HABITAT FOR HUMANITY
GREATER SAN FRANCISCO, INC.
(A California Nonprofit Public Benefit Corporation)

***

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

Year Ended June 30, 2013 with Comparative Totals

for the Year Ended June 30, 2012

HABITAT FOR HUMANITY GREATER SAN FRANCISCO, INC.
(A California Nonprofit Public Benefit Corporation)

TABLE OF CONTENTS

SECTION I

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Habitat for Humanity Greater San Francisco, Inc.
(A California Nonprofit Public Benefit Corporation)
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity Greater San Francisco, Inc. (a California nonprofit public benefit corporation) which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity Greater San Francisco, Inc. as of June 30, 2013, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Habitat for Humanity Greater San Francisco, Inc.'s June 30, 2012 financial statements, and our report dated November 2, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2013, on our consideration of Habitat for Humanity Greater San Francisco, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Habitat for Humanity Greater San Francisco, Inc.'s internal control over financial reporting and compliance.

Berger Lewis Accountancy Corporation

BERGER LEWIS ACCOUNTANCY CORPORATION
San Jose, California
November 8, 2013

HABITAT FOR HUMANITY GREATER SAN FRANCISCO, INC.
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FINANCIAL POSITION

June 30, 2013 with Comparative Totals as of June 30, 2012

ASSETS

	2013	2012
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 2,888,338	$ 1,912,904
Investments	11,074	1,561
Accounts Receivable	7,489	10,472
Current Portion of Mortgage Notes Receivable, Net	1,087,481	991,939
Current Portion of Grants Receivable	1,764,791	2,339,827
Pledges Receivable, Net	320,562	545,045
Inventory of Homes	4,896,637	2,221,977
Current Portion of Construction in Progress	-	10,579,510
Prepaid Expenses	2,891	16,501
Total Current Assets	10,979,263	18,619,736
PROPERTY AND EQUIPMENT:		
Furniture and Equipment	194,529	163,701
Vehicles	96,719	93,769
Leasehold Improvements	66,527	51,289
	357,775	308,759
Accumulated Depreciation	(206,185)	(165,491)
Total Property and Equipment, Net	151,590	143,268
OTHER ASSETS:		
Mortgage Notes Receivable, Net of Unamortized Discount	8,320,011	7,458,249
Grants Receivable, Net of Current Portion	1,500,000	450,000
Construction in Progress, Net of Current Portion	4,071,203	1,798,818
Deposits	38,230	38,205
Intangible Assets, Net of Accumulated Amortization	490,660	563,258
NMTC Investment - 1, HFHI-SA Leverage VI, LLC	6,638,197	6,519,366
NMTC Investment - 2, HFHGSF Leverage Lender, LLC	8,024,028	7,897,277
Total Other Assets, Net	29,082,329	24,725,173
RESTRICTED DEPOSITS:		
Cash - NMTC Investment Housing Funds	1,199,444	2,217,691
Cash - Homeowner Impound Funds	73,736	135,318
Cash - Construction in Progress Performance Deposits	27,891	27,891
Total Restricted Deposits	1,301,071	2,380,900
TOTAL ASSETS	$ 41,514,253	$ 45,869,077

The Accompanying Notes are an Integral Part of these Financial Statements.

HABITAT FOR HUMANITY GREATER SAN FRANCISCO, INC.
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FINANCIAL POSITION
(Continued)

June 30, 2013 with Comparative Totals as of June 30, 2012

LIABILITIES AND NET ASSETS

	2013	2012
CURRENT LIABILITIES:		
Accounts Payable, Operating	$ 5,139	$ 45,051
Accounts Payable, Construction	293,805	71,598
Accounts Payable, ReStore	19,619	-
Accrued Liabilities	155,312	127,741
Accrued Interest	18,347	18,347
Current Portion of Notes Payable	30,154	27,275
Current Portion of Refundable Advances	2,284,290	6,727,265
Funds Held in Impound Accounts	73,736	135,318
Current Portion of Deferred Lease Obligation	10,036	-
Total Current Liabilities	2,890,438	7,152,595
LONG-TERM LIABILITIES, NET OF CURRENT PORTION:		
Notes Payable, Net of Current Portion	291,255	320,818
Refundable Advances, Net of Current Portion	1,500,000	-
Loan Payable, NMTC Financing - 1	8,328,107	8,328,107
Loan Payable, NMTC Financing - 2	10,330,844	10,330,844
Deferred Lease Obligation Net of Current Portion	51,855	-
Total Long-Term Liabilities, Net of Current Portion	20,502,061	18,979,769
Total Liabilities	23,392,499	26,132,364
NET ASSETS:		
Unrestricted Net Assets	17,756,841	18,420,494
Temporarily Restricted Net Assets	364,913	1,316,219
Total Net Assets	18,121,754	19,736,713
TOTAL LIABILITIES AND NET ASSETS	$ 41,514,253	$ 45,869,077

The Accompanying Notes are an Integral Part of these Financial Statements.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013 with Comparative Totals for the Year Ended June 30, 2012

	2013			2012
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	TOTAL
SUPPORT AND REVENUE:				
Support:				
Contributions	$ 1,950,189	$ 1,231,040	$ 3,181,229	$ 3,160,889
Grants	206,880	-	206,880	846,709
Special Events, Net	126,353	-	126,353	212,867
Donated Services	85,536	-	85,536	205,151
Donated Materials	-	74,132	74,132	111,379
Total Support	2,368,958	1,305,172	3,674,130	4,536,995
Revenue:				
Sales of Homes	10,684,100	-	10,684,100	2,270,000
Gain on Sale of Notes Receivable	872,388	-	872,388	-
Mortgage Discount Amortization	644,856	-	644,856	792,265
ReStore Revenue	607,747	-	607,747	-
NMTC Investment Income	387,828	-	387,828	185,798
Other Income	9,786	-	9,786	63,699
Interest and Dividend Income	7,341	-	7,341	13,594
Total Revenue	13,214,046	-	13,214,046	3,325,356
Total Support and Revenue	15,583,004	1,305,172	16,888,176	7,862,351
Net Assets Released from Restrictions	1,806,478	(1,806,478)	-	-
Total Support, Revenue and Net Assets Released from Restrictions	17,389,482	(501,306)	16,888,176	7,862,351
EXPENSES:				
Program Services:				
Housing Development	14,624,438	-	14,624,438	4,817,349
Families, Volunteers and NRI	996,543	-	996,543	961,330
Restore	522,787	-	522,787	-
Total Program Services	16,143,768	-	16,143,768	5,778,679
Supporting Services:				
General and Administrative	954,927	-	954,927	715,655
Fundraising	954,440	-	954,440	840,987
Total Supporting Services	1,909,367	-	1,909,367	1,556,642
Total Expenses	18,053,135	-	18,053,135	7,335,321
CHANGE IN NET ASSETS BEFORE GRANT RECEIVABLE WRITE OFF	(663,653)	(501,306)	(1,164,959)	527,030
Grants Receivable Write Off	-	(450,000)	(450,000)	-
CHANGE IN NET ASSETS AFTER GRANT RECEIVABLE WRITE OFF	(663,653)	(951,306)	(1,614,959)	527,030
NET ASSETS, Beginning of Year	18,420,494	1,316,219	19,736,713	19,209,683
NET ASSETS, End of Year	$ 17,756,841	$ 364,913	$ 18,121,754	$ 19,736,713

The Accompanying Notes are an Integral Part of these Financial Statements.

HABITAT FOR HUMANITY GREATER SAN FRANCISCO, INC.
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2013 with Comparative Totals for the Year Ended June 30, 2012

	PROGRAM SERVICES				SUPPORTING SERVICES			TOTALS	
	Housing Development	Families, Volunteers, NRI	ReStore	Total	General and Administrative	Fundraising	Total	2013	2012
EXPENSES:									
Cost of Sales - Homes	$ 10,717,172	$ -	$ -	$ 10,717,172	$ -	$ -	$ -	$ 10,717,172	$ 2,357,504
Discontinued Housing Projects	-	-	-	-	-	-	-	-	395,090
Total Direct Housing Expenses	10,717,172	-	-	10,717,172	-	-	-	10,717,172	2,752,594
Salaries and Wages	374,866	353,917	142,240	871,023	335,427	468,721	804,148	1,675,171	1,522,858
Employee Benefits	51,723	59,437	29,026	140,186	42,569	73,040	115,609	255,795	167,707
Payroll Taxes	29,855	30,025	28,197	88,077	24,970	37,371	62,341	150,418	116,992
Stipend - Vista/Americorp	25,798	20,248	13,929	59,975	-	17,765	17,765	77,740	46,483
Workers' Compensation Insurance	23,373	5,893	5,607	34,873	1,082	5,733	6,815	41,688	21,565
Total Salaries and Benefits	505,615	469,520	218,999	1,194,134	404,048	602,630	1,006,678	2,200,812	1,875,605
Rent	72,408	33,150	208,712	314,270	21,432	32,341	53,773	368,043	167,215
Neighborhood Revitalization Program	-	320,562	-	320,562	-	-	-	320,562	82,056
Professional Services	100,750	42,592	39,985	183,327	53,899	71,608	125,507	308,834	230,988
Interest	168,550	2,853	-	171,403	-	-	-	171,403	137,135
NMTC Annual Fees	-	-	-	-	156,865	-	156,865	156,865	112,066
Communications	21,188	60,466	-	81,654	13,574	39,292	52,866	134,520	117,346
Tithe	120,000	-	-	120,000	-	-	-	120,000	118,365
Travel and Training	36,868	23,648	5,913	66,429	26,141	17,364	43,505	109,934	70,574
Professional Fundraising	-	-	-	-	-	87,176	87,176	87,176	27,440
Postage and Printing	5,265	4,521	3,859	13,645	633	70,356	70,989	84,634	129,897
Insurance	43,789	10,584	660	55,033	19,318	2,787	22,105	77,138	68,466
Computer Software/Hardware	1,169	21,219	7,664	30,052	10,274	24,312	34,586	64,638	28,026
Equipment Rental and Maintenance	15,700	3,089	17,780	36,569	13,865	4,223	18,088	54,657	36,771
Miscellaneous Construction Expense	53,543	-	-	53,543	-	-	-	53,543	32,914
Office Expenses	2,441	1,694	19,215	23,350	13,018	2,351	15,369	38,719	23,286
Bank Fees	-	-	-	-	25,650	-	25,650	25,650	27,100
Total Expenses Before Non-Cash Expenses	11,864,458	993,898	522,787	13,381,143	758,717	954,440	1,713,157	15,094,300	6,037,844
Discount on Mortgages Issued	2,759,980	-	-	2,759,980	-	-	-	2,759,980	1,109,438
Donated Legal, Office and Construction	-	2,645	-	2,645	82,918	-	82,918	85,563	158,918
Amortization	-	-	-	-	72,598	-	72,598	72,598	9,958
Depreciation	-	-	-	-	40,694	-	40,694	40,694	19,163
Total Functional Expenses	$ 14,624,438	$ 996,543	$ 522,787	$ 16,143,768	$ 954,927	$ 954,440	$ 1,909,367	$ 18,053,135	$ 7,335,321
Percentage of Total	81.1 %	5.5 %	2.9 %	89.5 %	5.3 %	5.2 %	10.5 %	100.0 %	

The Accompanying Notes are an Integral Part of these Financial Statements.

STATEMENT OF CASH FLOWS

Years Ended June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$ (1,614,959)	$ 527,030
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization	113,293	29,121
Amortization of Mortgage Notes Receivable Discount	(2,273,703)	(792,265)
Discount on Mortgages Issued	2,759,980	1,109,438
Gain on Sale of Mortgages Receivable	(872,388)	-
Amortization of Notes Payable Discount	25,498	27,586
(Increase) Decrease in Assets:		
Accounts Receivable	2,981	(4,452)
Grants and Pledges Receivable	(250,480)	1,253,443
Inventory of Homes	(2,674,660)	29,575
Construction in Progress	8,307,125	(3,104,876)
Prepaid Expenses	13,556	(3,182)
Deposits	25	(19,973)
Restricted Cash - NMTC Investment Housing Funds	1,018,247	(1,455,579)
Restricted Cash - Homeowner Impound Funds	61,582	25,383
Restricted Cash - Construction in Progress Performance Deposits	-	(39)
Increase (Decrease) in Liabilities:		
Accounts Payable, Operating	(39,909)	(104,340)
Accounts Payable, Construction	222,207	46,286
Accounts Payable, Restore	19,619	-
Accrued Liabilities	27,572	28,864
Accrued Interest	-	13,205
Funds Held in Impound Accounts	(61,582)	(25,385)
Deferred Lease Obligation	61,891	-
Net Cash Provided (Used) by Operating Activities	4,845,895	(2,420,160)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase and Sale of Investments	(9,513)	15,332
Purchase of Fixed Assets	(49,016)	(109,216)
Payments Received on Mortgage Notes Receivable	1,263,257	1,285,751
Proceeds from Mortgage Notes Receivable Sold	4,576,674	-
Issuance of Home Mortgages Notes	(6,411,124)	(2,020,000)
Investment in New Markets Tax Credit Venture	(245,582)	(8,016,015)
Payments for Intangible Assets	-	(427,708)
Net Cash Used by Investing Activities	(875,304)	(9,271,856)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Refundable Advances	1,500,000	110,000
Refundable Advances converted to Home Sale Revenue	(4,197,975)	(110,000)
Refundable Advances not used	(245,000)	-
Payments on Notes Payable	(52,182)	(45,547)
Proceeds from New Markets Tax Credit Loan Payable	-	10,330,844
Net Cash Provided (Used) by Financing Activities	(2,995,157)	10,285,297
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	975,434	(1,406,719)
CASH AND CASH EQUIVALENTS, Beginning of Year	1,912,904	3,319,623
CASH AND CASH EQUIVALENTS, End of Year	$ 2,888,338	$ 1,912,904
Supplemental Disclosure of Cash Flows Information:		
Cash Paid for Interest	$ 171,403	$ 123,930

The Accompanying Notes are an Integral Part of these Financial Statements.

NOTE 1 - GENERAL INFORMATION:

Habitat for Humanity Greater San Francisco, Inc., (the "Organization"), is a nonprofit public benefit corporation incorporated in California in 1988 (originally as Peninsula Habitat for Humanity). Effective August 1, 2008, Habitat for Humanity San Francisco merged into Peninsula Habitat for Humanity and the combined entities were renamed Habitat for Humanity Greater San Francisco, Inc. The new Organization serves San Francisco, San Mateo, and Marin Counties. The Organization is affiliated with Habitat for Humanity International, Inc.

The Organization partners with working families and the community to develop affordable homes for first-time home ownership. The Organization builds homes by engaging volunteers to work alongside carefully selected candidate families. Nearly 90% of the construction labor is done by volunteers and the qualified families selected. The candidate families invest approximately 500 hours of "sweat equity" in the home in lieu of a down payment. The Organization provides financing for the homes at zero percent interest.

The following is a brief description of the Organization's program services:

Housing Development:

- Land Acquisition: Fosters relationships with Marin, San Francisco and San Mateo Counties and their municipalities; locates and acquires land for home construction; obtains funding from multiple affordable housing sources.
- Construction: Builds and rehabilitates homes; trains, organizes and supervises on-site volunteers.
- Tithe: Contributes a portion of undesignated donated funds annually to Habitat for Humanity International, Inc. for the construction of homes outside the United States.

Programs:

- Homeowner Development: Selects, qualifies, and mentors candidate families, and provides them financial and home ownership education; manages long-term homeowner relationships.
- Volunteer Services: Recruits, trains, schedules, and supports volunteers for work at the construction sites, NRI projects, in the office, and on committees.
- Neighborhood Revitalization Initiative (NRI): Partners with residents in local communities to improve the quality of life in their neighborhoods through improvements to the built environment and home buyer readiness (and financial literacy) training.
- ReStore - In September 2012, the Organization opened its first ReStore. Habitat for Humanity Greater San Francisco ReStore is a volunteer-driven home improvement resale outlet that accepts and resells new and gently used building materials, appliances and furniture to the public at a fraction of their retail price. The restore keeps materials out of landfills through reuse. Funds raised help build homes for families in need in San Francisco, Marin and in the Peninsula.

NOTE 1 - GENERAL INFORMATION (Continued):

Neighborhood Revitalization Program - The Organization implemented a unique new affordable home ownership program during fiscal year 2009 in response to the nation's housing crisis that began a year earlier, entitled Neighborhood Revitalization Program (NRP). The Organization locates and purchases vacant real-estate owned (foreclosed) properties from banks and rehabilitates them as needed using the same volunteer labor and candidate family sweat equity as in its traditional new construction program. The program has successfully turned the crisis into opportunity. As of June 30, 2013, twenty two families are now new first-time homeowners living in houses rehabilitated under the program, and an additional two properties have been purchased and are undergoing rehabilitation.

Neighborhood Revitalization Initiative - The Organization launched a program entitled Neighborhood Revitalization Initiative (NRI) in fiscal year 2011, a collaborative partnership with a local nonprofit - Rebuilding Together San Francisco, and its Peninsula affiliate. The NRI goal is to rehabilitate and renovate 50 community facilities and 200 homes in San Francisco and the Peninsula by 2020. Services are provided in partnership with community residents after consultation and may include: parks beautification, critical home repair, community facility improvements, streetscape beautification and financial literacy training.

New Markets Tax Credit Financing - In July 2010, the Organization invested in a New Markets Tax Credit (NMTC) financing joint venture, HFHI-SA Leverage VI, LLC, along with three other Habitat affiliates, to take advantage of tax credit equity financing (see Notes 9, 11, 13, 22).

In December 2011, the Organization invested in its second New Markets Tax Credit (NMTC) financing venture, HFHGSF Leverage Lender, LLC, as the sole Habitat affiliate, to take advantage of tax credit equity financing (see Notes 10, 11, 14, 22).

Income Tax Status - The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization is also exempt from state income tax under Section 23701(d) of the California Revenue and Taxation Code.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting - The Organization's financial statements are presented in accordance with accounting principles generally accepted in the United States of America on an accrual basis. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation - The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations as prescribed by the American Institute of Certified Public Accountants, reporting its financial position and operating activities in two classes of net assets: unrestricted net assets and temporarily restricted net assets.

> Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Temporarily restricted net assets include those assets which are subject to donor restriction and for which the applicable restriction was not met as of the year end of the current reporting period.

Permanently restricted net assets include those assets which are subject to a non-expiring donor restriction, such as endowments. The Organization does not have any permanently restricted net assets.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less, and exclude donor restricted receipts and amounts designated for long-term purposes.

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Restricted Cash - Homeowners Impound Funds - The Organization services the mortgages on the homes it sells. Included in restricted cash are amounts received for insurance and property taxes on such homes. The Organization records a related liability as an offset to these impound amounts.

Restricted Cash - Construction in Progress Performance Deposit - In lieu of posting a performance bond on active construction projects, the Organization pledges a certificate of deposit. The money is released once the project is completed.

Restricted Cash - ReStore - Included in restricted cash are amounts restricted for ReStore operations.

Investments - The Organization reports its investments in marketable securities at their readily determinable fair values and all investments in debt securities at their fair values in the accompanying statement of financial position. Unrealized gains and losses are included in the accompanying statement of activities.

Fair Value Measurements - Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

A hierarchy system is used which prioritizes the inputs of valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Mortgage Notes Receivable - The Organization records home sales at the gross amount of payments to be received over the lives of the mortgages. These mortgage payments do not include interest and, accordingly, the notes have been discounted at various interest rates using the effective interest method over the lives of the mortgages and reported net of amortized cost. Management does not believe an allowance for doubtful accounts is necessary because the deed restrictions give them right of first refusal (see Note 4).

Grants, Donations and Pledges Receivable - The Organization considers all grants, donations and pledges receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

Inventory of Homes - The Organization classifies as inventory the following: completed new construction homes; homes purchased under the Neighborhood Revitalization Program (NRP) in which rehabilitation is substantially complete; and Habitat built homes that are bought back from the homeowner (resale homes). Completed new construction homes and NRP homes are stated at the lower of cost or market using the specific identification method. Habitat resale homes are stated at buy back cost (the original sales price plus appreciation).

Construction in Progress - Construction in progress is stated at the lower of cost or market using the specific identification method. Construction in progress consists of new home building projects under construction, NRP homes undergoing rehabilitation, and pre-development costs of future projects (see Note 8).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Property and Equipment - Furniture, equipment, leasehold improvements, and vehicles are carried at cost or, if donated, at the approximate fair value at the date of donation. The Organization capitalizes all acquisitions of property and equipment in excess of $3,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which range from three to seven years.

Impairment of Long-Lived Assets - The Organization reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to future net cash flows, undiscounted and without interest, expected to be generated by the asset. If assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. For the years ended June 30, 2013 and 2012, there were no events or changes in circumstances indicating that the carrying amount of the property and equipment may not be recoverable.

Contributions - Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the nature of donor restrictions and depending on whether the restrictions are met in the current fiscal period. As of June 30, 2013 and 2012 there were no permanently restricted contributions.

Expense Allocation - The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on a time study analysis and other reasonable methods.

Advertising - The Organization's policy is to expense advertising costs as the costs are incurred. Advertising expenses (included as a component of the "Professional Fundraising" in the accompanying statement of functional expenses) for the years ended June 30, 2013 and 2012 were $47,790 and $19,926, respectively.

Comparative Financial Information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

Reclassifications - Certain amounts in the prior year have been reclassified in order to be consistent with the current year presentation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Uncertainty in Income Taxes - Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination.

The Organization's federal returns for the fiscal years ended June 30, 2012, 2011 and 2010 could be subject to examination by federal taxing authorities, generally for three years after they are filed. The Organization's state returns for the fiscal years ended June 30, 2012, 2011, 2010 and 2009 could be subject to examination by state taxing authorities, generally for four years after they are filed.

Subsequent Events - Management of the Organization has evaluated events and transactions subsequent to June 30, 2013 for potential recognition or disclosure in the financial statements. The Organization had subsequent events that required disclosure in the financial statements for the fiscal year ended June 30, 2013. Subsequent events have been evaluated through the date the financial statements became available to be issued, November 8, 2013.

NOTE 3 - INVESTMENTS:

Investments are classified as Level 1 investments (see Note 2). Investments consist of certificates of deposits to be held more than three months. The fair value of investments as of June 30, is as follows:

	2013	2012
Valuation Inputs		
Level 1 - Quoted Prices	$ 11,074	$ 1,561
Level 2 - Other Significant Observable Inputs	-	-
Level 3 - Significant Unobservable Inputs	-	-
Total	$ 11,074	$ 1,561

NOTE 4 - MORTGAGE NOTES RECEIVABLE:

As of June 30, 2013, the Organization holds 134 mortgage notes receivable, totaling $17,981,150 at gross value with maturities of 1 to 40 years. The notes are non-interest bearing mortgages, payable in equal monthly installments, and are secured by deeds of trust on the properties. According to an agreement with Habitat for Humanity International, Inc., the collections on these notes receivable are to be used to construct additional homes. The notes have been discounted at various interest rates ranging from 6% to 9% using the effective interest method over the lives of the mortgages. Mortgages are reported net of amortized cost.

NOTE 4 - MORTGAGE NOTES RECEIVABLE (Continued):

Principal payments due on mortgage notes receivable are as follows:

Year Ending June 30,	Principal
2014	$ 1,087,196
2015	1,075,241
2016	1,069,133
2017	1,054,115
2018	1,032,783
Thereafter	12,662,682
Notes Receivable at Face Value	17,981,150
Less: Unamortized Discount	(8,573,658)
Net Present Value of Mortgages	9,407,492
Less: Current Portion	(1,087,481)
Long-term Portion	$ 8,320,011

In the year ended June 30, 2013 the Organization sold fifteen mortgage notes including three mortgages which were issued and sold the same year. The total principal balance of the mortgages sold was $3,704,285 and the gain from the sale was $872,388.

NOTE 5 - GRANTS RECEIVABLE:

Grants receivable as of June 30, consists of the following:

	2013	2012
Current:		
Department of Housing and Community Development (CalHome Grant) - Daly City, Mission St. Project	$ 880,000	$ 990,000
Department of Housing and Community Development - Grant for Daly City, Mission St. Project	713,257	795,979
Affordable Housing Program - Daly City, Mission St. Project	105,000	540,000
County of San Mateo Department of Housing - Project WeHOPE Shelter Rehabilitation	61,403	-
Daly City HOME Funds - Construction Subsidy for Daly City, Mission St. Project	5,131	13,848
Total Current Portion	$ 1,764,791	$ 2,339,827

NOTE 5 - GRANTS RECEIVABLE (Continued):

	2013	2012
Long-Term:		
Department of Housing and Community Development (CalHome Grant) - Habitat Terrace Project (Capital Avenue)	$ 1,500,000	$ -
Marin Community Foundation - Grant for Marin County, Eagle Rock project	-	450,000
Total Long-Term Portion	1,500,000	450,000
Total Grants Receivable	$ 3,264,791	$ 2,789,827

During the year ended June 30, 2013, the Organization wrote off $450,000 of grants receivable for one of the pre-development projects. The loss resulting from the write off is recognized as expense on the accompanying Statement of Activities.

NOTE 6 - PLEDGES RECEIVABLE:

Pledges receivable represent unconditional promises given by donors. Amounts scheduled to be received beyond a one year period are recorded at net realizable value. The pledges receivable and unamortized discount as of June 30, 2013 and 2012 were $320,562 and $545,045, respectively.

NOTE 7 - INVENTORY OF HOMES:

Inventory of homes as of June 30, consists of the following:

	2013	2012
Mission Street Homes	$ 4,494,261	$ -
NRP Rehabilitated Homes (see Note 1)	-	1,670,470
Habitat Resale Homes (see Note 1)	388,042	537,173
Materials	14,334	14,334
Total	$ 4,896,637	$ 2,221,977

NOTE 8 - CONSTRUCTION IN PROGRESS:

Construction in Progress as of June 30, consists of the following:

	2013	2012
New Construction:		
San Francisco: Capital Ave. (28 homes estimated)	$ 2,927,883	$ 1,508,728
Mt. Burdell - Land (10 homes estimated)	853,229	-
Daly City: Mission St. (36 homes)	-	10,579,510
Total New Construction	$ 3,781,112	$ 12,088,238
Pre-Development:		
San Francisco: Whitney Young II (17 homes estimated)	$ 171,305	$ 171,304
Marin County: Eagle Rock (4 homes estimated)	56,137	56,137
San Francisco: Hunter's View (10 homes estimated)	53,711	53,711
Brisbane: Lau Lots (20 homes estimated)	8,938	8,938
Total Pre-Development	290,091	290,090
Total Construction in Progress	4,071,203	12,378,328
Less: Current Portion	-	(10,579,510)
Construction in Progress, Net of Current Portion	$ 4,071,203	$ 1,798,818

NOTE 9 - NMTC INVESTMENT - 1, HFHI-SA LEVERAGE VI, LLC:

In July 2010, the Organization invested, along with three other Habitat affiliates, in a joint venture (HFHI-SA Leverage VI, LLC) to take advantage of New Markets Tax Credit (NMTC) financing. NMTC financing allows an entity to receive a loan or investment capital from outside investors, who will receive new markets tax credits to be applied against their federal tax liability. The Organization invested a combination of cash and construction in progress totaling $6,381,480 for a 33.9% ownership stake and securing a loan in the amount of $8,328,107 payable to Clearinghouse NMTC (Sub 21), LLC (a community development entity). The net proceeds resulting from the joint venture totaled $1,646,171 and are to be used solely for the purpose of constructing and selling qualified housing properties to low-income residents.

The investment is accounted for using the equity method and the carrying amount of the investment is increased for the Organization's proportionate share of the joint venture's earnings and decreased for the Organization's proportionate share of the joint venture's losses and distributions. The balance of the investment in HFHI-SA Leverage VI, LLC at June 30, is as follows:

NOTE 9 - NMTC INVESTMENT - 1, HFHI-SA LEVERAGE VI, LLC (Continued):

	2013	2012
Beginning Balance	$ 6,519,366	$ 6,400,628
Share of Income	182,736	182,736
Distributions Received	(63,905)	(63,998)
Ending Balance	$ 6,638,197	$ 6,519,366

NOTE 10 - NMTC INVESTMENT - 2, HFHGSF LEVERAGE LENDER, LLC:

In December 2011, the Organization entered into its second NMTC financing venture, investing in a sole venture (HFHGSF Leverage Lender, LLC). The Organization contributed a combination of cash, construction in progress, and NRP inventory homes totaling $7,922,319 for a 100% ownership stake and securing a loan in the amount of $10,330,844 payable to Northern California Community Loan Fund NMTC Sub-CDE V, LLC (a community development entity). The net proceeds resulting from the venture totaled $1,207,165 and are to be used solely for the purpose of constructing and selling qualified housing properties to low-income residents.

The investment is accounted for using the equity method and the carrying amount of the investment is increased for the Organization's proportionate share of the venture's earnings and decreased for the Organization's proportionate share of the venture's losses and distributions. The balance of the investment in HFHGSF Leverage Lender, LLC as of June 30, is as follows:

	2013	2012
Beginning Balance	$ 7,897,277	$ -
Capital Contributed	-	7,922,319
Share of Income	205,092	3,062
Distributions Received	(78,341)	(28,104)
Ending Balance	$ 8,024,028	$ 7,897,277

NOTE 11 - INTANGIBLE ASSETS:

The Organization incurred costs for qualified active low-income business guarantor fees related to its NMTC financing to be amortized over 7 years, the period to which the guarantees apply. The Organization also incurred closing costs related to its two NMTC loans, to be amortized over each of the 15-year note terms. The balance of intangible assets and accumulated amortization as of June 30, are as follows:

NOTE 11- INTANGIBLE ASSETS (Continued):

	2013	2012
Qualified Active Low Income Community Business (QALICB) Guarantor Fees	$ 398,744	$ 398,744
NMTC Loan Closing Costs	234,528	234,528
Total Intangible Assets	633,272	633,272
Accumulated Amortization	(142,612)	(70,014)
Intangible Assets, Net of Accumulated Amortization	$ 490,660	$ 563,258

Estimated Annual NMTC Amortization Expense at June 30,	Amount
2014	$ 72,598
2015	72,598
2016	72,598
2017	72,598
2018	55,249
Thereafter	145,019
Total	$ 490,660

Amortization expense for the year ended June 30, 2013 and 2012 was $72,598 and $9,958, respectively.

NOTE 12 - NOTES PAYABLE:

Notes payable as of June 30, consist of the following:

	2013	2012
Payable to the County of San Mateo - Home Program federal funds used for site construction costs of two housing units, secured by individual deeds of trust on property located in Brisbane, CA, due in semi-annual non-interest bearing payments of $698 through June 2037.	$ 33,722	$ 34,420
Payable to the County of San Mateo - Home Program federal funds used for site construction costs of five housing units, secured by individual deeds of trust on property located in Brisbane, CA, due in semi-annual non-interest bearing payments of $2,111 through June 2032.	80,997	83,108

NOTE 12 - NOTES PAYABLE (Continued):

	2013	2012
Payable to the County of San Mateo - Home Program federal funds used for site construction of four housing units, secured by individual deeds of trust on property located in South San Francisco, CA, due in semi-annual non-interest bearing payments of $7,261 through December 2025.	$ 184,652	$ 199,174
Payable to the County of San Mateo - CDBG Program federal funds used for the purchase of land and pre-development costs for 24 housing units, secured by individual deeds of trust on property located in East Palo Alto, due in semi-annual non-interest bearing payments of $13,617 through November 2033.	178,506	205,739
Total Due to the County of San Mateo	477,877	522,441
Payable to Habitat for Humanity International, Inc. - 0% interest, federal funds used for housing construction costs, monthly installments of $364 began in October 2011 and last through September 2015.	10,948	15,316
Payable to the Community Development Agency of the City of Menlo Park, 0% interest, used for the purchase of land for housing units in Menlo Park, CA, secured by deeds of trust on the units. Due in semi-annual installments of $1,625 through December 2018.	19,500	22,750
Total Notes Payable at Face Value	508,325	560,507
Less: Discount on Notes Payable	(186,916)	(212,414)
Net Present Value of Notes Payable	321,409	348,093
Less: Current Portion	(30,154)	(27,275)
Notes Payable, Net of Current Portion	$ 291,255	$ 320,818

The discount rates on the notes payable range from 7% to 8% based on an annual simple average using rates published by Habitat for Humanity International, Inc.

NOTE 12 - NOTES PAYABLE (Continued):

The discounted principal payments due on the notes payable are as follows:

Year Ending June 30,	Amount
2014	$ 30,154
2015	32,043
2016	32,509
2017	32,937
2018	35,714
Thereafter	158,052
Total	$ 321,409

NOTE 13 - LOAN PAYABLE, NMTC FINANCING - 1:

The Organization recorded a loan payable to Clearinghouse NMTC Sub 21, LLC (a NMTC community development entity) dated July 28, 2010 as part of the NMTC financing transaction. It is a 15-year loan bearing interest at 0.766% interest with semi-annual interest-only payments for 7 years from December 5, 2010 until December 5, 2017. Principal payments are scheduled to begin on December 5, 2017, due semi-annually to fully amortize the principal balance over the following 8 years. The loan is secured by substantially all the assets acquired by the Organization from the project loan proceeds. The loan has a put option feature, defined in an option agreement between the joint venture's related parties that is expected to be exercised in 2017 that will effectively remove the liability from the Organization (see Note 22). The balance of the loan for each of the years ending June 30, 2013 and 2012 is $8,328,107.

NOTE 14 - LOAN PAYABLE, NMTC FINANCING - 2:

The Organization has a loan payable to Northern California Community Loan Fund NMTC Sub-CDE V, LLC (a NMTC community development entity) dated December 23, 2011 as part of the NMTC financing transaction. It is a 15-year loan bearing interest at 0.767% interest with semi-annual interest-only payments for 7 years from May 5, 2012 until November 5, 2019. Principal payments are scheduled to begin on November 5, 2019, due semi-annually to fully amortize the principal balance over the following 8 years. The loan is secured by substantially all the assets acquired by the Organization from the project loan proceeds. The loan has a put option feature defined by an option agreement between the related parties of the transaction that is expected to be exercised in 2019 that will effectively remove the liability from the Organization (see Note 22). The balance of the loan for each of the years ending June 30, 2013 and 2012 was $10,330,844.

NOTE 15 - REFUNDABLE ADVANCES:

The Organization receives funds from governmental agencies for the purpose of constructing homes, and ultimately lowering the mortgage of the prospective homeowners. There are no payments or interest due by the Organization. At the time of home sale, the loans are transferred to the buyers and forgiven over varying time periods. The Organization recognizes revenue from the sale of homes upon the transfer of their liabilities to the homeowners.

Refundable advances as of June 30, consist of the following:

	2013	2012
Department of Housing and Community Development (CalHome Program) - Habitat Terrace	$ 1,500,000	$ -
Agency Funds - City of Daly City: used to pay for construction cost. A liability of $84,282 will be transferred to each homeowner upon purchase and forgiven at a rate of 2.22% annually over 45 years.	1,095,661	3,034,137
HOME Funds - City of Daly City: used to pay for site development costs. A liability of $35,120 will be transferred to each homeowner upon purchase and forgiven at a rate of 2.22% annually over 45 years.	456,563	1,264,328
Agency Funds - City of Daly City: used to pay for construction cost. A liability of $24,966 will be transferred to each homeowner upon purchase and forgiven at a rate of 2.22% annually over 45 years.	324,566	898,800
Department of Housing and Community Development (CalHome Program) - City of Daly City: used for the reduction of principal balance on 17 first-time buyer homeowner mortgages. A liability of $58,235 will be transferred to each homeowner upon purchase and forgiven according to CalHome Program terms.	302,500	990,000
AHP Federal Home Loan Bank of San Francisco: used for the reduction of principal balance on 36 homeowner mortgages. A liability of $15,000 will be transferred to each homeowner upon purchase and forgiven at a rate of 20% annually over 5 years.	105,000	540,000
Total Refundable Advances	3,784,290	6,727,265
Less: Current Portion	(2,284,290)	(6,727,265)
Refundable Advances, Net of Current Portion	$ 1,500,000	$ -

NOTE 16 - TEMPORARILY RESTRICTED NET ASSETS:

The Organization's temporarily restricted net assets at June 30, consist of the following:

	2013	2012
Neighborhood Revitalization Initiative	$ 231,159	$ 591,841
Feasibility Grant, Marin County	117,624	125,000
Whitney Young II Project, San Francisco	16,130	16,130
Eagle Rock Project, Marin County	-	450,000
Mission Street Project, Daly City	-	46,862
Homeowner Readiness Program	-	86,386
Total Temporarily Restricted Net Assets	$ 364,913	$ 1,316,219

NOTE 17 - TEMPORARILY RESTRICTED NET ASSETS RELEASED:

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by donors as follows:

	2013	2012
Low-Income Housing Acquisition and Construction	$ 1,057,650	$ 2,447,808
Neighborhood Revitalization Initiative	490,682	187,420
Advertising Campaign	148,270	50,000
Homeowner Readiness Program	94,876	94,876
Americorp Staffing Stipend	15,000	15,000
Total Temporarily Restricted Net Assets Released	$ 1,806,478	$ 2,795,104

NOTE 18 - SALE OF HOMES:

During the fiscal year ending June 30, 2013 the Organization sold six NRP rehabilitated homes, three resale Habitat homes and 23 new construction homes. The loss from the sale of these homes is as follows:

NRP Rehabilitated Homes:	
Revenue from Sale of NRP Homes	$ 3,651,600
Less: Cost of NRP Homes Sold	(3,678,912)
Loss on Sale of NRP Homes	$ (27,312)

NOTE 18 - SALE OF HOMES (Continued):

Resale Habitat Homes:	
Revenue from Sale of Resale Homes	$ 569,000
Less: Cost of Resale Homes Sold	(574,760)
Loss on Sale of Resale Homes	(5,760)
New Construction Homes - Mission Street	
Revenue from New Construction Homes	6,463,500
Less: Cost of New Construction Homes Sold	(6,463,500)
Loss on Sale of Resale Homes	-
Total:	
Total Revenue from Sale of Homes	10,684,100
Less: Total Cost of Homes Sold	(10,717,172)
Total Net Loss on Sale of Homes	$ (33,072)

During the coming year the Organization expects to sell thirteen new construction homes, and two resale Habitat homes. A loss is recorded when the Organization can reasonably estimate the amount of loss that might occur upon home sales in the future. As of June 30, 2013 the Organization does not anticipate any such loss.

NOTE 19 - SPECIAL EVENT REVENUE, NET:

Special events revenue is presented on the statement of activities net of event related expense. For the years ended June 30, 2013 and 2012, revenue from special events was $153,148 and $350,804, and related expense was $26,795 and $137,937, respectively.

NOTE 20 - DONATED MATERIALS AND SERVICES:

Donated Materials - The value of donated office supplies and construction materials for the years ended June 30, 2013 and 2012 was $74,132 and $111,379, respectively.

NOTE 19 - DONATED MATERIALS AND SERVICES (Continued):

Donated Services - Donated services which require a specialized skill and which the Organization would have paid for if not donated, are recorded in the financial statements as in-kind contribution revenue at the estimated fair value at the time the services are rendered. For the years ended June 30, 2013 and 2012, donated services of a specialized or professional nature are as follows:

	2013	2012
Legal Services	$ 80,300	$ 199,301
Ad Campaign and Miscellaneous	-	614
Financial Services	5,236	5,236
Total Donated Professional Services	$ 85,536	$ 205,151

The Organization also receives significant donated services of an unskilled nature, primarily volunteers who work on the construction and rehabilitation of homes, as well as in the office. During the years ended June 30, 2013 and 2012 volunteers donated approximately 85,495 and 93,500 hours, respectively, whose value management has estimated at $1,560,495 and $2,214,000, respectively. The value of the unskilled donated services is not recorded in the financial statements.

NOTE 21 - RETIREMENT PLAN:

The Organization has a 403(b) retirement plan in which the employer matches employee contributions up to 5% of gross salary. The plan covers all full-time employees with one year of service or more and who are at least 21 years of age. Employer contributions to the employee accounts for the years ended June 30, 2013 and 2012, were $46,991 and $31,392, respectively.

NOTE 22 - RELATED PARTY TRANSACTIONS:

HFHI Tithe - The Organization donates to Habitat for Humanity International, Inc. (HFHI) annually for the construction of homes outside of the United States, as determined by the Organization's Board of Directors. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2013 and 2012 the amount contributed was $120,000 and $118,365, respectively. The current year amount is included in housing development expense under program services in the Statement of Activities.

Insurance Policy - The Organization has a blanket policy for auto, general and builder's risk insurance through Habitat for Humanity International, Inc. For the years ended June 30, 2013 and 2012 the insurance expense was $77,138 and $68,466, respectively.

SHOP Loan - The Organization has received a SHOP (Self-Help Ownership Program) loan from Habitat for Humanity International, Inc. The balance of the loan as of June 30, 2013 and 2012 was $10,948 and $15,316, respectively.

NOTE 22 - RELATED PARTY TRANSACTIONS (Continued):

Neighborhood Revitalization Initiative - The Organization was awarded a grant from Habitat for Humanity International with Wells Fargo Bank as the sponsor in the amount of $100,000 for the year ended 2012 for NRI program funding (see Note 1). No such grant was received in 2013.

New Markets Tax Credit Investment - 1 - As a component of the NMTC financing transaction, the Organization recorded debt of $8,328,107 (see Note 13) payable to Clearinghouse NMTC (Sub 21), LLC, a community development entity (CDE) and an affiliate of the joint venture. Simultaneous with these transactions, the LLC entered into an option agreement with U.S. Bancorp Community Development Corporation (USBCDC), the federal tax credit investor, who is the sole-member of Habitat California Investment Fund, LLC (the Fund), an affiliate of the joint venture, and the upstream effective owner of Clearinghouse NMTC (Sub 21), LLC. Under the terms of the option agreement, USBCDC is expected to place its ownership interest into the Fund during the six month put-option period beginning July 31, 2017. Exercise of this option will effectively extinguish the Organization's outstanding debt owed to the Fund. The Organization will recognize income on the forgiveness of debt in an amount approximating the difference in the book value of the investment and the debt. The investment and debt will then have a balance of zero. All entities related to the joint venture including HFHI-SA LeverageVI, LLC will then be dissolved, ending the NMTC structured financing deal.

A requirement in NMTC financing transactions as generally set forth in IRC Section 45D, states 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. The Organization has set up separate accounting books and records to comply with this requirement. Only the separate business assets of the Organization were pledged as security to the CDE.

New Markets Tax Credit Investment - 2 - As a component of the NMTC financing transaction, the Organization recorded debt of $10,330,844 (see Note 14) payable to Northern California Community Loan Fund NMTC Sub-CDE, LLC, a community development entity (CDE) and an affiliate of the joint venture. Simultaneous with these transactions, the LLC entered into an option agreement with U.S. Bancorp Community Development Corporation (USBCDC), the federal tax credit investor, who is the sole-member of NCCLF NMTC V Investment Fund, LLC (the Fund), an affiliate of the joint venture, and the upstream effective owner of Northern California Community Loan Fund NMTC Sub-CDE, LLC. Under the terms of the option agreement, USBCDC is expected to place its ownership interest into the Fund during the six month put option period beginning December 31, 2019. Exercise of this option will effectively extinguish the Organization's outstanding debt owed to the Fund. The Organization will recognize income on the forgiveness of debt in an amount approximating the difference in the book value of the investment and the debt. The investment and debt will then have a balance of zero. All entities related to the joint venture including HFHGSF Leverage Lender, LLC will then be dissolved, ending the NMTC structured financing deal.

A requirement in NMTC financing transactions as generally set forth in IRC Section 45D, states 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. The Organization has set up separate accounting books and records to comply with this requirement. Only the separate business assets of the Organization were pledged as security to the CDE.

NOTE 23 - COMMITMENTS:

Right of First Refusal - Upon the acquisition of land granted to the Organization for construction, various agreements require the Organization to maintain the properties as affordable housing for a certain period of time. These affordability restrictions vary from 45 to 55 years. A right of first refusal is recorded at the time of sale giving the Organization the right to purchase the property should the homeowner decide to sell. The Organization resells purchased Habitat built homes to newly qualified families at an updated but below market value price, at which time the required affordability term continues.

Recourse Mortgage Notes - The Organization occasionally sells its non-interest bearing mortgage notes receivable. In the year ended June 30, 2013 the Organization sold fifteen mortgage notes. The total principal balance of the mortgages sold was $3,704,285. From the total sales four have a provision which requires the Organization to repurchase or substitute the notes in the event of default. The four notes sold with recourse had a total face value of $1,026,000 and had a principal balance of $956,328. In the event the notes are repurchased, the Organization has the right to foreclose and resell the associated property.

Office Lease - The Organization leases office space in the city of San Francisco under a non-cancelable lease expiring in October 2014 and leases retail space under a non-cancelable lease for its Restore in the city of San Carlos as of June 1, 2012 with payments to begin October 1, 2012, expiring in September 2019. As of June 30, 2013, the future minimum lease payments under the lease obligations are as follows:

Year Ending June 30,	Amount
2014	$ 316,640
2015	199,973
2016	176,640
2017	176,640
2018	176,640
Thereafter	206,080
Total Future Minimum Lease Payments	$ 1,252,613

The rent expense for the office and restore lease for the years ended June 30, 2013 and 2012 was $368,043 and $167,215, respectively.

NOTE 24 - SUBSEQUENT EVENTS:

Sale of Homes - The Organization sold three homes in July 2013 and sold eight homes in August 2013 from the 7555 Mission Street Project.

SECTION II

SUPPLEMENTARY INFORMATION

HABITAT FOR HUMANITY GREATER SAN FRANCISCO, INC.
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

Government Grantor Pass-through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Award Amount	Total Expenditures
FEDERAL AWARDS				
U.S. Department of Housing and Urban Development				
Community Development Block Grant				
Passed through:				
County of San Mateo - Community Development Block	14.218	71168	$ 85,000	$ 61,403
County of San Mateo - Community Development Block	14.218	71168	24,020	24,020
County of San Mateo - Community Development Block	14.218	71168	24,025	24,025
County of Marin - Community Development Block	14.218		97,432	97,432
Prior Years Loan for Which Continuing Compliance is Required				
County of San Mateo - Community Development Block	14.218		325,622	178,506
Total Community Development Block Grant			556,099	385,386
Home Investment Partnerships Program				
Passed through:				
City of Daly City - HOME Funds	14.239		1,264,328	8,716
Prior Years Loans for Which Continuing Compliance is Required				
City of South San Francisco - HOME Funds	14.239	68185	250,000	184,652
City of Brisbane - HOME Funds	14.239	68133	140,000	114,719
Total Home Investment Partnerships Program			1,654,328	308,087
Prior Years Loan for Which Continuing Compliance is Required				
Self -Help Homeownership Opportunity Program 2007	14.247	141059	17,500	10,948
Total U.S. Department of Housing and Urban Development			2,227,927	704,421
Total Federal Awards			$ 2,227,927	$ 704,421

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Habitat for Humanity Greater San Francisco, Inc. under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Habitat for Humanity Greater San Francisco, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Habitat for Humanity Greater San Francisco, Inc.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures - Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through Entity Identifying Number - Pass-through entity identifying numbers are presented where available.

NOTE 3 - COUNTY OF SAN MATEO - CDBG

The oustanding balance on County of San Mateo - CDBG loan made in prior years for which continuing compliance is required as of June 30, 2013 is:

Loan Balance as of June 30, 2012	$ 205,739
Payments Made	(27,233)
Loan Balance as of June 30, 2013	$ 178,506

NOTE 4 - CITY OF SOUTH SAN FRANCISCO - HOME FUNDS

The oustanding balance on City of San Francisco - HOME Funds loan made in prior years for which continuing compliance is required as of June 30, 2013 is:

Loan Balance as of June 30, 2012	$ 199,174
Payments Made	(14,522)
Loan Balance as of June 30, 2013	$ 184,652

NOTE 5 - CITY OF BRISBANE - HOME FUNDS

The oustanding balance on City of Brisbane - HOME Funds loan made in prior years for which continuing compliance is required as of June 30, 2013 is:

Loan Balance as of June 30, 2012	$ 120,337
Payments Made	(5,618)
Loan Balance as of June 30, 2013	$ 114,719

NOTE 6 - SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM

The oustanding balance on Self-Help Homeownership Opportunity Program loan made in prior years for which continuing compliance is required as of June 30, 2013 is:

Loan Balance as of June 30, 2012	$ 15,680
Payments Made	(4,732)
Loan Balance as of June 30, 2013	$ 10,948

SECTION III

REPORTS

Thomas C. Bondi
Lawrence S. Kuechler
Roberto M. Maraggoni
Frank A. Minuti, Jr.

EMERITUS
Alexander W. Berger (1916-2005)
Griffith R. Lewis

BERGER LEWIS
ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

Daniel C. Moore
Randy G. Peterson
Todd W. Robinson
David R. Sheets
Robert W. Smiley

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Habitat for Humanity Greater San Francisco, Inc.
(A California Nonprofit Public Benefit Corporation)
San Francisco, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Habitat for Humanity Greater San Francisco, Inc. (a California nonprofit public benefit corporation) which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 8, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Habitat for Humanity Greater San Francisco, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity Greater San Francisco, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Habitat for Humanity Greater San Francisco, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Habitat for Humanity Greater San Francisco, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Habitata for Humanity Greater San Francisco's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Berger Lewis Accountancy Corporation

BERGER LEWIS ACCOUNTANCY CORPORATION
San Jose, California
November 8, 2013

Thomas C. Bondi
Lawrence S. Kuechler
Roberto M. Manzoni
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Habitat for Humanity Greater San Francisco, Inc.
(A California Nonprofit Public Benefit Corporation)
San Francisco, California

Report on Compliance for Each Major Federal Program

We have audited Habitat for Humanity Greater San Francisco, Inc.'s (a California nonprofit public benefit corporation) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Habitat for Humanity Greater San Francisco, Inc.'s major federal programs for the year ended June 30, 2013. Habitat for Humanity Greater San Francisco, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Habitat for Humanity Greater San Francisco, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Habitat for Humanity Greater San Francisco, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Habitat for Humanity Greater San Francisco, Inc.'s compliance.

55 ALMADEN BLVD. SUITE 600 SAN JOSE, CA 95113-1605 (408) 494-1200 (P) (408) 279-8186 (F)

Opinion on Each Major Federal Program

In our opinion, Habitat for Humanity Greater San Francisco, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Habitat for Humanity Greater San Francisco, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Habitat for Humanity Greater San Francisco, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Habitat for Humanity Greater San Francisco, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Berger Lewis Accountancy Corporation

BERGER LEWIS ACCOUNTANCY CORPORATION
San Jose, California
November 8, 2013

SECTION IV

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

SUMMARY OF AUDITOR'S RESULTS:

1. The auditor's report expresses an unmodified opinion on the financial statements of Habitat for Humanity Greater San Francisco, Inc.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Habitat for Humanity Greater San Francisco, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Habitat for Humanity Greater San Francisco, Inc. expresses an unmodified opinion on all major federal programs.
6. No audit findings which would be required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The program tested as a major program was:

   14.218 U.S. Department of Housing & Urban Development Community Development Block Grants.

8. The threshold used for distinguishing between Type A and B programs was $300,000.
9. Habitat for Humanity Greater San Francisco, Inc. was determined to be a low-risk auditee.

FINDINGS - FINANCIAL STATEMENTS AUDIT:

NONE

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT:

NONE

PRIOR YEAR AUDIT FINDINGS:

NONE