AUSTIN HABITAT FOR HUMANITY, INC.

Consolidated Financial Statements and Supplemental Information for the Years Ended December 31, 2011 and 2010 and Independent Auditors' Report

MAXWELL & LOCKE & RITTER

AUSTIN HABITAT FOR HUMANITY, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Austin Habitat for Humanity, Inc.:

We have audited the accompanying consolidated statements of financial position of Austin Habitat for Humanity, Inc. and its affiliates, Austin Neighborhood Alliance for Habitat, Inc. and Austin PeopleTrust (collectively, the "Organization") as of December 31, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of the Organization taken as a whole. The accompanying supplemental schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities. 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Maxwell Locke + Ritter LLP

May 22, 2012

AUSTIN HABITAT FOR HUMANITY, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010

	2011	2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,129,302	$ 370,218
Investments	-	209,993
Accounts receivable	151,726	15,156
Grants receivable	32,770	54,675
Mortgages receivable, current portion, net	244,165	222,460
ReStore inventory	270,390	243,848
Construction in progress	1,715,901	1,021,843
Prepaid expenses and other	354,395	159,811
Total current assets	3,898,649	2,298,004
LAND HELD FOR DEVELOPMENT	3,770,142	3,471,885
MORTGAGES RECEIVABLE, long-term portion, net	5,509,137	5,223,390
INVESTMENT IN JOINT VENTURE	998,238	-
PROPERTY AND EQUIPMENT, net	503,783	494,286
TOTAL ASSETS	$ 14,679,949	$ 11,487,565
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 191,915	$ 136,026
Accrued expenses	92,116	101,478
Forgivable loans payable	4,299,441	3,485,661
Deferred revenue	63,991	-
Line of credit	-	240,095
Notes payable, current portion	78,456	54,258
Total current liabilities	4,725,919	4,017,518
NOTES PAYABLE, long-term portion	1,617,691	375,182
Total liabilities	6,343,610	4,392,700
NET ASSETS:		
Unrestricted	8,269,674	7,060,992
Temporarily restricted	66,665	33,873
Total net assets	8,336,339	7,094,865
TOTAL LIABILITIES AND NET ASSETS	$ 14,679,949	$ 11,487,565

See notes to consolidated financial statements.

AUSTIN HABITAT FOR HUMANITY, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011

	Unrestricted	Temporarily Restricted	Total
REVENUES:			
Contributions and other:			
Contributions and grants	$ 3,513,624	41,329	3,554,953
In-kind professional services and other	43,133	-	43,133
Investment loss	(1,331)	-	(1,331)
Gain on sale of property and equipment	90,650	-	90,650
Other revenue	102,411	-	102,411
Net assets released from restrictions	8,537	(8,537)	-
Total contributions and other	3,757,024	32,792	3,789,816
ReStore revenues:			
In-kind contributions of inventory	809,055	-	809,055
ReStore sales of donated inventory	809,055	-	809,055
Donated inventory expense	(809,055)	-	(809,055)
ReStore sales of purchased inventory	397,780	-	397,780
ReStore cost of goods sold	(210,347)	-	(210,347)
Total ReStore revenues, net	996,488	-	996,488
Low-cost housing revenues:			
Home sales	1,185,000	-	1,185,000
In-kind contributions of labor and construction materials	478,900	-	478,900
Total low-cost housing revenues	1,663,900	-	1,663,900
Total revenues and net assets released from restrictions	6,417,412	32,792	6,450,204
EXPENSES:			
Low-cost housing program	4,074,057	-	4,074,057
ReStore program	471,830	-	471,830
Fundraising	336,447	-	336,447
Management and general	473,889	-	473,889
Total expenses	5,356,223	-	5,356,223
CHANGE IN NET ASSETS	1,061,189	32,792	1,093,981
NET ASSETS, beginning of year	7,208,485	33,873	7,242,358
NET ASSETS, end of year	$ 8,269,674	66,665	8,336,339

See notes to consolidated financial statements.

AUSTIN HABITAT FOR HUMANITY, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2010

	Unrestricted	Temporarily Restricted	Total
REVENUES:			
Contributions and other:			
Contributions and grants	$ 3,252,759	26,063	3,278,822
In-kind professional services and other	44,399	-	44,399
Investment income	24,851	-	24,851
Gain on sale of property and equipment	12,569	-	12,569
Other revenue	64,026	-	64,026
Net assets released from restrictions	14,774	(14,774)	-
Total contributions and other	3,413,378	11,289	3,424,667
ReStore and DeConstruction revenues:			
DeConstruction sales	157,736	-	157,736
DeConstruction operating expenses	(168,462)	-	(168,462)
In-kind contributions of inventory	685,146	-	685,146
ReStore sales of donated inventory	685,146	-	685,146
Donated inventory expense	(685,146)	-	(685,146)
ReStore sales of purchased inventory	295,941	-	295,941
ReStore cost of goods sold	(210,927)	-	(210,927)
Total ReStore and DeConstruction revenues, net	759,434	-	759,434
Low-cost housing revenues:			
Home sales	1,530,000	-	1,530,000
In-kind contributions of labor and construction materials	571,494	-	571,494
Total low-cost housing revenues	2,101,494	-	2,101,494
Total revenues and net assets released from restrictions	6,274,306	11,289	6,285,595
EXPENSES:			
Low-cost housing program	4,717,571	-	4,717,571
ReStore program	592,908	-	592,908
Fundraising	446,567	-	446,567
Management and general	358,050	-	358,050
Total expenses	6,115,096	-	6,115,096
CHANGE IN NET ASSETS	159,210	11,289	170,499
NET ASSETS, beginning of year	6,901,782	22,584	6,924,366
NET ASSETS, end of year	$ 7,060,992	33,873	7,094,865

See notes to consolidated financial statements.

AUSTIN HABITAT FOR HUMANITY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 1,093,981	$ 170,499
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Noncash transfer of operating assets and liabilities of Austin PeopleTrust	147,493	-
Mortgage discount amortization	(380,307)	(358,278)
Depreciation expense	58,567	66,694
Unrealized losses (gains) on investments	76	(2,665)
Gain on sale of property and equipment	(90,650)	-
Changes in assets and liabilities that (used) provided cash:		
Accounts receivable	(136,570)	27,217
Grants receivable	21,905	427,116
Mortgages receivable	72,855	(88,103)
ReStore inventory	(26,542)	98,563
Construction in progress	(694,058)	(124,807)
Prepaid expenses and other	(194,584)	(35,555)
Land held for development	(298,257)	(436,973)
Accounts payable	55,889	(149,405)
Accrued expenses	(9,362)	(55,893)
Forgivable loans payable	813,780	644,452
Deferred revenue	63,991	-
Net cash provided by operating activities	498,207	182,862
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (purchase) sale of property and equipment	(192,076)	3,506
Proceeds from the sale of property and equipment	214,662	-
Investment in joint venture	(998,238)	-
Net sales of investments	209,917	247,274
Net cash (used in) provided by investing activities	(765,735)	250,780
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net activity on line of credit	(240,095)	(21,277)
Proceeds (payments) on notes payable	1,266,707	(69,404)
Net cash provided by (used in) financing activities	1,026,612	(90,681)
NET CHANGE IN CASH AND CASH EQUIVALENTS	759,084	342,961
CASH AND CASH EQUIVALENTS, beginning of year	370,218	27,257
CASH AND CASH EQUIVALENTS, end of year	$ 1,129,302	$ 370,218

See notes to consolidated financial statements.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Austin Habitat for Humanity, Inc. ("AHFH") is a nonprofit, affordable housing developer dedicated to the elimination of substandard housing in Austin, Texas. It is affiliated with Habitat for Humanity International, Inc. ("HFHI") based in Americus, Georgia. AHFH was incorporated in 1985 under the laws of the State of Texas. While adhering to the policies and procedures prescribed by HFHI, AHFH exists as a separate corporation with its own Board of Directors. Local policies, strategies, operations, and fundraising are the responsibility of each U.S. Habitat affiliate.

Austin Neighborhood Alliance for Habitat, Inc., (the "Alliance") is a non-profit corporation formed to support AHFH. The Alliance is certified by the Austin Housing Finance Corporation as a Community Housing Development Organization ("CHDO"). The Alliance receives federal financial assistance to acquire land and develop infrastructure for homes.

Austin PeopleTrust ("PT") is a non-profit corporation that provides affordable homeownership opportunities to homeowners that meet a higher family income threshold than those served by AHFH. The boards of AHFH and PT resolved that AHFH would become the supported organization of PT effective November 1, 2011.

The Alliance's and PT's financial statements are consolidated into the financial statements of AHFH because AHFH has control over and an economic interest in the Alliance and PT. The 2011 consolidated financial statements herein represent the full year of operations for AHFH and the Alliance and two months of operations for PT. Operating asset and liability balances at the date PT became a supporting entity of the Organization totaled $147,493. These amounts were included as beginning net assets in the 2011 consolidating statement of financial position. Therefore, 2010 ending net assets are $147,493 lower than 2011 beginning net assets. All significant inter-company transactions and balances have been eliminated in the consolidation. AHFH, the Alliance and PT are collectively referred to as the Organization.

To be considered for home ownership, families must be low-income families who demonstrate a need for better housing, an ability to make mortgage payments, and a willingness to work in partnership with AHFH. The partnership consists, in part, of each family completing 400 hours of "sweat equity" and meeting monthly mortgage payments. AHFH acquires the land, finds and qualifies the families, raises the funding, finds and supervises construction volunteers, builds the houses, and funds the mortgages. Houses are sold at no profit and with no interest on the mortgage. By policy of HFHI, AHFH may accept government support for land, infrastructure improvements and construction.

AHFH also operates a ReStore in Austin. The ReStore program provides access to quality building materials, new and used, to economically disadvantaged people to help them create a better human habitat in which to live and work. The ReStore receives donated materials, purchases liquidation materials and sells them. DeConstruction, a program of the ReStore, promoted the selective demolition of existing structures to prevent quality materials from entering local landfills. The DeConstruction materials were donated to the ReStore and sold. This program was discontinued by the end of October 2010.

Basis of Presentation - The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") as defined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"). Under the accrual basis of accounting, revenue is recognized when earned regardless of when collected, and expenses are recognized when the obligation is incurred regardless of when paid. Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

> Unrestricted net assets **-** These types of net assets are not subject to donor-imposed stipulations. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.
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> Temporarily restricted net assets **-** These types of net assets are subject to donor imposed stipulations, which limit their use by the Organization to a specific purpose and/or the passage of time.
>
> Permanently restricted net assets **-** These types of net assets are subject to donor-imposed stipulations, which require them to be maintained permanently by the Organization. The Organization has not received any permanently restricted net assets.

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

Cash and Cash Equivalents - The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments - Investments are recorded at fair market value based on quoted market prices. Any changes in market value are reported in the consolidated statements of activities as unrealized gains or losses.

Investment in Joint Venture - AHFH invested, along with eleven other Habitat affiliates, in a joint venture named HFHI-SA Leverage IX, LLC with 4.82% ownership to take advantage of new market tax credit ("NMTC") financing. The investment in the joint venture is recorded at fair market value using the cost approach. Any changes in market value are reported in the consolidated statements of activities as investment income or loss.

Fair Value Measurements - The Organization measures and discloses fair value measurements in accordance with the authoritative literature. Fair value is 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. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 **-** Inputs based on quoted market prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 **-** Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 **-** Unobservable inputs that reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach **-** uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach **-** uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach **-** uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Accounts Receivable - Accounts receivable are recorded at the amount the Organization expects to collect on outstanding balances. The Organization has not recorded an allowance for uncollectible receivables at December 31, 2011 or 2010 because management estimates all balances to be collectible.

Grants Receivable - Grants receivable are recorded at the amount the Organization expects to receive from grantors. No allowance for uncollectible grants receivable has been recorded as, historically, the Organization has not experienced material uncollectible amounts.

Home Sales and Mortgages Receivable - Home sales represent the sale to qualified families of houses built in Austin, Texas by the Organization. The home sales are financed by the Organization utilizing non-interest bearing 15 to 35 year mortgages due in monthly installments from the families. The mortgages are secured by the underlying real estate and are carried at the unpaid principal balances. The mortgages receivable are discounted based upon prevailing market interest rates for low-income housing at the inception of the mortgages. The financing discounts are amortized and reflected as revenue when mortgage payments are collected, which is included net of discount on mortgages expense within the low-cost housing program. The present value discount on mortgages for homes sold is shown as discount on mortgages expense within the low-cost housing program.

The Organization monitors these loans on a monthly basis and considers all mortgages to be collectible, thus no allowance for loan losses has been recorded. The Organization maintains a partner relationship with the mortgagees (“partner families”). However, the Organization will consider foreclosure proceedings on any delinquent accounts if the partner family ceases to have the ability to pay and make payments on the mortgage or no longer has a willingness to partner with the Organization. At December 31, 2011, the Organization had recorded investment in foreclosed loans of $119,931. The Organization had no investment in foreclosed loans at December 31, 2010.

Construction in Progress - Construction in progress represents home construction and land costs incurred on incomplete homes in progress and completed homes not yet conveyed to the recipient family. Construction in progress is expensed to cost of homes sold expense within the low-cost housing program when the home is transferred to the recipient family.

ReStore Inventory - ReStore inventory consists of donated building materials and purchased building materials available for sale. Donated inventory is recorded as in-kind contributions of inventory at fair value when received based on estimated sales value. Donated inventory was valued using the market approach and inputs were considered level 2 in the fair value hierarchy. Purchased inventory is stated at the lower of cost or market determined by the first-in, first-out method. As donated inventory is sold, the Organization records donated inventory expense.

Property and Equipment - Property and equipment consists of land, buildings, and equipment. Property and equipment additions are recorded at cost if purchased or estimated fair value if donated less accumulated depreciation. The Organization capitalizes all additions over $1,000 and expenses maintenance and repairs that do not improve or extend the useful lives of the respective assets. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. Estimated useful lives are three to five years for computer equipment; five years for building improvements, software and vehicles; three to seven years for tools and construction equipment; and twenty to forty years for completed houses and buildings.

Forgivable Loans Payable - The Organization receives financial assistance for land acquisition and development costs for homes from the City of Austin, administered through the CHDO Program of the Austin Housing Finance Corporation (“AHFC”) and from other grantors. Under the terms of agreements entered into with AHFC and other grantors, funds are provided to the Organization in the form of forgivable loans. The agreements provide for the forgivable loan to be secured by deeds of trust on the land acquired under the agreement. The loan under each agreement is forgiven upon the successful conveyance to eligible buyers of all the homes included in the agreement, subject to certain conditions. Amounts received are reflected as forgivable loans payable until all conditions necessary to secure the forgiveness of the debt are met, at which time the forgivable loans are recognized as grant revenue. Forgivable loans payable represent amounts received under agreements with AHFC and other grantors for which all conditions necessary to secure the forgiveness of the debt had not yet been met.

Contribution Revenue - All contributions are recorded at their fair value and are considered to be available for operations of the Organization unless specifically restricted by the donor. Unconditional promises to give cash and other assets are reported as temporarily restricted net assets, if they are received with donor stipulations that limit the use of donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or restricted purpose is accomplished, the related temporarily restricted net assets are reclassified to unrestricted net assets. This is reported in the consolidated statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire within the fiscal year in which the contributions are received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Federal Awards - The Organization receives funding from federal financial assistance programs that supplement its traditional funding sources. The awards provide for reimbursement of qualifying costs incurred, as defined in the underlying award agreements. Revenue is recognized as those costs are incurred.

In-Kind Service Contributions - A substantial number of volunteers have made significant contributions of their time to the Organization's program and supporting services. Donated services are recognized as contributions if the services (1) create or enhance non-financial assets, or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Under those criteria volunteer time to construct homes is recognized as contribution revenue and capitalized as construction in progress. When homes are transferred to recipient families, construction in progress is recorded as component of cost of homes sold within the low-cost housing program. Professional services are also reflected under those criteria and are recognized as in-kind professional services revenue and professional services expense in the period received.

Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Federal Income Taxes - AHFH, the Alliance and PT are exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, except for any unrelated business activities.

2. CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, investments, and receivables. The Organization places its cash and cash equivalents with a limited number of high quality financial institutions and may exceed the amount of insurance provided on such deposits. Management believes no significant risk exists with respect to cash and cash equivalents. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the consolidated statements of financial position. Management does not believe a significant concentration of risk exists. The Organization does not maintain collateral for its receivables and does not believe significant risk exists at December 31, 2011.

3. RELATED PARTY TRANSACTIONS AND AFFILIATIONS

Board contributions for the years ended December 31, 2011 and 2010 were $54,824 and $47,772, respectively.

The Organization operates within a covenant agreement with HFHI. The Organization tithes to support HFHI's international homebuilding work. Tithes to HFHI totaled $40,000 and $75,000 for the years ended December 31, 2011 and 2010, respectively.

The United States Department of Housing and Urban Development ("HUD") has awarded grants to HFHI under the Self-Help Home Ownership Program ("SHOP") for land acquisition and infrastructure improvements for houses. Grant funds are passed through by HFHI directly to participating U.S. affiliates in the form of a 75% grant and 25% loan. Notes payable to HFHI under SHOP arrangements totaled $79,541 and $87,971 at December 31, 2011 and 2010, respectively, and are included in notes payable in the consolidated statements of financial position.

4. INVESTMENTS

The Organization held no investments at December 31, 2011. Investments consisted of the following at December 31, 2010:

Certificates of deposit	$ 209,916
Mutual funds	77
	$ 209,993

Investments were measured at fair value using the market approach and inputs were considered level 1 under the fair value hierarchy. Investment (loss) earnings consisted of the following for the years ended December 31:

	2011	2010
Interest and dividends	$ 551	$ 20,448
AHFH's share of joint venture loss	(1,806)	-
Unrealized (losses) gains	(76)	4,403
	$ (1,331)	$ 24,851

5. MORTGAGES RECEIVABLE

Mortgages receivable consisted of the following at December 31:

	2011	2010
Mortgages receivable	$ 9,683,202	$ 9,338,551
Financing discount based on imputed interest at rates ranging from 5% to 8%	(3,929,900)	(3,892,701)
	$ 5,753,302	$ 5,445,850

Mortgages receivable were valued using the income approach and inputs were considered level 2 under the fair value hierarchy. Future mortgage payments scheduled to be collected at December 31, 2011 are as follows:

2012	$	595,310
2013		595,310
2014		595,310
2015		595,310
2016		595,310
Thereafter		6,706,652
Total	$	9,683,202

6. RESTORE INVENTORY

ReStore inventory consisted of the following at December 31:

		2011		2010
Donated goods	$	155,000	$	155,000
Purchased materials		115,390		88,848
	$	270,390	$	243,848

7. INVESTMENT IN JOINT VENTURE

During 2011, AHFH participated in a NMTC program. The program provides funds to eligible organizations for investment in qualified low-income community investments. Program compliance requirements include creation of a promissory note and investment in a qualified community development entity ("CDE or sub-CDE"). Tax credit recapture is required if compliance requirements are not met over a seven-year period.

In November 2011, AHFH invested, along with eleven other Habitat affiliates, in a joint venture named HFHI-SA Leverage IX, LLC with 4.82% ownership to take advantage of the NMTC financing. As a result, AHFH initially invested $1,000,044 and was able to secure a 16-year loan in the amount of $1,320,965 payable to the sub-CDE named HFHI-SA NMTC VI, LLC. The loan proceeds are to be used solely for the purpose of constructing and selling qualified housing properties to low income residents.

The loan requires semi-annual interest only payments until November 15, 2019 at 0.75%. Commencing November 15, 2019, semi-annual principal payments are due through maturity date of November 13, 2027. The loan is secured by substantially all the assets acquired by AHFH from the project loan proceeds. The loan has a put feature option that is exercisable in November 2019. Under the terms of the put option agreement, the joint venture is expected to purchase the ownership interest of the affiliated investment fund that is the upstream effective owner of the sub-CDE, and holder of the promissory note due from AHFH. Exercise of this option will effectively allow AHFH to extinguish its outstanding debt owed to the affiliated investment fund.

The investment in the joint venture is recorded at fair market value using the cost approach. The investment in the joint venture is measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as follows:

January 1, 2011	$ -
Initial investment in joint venture	1,000,044
AHFH's share of joint venture loss	(1,806)
December 31, 2011	$ 998,238

8. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2011	2010
Land	$ 176,225	$ 176,225
Building and improvements	541,042	553,194
Equipment	395,921	579,239
Trucks	208,734	230,615
Total	1,321,922	1,539,273
Accumulated depreciation	(818,139)	(1,044,987)
Property and equipment, net	$ 503,783	$ 494,286

9. DEBT

Notes payable consisted of the following at December 31:

	2011	2010
Non-interest bearing, unsecured notes payable to HFHI under SHOP grants, due in monthly installments through 2012	$ 79,541	$ 87,971
Unamortized discount based on imputed interest rates averaging 4.0%	(1,952)	(1,952)
	77,589	86,019
Mortgage note payable to a bank, due in monthly installments of $3,819 plus interest at a variable rate (3.0% at December 31, 2011), final balloon installment due 2013, secured by ReStore's land and buildings	297,593	343,421
Promissory note to HFHI-SA NMTC VI, LLC, semi-annual interest only payments until November 15, 2019 at 0.75% followed by semi-annual principal payments due through maturity date of November 13, 2027, secured by substantially all the assets acquired by AHFH from the NMTC project loan proceeds	1,320,965	-
	1,696,147	429,440
Current portion	(78,456)	(54,258)
Long-term portion	$ 1,617,691	$ 375,182

The Organization has available a $525,000 revolving line of credit with a bank expiring November 1, 2012. The line provides for a variable rate of interest (3.25% at December 31, 2011), and is secured by deposits with financial institutions, marketable securities, accounts receivable, inventory, and equipment, and is cross-collateralized with the mortgage note payable. There was no outstanding balance at December 31, 2011. The outstanding balance on this line of credit at December 31, 2010 was $240,095.

The line of credit, notes payable and promissory note contain certain financial covenants, including requirements for liquidity, earnings, and fixed charge coverage. The agreements also contain additional conditions limiting indebtedness, capital expenditures, and various other covenants as defined in the agreements. Failure to comply with the covenants could result in the debt being called by the lenders.

For the years ended December 31, 2011 and 2010, interest incurred on debt and charged to expense was $14,634 and $16,011, respectively. Future maturities of debt at December 31, 2011 are as follows:

2012	$	78,456
2013		26,959
2014		259,118
2015		9,621
Thereafter		1,321,993
Total	$	1,696,147

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at December 31:

	2011		2010	
Blanco Chapter	$	13,199	$	15,329
Caldwell Chapter		35,318		18,544
UT Campus Chapter		16,612		-
Technology improvements		1,000		-
Bastrop Chapter		536		-
	$	66,665	$	33,873

11. RETIREMENT PLAN

The Organization sponsors a 401(k) plan that covers substantially all employees. The Organization's contributions to the plan for the years ended December 31, 2011 and 2010 were $69,137 and $34,443, respectively.

12. LEASE COMMITMENTS

The Organization leases office space, a construction warehouse, telephone equipment, and a copier under operating leases. Lease expense under these leases totaled $119,038 and $99,943, respectively, for the years ended December 31, 2011 and 2010. Future minimum lease payments under the leases at December 31, 2011 are as follows:

2012	$	81,534
2013		61,738
2014		10,175
2015		10,175
2016		10,175
Thereafter		2,544
	$	176,341

13. LETTERS OF CREDIT

The Organization had entered into letters of credit with financial institutions totaling $168,875 and $161,006 at December 31, 2011 and 2010, respectively, pursuant to subdivision construction agreements with the City of Austin. The letters of credit expire in 2012 and specify that drafts may be drawn by the City of Austin Watershed Protection and Development Review Department. There have been no amounts drawn under these letters of credit.

14. FEDERAL INCOME TAXES

The Organization is subject to federal income taxes on unrelated business income, which consists of ReStore sales of purchased materials. As of December 31, 2011 and 2010, the Organization has incurred cumulative net operating losses of approximately $1,150,000 and $1,072,000, respectively, for federal income tax purposes from the Organization's activity. The net operating losses may be used to offset future taxable unrelated business income. If not utilized, these net operating losses would expire in the years 2022 through 2031. The net change in the total valuation allowance for the year ended December 31, 2011 and 2010 was $26,520 and $20,060 respectively. A full valuation allowance has been recorded as utilization is uncertain.

15. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 22, 2012 (the date the consolidated financial statements were available to be issued), and no events have occurred from the consolidated statement of financial position date through that date that would impact the consolidated financial statements.

SUPPLEMENTAL INFORMATION

AUSTIN HABITAT FOR HUMANITY, INC.

SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2011

	2011					2010
	Low-Cost Housing	ReStore	Fundraising	Management and General	Total	Total
Salaries	$ 621,586	261,031	175,973	267,812	1,326,402	1,287,527
Fringe benefits	80,823	29,018	20,076	27,003	156,920	149,652
Workers compensation	15,313	8,768	296	361	24,738	32,876
Payroll taxes	51,746	22,880	14,006	22,250	110,882	104,151
AmeriCorps stipends	68,668	-	5,021	1,208	74,897	75,741
Staff development	3,412	327	1,449	1,520	6,708	7,762
Travel and business meals	21,942	5,732	2,641	4,054	34,369	32,200
Supplies	10,975	6,528	2,851	3,174	23,528	29,640
Utilities	9,543	23,930	30	331	33,834	34,250
Warehouse and office rent	68,160	-	14,071	25,502	107,733	103,732
Telephone	26,999	14,136	5,609	6,632	53,376	51,154
Postage and freight	2,455	24	1,053	1,105	4,637	5,325
Security	763	2,878	7	81	3,729	3,680
Taxes	-	-	-	-	-	65,217
Insurance	41,251	15,948	5,687	14,528	77,414	54,271
Maintenance and repairs	38,793	20,579	992	1,787	62,151	87,170
Computer expense	11,854	5,567	2,406	3,839	23,666	23,922
Equipment and tools	31,326	1,971	1,805	2,395	37,497	21,168
Newsletter expense	5,167	3,243	1,849	445	10,704	20,395
Printing	-	-	3	1	4	1,171
Special events	16,908	-	46,099	15,208	78,215	115,640
Advertisements	2,955	11,710	7,668	1,845	24,178	97,786
Program	292,805	-	6,314	1,520	300,639	196,930
Chestnut program expense	-	-	-	-	-	75,008
Dues and subscriptions	7,155	6,145	7,386	7,315	28,001	23,278
Professional fees	41,450	12,275	6,706	37,866	98,297	43,508
Depreciation	24,653	10,020	2,476	21,418	58,567	66,694
Interest expense	6,725	4,179	1,680	2,050	14,634	16,011
Bank fees	8,115	4,941	2,000	2,310	17,366	15,302
NMTC transaction fees	4,254	-	263	-	4,517	-
Management fees	24,703	-	-	-	24,703	-
Tithe to HFHI	40,000	-	-	-	40,000	75,000
Discount on mortgages, net	148,714	-	-	-	148,714	304,124
Cost of homes sold	2,335,371	-	-	-	2,335,371	2,890,732
Other expense	9,473	-	30	329	9,832	4,079
Total functional expenses	$ 4,074,057	471,830	336,447	473,889	5,356,223	6,115,096

AUSTIN HABITAT FOR HUMANITY, INC.

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011

	Austin Habitat for Humanity, Inc.	Austin Neighborhood Alliance for Habitat, Inc.	Austin PeopleTrust	Eliminations	Total
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 1,031,381	263	97,658	-	1,129,302
Accounts receivable	79,729	-	71,997	-	151,726
Grants receivable	5,640	-	27,130	-	32,770
Mortgages receivable, current portion, net	244,165	-	-	-	244,165
Intercompany receivable	251,343	4,866,776	-	(5,118,119)	-
ReStore inventory	270,390	-	-	-	270,390
Construction in progress	1,715,901	-	-	-	1,715,901
Prepaid expenses and other	349,904	-	4,491	-	354,395
Total current assets	3,948,453	4,867,039	201,276	(5,118,119)	3,898,649
LAND HELD FOR DEVELOPMENT	2,813,021	-	957,121	-	3,770,142
MORTGAGES RECEIVABLE, long-term portion, net	5,509,137	-	-	-	5,509,137
INVESTMENT IN JOINT VENTURE	998,238	-	-	-	998,238
PROPERTY AND EQUIPMENT, net	503,783	-		-	503,783
TOTAL ASSETS	$ 13,772,632	4,867,039	1,158,397	(5,118,119)	14,679,949
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Accounts payable	$ 175,482	-	16,433	-	191,915
Accrued expenses	92,116	-	-	-	92,116
Intercompany payable	5,092,881	-	25,238	(5,118,119)	-
Forgivable loans payable	1,039,932	2,299,104	960,405	-	4,299,441
Deferred revenue	63,991	-	-	-	63,991
Notes payable, current portion	78,456	-	-	-	78,456
Total current liabilities	6,542,858	2,299,104	1,002,076	(5,118,119)	4,725,919
NOTES PAYABLE, long-term portion	1,617,691	-	-	-	1,617,691
Total liabilities	8,160,549	2,299,104	1,002,076	(5,118,119)	6,343,610
NET ASSETS:					
Unrestricted	5,545,418	2,567,935	156,321	-	8,269,674
Temporarily restricted	66,665	-	-	-	66,665
Total net assets	5,612,083	2,567,935	156,321	-	8,336,339
TOTAL LIABILITIES AND NET ASSETS	$ 13,772,632	4,867,039	1,158,397	(5,118,119)	14,679,949

AUSTIN HABITAT FOR HUMANITY, INC.

CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011

	Austin Habitat for Humanity, Inc.	Austin Neighborhood Alliance for Habitat, Inc.	Austin PeopleTrust (From 11/1/2011-12/31/2011)	Total
REVENUES:				
Contributions and other:				
Contributions and grants	$ 3,156,051	398,902	-	3,554,953
In-kind professional services and other	43,133	-	-	43,133
Investment loss	(1,331)	-	-	(1,331)
Gain on sale of property and equipment	90,650	-	-	90,650
Other revenue	64,760	-	37,651	102,411
Total contributions and other	3,353,263	398,902	37,651	3,789,816
ReStore revenues:				
In-kind contributions of inventory	809,055	-	-	809,055
ReStore sales of donated inventory	809,055	-	-	809,055
Donated inventory expense	(809,055)	-	-	(809,055)
ReStore sales of purchased inventory	397,780	-	-	397,780
ReStore cost of goods sold	(210,347)	-	-	(210,347)
Total ReStore revenues, net	996,488	-	-	996,488
Low-cost housing revenues:				
Home sales	1,185,000	-	-	1,185,000
In-kind contributions of labor and construction materials	478,900	-	-	478,900
Total low-cost housing revenues	1,663,900	-	-	1,663,900
Total revenues and net assets released from restrictions	6,013,651	398,902	37,651	6,450,204
EXPENSES:				
Low-cost housing program	4,045,234	-	28,823	4,074,057
ReStore program	471,830	-	-	471,830
Fundraising	336,447	-	-	336,447
Management and general	473,889	-	-	473,889
Total expenses	5,327,400	-	28,823	5,356,223
CHANGE IN NET ASSETS	686,251	398,902	8,828	1,093,981
NET ASSETS, beginning of year	4,925,832	2,169,033	147,493	7,242,358
NET ASSETS, end of year	$ 5,612,083	2,567,935	156,321	8,336,339