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

***

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

Year Ended June 30, 2012 with Comparative Totals

for the Year Ended June 30, 2011

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

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FINANCIAL SECTION

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

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

BERGER LEWIS
ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

Daniel C. Moors
Randy G. Peterson
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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

We have audited the accompanying statement of financial position of Habitat for Humanity Greater San Francisco, Inc. (a California nonprofit public benefit corporation) as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Habitat for Humanity Greater San Francisco, Inc.'s financial statements for the year ended June 30, 2011 and, in our report dated November 10, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Greater San Francisco, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2012, 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* and should be considered in assessing the results of our audit.

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Our audit was conducted for the purpose of forming an opinion on the financial statements of Habitat for Humanity Greater San Francisco, Inc. as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic 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 as a whole.

Berger Lewis Accountancy Corporation

BERGER LEWIS ACCOUNTANCY CORPORATION
San Jose, California
November 2, 2012

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

STATEMENT OF FINANCIAL POSITION

June 30, 2012 with Comparative Totals as of June 30, 2011

ASSETS

	2012	2011
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 1,914,465	$ 3,319,623
Investments	-	16,893
Accounts Receivable	10,472	6,020
Current Portion of Mortgage Notes Receivable, Net	991,939	939,975
Current Portion of Grants Receivable	2,339,827	3,738,163
Current Portion of Pledges Receivable, Net	545,045	210,937
Inventory of Homes	2,221,977	2,251,552
Current Portion of Construction in Progress	10,579,510	-
Prepaid Expenses	16,501	13,319
Total Current Assets	18,619,736	10,496,482
PROPERTY AND EQUIPMENT:		
Furniture and Equipment	163,701	143,548
Vehicles	93,769	55,995
Leasehold Improvements	51,289	-
	308,759	199,543
Accumulated Depreciation	(165,491)	(146,328)
Total Property and Equipment, Net	143,268	53,215
OTHER ASSETS:		
Mortgage Notes Receivable, Net of Unamortized Discount	7,458,249	7,093,139
Grants Receivable	450,000	450,000
Pledges Receivable, Net	-	189,216
Construction in Progress	1,798,818	9,273,452
Deposits	38,205	18,230
Intangible Assets, Net of Accumulated Amortization	563,258	145,508
NMTC Investment - 1, HFHI-SA Leverage VI, LLC	6,519,366	6,400,628
NMTC Investment - 2, HFHGSF Leverage Lender, LLC	7,897,277	-
Total Other Assets, Net	24,725,173	23,570,173
RESTRICTED DEPOSITS:		
Cash - NMTC Investment Housing Funds	2,217,691	762,112
Cash - Homeowner Impound Funds	135,318	160,701
Cash - Construction in Progress Performance Deposits	27,891	27,852
Total Restricted Deposits	2,380,900	950,665
TOTAL ASSETS	$ 45,869,077	$ 35,070,535

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

STATEMENT OF FINANCIAL POSITION
(Continued)

June 30, 2012 with Comparative Totals as of June 30, 2011

LIABILITIES AND NET ASSETS

	2012	2011
CURRENT LIABILITIES:		
Accounts Payable, Operating	$ 45,051	$ 149,394
Accounts Payable, Construction	71,598	25,312
Accrued Vacation	127,741	98,877
Accrued Interest	18,347	5,142
Current Portion of Notes Payable	27,275	23,235
Current Portion of Refundable Advances	6,727,265	-
Funds Held in Impound Accounts	135,318	160,701
Total Current Liabilities	7,152,595	462,661
LONG-TERM LIABILITIES, NET OF CURRENT PORTION:		
Notes Payable, Net of Current Portion	320,818	342,819
Refundable Advances, Net of Current Portion	-	6,727,265
Loan Payable, NMTC Financing - 1	8,328,107	8,328,107
Loan Payable, NMTC Financing - 2	10,330,844	-
Total Long-Term Liabilities, Net of Current Portion	18,979,769	15,398,191
Total Liabilities	26,132,364	15,860,852
NET ASSETS:		
Unrestricted Net Assets	18,420,494	17,354,943
Temporarily Restricted Net Assets	1,316,219	1,854,740
Total Net Assets	19,736,713	19,209,683
TOTAL LIABILITIES AND NET ASSETS	$ 45,869,077	$ 35,070,535

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 ACTIVITIES

Year Ended June 30, 2012 with Comparative Totals for the Year Ended June 30, 2011

	2012			2011
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	TOTAL
SUPPORT AND REVENUE:				
Support:				
Contributions	$ 1,861,485	$ 1,299,404	$ 3,160,889	$ 3,120,872
Grants	46,709	800,000	846,709	196,070
Special Events, Net	212,867	-	212,867	89,623
Donated Services	159,352	45,799	205,151	288,794
Donated Materials	-	111,379	111,379	49,454
Total Support	2,280,413	2,256,582	4,536,995	3,744,813
Revenue:				
Sales of Homes	2,270,000	-	2,270,000	5,036,000
Mortgage Discount Amortization	792,265	-	792,265	840,441
NMTC Investment Income	185,798	-	185,798	72,675
Other Income	63,699	-	63,699	127,072
Interest and Dividend Income	13,594	-	13,594	24,552
Total Revenue	3,325,356	-	3,325,356	6,100,740
Total Support and Revenue	5,605,769	2,256,582	7,862,351	9,845,553
Net Assets Released from Restrictions	2,795,104	(2,795,104)	-	-
Total Support, Revenue and Net Assets Released from Restrictions	8,400,873	(538,522)	7,862,351	9,845,553
EXPENSES:				
Program Services:				
Housing Development	4,817,349	-	4,817,349	7,286,992
Families, Volunteers and NRI	961,330	-	961,330	648,153
Total Program Services	5,778,679	-	5,778,679	7,935,145
Supporting Services:				
General and Administrative	715,655	-	715,655	726,207
Fundraising	840,987	-	840,987	712,835
Total Supporting Services	1,556,642	-	1,556,642	1,439,042
Total Expenses	7,335,321	-	7,335,321	9,374,187
CHANGE IN NET ASSETS	1,065,552	(538,522)	527,030	471,366
NET ASSETS, Beginning of Year	17,354,942	1,854,741	19,209,683	18,738,317
NET ASSETS, End of Year	$ 18,420,494	$ 1,316,219	$ 19,736,713	$ 19,209,683

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, 2012 with Comparative Totals for the Year Ended June 30, 2011

	PROGRAM SERVICES			SUPPORTING SERVICES			TOTALS	
	Housing Development	Families, Volunteers, NRI	Total	General and Administrative	Fundraising	Total	2012	2011
EXPENSES:								
Cost of Sales - Homes	$ 2,357,504	$ -	$ 2,357,504	$ -	$ -	$ -	$ 2,357,504	$ 5,066,141
Discontinued Housing Projects	395,090	-	395,090	-	-	-	395,090	-
Total Direct Housing Expenses	2,752,594	-	2,752,594	-	-	-	2,752,594	5,066,141
Salaries and Wages	340,461	490,191	830,652	315,483	376,723	692,206	1,522,858	1,021,204
Employee Benefits	26,865	63,340	90,205	27,039	50,463	77,502	167,707	132,986
Payroll Taxes	28,741	33,480	62,221	22,510	32,261	54,771	116,992	84,339
Stipend - Vista/Americorp	7,329	23,154	30,483	-	16,000	16,000	46,483	63,482
Workers' Compensation Insurance	11,424	3,913	15,337	2,450	3,778	6,228	21,565	21,567
Total Salaries and Benefits	414,820	614,078	1,028,898	367,482	479,225	846,707	1,875,605	1,323,578
Professional Services	22,447	54,767	77,214	59,629	94,145	153,774	230,988	308,469
Rent	72,346	31,181	103,527	27,301	36,387	63,688	167,215	222,566
Interest	133,187	3,948	137,135	-	-	-	137,135	75,463
Postage and Printing	12,406	5,344	17,750	1,733	110,414	112,147	129,897	111,616
Tithe	118,365	-	118,365	-	-	-	118,365	88,320
Communications	31,967	44,948	76,915	11,897	28,534	40,431	117,346	65,113
NMTC Annual Fees	-	-	-	112,066	-	112,066	112,066	80,250
Materials	-	82,056	82,056	-	-	-	82,056	-
Travel and Training	29,283	17,963	47,246	10,379	12,949	23,328	70,574	56,776
Insurance	30,536	7,219	37,755	28,912	1,799	30,711	68,466	56,484
Equipment Rental and Maintenance	10,985	2,843	13,828	18,715	4,228	22,943	36,771	20,675
Miscellaneous Construction Expense	32,914	-	32,914	-	-	-	32,914	31,576
Computer Software/Hardware	1,489	190	1,679	7,952	18,395	26,347	28,026	19,332
Professional Fundraising	-	-	-	-	27,440	27,440	27,440	56,398
Bank Fees	-	49	49	2,606	24,445	27,051	27,100	11,933
Office Expenses	3,635	2,561	6,196	14,064	3,026	17,090	23,286	20,382
Total Expenses Before Non-Cash Expenses	3,666,974	867,147	4,534,121	662,736	840,987	1,503,723	6,037,844	7,615,072
Discount on Mortgages Issued	1,109,438	-	1,109,438	-	-	-	1,109,438	1,372,012
Donated Legal and Accounting	40,937	94,183	135,120	23,798	-	23,798	158,918	283,300
Depreciation	-	-	-	19,163	-	19,163	19,163	36,708
Amortization	-	-	-	9,958	-	9,958	9,958	60,056
Loss on Sale of Fixed Assets	-	-	-	-	-	-	-	7,039
Total Functional Expenses	$ 4,817,349	$ 961,330	$ 5,778,679	$ 715,655	$ 840,987	$ 1,556,642	$ 7,335,321	$ 9,374,187
Percentage of Total	65.7 %	13.1 %	78.8 %	9.7 %	11.5 %	21.2 %	100.0 %	

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 CASH FLOWS

Years Ended June 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	$ 527,030	$ 471,366
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation and Amortization	29,121	130,224
Loss on Disposal of Fixed Assets	-	7,039
Amortization of Mortgage Notes Receivable Discount	(792,265)	(840,441)
Discount on Mortgages Issued	1,109,438	1,372,012
Sale/Purchase of Mortgage Notes, Net	-	257,677
Amortization of Notes Payable Discount	27,586	14,356
(Increase) Decrease in Assets:		
Restricted Cash - NMTC Investment Housing Funds	(1,455,579)	(762,112)
Restricted Cash - Homeowner Impound Funds	25,383	(76,217)
Restricted Cash - Construction in Progress Performance Deposits	(39)	133,735
Grants, Donations and Pledges Receivable	1,253,443	2,030,934
Investments	16,893	-
Inventory	29,575	2,643,219
Construction in Progress	(3,104,876)	(6,941,432)
Accounts Receivable	(4,452)	(6,020)
Prepaid Expenses and Deposits	(23,155)	17,263
Increase (Decrease) in Liabilities:		
Accounts Payable, Operating	(104,340)	127,460
Accounts Payable, Construction	46,286	(24,222)
Accrued Vacation	28,864	(1,933)
Accrued Interest	13,205	5,142
Funds Held in Impound Accounts	(25,385)	76,221
Net Cash Used by Operating Activities	(2,403,267)	(1,365,729)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale and Maturity of Investments	-	677,654
Purchase of Fixed Assets	(109,216)	(28,970)
Payments Received on Mortgage Notes Receivable	1,285,751	994,881
Proceeds from Mortgage Notes Receivable Sold	-	1,422,103
Issuance of Home Mortgages Notes	(2,020,000)	(3,623,918)
Investment in New Markets Tax Credit Venture	(8,016,015)	(6,400,628)
Payments for Intangible Assets	(427,708)	(239,024)
Net Cash Used by Investing Activities	(9,287,188)	(7,197,902)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Refundable Advances	110,000	2,954,328
Refundable Advances converted to Home Sale Revenue	(110,000)	(1,495,000)
Payments on Notes Payable	(45,547)	(37,007)
Proceeds from New Markets Tax Credit Loan Payable	10,330,844	8,328,107
Net Cash Provided by Financing Activities	10,285,297	9,750,428
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,405,158)	1,186,797
CASH AND CASH EQUIVALENTS, Beginning of Year	3,319,623	2,132,826
CASH AND CASH EQUIVALENTS, End of Year	$ 1,914,465	$ 3,319,623
Supplemental Disclosure of Cash Flows Information:		
Cash Paid for Interest	$ 123,930	$ 53,532

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.

Construction Development Nearing Completion - The 7555 Mission Street project, located in Daly City, is the Organization's largest and most ambitious affordable housing development constructed to date. It consists of three four-story buildings containing a total of 36 affordable condominium units (34 3 bedroom and 2 2 bedroom units). It is on track to be finished and fully occupied before June 30, 2013, and is expected to be completed well under its budget of $15 million. The Organization received funding for this development from the City of Daly City and from the State of California Department of Housing and Community Development (see Notes 5, 8, 15).

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, 2012, thirteen families are now new first-time homeowners living in houses rehabilitated under the program, and an additional six 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 9, 11, 13, 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.

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 Notes 1 and 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, 2012 and 2011, 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, 2012 and 2011 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 in "Professional Fundraising Expense" in the accompanying statement of functional expenses) for the years ended June 30, 2012 and 2011 were $10,524 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, 2011, from which the summarized information was derived.

Reclassifications - Certain reclassifications have been made to the statements of financial position, statements of activities and statements of cash flows for the year ended June 30, 2011 for comparative purposes to show the grouping of certain items including income and expenses in conformity with the presentation in the current year financial statements.

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

Uncertainty in Income Taxes - Accounting principles generally accepted in the United States of America 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 tax returns are more-likely-than-not to be sustained upon examination.

The Organization files information returns in the U.S. federal jurisdiction and state of California. The Organization's federal returns for the tax years 2009 and beyond remain subject to examination by the Internal Revenue Service. The Organization's California returns for the tax years 2008 and beyond remain subject to examination by the Franchise Tax Board.

Subsequent Events - Management of the Organization has evaluated events and transactions subsequent to June 30, 2012 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, 2012. Subsequent events have been evaluated through the date the financial statements became available to be issued, November 2, 2012.

NOTE 3 - INVESTMENTS:

Investments are classified as Level 1 investments (see Note 2). Investments at June 30, 2011 consisted of certificates of deposits to be held more than three months. The fair value of investments as of June 30 is as follows:

Valuation Inputs	2012	2011
Level 1 - Quoted Prices	$ -	$ 16,893
Level 2 - Other Significant Observable Inputs	-	-
Level 3 - Significant Unobservable Inputs	-	-
Total	$ -	$ 16,893

NOTE 4 - MORTGAGE NOTES RECEIVABLE:

As of June 30, 2012, the Organization holds 126 mortgage notes receivable, totaling $16,537,570 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
2013	$ 991,939
2014	974,392
2015	962,106
2016	956,087
2017	940,980
Thereafter	11,712,066
Notes Receivable at Face Value	16,537,570
Less: Unamortized Discount	(8,087,382)
Net Present Value of Mortgages	8,450,188
Less: Current Portion	(991,939)
Long-term Portion	$ 7,458,249

NOTE 5 - GRANTS RECEIVABLE:

Grants receivable as of June 30 consists of the following:

	2012	2011
Current:		
Department of Housing and Community Development (CalHome Grant) - Daly City, Mission St. Project	$ 990,000	$ 990,000
Department of Housing and Community Development - Grant for Daly City, Mission St. Project	795,979	795,979
Affordable Housing Program - Daly City, Mission St. Project	540,000	540,000
Daly City HOME Funds - Construction Subsidy for Daly City, Mission St. Project	13,848	897,184
Habitat for Humanity International (Sponsor - Wells Fargo Bank) - Neighborhood Revitalization Initiative Program	-	475,000
JPMorgan Chase Foundation - Whitney Young Circle - Phase II predevelopment	-	40,000
Total Current Portion	2,339,827	3,738,163

NOTE 5 - GRANTS RECEIVABLE (Continued):

	2012	2011
Long-Term:		
Marin Community Foundation - Grant for Marin County, Eagle Rock project	450,000	450,000
Total Grants Receivable	$ 2,789,827	$ 4,188,163

NOTE 6 - PLEDGES RECEIVABLE:

Pledges receivable represent unconditional promises given by donors and are recorded at net realizable value when scheduled to be received in full beyond a one year period. The pledges receivable as of June 30, 2012 and 2011 was $194,534 and $383,750, respectively. The unamortized discount as of June 30, 2012 and 2011 is $5,466 and $16,250, respectively.

NOTE 7 - INVENTORY OF HOMES:

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

	2012	2011
NRP Rehabilitated Homes (see Note 1)	$ 1,670,470	$ 1,715,059
Habitat Resale Homes (see Note 1)	537,173	522,157
Materials	14,334	14,336
Total	$ 2,221,977	$ 2,251,552

NOTE 8 - CONSTRUCTION IN PROGRESS:

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

	2012	2011
New Construction:		
Daly City: Mission St. - 36 homes	$ 10,579,510	$ 8,136,878
San Francisco: Capital Ave. - Land (28 homes estimated)	1,508,728	-
Total New Construction	$ 12,088,238	$ 8,136,878

NOTE 8 - CONSTRUCTION IN PROGRESS (Continued):

	2012	2011
Pre-Development:		
San Francisco: Whitney Young II - 17 homes estimated	$ 171,304	$ 142,450
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	8,642
Menlo Park: Terminal Avenue *	-	875,634
Total Pre-Development	290,090	1,136,574
Total Construction in Progress	12,378,328	9,273,452
Less: Current Portion	(10,579,510)	-
Construction in Progress, Net of Current Portion	$ 1,798,818	$ 9,273,452

* During the year ended June 30, 2012 the Organization sold the Terminal Avenue land back to the City of Menlo Park for $480,785 and wrote off the remaining $395,000 as a discontinued housing project.

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 (Sub21), 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:

	2012	2011
Beginning Balance	$ 6,400,628	$ -
Capital Contributed	-	6,381,480
Share of Income	182,736	72,675
Distributions Received	(63,998)	(53,527)
Ending Balance	$ 6,519,366	$ 6,400,628

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, 2012 is as follows:

Beginning Balance	$ -
Capital Contributed	7,922,319
Share of Income	3,062
Distributions Received	(28,104)
Ending Balance	$ 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:

	2012	2011
Qualified Active Low Income Community Business (QALICB) Guarantor Fees	$ 398,744	$ 132,485
NMTC Loan Closing Costs	234,528	73,079
Total Intangible Assets	633,272	205,564
Accumulated Amortization	(70,014)	(60,056)
Intangible Assets, Net	$ 563,258	$ 145,508

NOTE 11- INTANGIBLE ASSETS (Continued):

Estimated Annual NMTC Amortization Expense at June 30,	Amount
2013	$ 72,598
2014	72,598
2015	72,598
2016	72,598
2017	72,598
Thereafter	200,268
Total	$ 563,258

Amortization expense for the year ended June 30, 2012 and 2011 was $9,958 and $60,056, respectively.

NOTE 12 - NOTES PAYABLE:

Notes payable as of June 30 consist of the following:

	2012	2011
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.	$ 34,420	$ 35,815
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.	83,108	87,331
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.	199,174	206,435
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.	205,739	232,973
Total Due to the County of San Mateo	522,441	562,554

NOTE 12 - NOTES PAYABLE (Continued):

	2012	2011
Payable to Habitat for Humanity International, Inc. - 0% interest, federal funds used for housing construction costs, monthly installments of $364 to begin in October 2011 and last through September 2015.	$ 15,316	$ 17,500
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.	22,750	26,000
Total Notes Payable at Face Value	560,507	606,054
Less: Discount on Notes Payable	(212,414)	(240,000)
Net Present Value of Notes Payable	348,093	366,054
Less: Current Portion	(27,275)	(23,235)
Notes Payable, Net of Current Portion	$ 320,818	$ 342,819

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.

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

Year Ending June 30,	Amount
2013	$ 27,275
2014	29,563
2015	32,043
2016	32,509
2017	32,937
Thereafter	193,766
Total	$ 348,093

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, 2012 and 2011 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 the year ended June 30, 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.

NOTE 15 - REFUNDABLE ADVANCES (Continued):

Refundable advances as of June 30 consist of the following:

	2012	2011
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.	$ 3,034,137	$ 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.	1,264,328	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.	898,800	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.	990,000	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.	540,000	540,000
Total Refundable Advances	6,727,265	6,727,265
Less: Current Portion	(6,727,265)	-
Refundable Advances, Net of Current Portion	$ -	$ 6,727,265

NOTE 16 - TEMPORARILY RESTRICTED NET ASSETS:

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

	2012	2011
Neighborhood Revitalization Initiative	$ 591,841	$ 475,000
Eagle Rock Project, Marin County	450,000	450,000
Feasibility Grant, Marin County	125,000	-
Homeowner Readiness Program	86,386	93,762
Mission Street Project, Daly City	46,862	795,978
Whitney Young II Project, San Francisco	16,130	40,000
Total Temporarily Restricted Net Assets	$ 1,316,219	$ 1,854,740

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:

	2012	2011
Low-Income Housing Acquisition and Construction	$ 2,447,808	$ 1,983,942
Neighborhood Revitalization Initiative	187,420	-
Homeowner Readiness Program	94,876	-
Advertising Campaign	50,000	-
Americorp Staffing Stipend	15,000	-
Total Temporarily Restricted Net Assets Released	$ 2,795,104	$ 1,983,942

NOTE 18 - SALE OF HOMES:

During the fiscal year ending June 30, 2012 the Organization sold six NRP rehabilitated homes and two resale Habitat homes. The loss from the sale of these homes is as follows:

NRP Rehabilitated Homes:	
Revenue from Sale of NRP Homes	$ 1,765,000
Less: Cost of NRP Homes Sold	(1,818,257)
Loss on Sale of NRP Homes	(53,257)
Resale Habitat Homes:	
Revenue from Sale of Resale Homes	505,000
Less: Cost of Resale Homes Sold	(543,803)
Loss on Sale of Resale Homes	(38,803)
Total:	
Total Revenue from Sale of Homes	2,270,000
Less: Total Cost of Homes Sold	(2,362,060)
Total Net Loss on Sale of Homes	$ (92,060)

During the coming year the Organization expects to sell thirty-six new construction homes, six NRP rehabilitated homes, and three 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, 2012 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, 2012 and 2011, revenue from special events was $350,803 and $134,004, and related expense was $137,938 and $44,381, respectively.

NOTE 20 - DONATED MATERIALS AND SERVICES:

Donated Materials - The value of donated office supplies and construction materials for the years ended June 30, 2012 and 2011 was $111,379 and $49,454, respectively.

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, 2012 and 2011, donated services of a specialized or professional nature are as follows:

	2012	2011
Legal Services	$ 199,301	$ 217,510
Ad Campaign and Miscellaneous	614	61,063
Financial Services	5,236	5,782
Subcontractor Construction Services	-	4,439
Total Donated Professional Services	$ 205,151	$ 288,794

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, 2012 and 2011 volunteers donated approximately 93,500 and 40,379 hours, respectively, whose value management has estimated at $2,214,000 and $550,110, 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, 2012 and 2011, were $40,303 and $31,754, 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, 2012 and 2011 the amount contributed was $118,365 and $88,320, 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, 2012 and 2011 the insurance expense was $68,466 and $56,484, respectively.

NOTE 22 - RELATED PARTY TRANSACTIONS (Continued):

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, 2012 and 2011 was $15,316 and $17,500, respectively.

Neighborhood Revitalization Initiative - The Organization was awarded grants from Habitat for Humanity International with Wells Fargo Bank as the sponsor in the amount of $100,000 and $475,000 for the years ended June 30, 2012 and 2011, respectively, for NRI program funding (see Note 1).

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 (Sub21), 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 (Sub21), LLC. Under the terms of the option agreement, USBCDC is expected to place it's 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 it's 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.

NOTE 22 - RELATED PARTY TRANSACTIONS (Continued):

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.

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, 2012, the future minimum lease payments under the lease obligations are as follows:

Year Ending June 30,	Amount
2013	$ 272,480
2014	316,640
2015	199,973
2016	176,640
2017	176,640
2018	176,640
2019	44,160
Total Future Minimum Lease Payments	$ 1,363,173

The rent expense for the office lease for the years ended June 30, 2012 and 2011 was $167,215 and $222,566, respectively.

NOTE 24 - SUBSEQUENT EVENTS:

ReStore - In September 2012 the Organization opened its first ReStore. Habitat for Humanity Greater San Francisco ReStore is a volunteer-driven home improvement store that accepts and resells new and gently used building materials, appliances and furniture to the general public at a fraction of their normal retail price. All proceeds go to Habitat for Humanity Greater San Francisco to fund the construction of homes in San Francisco, Marin and the Peninsula.

Sale of Mortgage Notes Receivable - In August 2012 the Organization sold four long-term notes receivable.

Home Repurchase - In July 2012 the Organization repurchased a Habitat homeowner's home in the City of San Francisco.

SECTION II

SUPPLEMENTARY INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

Government Grantor Pass-through Grantor Program Title	Federal CFDA Number	Federal Expenditures
FEDERAL ASSISTANCE		
U.S. Department of Housing and Urban Development		
Passed Through:		
County of San Mateo - Community Development Block Grants/Entitlement Grants	14.218	$ 252,448
City of Daly City - HOME Funds	14.239	190,168
City of South San Francisco - HOME Funds	14.239	199,174
City of Brisbane - HOME Funds	14.239	120,337
Habitat for Humanity International, Inc. S.H.O.P. 2007	14.247	15,680
TOTAL FEDERAL ASSISTANCE		$ 777,807

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal and other governmental grant activity of Habitat for Humanity Greater San Francisco, Inc. and is presented on the accrual basis of accounting. 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SECTION III

REPORTS

Thomas C. Bondi
Lawrence S. Kuechler
Roberto M. Maragoni
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. Moors
Randy G. Peterson
Todd W. Robinson
David R. Sheets
Robert W. Smiley

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 the financial statements of Habitat for Humanity Greater San Francisco, Inc. (a California nonprofit public benefit corporation) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 2, 2012. 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.

Internal Control Over Financial Reporting

Management of Habitat for Humanity Greater San Francisco, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Habitat for Humanity Greater San Francisco, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness Habitat for Humanity Greater San Francisco, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Habitat for Humanity Greater San Francisco, Inc.'s financial statements are free of 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*.

This report is intended solely for the information and use of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Berger Lewis Accountancy Corporation

BERGER LEWIS ACCOUNTANCY CORPORATION
San Jose, California
November 2, 2012

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

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

BERGER LEWIS
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CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH 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

Compliance

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 direct and material effect on each of Habitat for Humanity Greater San Francisco, Inc.'s major federal programs for the year ended June 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Habitat for Humanity Greater San Francisco, Inc.'s management. Our responsibility is to express an opinion on Habitat for Humanity Greater San Francisco, Inc.'s compliance based on our audit.

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. Our audit does not provide a legal determination of Habitat for Humanity Greater San Francisco, Inc.'s compliance with those requirements.

In our opinion, Habitat for Humanity Greater San Francisco, Inc. complied, in all material respects, with the 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, 2012.

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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 requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Habitat for Humanity Greater San Francisco, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Berger Lewis Accountancy Corporation

BERGER LEWIS ACCOUNTANCY CORPORATION
San Jose, California
November 2, 2012

SECTION IV

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2012

SUMMARY OF AUDITOR'S RESULTS:

1. The auditor's report expresses an unqualified 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 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 Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with 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 unqualified opinion on all major federal programs.
6. There are no audit findings relating to major programs that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as a major program was:

   14.239 U.S. Department of Housing & Urban Development HOME Funds
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