	(31,018)	(92,942)
Proceeds from sale of equipment	-	2,000
Mortgage payments received	501,142	471,145
Net cash and cash equivalents provided by (used in) investing activities	487,043	402,237
Financing activities:		
Proceeds from bank line of credit	415,000	25,000
Payments on bank line of credit	(465,000)	(156,000)
Payment of loan fees	-	(8,000)
Cash proceeds from notes payable	1,459,255	2,064,162
Principal payments on notes payable	(143,169)	(207,206)
Payments on capital leases	(19,900)	(19,802)
Net cash and cash equivalents provided by (used in) financing activities	1,246,186	1,698,154
Net change in cash and cash equivalents	(114,513)	597,856
Cash and cash equivalents, beginning of the year	1,628,651	1,030,795
Cash and cash equivalents, end of the year	$ 1,514,138	$ 1,628,651

The accompanying notes are an integral part of these financial statements

NOTE 1

ORGANIZATION AND PURPOSE

Habitat for Humanity of Greater Los Angeles ("HFH GLA" or the "Organization") works in partnership with God, the community and people in need by building and renovating homes to make affordable home ownership a matter of conscience and action.
HFH GLA currently serves 112 cities and unincorporated areas in Los Angeles County, including 70 communities within the City of Los Angeles, which encompasses a nearly 900 square-mile geographical area. Through volunteer labor and tax-deductible donations of money and materials, HFH GLA builds and renovates simple, sustainable and affordable homes with the help of the homeowner (partner) families and individuals. Habitat for Humanity ("HFH") houses are sold to the partner homeowners at no profit and financed with affordable, no-interest loans. HFH is not a give-away program. In addition to a down payment and monthly mortgage payments, first-time homeowners who meet the selection criteria of the Homeowner Relations Committee invest up to 500 hours of their own labor ("sweat equity") into the building of their homes.

HFH GLA is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"). Although Habitat International assists with information resources, technical support, and national partnerships, HFH GLA is an independently governed entity which is responsible for raising its own funds to build in its service area.

HFH GLA strives to effectively address the growing housing crisis with comprehensive and creative strategies through its different housing initiatives, including:

New construction:

The HFH GLA traditional building model is to build new homes for hardworking, low-income families and individuals in need. The overwhelming need for housing in Los Angeles County has provided HFH GLA with a unique opportunity to change lives in our neighborhoods. Los Angeles ranks as one of the least affordable housing areas in the U.S. and yet Habitat for Humanity is one of the few – if not only – affordable homeownership programs that serves families and individuals earning 30-80% of the median area income. Cost burden and overcrowding are the most serious problems experienced by very low-income area residents. Working with volunteers, families and individuals, corporations, congregations and donors we are able to tackle this important housing issue throughout the greater Los Angeles area. Through a collaborative effort, HFH GLA works towards increasing the affordable housing stock in our community by building new homes wherever land is available.

Neighborhood Stabilization Program:

HFH GLA has partnered with local cities and communities for twenty years. HFH GLA understands first-hand what it takes to transform communities, wanting to ensure that the investment it has made in home ownership does not fall victim to a challenged economy nor places families and neighborhoods at risk of destabilization. In response, HFH GLA has expanded its rehabilitation program to transform foreclosed properties into homeownership opportunities for low and very low-income families.

HFH GLA has joined HUD in the Neighborhood Stabilization Program ("NSP") to purchase foreclosed properties and stabilize communities that have suffered from foreclosures and abandonment. Using federal NSP funds, HFH GLA helps families realize the American Dream of homeownership through responsible lending, creating a positive and immediate impact throughout the Greater Los Angeles region.

Home repairs:

HFH GLA helps low-income homeowners restore and maintain their homes through its Home Repair Program. HFH GLA's Home Repair Program aims to alleviate critical health, life, and safety issues. Qualified and selected homeowners receive a variety of exterior home repair services including but not limited to exterior painting, landscaping, ramps, roofing, window and door replacements. Interior repairs can include plumbing, electrical work, insulation, and ceiling repairs. Homeowners participate in their repairs by contributing sweat equity volunteer hours if physically able. All home repairs are led by trained crew leaders and completed by volunteers.

Green building, Habitat style:

HFH GLA believes in developing affordable housing that is also sustainable. At HFH GLA "green building" is defined as providing housing for people with methods, products and processes that lessen the detrimental impacts on the health of the human and ecological environment. Economically, cost-benefit analyses show tremendous long-term savings to homeowners and society when we design and plan buildings and housing that is energy—and resource—efficient. HFH GLA is among a growing number of Habitat for Humanity affiliates that is incorporating green building elements that improves the affordability and sustainability for homeowners and the communities in which they live. Green building means addressing certain core elements during the stages of planning, design, development and construction.

Disaster relief:

Supporting families affected by disasters requires immediate, comprehensive and collaborative actions. Long after humanitarian aid organizations have completed their relief work, the need for quality shelter and housing remains for months and years. HFH GLA raises funds and sends volunteers to disaster areas to provide critically needed emergency relief when disasters occur.

Global builds:

HFH GLA raises funds and sends volunteer support to other cities and countries where Habitat builds. To date, HFH GLA has raised nearly $3 million in "tithe" funds to build homes globally and domestically.

ReStore:

The ReStore is a social enterprise of HFH GLA, established to be a self-sustaining funding source for the Organization and to provide the local community with low-cost building and home improvement materials. The ReStore sells donated materials including new and gently used furniture, appliances, lumber, hardware, vintage and unique items to the public. Product prices on average are approximately 50% of retail value and all proceeds from the ReStore are used toward the Habitat for Humanity mission to end substandard housing worldwide. HFH GLA has ReStore locations in Gardena and Norwalk.

Hollywood for Habitat for Humanity:

Hollywood for Habitat for Humanity is an entertainment industry partnership with Habitat for Humanity. Actors, screenwriters, musicians, agents, directors, producers, studio executives and label executives are among the thousands of volunteers who have helped build homes for people in need, in the United States and around the world.

Habitat for Heroes:

Habitat for Heroes is an outreach initiative seeking to assist, engage, mobilize and educate military members and Veterans about our programs and services. HFH GLA recognizes that the veteran population is rapidly growing, with thousands throughout Los Angeles struggling to meet everyday needs, including safe and affordable housing.

NOTE 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of financial statement presentation:

HFH GLA's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Financial Accounting Standards Board ("FASB") has established the FASB Accounting Standards Codification ("ASC") as the sole source of authoritative accounting to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. GAAP.

In preparing these financial statements, HFH GLA evaluated the period from June 30, 2012 through December 20, 2012, the date that the financial statements were available to be issued, for subsequent events requiring recognition or disclosure in the accompanying financial statements.

Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Net assets:

In accordance with ASC 958-205, *Not-for-Profit Entities - Presentation of Financial Statements*, HFH GLA's net assets, revenues, gains, expenses, and losses are classified as permanently restricted, temporarily restricted, and unrestricted based on the existence or absence of donor-imposed restrictions.

These classifications are defined as follows:

- *Unrestricted net assets* – Net assets that do not contain donor restrictions or the donor-imposed restrictions have expired due to the Organization's fulfillment of the restrictions and/or by the passage of time.

- *Temporarily restricted net assets* – Net assets that contain donor-imposed restrictions that permit Habitat to use or expend the donated net assets as specified and are satisfied either by the passage of time and/or by actions of Habitat.

- *Permanently restricted net assets* – Net assets that contain donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Contributions:

In accordance with ASC 958-605, *Not-for-Profit Entities - Revenue Recognition,* unconditional promises to give are recorded as contributions based on their fair value when the underlying promises are received, based on management's estimate of the present value of future cash flows expected to be received by the Organization. Subsequent changes in these estimates are recorded as an allowance for uncollectible promises to give.

Unconditional promises to give, gifts of cash and other assets are reported as unrestricted support unless specifically restricted by the donor. All other donor-restricted contributions are reported as increases in temporarily restricted net assets, depending on the nature of the restriction. Donor restricted contributions for which the restrictions expire during the same fiscal year in which the contributions are made are recorded in the temporarily restricted net asset class and then are reclassified to the unrestricted net asset class as net assets released from restrictions. 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.

Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

In-kind contributions and services:

Donated services are recognized as contributions in accordance with ASC 958-605 if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise need to be purchased by the Organization.

A substantial number of volunteers have made significant contributions of their time to HFH GLA's program and supporting services. The value of this contributed time is not reflected in the financial statements since it does not require a specialized skill.

Donations of construction materials, property and equipment are recorded as in–kind contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose.

Government funding:

HFH GLA receives funds from various government agencies ("Agencies") for pre-development costs associated with the development of land acquired for construction projects pursuant to "loan agreements". These Agencies provide funding to HFH GLA generally interest-free, with specified covenants and provisions that the property be used for low-income housing for the term of the note agreement. If HFH GLA complies with the provisions of the agreement, the note is forgiven by the agency when the property is sold to a qualified home buyer. At the date of property closing, the covenants and provisions of the note agreement transfer from HFH GLA to the qualified home buyer. Subsequent to the property's sale, if a covenant or provision is violated, the note is due and payable for the face amount of the note by the home buyer.

Home sales and cost of homes transferred:

Revenue is recognized from the sale of homes when title passes to eligible purchasers. HFH GLA generally recognizes home sale revenue based on the sum of the cash down payment, the face value of the non-interest bearing mortgage receivable, and the value of any government funding, such as notes payable forgiven and/or transferred to the homeowner at the time of sale.

Cost of homes sold consists of capitalized home construction costs and certain other related costs associated with the sale of a home. Cost of homes sold is considered a program expense in the statement of functional activities.

NSP program service grants receivable, revenue and deferred revenue:

HFH GLA has been awarded approximately $34.8 million in NSP funds in agreements with the City of Norwalk, Habitat International, and the City of Long Beach. These grants generally require HFH GLA to expend these funds for eligible activities on or before February 11, 2013. Revenue is earned under these grants in the form of direct reimbursement for eligible activities performed (such as land acquisition, construction costs, and/or provision of loans to eligible purchasers of distressed or foreclosed homes in targeted census tracts); under the agreement with Habitat International in the form of a developer fee; and under the agreement with the City of Long Beach as a program delivery fee.

HFH GLA recognizes revenue for performing eligible activities as the costs are incurred. Developer fees and program delivery fees are received by HFH GLA for each eligible property as specified in the agreement. HFH GLA is eligible to draw down the fees in full at the time of acquisition of each property. The NSP program agreement with Habitat International awarded HFH GLA developer fees of $3,394,229 for the acquisition and development of 108 residential units. HFH GLA has determined that at the time of property acquisition under the program it has earned 50% of the unit's developer fee and recognizes that amount as revenue. The balance of the developer fee is deferred and then recognized in proportion to the amount of eligible costs incurred in relation to the estimated total costs to complete the properties' rehabilitation.

Program service grants receivable are reported net of an allowance for uncollectible amounts. The allowance consists of management's estimate of certain reimbursements for costs incurred that may be disallowed by grantors. As of June 30, 2012 and 2011, the allowance for doubtful accounts was $0 and $87,000, respectively.

Retail stores:

HFH GLA operates two retail stores ("ReStores") in the cities of Gardena and Norwalk, California. The ReStores sell new and used home furnishings and building and home improvement materials to the general public. Donations to the ReStores are made by businesses, contractors, individuals, and other organizations that have surplus or discontinued merchandise.

The primary purpose of the ReStores is to raise funds in support of HFH GLA programs. Accordingly, expenses of operating the ReStores are reported as program expenses in the statement of functional expenses. The amount of revenue reported from the ReStores is its cash receipts plus the estimated fair market value of donated goods. The cost of goods sold is equivalent to the fair market value of the donated goods sold and the cost of purchased items. Cost of goods sold is reported as a program expense in the statement of functional expenses. As revenue earned by the ReStore is from donations, ReStore revenue is classified as public support in the statements of activities.

Fair value of financial instruments:

The Organization's financial instruments consist of cash and cash equivalents, unconditional promises to give, accounts receivable, mortgage notes receivable, investments, accounts payable, and certain notes payable, which are stated at cost or settlement value which approximates fair value.

Concentration of credit risk:

Financial instruments that potentially subject the Organization to concentration of credit risk are primarily cash and cash equivalents and mortgage notes receivable. While the concentration of credit risk of mortgage notes receivable is diversified through numerous different borrowers, the borrowers are concentrated in Los Angeles County.

As of December 31, 2010, the Federal Deposit Insurance Corporation ("FDIC") implemented a temporary program that provides full insurance coverage for deposits in noninterest-bearing transaction accounts at all insured banks, regardless of the dollar amount. This temporary program is in effect through December 31, 2012. For all other accounts – including certificates of deposit, savings accounts, and money market accounts – the maximum insured deposit limit is $250,000 for all accounts combined at any one financial institution. HFH GLA had deposits at various times during the year in excess of any federally insured limits in place. However, HFH GLA has not experienced and does not anticipate nonperformance by any of the financial institutions.

Concentration of grants and revenue:

For the years ended June 30, 2012 and 2011, HFH GLA derived $10,143,133 and $10,595,781, or 40% and 53%, respectively, of its support and revenue from two grantors. HFH GLA recognized $7,670,496 and $8,521,260 or 30% and 42%, respectively, for the years ended June 30, 2012 and 2011, of support and revenue from Habitat International. The Organization earned $2,472,637 and $2,074,521, or 10% and 10%, respectively, for the years ended June 30, 2012 and 2011, of support and revenue from the City of Long Beach.

***Cash and cash equivalents*:**

For purposes of the statements of financial position and the statements of cash flows, HFH GLA considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

Mortgage notes receivable:

Mortgage notes receivable consist of non-interest bearing residential home loans made to qualified borrowers that are secured by a deed of trust, payable in monthly installments over the term of the note, generally ranging from 20 to 30 years. These non-interest bearing mortgages have been discounted based upon prevailing market rates for low income housing at the inception of each mortgage.

Additionally, homes may be encumbered with a second, third, and/or fourth trust deed in favor of either HFH GLA or a local government agency to ensure compliance with the terms of Habitat's homeownership programs. These mortgage notes receivable are referred to as "silent". The primary purpose of these silent mortgages is to allow HFH GLA or the agency to capture a portion of any equity appreciation over and above a specified amount if the home is sold or transferred to a nonqualified homeowner before a certain number of years, usually 25 to 55; and to protect the homeowner by preventing predatory lenders from paying off the first mortgage and saddling the homeowner with an onerous new mortgage. These silent mortgage notes receivable typically bear no interest and are forgiven if the homeowner lives in the home for a certain period of time and complies with all other covenants and restrictions per the deed of trust. Accordingly, since these silent mortgage notes receivable have no value unless or until a homeowner fails to comply with the covenants and restrictions of the terms of the home sale, HFH GLA does not record a value for these silent mortgage notes receivable.

Allowance for mortgage receivable losses:

HFH GLA uses established lending criteria to ensure that only families who meet the Organization's financial and credit criteria are approved to be partner families, and receive a non-interest bearing mortgage loan from HFH GLA. This includes a thorough review of each prospective homeowner's credit report and scores, sources of income and financial history.

HFH GLA regularly reviews its mortgage receivables and monitors the accounts for delinquencies. Homeowners whose mortgages are 10 to 70 days past due are considered to be in various stages of default. Homeowners whose mortgages are more than 70 days past due who have not made satisfactory payment arrangements with HFH GLA are subject to foreclosure proceedings. As of the date of these financial statements, there are no mortgages subject to foreclosure proceedings.

Mortgage notes receivable are reported at a discounted value which at the time of sale is generally less than 50% of the home's fair market value. Therefore, HFH GLA believes that losses resulting from non-payment of mortgage notes receivable are not probable, and accordingly, no allowance for mortgage notes receivable has been recorded.

Inventories:

Inventories primarily consist of building materials, which are used in the construction of homes, and donated materials that are sold in the ReStores. Inventories are stated at lower of cost or market with cost determined by the first-in, first-out (FIFO) method. ReStore inventories are reported at estimated selling price, since the fair value is not reasonably determinable until the items are sold.

Construction-in -process and finished homes held for sale:

Construction-in-process represents costs incurred to build or rehabilitate single-family homes and condominiums for eventual sale to HFH GLA partner families. In the event a development is no longer deemed to be probable, the costs previously capitalized are expensed. The Organization's projects consist of new single-family home and condominium developments and major rehabilitations of existing homes acquired by HFH GLA. Since the purpose and mission of HFH GLA is to build affordable housing for low-income families, the Organization does not generally write down the value of construction-in-process to estimated sales value, because any excess cost over sales value is a component of program services. Projects are classified as construction-in-process until the build/rehabilitation project is substantially completed, at which time it is reclassified as "finished homes held for sale."

Property and equipment:

Expenditures which materially increase property lives are capitalized at acquisition cost. The cost of maintenance and repair is charged to expenditures as incurred. When depreciable property is retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in the statements of activities.

Depreciation is provided using the straight line method over the estimated useful lives of the assets as follows:

Autos and trucks	3-5 years
Construction equipment	7 years
Furniture and equipment	5-7 years
Computer software and hardware	3-5 years
Leasehold improvements	39 years

Investments:

During the year ended June 30, 2009, HFH GLA established a restricted bank account as part of its New Markets Tax Credits ("NMTC") transaction (see Note 19). The terms of the agreement required that the restricted bank account be used to pay certain legal, accounting, and administrative costs associated with the NMTC and that the bank account be administered by a third-party. During the year ended June 30, 2010, the third party administrator invested some of these assets into short-term certificates of deposit and various fixed-income securities.

Deposits and impounds:

Generally, after a home receives its certificate of occupancy, the family who has committed to purchase the home is allowed to reside in the home prior to close of escrow. Payments made to HFH GLA during the period prior to the close of escrow, are based on the projected mortgage payment of the buyer, plus their estimated property taxes and insurance. Due to delays beyond the control of the qualified family, there can be an extended period of time between the move in date and the close of escrow. HFH GLA generally follows a policy in which the interim mortgage portion of payments received from families is credited to the buyer's future mortgage, thus resulting in a reduction of the mortgage at the time of sale. Accordingly, HFH GLA records interim rent payments as a deposit liability in the accompanying statements of financial position.

In addition, HFH GLA collects monthly payments from homeowners for property taxes and insurance, referred to as impounds. HFH GLA remits any property taxes and insurance due on the home directly to the County Assessor and insurance providers from the funds impounded from its mortgages.

Retirement plan:

HFH GLA adopted a 401(k) plan (the "Plan") in May 2000 for the benefit of all permanent employees. All full time employees who are over the age of 21 may participate at the first enrollment period after employment commences. During the fiscal years ended June 30, 2012 and 2011, employer contributions to the Plan were $92,419 and $76,415, respectively.

Income taxes:

HFH GLA is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from state franchise taxes under Section 23701(d) of the California Revenue and Taxation Code, whereby only unrelated business income, as defined by Section 509(a)(1) of the Internal Revenue Code, is subject to federal income tax. HFH GLA does not believe that during the years ended June 30, 2012 and 2011 that it had unrelated business income and accordingly, no provision for income taxes has been recorded in the accompanying financial statements. A number of the Organization's tax returns remain subject to examination by taxing authorities. These include U.S federal returns for 2009 and later years and state tax returns for 2008 and later years.

HFH GLA follows the provisions of FASB ASC 740, *Income Taxes*. Accordingly, HFH GLA accounts for uncertain tax positions by recording a liability for unrecognized tax benefits resulting from uncertain tax positions taken, or expected to be taken, in its tax returns. HFH GLA recognizes the effect of income tax positions only if those positions are more likely than not of being sustained by the appropriate taxing authorities. HFH GLA does not believe that its financial statements include any uncertain tax positions and accordingly, has not recognized any liability for unrecognized tax benefits in the accompanying financial statements.

Functional expenses:

Expenses related to more than one functional expense category are allocated based on estimations by the Organization. Salaries, benefits and other related expenses are allocated based on job function. Directly identifiable expenses are charged to construction and program support, management and general, or fundraising as applicable.

Reclassifications:

Certain reclassifications have been made so that the June 30, 2011 amounts conform to the June 30, 2012 classifications. These reclassifications had no effect on the change in net assets for the year ended June 30, 2011.

NOTE 3

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Following is a supplemental disclosure of cash flow information for the years ended June 30, 2012 and 2011:

For the year ended June 30,	2012	2011
Non-cash items:		
Refinance of notes payable - gross proceeds	$ -	$ 1,550,300
Less: noncash portion	-	(866,957)
Refinance of notes payable - net proceeds	$ -	$ 683,343
Acquisition of land financed by notes payable	$ -	$ 309,080
Acquisition of capitalized lease equipment	$ -	$ 31,920
Recognition of in-kind contributions and related assets and expenses	$ 712,842	$ 1,056,201
Accrued capitalized interest added to construction in process	$ 9,398	$ 39,571
Interest paid	$ 151,804	$ 134,055

As of and for the years ended June 30, 2012 and 2011

NOTE 4

UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following:

As of June 30,	2012	2011
Unconditional promises to give, gross	$ 770,750	$ 843,193
Less: unamortized discount	(6,039)	(11,539)
Unconditional promises to give, net	$ 764,711	$ 831,654

As of June 30,	2012	2011
Amounts due in:		
Less than one year	$ 770,750	$ 775,193
One to five years	-	68,000
	$ 770,750	$ 843,193

Unconditional promises to give which are due more than 12 months from the date of donation are discounted using an interest rate of 6.00% for the year ended June 30, 2011. HFH GLA did not have any unconditional promises to give which were due in more than one year for the year ended June 30, 2012.

NOTE 5

MORTGAGE NOTES RECEIVABLE

Mortgage notes receivable, first trust deed, consist of non-interest bearing mortgage loans secured by real estate and payable in monthly installments over the lives of the respective mortgages, generally ranging from 20 to 30 years. These non-interest bearing mortgages have been discounted based upon prevailing market interest rates for low income housing at the inception of each mortgage and range from 4.60% to 8.30% per annum. During the fiscal year ended June 30, 2011, HFH GLA did not originate any new mortgages. During the fiscal year ended June 30, 2012, HFH GLA imputed a discount interest rate of 4.60% for mortgages originated during this year. The Organization recognizes the discount as interest income over the term of the mortgage using the effective interest method.

Mortgage notes receivable, junior lien position, consist of 16 mortgages made to homeowners using funds received by HFH GLA from the California Department Housing and Community Development ("CalHome"). These mortgages carry a term of 30 years, bear no interest, and require no payments over the term of the loan, unless the homeowner sells the home prior to the end of the 30-year term. At the end of 30 years, the homeowner is required to repay the principal amount of the loan in full. HFH GLA imputed a 7% discount rate based upon prevailing market interest rates for junior lien mortgages for these notes.

HFH GLA also pledges various mortgage notes receivable as collateral to secure various notes payable and obligations to its creditors. These arrangements may restrict the Organization's ability to sell, transfer or re-pledge these mortgages to other entities.

As of and for the years ended June 30, 2012 and 2011

Mortgage notes receivable and the related discount are summarized as follows:

As of June 30,	2012	2011
Mortgage notes receivable, first trust deeds	$ 10,852,199	$ 9,531,591
Mortgage notes receivable, junior lien position	1,000,000	1,000,000
Discount to present value	(5,775,580)	(5,331,047)
Present value of mortgage notes receivable	$ 6,076,619	$ 5,200,544

Scheduled mortgage notes receivable collections are summarized as follows:

Year ending June 30,	
2013	$ 544,661
2014	541,202
2015	530,176
2016	521,663
2017	516,003
Thereafter	9,198,494
Total	$ 11,852,199

Mortgage loan discount amortization revenue for the years ended June 30, 2012 and 2011 was $352,833 and $327,960, respectively.

NOTE 6

INVENTORIES

Inventories consist of the following:

As of June 30,	2012	2011
Building materals for home construction projects	$ 365,512	$ 229,542
ReStore inventory	342,535	343,316
	$ 708,047	$ 572,858

NOTE 7

CONSTRUCTION- IN-PROCESS

Construction- in- process is summarized by project as follows:

As of June 30,	2012	2011
Lynwood - NSP 2	$ 6,430,946	$ 3,430,547
South Gate - NSP 2	5,418,962	3,369,722
Long Beach - NSP 2	3,857,063	2,205,367
Burbank	2,481,262	1,104,661
Long Beach - Washington School Focus Area	-	491,548
Lawndale	592,958	303,783
Norwalk - NSP 1	230,959	215,295
Predevelopment and other costs	35,721	-
	$ 19,047,871	$ 11,120,923

Following is a summary of home building activity:

During the year ended June 30, 2012:	Number of homes	Cost
Home construction in process, beginning of year	54	$ 11,120,923
Costs incurred on homes during fiscal 2012 - new and existing projects	35	12,255,789
Homes transferred to finished homes	(14)	(4,328,841)
	75	$ 19,047,871

During the year ended June 30, 2011:	Number of homes	Cost
Home construction in process, beginning of year	25	$ 3,431,640
Costs incurred on homes during fiscal 2010 - new and existing projects	46	12,886,546
Write-off of previously capitalized costs due to termination of projects	-	(20,418)
Homes transferred to finished homes	(17)	(5,176,845)
	54	$ 11,120,923

As of and for the years ended June 30, 2012 and 2011

NOTE 8

FINISHED HOMES HELD FOR SALE

Finished homes held for sale consist of the following projects:

As of June 30,	2012	2011
Los Angeles - Venice / Wilmington / Vermont	$ 70,273	$ 225,432
Long Beach - Washington School Focus Area	-	570,161
Norwalk - NSP 1	-	372,944
Long Beach - NSP 2	-	278,295
Lynwood - NSP 2	-	2,998,293
	$ 70,273	$ 4,445,125

Following is a summary of finished homes activity:

During the year ended June 30, 2012:	Number of homes	Cost
Finished homes, beginning of year	17	$ 4,445,125
Costs transferred to Finished Homes from construction in process	14	4,328,841
Additional costs incurred on finished homes during fiscal year	-	147,881
Homes transferred to new owners	(30)	(8,851,574)
	1	$ 70,273

During the year ended June 30, 2011:	Number of homes	Cost
Finished homes, beginning of year	3	$ 191,741
Costs transferred to Finished Homes from construction in process	17	5,176,845
Additional costs incurred on finished homes during fiscal year	-	41,158
Homes transferred to new owners	(3)	(964,619)
	17	$ 4,445,125

NOTE 9

PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following:

As of June 30,	2012	2011
Autos and trucks	$ 206,391	$ 175,372
Construction equipment	13,265	13,265
Furniture and equipment	45,546	45,546
Computer software and hardware	162,054	181,626
Leasehold improvements	254,828	254,828
Total	682,084	670,637
Less: accumulated depreciation	(372,275)	(313,754)
Property and equipment, net	$ 309,809	$ 356,883

Depreciation expense for the years ended June 30, 2012 and 2011 was $70,526 and $54,912, respectively.

NOTE 10

DEPOSITS AND OTHER ASSETS

Deposits and other assets consist of the following:

As of June 30,	2012	2011
Construction credits	$ 82,477	$ 145,035
Deposits	121,690	115,667
Loan fees	7,350	7,350
Beneficial interest in charitable remainder trusts	154,003	155,172
Other receivables	2,312	1,368
	$ 367,832	$ 424,592

Construction credits as of June 30, 2012 are the unused portion of a donation by Lowe's Company, Inc., which originally provided HFH GLA with $150,000 in store purchase credits.

Included within other assets at June 30, 2012 and 2011 was $154,003 and $155,172, respectively, in beneficial interests in charitable remainder trusts as follows:

a. Under a 1998 unitrust agreement, HFH GLA receives 50% of the value of the trust at the time of the donor's and his income beneficiary's death. Assets held under the trust were $198,152 and $195,367 as of June 30, 2012 and 2011, respectively. Based on the donor and beneficiary life expectancy and the use of a 6% discount rate, the present value of future benefits expected to be received by the Organization were estimated to be $66,265 and $63,744 at June 30, 2012 and 2011, respectively. The $2,521and $7,291 increase in the estimated present value of the remainder interest at June 30, 2012 and 2011, respectively, were included in changes in value - beneficial interest in charitable remainder trusts in the statements of activities.

b. Under a 2002 unitrust agreement, HFH GLA receives 100% of the value of the trust at the time of the donor's death. Assets held under the trust were $83,942 and $89,759 as of June 30, 2012 and 2011, respectively. Based on a donor and beneficiary life expectancy and the use of a 5% discount rate, the present value of future benefits expected to be received by the Organization was estimated to be $59,064 and $61,857 at June 30, 2012 and 2011, respectively. The $2,793 decrease and $11,626 increase in the estimated present value of the remainder interest at June 30, 2012 and 2011, respectively, were included in changes in value - beneficial interest in charitable remainder trusts in the statements of activities.

c. Under a 2002 charitable remainder insurance trust agreement, HFH GLA receives 50% of the value of the trust at the time of the donor's and his income beneficiary's death. Assets held under the trust were $86,406 and $91,306 as of June 30, 2012 and 2011, respectively. Based on a donor and beneficiary life expectancy and the use of a 5% discount rate, the present value of future benefits expected to be received by the Organization were estimated to be $28,674 and $29,571, respectively. The $897 decrease and $5,804 increase in the estimated present value of the remainder interest at June 30, 2012 and 2011, respectively, were included in changes in value - beneficial interest in charitable remainder trusts in the statements of activities.

NOTE 11

BANK LINE OF CREDIT

On or about February 11, 2008 the Organization entered into a revolving line-of-credit agreement (the "Credit Agreement") for borrowings not to exceed $1,500,000 in the aggregate, until the Lender cancels the Organization's right to borrow. Under the Credit Agreement, interest is payable at the Wall Street Journal Prime Rate and is subject to certain covenants. Minimum monthly payments of accrued interest and fees are due each month; the Organization may prepay principal at any time without penalty. Should the Lender cancel the Credit Agreement, the aggregate amount of all advances outstanding on the cancellation date shall be payable in 48 equal monthly principal installments. Indebtedness under the Credit Agreement is secured by substantially all of the Organization's personal property. As of June 30, 2012 and 2011, the Organization owed $1,246,692 and $1,296,692, respectively, on this line of credit. Interest expense incurred under this Credit Agreement was $43,942 and $45,623, respectively, during the years ended June 30, 2012 and 2011.

NOTE 12

ACCOUNTS PAYABLE

Accounts payable consist of the following:

As of June 30,	2012	2011
Trade accounts payable	$ 1,162,546	$ 1,442,064
Related party payables	183,284	131,862
Other payables	320,129	8,712
	$ 1,665,959	$ 1,582,638

Related party payables consist mostly of tithes payable due to Habitat International and pass-through donations to be remitted to other Habitat for Humanity affiliates (see Note 18).

NOTE 13

ACCRUED EXPENSES

Accrued expenses consist of the following:

As of June 30,	2012	2011
Accrued payroll and related	$ 437,829	$ 418,145
Accrued interest	14,916	20,008
Accrued rent	72,742	72,742
Other accrued expenses	12,035	17,524
	$ 537,522	$ 528,419

Accrued interest consists of amounts due to various government agencies due to technical defaults on notes payable to these agencies. (See Note 14).

NOTE 14

NOTES PAYABLE - GOVERNMENTAL AGENCIES

HFH GLA is awarded grants by governmental agencies, generally in the form of a loan to finance, in part, the acquisition and/or development of specific housing projects. These loans are secured by deeds of trust on the development property, and are generally non-interest bearing with a maturity date of the earlier of one to two years or the sale/transfer of the property. No payments of interest of principal are due during the loan term except in the case of an "Event of Default" as defined in the note agreement. Upon project completion, if HFH GLA sells/transfers the property to a qualified buyer, the proportionate debt owed by HFH GLA on the property is forgiven as to HFH GLA, but remains a lien on the property that transfers to the home owner as a mortgage. Accordingly, at the date the property sale/transfer and fulfillment of the terms of the note occur, the debt owed is considered additional home sales proceeds.

Additionally, the grant / loan agreements usually require a written disposition and development agreement ("DDA") between HFH GLA and the city. The DDA sets forth the terms and conditions of the loan, including a promise to complete the project within a reasonable period of time and an agreement to sell the home or homes to low and very-low income families as defined in the DDA. If HFH GLA were to fail to comply with the terms of the DDA and related note payable, it would be required to repay principal and interest as set forth in the agreements. As of June 30, 2012 and 2011, management believes that it is in material compliance with the terms and conditions of the DDA's and related grant/loan agreements.

On or about December 23, 2009, HFH GLA executed an agreement with the City of Norwalk ("Norwalk") in which the Organization serves as Norwalk's Community Housing Development Organization. The agreement calls for HFH GLA to receive up to $1,273,249 in the form of loans to acquire, rehabilitate, and develop properties in the City for resale to qualified low-to-moderate income families. The funding is provided under NSP 1. During the years ended June 30, 2012 and 2011, HFH GLA borrowed $28,297 and $433,457, respectively, in NSP 1 funds from Norwalk to acquire and develop four land parcels for resale.

The following is a summary of HFH GLA's notes payable that it has entered into with cities set forth below:

As of June 30,	2012	2011
City of Lynwood Redevelopment Agency notes payable, secured by real property, with interest at 0% per annum.	$ 134,947	$ 1,468,261
City of Norwalk notes payable under the NSP, secured by real property, with interest at 4% per annum, and no scheduled payments of principal and interest.	206,634	554,541
Long Beach Housing Development Corporation notes payable, and DDA, secured by real property with interest at 0% per annum.	-	172,041
City of Burbank and the Burbank Housing Corporation note payable, secured by real property with interest at 0% per annum, and no scheduled payments.	1,100,062	257,667
City of Lawndale notes payable, and DDA, secured by real property with interest at 0% per annum.	301,695	$ 170,000
	$ 1,743,338	$ 2,622,510

Accrued interest on the City of Norwalk debt at June 30, 2012 and 2011 was $14,916 and $20,008, respectively. During the years ended June 30, 2012 and 2011, HFH GLA recorded $9,398 and $39,571, respectively, of accrued interest that was capitalized as construction- in-process. Additionally, HFH GLA recorded $14,490 and $22,797, during the years ended June 30, 2012 and 2011, respectively, of forgiven accrued interest. As with the forgiveness of the note itself, forgiveness of accrued interest under these notes is considered to be home sale proceeds.

As set forth herein, the terms and conditions of notes payable – governmental agencies do not require HFH GLA to make payments on the obligation. Accordingly, the Organization does not believe a table setting forth the scheduled debt would be meaningful.

NOTE 15

NOTES PAYABLE - HABITAT INTERNATIONAL

HFH GLA has entered into a number of loan and grant agreements with Habitat International summarized as follows:

Self-Help Homeownership Opportunity Program ("SHOP"). Funds received under SHOP are to be used solely and exclusively for eligible expenses paid or incurred in connection with the construction or rehabilitation of low-income quality residential dwellings. Draws made by HFH GLA are allocated 75% to grant revenue and 25% to loans payable. The loan tranche requires equal monthly payments over 48 months. HFH GLA has imputed interest at 6.00% per annum for draws under the SHOP loans.

Flex CAP program loans through Habitat International which provide funding to HFH GLA, secured by mortgage notes receivable. Pursuant to Loan and Security Agreements entered into by HFH GLA with Habitat International, HFH GLA has agreed to certain covenants and financial covenants, including but not limited to: at all times maintain minimum net assets of $250,000; have at least ten (10) mortgage loans in its performing mortgage pool; own free and clear of all liens and encumbrances at least 40% of the total of mortgage loans in the performing mortgage pool; that mortgage notes receivable pledged have aggregate mortgage payments equal to or greater than 105% of the quarterly payment; and assign and pledge mortgage notes receivable aggregate values must be equal to or greater than, 125% of the outstanding note balance.

As of and for the years ended June 30, 2012 and 2011

The following is a summary of outstanding Habitat International notes payable:

June 30,	2012	2011
Flex CAP 3, with interest at 5.50% per annum, quarterly principal and interest payments of $50,647, due on June 30, 2021. Secured by mortgage notes receivable with a net present value of $2,460,194.	$ 1,430,536	$ 1,550,300
Notes payable, Accelerated Asset Recovery Program, which bear interest at 3.63% per annum, secured by mortgage notes receivable with a net present value of $462,789, with monthly principal and interest payments of $2,247.	-	15,719
SHOP loans	29,556	36,457
Less: discount	(3,811)	(3,811)
Net loan	25,745	32,646
	$ 1,456,281	$ 1,598,665

As of June 30, 2012, management believes that the Organization was in compliance with the terms and conditions of the FlexCap Note program.

The following table summarizes the scheduled maturities of notes payable, other:

For the year ending June 30,	
2013	$ 132,107
2014	141,742
2015	149,476
2016	152,602
2017	157,378
Thereafter	722,976
Total	$ 1,456,281

NOTE 16

CAPITAL LEASE OBLIGATION

HFH GLA is obligated under various capital leases related to the purchase of vehicles and certain office equipment, with interest rates between 5.0% and 13.93% per annum and maturing between February 2012 and December 2015.

Minimum future lease payments under the capital leases are as follows:

As of June 30,	2012	2011
Capital leases payable	$ 32,504	$ 56,647
Less: amounts representing interest	(3,184)	(7,427)
Present value of net lease payments	$ 29,320	$ 49,220

The following table summarizes the scheduled maturities of capital leases payable:

For the year ending June 30,	
2013	$ 10,514
2014	7,892
2015	7,892
2016	6,206
Total	$ 32,504

Included in property and equipment in the accompanying statements of financial position are the following assets held under capital lease:

As of June 30,	2012	2011
Equipment	$ 82,908	$ 82,908
Less: accumulated depreciation	(61,594)	(38,326)
Assets under capital lease, net	$ 21,314	$ 44,582

NOTE 17

RESTORES

The following is a summary of revenue and cost of goods sold for the ReStores:

For the year ended June 30,	2012	2011
Fair market value of goods donated	$ 2,302,736	$ 1,737,493
Cash sales of donated and purchased items	2,299,584	1,928,525
Delivery surcharges	8,160	3,190
Purchased inventory	(242,862)	(163,139)
ReStores - gross sales revenue	4,367,618	3,506,069
Cost of goods sold	(2,299,584)	(1,928,525)
Gross margin on ReStores - donations and sales	$ 2,068,034	$ 1,577,544

NOTE 18

RELATED PARTY TRANSACTIONS

HFH GLA remits a discretionary portion of its unrestricted contributions (excluding in-kind contributions) to Habitat International on an annual basis (the "Tithe"). These funds are used to construct homes in economically depressed areas around the world. In addition, HFH GLA receives significant pass-through funding on behalf of domestic and international Habitat for Humanity affiliates of approximately $83,000 and $172,000, for the years ended June 30, 2012 and 2011, respectively. In general, this pass-through funding is credited towards the Organization's Tithe commitment to Habitat International. These pass-through funds generally do not permit HFH GLA variance power as to which affiliates the funds are designated for; accordingly, the Organization does not recognize contribution revenue upon receipt of the funds and does not record an expense upon the disbursement of these funds to other affiliates.

For the years ended June 30, 2012 and 2011, HFH GLA determined that Tithes due Habitat International were $130,184 and $4,874, respectively. These amounts represent a portion of Habitat's own recognized contribution revenue and are in addition to the pass-through funding noted above. Additionally, during the year ended June 30, 2012, HFH GLA remitted $291,535 in donations it had received for Operation Home Delivery to New Orleans Area Habitat for Humanity. As of June 30, 2012 and 2011, $183,284 and $121,710, respectively, of Tithes and pass-through funding remained payable to Habitat International and other Habitat for Humanity affiliates. These amounts are included in related party payables in Note 12.

On July 22, 2010, HFH GLA borrowed $100,000 from a board member and entered into a promissory note payable, which bears interest at 4.25% per annum, is payable in monthly installments of $10,000, consisting of principal only, and due in July 2011. The Organization may prepay principal at any time without penalty. Interest accrues; however, if the note is paid on a timely basis, the interest is forgiven and converted to a donation. As of June 30, 2012 and 2011, HFH GLA owed $0 and $10,000, respectively, on this note.

NOTE 19

NEW MARKETS TAX CREDIT TRANSACTION

In December 2008, the Organization entered into a New Markets Tax Credit ("NMTC") transaction involving U.S. Bancorp Community Development Corporation ("USBCDC"), its related entities and agents. The following is a summary of the NMTC Transaction.

HFHI-SA Leverage II, L.L.C.:

In general, in December 2008 the Organization acquired a 50% membership, interest in HFHI – SA Leverage II, L.L.C. (the "LLC") in exchange for a capital contribution of $2,420,299. The LLC is owned 50% by another affiliate of Habitat for Humanity International, Inc. The LLC was formed by USBCDC to provide financing for the borrower's equity investment in a community development entity – MBS-UI Sub-CDE VIII, L.L.C ("CDE"). Accordingly, the LLC entered into a Loan Agreement to lend $4,840,598 to MBS-UI Investment Fund VIII, L.L.C. ("Borrower"). The Borrower used the loan proceeds as its equity investment in the CDE which, in turn, used the proceeds of the Borrower's equity investment to fund the loans to the members of the LLC set forth below. The loan receivable bears interest at a rate of 3.95%, with 1.00% being interest currently payable and 2.95% being accrual interest. The loan receivable matures on December 16, 2023 and requires semi-annual principal payments commencing on December 16, 2015 sufficient to fully amortize the loan. The LLC is solely managed by a third party.

Simultaneous with these transactions, the LLC entered into an Option Agreement with USBCDC and the sole member (the "2008 Fund") of MBS-UI Investment Fund VIII, LLC to put the ownership interest in the 2008 Fund for $1,000 commencing on June 15, 2015 and continuing for 3 months, or call the ownership interest for a 12 month period following the expiration of the Put Option at fair market value.

Loan payable – MBS-UI Sub-CDE VIII, L.L.C.:

As a component of the NMTC transaction, the Organization and its affiliate (co-owner of the LLC) each received a loan of $3,430,000 from the CDE and entered into a Loan and Security Agreement ("Agreement") dated December 18, 2008. The Organization is obligated under the Agreement and related Promissory Note to pay interest on the borrowings at a rate of 0.706% per annum with a maturity date of December 18, 2023. Commencing on December 18, 2015 and semi-annually thereafter, the Organization is required to make equal principal and interest payments in an amount to fully amortize the loan by its maturity date.

As set forth in the Agreement, the Organization is required to comply with the NMTC requirements as generally set forth in the Internal Revenue Code ("IRC") Section 45D, including that the Organization maintain a Separate Business such that the Separate Business will qualify as a qualified active low-income community business as defined in IRC Section 45D. Only the Separate Business assets of the Organization were pledged as security under the Agreement to the CDE.

Financial statement presentation:

The Organization has imputed a fair value rate of interest of approximately 4.0% on the Note Payable to CDE, resulting in a discount of approximately $1,010,000 of the Note Payable at December 18, 2008. This discount, net of the NMTC transaction costs of $388,000, results in a net amortizable discount approximately equal to the cash flow received by the Organization. As a result, the Organization recorded net deferred revenue of $621,570 at December 18, 2008 to reflect the net revenue the Organization will effectively receive from the NMTC transaction over its term. After fees and expenses, the Organization received $621,570 in net cash proceeds to invest in its low-income housing projects. The Organization is amortizing the net deferred revenue from the NMTC transaction over 7 years. The Organization had amortized and reported as revenue, $88,796 for each of the years ended June 30, 2012 and 2011of the net deferred revenue. Deferred revenue related to the NMTC transaction, was $310,785 and $399,580 at June 30, 2012 and 2011, respectively.

The NMTC transaction, as set forth above, provides the Organization, from an economic perspective, a right of offset of the Loan Payable to the CDE versus the loan receivable from the Borrower. The right of offset arises in part due to the related party nature and flow of funds in the NMTC transaction, and in part, as a result of the Option Agreement effectively providing a legal right of offset. Accordingly, the Organization's financial statements report only the net asset value of the NMTC transaction, after offsetting the discounted note payable CDE, transaction costs and investment in LLC.

NOTE 20

NEIGHBORHOOD STABILIZATION PROGRAM GRANTS

HFH GLA has recognized the following NSP grant revenue from Habitat International and the City of Long Beach for eligible costs, developer fees and program delivery fees as follows:

June 30,	**2012**	**2011**
Habitat International NSP2 Agreement, dated June 8, 2010, in an amount of $27,901,674 for the acquisition of property and completion of projects in certain target census tracts in the County of Los Angeles. Habitat International grant activity is summarized as follows:		
Program draw requests:		
Construction & land acquisition costs incurred	$ 6,253,303	$ 6,832,929
Developer fees	926,552	1,486,914
Program costs	507,132	630,000
	7,686,987	8,949,843
Deferred developer fees	(16,491)	(428,583)
	7,670,496	8,521,260
City of Long Beach consortium NSP2 agreement providing funding of $5,562,495 to HFH GLA for the acquisition and redevelopment of abandoned or foreclosed housing in the City of Long Beach.		
Program draw requests:		
Construction & land acquisition costs incurred.	2,472,637	2,074,521
	$ 10,143,133	$ 10,595,781

The following summarizes NSP grant activity by agreement:

For the year ended June 30, 2012	**Habitat International**	**Long Beach**	**Total**
Grant award	$ 27,901,674	$ 5,562,495	$ 33,464,169
Prior year revenue recognized	(8,521,260)	(2,074,521)	(10,595,781)
Current year revenue recognized	(7,670,496)	(2,472,637)	(10,143,133)
Remaining grant award	$ 11,709,918	$ 1,015,337	$ 12,725,255

NOTE 21

COMMITMENTS AND CONTINGENCIES

HFH GLA leases its administrative offices as well as its ReStore facilities on a noncancellable operating lease through July 2015. In February 2010, the Organization leased an additional ReStore facility commencing on March 1, 2010 under an annual operating lease agreement from an unrelated party through July 31, 2015. Rent expense for the years ended June 30, 2012 and 2011 under these leases was $488,573 and $427,852, respectively.

In addition, HFH GLA also leased a warehouse to store building materials inventory on an operating lease running through August 2014. Rent expense for the years ended June 30, 2012 and 2011 was $180,796 and $176,602, respectively.

HFH GLA leases various vehicles under noncancellable leases running through December 2013. Vehicle rental expense for the year ended June 30, 2012 and 2011 was $107,547 and $37,702, respectively.

Future minimum rental payments under the noncancellable operating leases are as follows:

Year ending June 30,	**Building Lease**	**Warehouse Lease**	**Vehicle Leases**
2013	$ 452,865	$ 167,377	$ 85,241
2014	460,484	171,556	8,353
2015	286,039	16,307	-
2016	22,510	-	-
Total	$ 1,221,898	$ 355,240	$ 93,594

NOTE 22

TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2012 and 2011 consist of amounts restricted by donor-imposed stipulations as follows:

As of June 30,	**2012**	**2011**
Home Repair Program	$ 323,701	$ -
Operation Home Delivery	291,535	291,535
Lawndale - 163rd St	247,716	288,768
Charitable remainder trusts	154,003	155,172
Keck Foundation - Long Beach Neighborhood Revitalization Initiative	104,327	181,864
Time-related restrictions	47,170	91,670
Lynwood - Wright Road	42,617	-
Long Beach - NSP 2	24,573	-
Pfaffinger Foundation Grant	17,124	17,124
Deutsh Volunteer	5,776	-
Adopt-a-Family	762	1,041
Long Beach - Washington School Focus Area	-	407,612
Total	$ 1,259,304	$ 1,434,786