

**HABITAT FOR HUMANITY IN  
SEMINOLE COUNTY, FLORIDA, INC.**

**FINANCIAL STATEMENTS**

**June 30, 2009 and 2008**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Habitat for Humanity in  
Seminole County, Florida, Inc.

We have audited the accompanying statements of financial position of Habitat for Humanity in Seminole County, Florida, Inc. as of June 30, 2009 and 2008 and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based upon our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity in Seminole County, Florida, Inc. as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

*Greene, Dycus & Co.*

Professional Association  
Certified Public Accountants  
Sanford, Florida  
September 22, 2009

Habitat for Humanity in Seminole County, Florida, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30, 2009 and 2008

ASSETS

	<u>2009</u>	<u>2008</u>
<b>CURRENT ASSETS</b>		
Cash and equivalents - unrestricted	\$ (71,818)	\$ 62,270
Cash and equivalents - limited use	125,518	32,500
Total cash and cash equivalents	53,700	94,770
Certificates of deposit - unrestricted	-	57,167
Land for development	444,347	457,142
Grants receivable	-	121,711
Construction in process	-	496,902
Current mortgages receivable, net	76,311	56,803
Houses owned by Affiliate	201,398	201,398
Prepaid and other assets	10,674	9,461
Total current assets	<u>786,430</u>	<u>1,495,354</u>
<b>NONCURRENT ASSETS</b>		
Long-term mortgages receivable, net	892,284	799,657
Property and equipment, net	718,260	726,879
Deposits	7,517	5,195
Loan Costs, net	483	2,481
Total noncurrent assets	<u>1,618,544</u>	<u>1,534,212</u>
Total assets	<u>\$ 2,404,974</u>	<u>\$ 3,029,566</u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 17,536	\$ 81,765
Accrued expenses	16,150	47,948
Deferred revenue	-	141,388
Other current liabilities	45,543	40,932
Notes payable, current	7,648	422,238
Total current liabilities	<u>86,877</u>	<u>734,271</u>
Notes payable, long term	<u>403,884</u>	<u>-</u>
Total liabilities	<u>490,761</u>	<u>734,271</u>
<b>NET ASSETS</b>		
Unrestricted	1,788,695	2,262,795
Temporarily restricted	125,518	32,500
Total net assets	<u>1,914,213</u>	<u>2,295,295</u>
Total liabilities and net assets	<u>\$ 2,404,974</u>	<u>\$ 3,029,566</u>

The accompanying notes are an integral part of these financial statements.

Habitat for Humanity in Seminole County, Florida, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended June 30, 2009 and 2008

	2009			2008
	Unrestricted	Temporarily Restricted	Total	Total
<b>REVENUES AND SUPPORT</b>				
Cash and equivalents - limited use	\$ 331,712	\$ -	\$ 331,712	\$ 343,106
Transfers to homeowners	184,463	-	184,463	169,205
Donations	93,119	93,018	186,137	546,607
Grants	448,005	-	448,005	395,489
Amortization of mortgage interest	57,054	-	57,054	77,234
Special events, net of costs of of \$22,526 and \$29,666	24,672	-	24,672	39,129
Interest income	1,139	-	1,139	7,828
Other income	14,462	-	14,462	11,812
Refinance/second mortgage income	-	-	-	12,285
In-kind contributions	8,185	-	8,185	8,808
Net assets released from restrictions: Restrictions satisfied by payments	-	-	-	-
Total revenues and support	<u>1,162,811</u>	<u>93,018</u>	<u>1,255,829</u>	<u>1,611,503</u>
<b>EXPENSES</b>				
Program services	1,179,182	-	1,179,182	1,206,684
Support services	457,729	-	457,729	365,327
Total expenses	<u>1,636,911</u>	<u>-</u>	<u>1,636,911</u>	<u>1,572,011</u>
Less Contribution to Community Foundation of Central Florida	-	-	-	10,000
Increase (decrease) in net assets	(474,100)	93,018	(381,082)	29,492
Net assets, beginning of year	<u>2,262,795</u>	<u>32,500</u>	<u>2,295,295</u>	<u>2,265,803</u>
Net assets, end of year	<u>\$ 1,788,695</u>	<u>\$ 125,518</u>	<u>\$ 1,914,213</u>	<u>\$ 2,295,295</u>

The accompanying notes are an integral part of these financial statements.

Habitat for Humanity in Seminole County, Florida, Inc.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ (381,082)	\$ 29,492
Adjustments to reconcile increase in net assets to net cash provided by operations:		
Cash and equivalents - limited use	30,389	28,521
Amortization of discount mortgage loans	(57,054)	(77,234)
Change in operating assets and liabilities:		
Mortgages receivable	(55,511)	(21,790)
Grants receivable	121,711	(121,711)
Land for development	12,795	(228,360)
Houses owned by Affiliate	-	(99,541)
Construction in process	496,902	(136,028)
Prepaid and other assets	(3,534)	(4,053)
Accounts payable	(64,229)	74,096
Deferred revenue	(141,388)	141,388
Accrued expenses	(27,187)	66,712
	<u>(68,188)</u>	<u>(348,508)</u>
Cash used by operating activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Redemption of certificates of deposit	57,167	107,348
Purchase of property and equipment	(19,343)	(35,137)
	<u>37,824</u>	<u>72,211</u>
Cash provided by investing activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on long-term debt	(10,706)	(16,047)
	<u>(10,706)</u>	<u>(16,047)</u>
Cash used by financing activities		
Net decrease in cash and cash equivalents	(41,070)	(292,344)
Cash and cash equivalents:		
Beginning of year	94,770	387,114
End of year	<u>\$ 53,700</u>	<u>\$ 94,770</u>
Supplemental cash flow information:		
Cash paid for interest	<u>\$ 25,500</u>	<u>\$ 22,460</u>
New Mortgages	<u>\$ 370,300</u>	<u>\$ 371,987</u>

The accompanying notes are an integral part of these financial statements.

Habitat for Humanity in Seminole County, Florida, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2009

	Program Services				Support Services			Total Expenses
	Construction and Homeowner Activities	Family Support and Education	Store Operations	Total	Mgmt and General	Fund Raising	Total	
Cash and equivalents - limited us	\$	\$	\$	\$	\$	\$	\$	\$
Construction costs	591,698	-	-	591,698	-	-	-	591,698
Salaries and related costs	159,143	28,858	210,706	398,707	173,617	72,570	246,187	644,894
Homeowners expenses	15,711	-	-	15,711	-	-	-	15,711
Tithe to Habitat International	(19,400)	-	-	(19,400)	-	-	-	(19,400)
Occupancy	6,986	-	25,209	32,195	30,680	6,986	37,666	69,861
Telephone	922	-	4,704	5,626	6,980	1,322	8,302	13,928
Supplies	439	-	821	1,260	6,634	1,818	8,452	9,712
Postage	-	-	76	76	1,132	526	1,658	1,734
Printing and promotions	-	-	3,551	3,551	1,985	14,641	16,626	20,177
Travel	6,842	-	1,389	8,231	10,797	1,985	12,782	21,013
Meetings/Training	1,362	-	33	1,395	3,637	971	4,608	6,003
Data Processing	190	-	-	190	3,000	-	3,000	3,190
Outside services	3,955	-	-	3,955	46,905	40,051	86,956	90,911
Depreciation and amortization	-	-	24,069	24,069	6,320	-	6,320	30,389
Insurance	-	-	5,288	5,288	9,660	-	9,660	14,948
Vehicle	-	-	7,695	7,695	-	-	-	7,695
Interest expense	-	-	25,500	25,500	-	-	-	25,500
Maintenance and small tools	2,748	-	4,245	6,993	1,611	-	1,611	8,604
Land impairment	58,000	-	-	58,000	-	-	-	58,000
Miscellaneous	922	516	7,004	8,442	11,492	2,409	13,901	22,343
<b>Total Expenses</b>	<b>\$ 829,518</b>	<b>\$ 29,374</b>	<b>\$ 320,290</b>	<b>\$ 1,179,182</b>	<b>\$ 314,450</b>	<b>\$ 143,279</b>	<b>\$ 457,729</b>	<b>\$ 1,636,911</b>

The accompanying notes are an integral part of these financial statements.

Habitat for Humanity in Seminole County, Florida, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2008

	Program Services			Support Services			Total Expenses
	Construction and Homeowner Activities	Family Support and Education	Store Operations	Mgmt and General	Fund Raising	Total	
Cash and equivalents - limited us	\$ 578,417	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 578,417
Construction costs	207,014	7,916	202,170	72,301	93,945	166,246	583,346
Salaries and related costs	16,055	1,665	-	-	-	-	17,720
Homeowners expenses	25,200	-	-	-	-	-	25,200
Tithe to Habitat International	3,931	-	30,035	31,449	3,931	35,380	69,346
Occupancy	250	-	5,195	7,036	250	7,286	12,731
Telephone	732	-	-	7,467	330	7,797	8,529
Supplies	40	-	-	1,824	56	1,880	1,920
Postage	-	-	7,581	9,226	21,106	30,332	37,913
Printing and promotions	-	-	2,181	13,657	2,150	15,807	29,863
Travel	11,875	-	-	9,898	266	10,164	10,164
Meetings/Training	-	-	-	6,736	-	6,736	6,736
Data Processing	-	-	-	37,613	6,720	44,333	47,423
Outside services	-	-	3,090	7,312	-	7,312	28,521
Depreciation and amortization	-	-	21,209	13,954	-	13,954	47,173
Insurance	9,489	-	23,730	-	-	-	10,006
Vehicle	-	-	10,006	-	-	-	-
Interest expense	150	-	22,310	-	-	-	22,460
Maintenance and small tools	3,856	-	-	3,700	120	3,820	7,676
Miscellaneous	9,854	2,036	697	14,140	140	14,280	26,867
Total Expenses	\$ 866,863	\$ 11,617	\$ 328,204	\$ 236,313	\$ 129,014	\$ 365,327	\$ 1,572,011

The accompanying notes are an integral part of these financial statements.

Habitat for Humanity in Seminole County, Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Basis of Presentation

Habitat for Humanity in Seminole County, Inc. (the "Organization") is a not-for-profit corporation organized in the State of Florida in June 1991. The Organization is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"), a nondenominational Christian not-for-profit organization whose purpose is to create decent, affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support and in other ways, the Organization is primarily and directly responsible for its own operation in Seminole County, Florida. The Organization also operates a "Thrift Store" whose proceeds are utilized to fund the primary mission of the Organization.

Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis and follow the provisions of Statements of Financial Accounting Standards (SFAS) #117, "Financial Statements of Not-for-Profit Organizations" and (SFAS) #116 "Accounting for Contributions Received and Contributions Made."

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Cash and Equivalents

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

Contributions

Unconditional promises to give are recognized as revenue when the underlying promises are received by the Organization. Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions.

Temporarily restricted contributions, which are both received and released within the same year, are recorded as an increase in temporarily restricted net assets and as a satisfaction of program restrictions.

Inventory

The Organization operates a thrift store and sells goods which have been donated. Due to the second-hand nature of these goods there is no readily determinable fair market value at the date of the donation. Consequently, the Organization does not reflect store inventory on the statement of financial position and recognizes only income when the goods are subsequently sold. Materials purchased or donated for use in home construction are recorded at the lower of cost or market value.

Habitat for Humanity in Seminole County, Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Mortgages Receivable and allowance for losses

Mortgages receivable consist of loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances (adjusted for charge-offs and allowance for mortgage receivable losses, if any).

The allowance for mortgage receivable losses, if needed, is established through a provision for mortgage receivable losses charged to earnings. Mortgage receivable losses are charged against the allowance when management believes the uncollectability of a mortgage receivable is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for mortgage receivable losses is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent in the mortgage portfolio. The amount of the allowance is based on management's evaluation of the collectability of the mortgage portfolio, including the nature of the portfolio, trends in historical loss experience, specific impaired loans, economic conditions, and other risks inherent in the portfolio.

Property and Equipment

Property and equipment is recorded at cost or estimated value at the date of purchase or contribution. Expenditures for repairs and maintenance are expensed as incurred. The Organization capitalizes additions of property and equipment that exceed \$500. The Organization primarily utilizes the straight-line method of depreciation. Furniture, equipment and vehicles are depreciated over their various estimated useful lives ranging from three to seven years. Buildings are depreciated over their estimated useful life of 39 years.

Classes of Net Assets

Revenues and gains are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- a) Unrestricted net assets are not subject to donor restrictions.
- b) Temporarily restricted net assets arise from contributions that are restricted by donors for specific purposes or time periods.

All contributions are considered available for unrestricted use, unless specifically restricted by donors. All expenses are reported as changes in unrestricted net assets.

Transfers to Homeowners

Transfers to homeowners are recorded when a home is occupied and title is transferred. The transfer is recorded at the gross amount of payments to be received over the lives of the mortgages. Non-interest bearing mortgages have been discounted based upon prevailing market rates at the inception of the mortgages, currently 8%. Discounts are amortized using the effective interest method over the lives of the mortgages.

Habitat for Humanity in Seminole County, Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 and 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value of Financial Instruments

The Organization's financial instruments consist of cash and cash equivalents, receivables, accounts payable, accrued expenses, and notes payable. Cash and cash equivalents, receivables, accounts payable, accrued expenses, and notes payable are stated at cost which approximates fair value.

Amortization of Loan Costs

Mortgage loan costs are amortized over the term of the loan using the straight line method.

Contributed Services and Materials

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

Contributions of materials and services requiring specialized skill or otherwise needing to be purchased are reflected in the accompanying financial statements. The majority of the items included as in-kind contributions in the statement of activities and changes in net assets reflect the contribution of materials utilized for construction of the various homes.

Land held for Development

Land held for development primarily consists of land costs and related improvements for land that has not been presently assigned to a future homeowner.

Houses Owned by Affiliate

Houses owned by affiliate consist primarily of re-acquired homes, or homes completed but not sold to homeowners. These properties are recorded at the lower of the carrying amount or fair value less estimated selling cost. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value less cost to sell.

Income Taxes

The Habitat for Humanity of Seminole County, Florida Inc. has received exemption from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code under a group exemption letter granted to Habitat for Humanity International by the Internal Revenue Service.

Reclassification

Certain amounts reported in the prior year financial statements have been reclassified to conform with current year classifications.

Habitat for Humanity in Seminole County, Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 and 2008

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Concentration of Credit Risks

Financial instruments, which potentially expose the Organization to concentrations of credit risk, consist principally of bank deposits. The Organization's policy is to place these with high credit quality financial institutions. The Organization holds its cash and equivalents and certificates of deposit with institutions insured by the FDIC. These funds are insured up to the FDIC limits.

Habitat originates and holds residential real estate mortgages in Seminole County, Florida and the borrowers' ability to honor their contracts is dependent upon economic conditions and real estate valuations in the Seminole County, Florida.

Estimates in the Financial Statements

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

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on the mortgage receivables. The evaluation of the adequacy of the allowance for mortgage receivables is based on estimates that are susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on mortgages receivables, management may utilize market conditions, sales of comparables and independent appraisals.

Other Items

During the course of business, Habitat routinely enters into agreements with donors for funds to be used to help accomplish the mission of the organization. To the extent that actual costs exceed the planned costs, Habitat may need to provide additional resources to meet the terms of the contracts.

**NOTE 2 – MORTGAGES RECEIVABLE**

Mortgage receivable balances represent the amount charged to the homeowners for Habitat houses built and secured with loans that are to be re-paid over an established and mutually agreed period of time. These mortgages are typically re-paid on a monthly basis over a 20 year period and are shown on the Statement of Financial Position discounted for the time value of money. Management feels no provision for mortgage receivable losses is required because the Organization is a secured creditor and the fair market value of the homes is in excess of the related mortgage balance. In the event of foreclosure, management believes that the only costs the Organization is likely to incur would be legal and rehab expenses to prepare the property for a new homeowner. These costs are uncertain and are dependent on a future event; as such no amount has been reflected in these financial statements for such a contingency.

Habitat for Humanity in Seminole County, Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 and 2008

**NOTE 2 – MORTGAGES RECEIVABLE - continued**

The Organization holds second or third mortgage notes collateralized by the same residential real estate. These mortgages represent the difference between the estimated fair market value of the home and the transfer price to the eligible homeowner. These mortgages, approximating \$1,600,000 and \$1,700,000 as of June 30, 2009 and 2008, are forgiven on a pro-rata basis over the life of the mortgage, and as such these mortgages are not reflected on the accompanying statement of financial position.

These mortgages receivable relate entirely to single family residential properties in Seminole County Florida. At June 30, 2009, the balances due on the mortgages were scheduled to be paid as follows:

<u>Year Ended June 30,</u>	<u>Mortgage Payment</u>
2010	\$ 132,788
2011	131,640
2012	131,640
2013	132,956
2014	127,121
Thereafter	1,128,250
Less discount	<u>(815,800)</u>
Total	<u>\$ 968,595</u>

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment as of June 30 consist of:

	<u>2009</u>	<u>2008</u>
Land	\$ 133,128	\$ 133,128
Buildings	682,743	682,743
Fixtures and equipment	64,708	45,365
Vehicles	10,793	41,621
	<u>891,372</u>	<u>902,857</u>
Accumulated depreciation	<u>(173,112)</u>	<u>(175,978)</u>
	<u>\$ 718,260</u>	<u>\$ 726,879</u>

Depreciation expense for the years ended June 30, 2009 and 2008 was \$30,389 and \$28,521.

Habitat for Humanity in Seminole County, Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 and 2008

NOTE 4 – NOTES PAYABLE

Notes payable consist of the following at June 30:

	<u>2009</u>	<u>2008</u>
Mortgage payable, with monthly payments of principal and interest of \$3,118, at 5.75%, is payable with a final balloon payment March 20, 2009. This loan is collateralized by the Thrift Store Building.	\$ -	\$ 421,922
Mortgage payable, with monthly payments of principal and interest of \$3,118, at 6.99%, is payable with a final balloon payment March 20, 2012. This loan is collateralized by the Thrift Store Building.	411,532	-
Unsecured note payable, with monthly principal payments of \$52, with no interest, with a final payment due Dec 2008.	-	316
	<u>411,532</u>	<u>422,238</u>
Current portion	<u>(7,648)</u>	<u>(422,238)</u>
Long-term portion	<u>\$ 403,884</u>	<u>\$ -</u>

Following is a summary of the future payments for the fiscal years as follows:

<u>Year Ended June 30,</u>	
2010	\$ 7,648
2011	8,200
2012	<u>395,684</u>
	<u>\$ 411,532</u>

NOTE 5 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets relate to contributions received designated for certain home construction. As of June 30, 2009 and 2008, the funds received had not been used for the designated homes or the homes are still in process and the funds used are classified as construction in process.

Habitat for Humanity in Seminole County, Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 and 2008

**NOTE 6 – TRANSACTIONS WITH HABITAT INTERNATIONAL**

The Organization tithes a portion of its unrestricted donations to Habitat International. These funds are used to construct homes in economically depressed areas around the world, and therefore these amounts are included in the Organization's program services in the statement of activities and changes in net assets. In prior years, the Organization tithed approximately \$4,000 per completed house. These funds were accrued but not remitted as of June 30, 2008. During the current year, the Organization received permission from Habitat International to tithe at a level of \$1,000 per completed house. During the fiscal year ended June 30, 2009 the Organization reduced their tithe accrual accordingly which generated a \$19,000 reduction in tithe expense. As of June 30, 2009 and 2008 all \$1,600 and \$25,000, respectively has been accrued and reflected in the category accrued expenses within the accompanying financial statements

**NOTE 7– OPERATING LEASE COMMITMENTS**

The Organization leases office equipment under a 48-month non-cancelable operating lease. Rental expense under this lease amounted to approximately \$4,000 for the year ended June 30, 2009. The following is a schedule by years of future minimum rentals under the leases at June 30, 2009:

Year Ended June 30,	
<u>2010</u>	\$ 3,804
2011	<u>1,578</u>
	<u>\$ 5,382</u>

The Organization leases its administrative offices under a non-cancelable lease. Rental expense under this lease amounted to approximately \$40,000 for the year ended June 30, 2009. Future obligations over the primary terms of the lease as of June 30, 2009 consist of the following:

Year Ended June 30,	
<u>2009</u>	\$ 39,480
2010	<u>19,740</u>
	<u>\$ 59,220</u>

This lease contains provisions whereby additional amounts need to be paid based upon operating expense adjustments. These potential amounts have not been factored in the above future obligations.

**NOTE 8 – RELATED PARTY TRANSACTIONS**

Two of the Organization's board members transact business with the Organization. One of the principals of the law firm utilized by the Organization is a board member. Legal fees paid to this related party were approximately \$5,000.

Habitat for Humanity in Seminole County, Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 and 2008

**NOTE 9 – OTHER COMMITMENTS / CONTINGENCIES**

In the ordinary course of business, the Organization may have various outstanding commitments and contingencies. One such contingency is that the Organization may be subject to a potential legal claim. While the ultimate effect of such claim cannot be ascertained at this time, management believes, that there will be no material effect on the Organizations financial position to cover any potential claim.

**NOTE 10 – RETIREMENT PLAN**

The Organization established a SIMPLE IRA plan for all eligible employees. Employees become eligible for a 2% employer contribution once they exceed \$5,000 in earnings. Contributions in the current year amounted to approximately \$4,000.

**NOTE 11 – CONCENTRATION RISK**

The Organization's support is received primarily from local governments, foundations, businesses, churches and individuals located in the Seminole County, Florida area. In addition, all of the mortgages receivable, reflected in the accompanying financial statements, relate to residential properties within Seminole County, Florida. As a result, continued contributions may be affected by the economy of this region.

**NOTE 12 – OTHER ITEMS**

"The Habitat for Humanity in Seminole County Fund", an endowment fund, was established with and is managed by the Community Foundation of Central Florida, Inc.

The following activity was reported by the Community Foundation of Central Florida, Inc. The assets and related liabilities are not reflected in these financial statements, as they are reflected on the financial statements of the Community Foundation of Central Florida, Inc.

Fair Market Value at June 30, 2008	\$ 9,801
Investment returns	(2,012)
Distributions	-
Fees	<u>(102)</u>
Fair Market Value September 30, 2009	<u>\$ 7,687</u>