

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

**FINANCIAL STATEMENTS**

**June 30, 2008 and 2007**

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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, 2008 and 2007 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, 2008 and 2007, 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  
January 14, 2009

**Habitat for Humanity in Seminole County, Florida, Inc.**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2008 and 2007**

**ASSETS**

<b>CURRENT ASSETS</b>	<b>2008</b>	<b>2007</b>
Cash and equivalents - unrestricted	\$ 62,270	\$ 298,214
Cash and equivalents - restricted	32,500	88,900
Total cash and cash equivalents	94,770	387,114
Certificates of deposit - unrestricted	57,167	164,515
Land for development	457,142	228,782
Grants receivable	121,711	-
Construction in process	496,902	360,874
Current mortgages receivable, net	56,803	45,711
Houses owned by Affiliate	201,398	101,857
Prepaid and other assets	9,461	5,409
Total current assets	1,495,354	1,294,262
<b>NONCURRENT ASSETS</b>		
Long-term mortgages receivable, net	799,657	711,724
Property and equipment, net	726,879	718,944
Deposits	5,195	5,195
Loan Costs, net	2,481	3,800
Total noncurrent assets	1,534,212	1,439,663
Total assets	\$ 3,029,566	\$ 2,733,925

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 81,765	\$ 7,669
Accrued expenses	47,948	22,168
Deferred revenue	141,388	-
Other current liabilities	40,932	-
Notes payable, current	422,238	13,287
Total current liabilities	734,271	43,124
Notes payable, long term	-	424,998
Total liabilities	734,271	468,122
<b>NET ASSETS</b>		
Unrestricted	2,262,795	2,176,903
Temporarily restricted	32,500	88,900
Total net assets	2,295,295	2,265,803
Total liabilities and net assets	\$ 3,029,566	\$ 2,733,925

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, 2008 and 2007**

	<b>2008</b>			<b>2007</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Total</b>
<b>REVENUES AND SUPPORT</b>				
Store sales	\$ 343,106	\$ -	\$ 343,106	\$ 370,269
Transfers to homeowners	169,205	-	169,205	119,139
Donations	285,355	261,252	546,607	405,879
Grants	395,489	-	395,489	265,996
Amortization of mortgage interest	77,234	-	77,234	87,759
Special events, net of costs of of \$29,666 and \$31,635	39,129	-	39,129	47,693
Interest income	7,828	-	7,828	16,162
Other income	11,812	-	11,812	3,240
Refinance/second mortgage income	12,285	-	12,285	24,468
In-kind contributions	4,610	4,198	8,808	48,174
Net assets released from restrictions:				
Restrictions satisfied by payments	321,850	(321,850)	-	-
Total revenues and support	<u>1,667,903</u>	<u>(56,400)</u>	<u>1,611,503</u>	<u>1,388,779</u>
<b>EXPENSES</b>				
Program services	1,206,684	-	1,206,684	1,191,796
Support services	365,327	-	365,327	181,989
Total expenses	<u>1,572,011</u>	<u>-</u>	<u>1,572,011</u>	<u>1,373,785</u>
Less Contribution to Community Foundation of Central Florida	10,000	-	10,000	-
Increase (decrease) in net assets	85,892	(56,400)	29,492	14,994
Net assets, beginning of year	<u>2,176,903</u>	<u>88,900</u>	<u>2,265,803</u>	<u>2,250,809</u>
Net assets, end of year	<u>\$ 2,262,795</u>	<u>\$ 32,500</u>	<u>\$ 2,295,295</u>	<u>\$ 2,265,803</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, 2008 and 2007**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2008</b>	<b>2007</b>
Increase in net assets	\$ 29,492	\$ 14,994
Adjustments to reconcile increase in net assets to net cash provided by operations:		
Depreciation and amortization	28,521	26,529
Amortization of discount mortgage loans	(77,234)	(87,759)
Change in operating assets and liabilities:		
Mortgages receivable	(21,790)	44,498
Grants receivable	(121,711)	-
Land for development	(228,360)	147,802
Houses owned by Affiliate	(99,541)	71,954
Construction in process	(136,028)	(84,804)
Prepaid and other assets	(4,053)	(6,850)
Accounts payable	74,096	(25,232)
Deferred revenue	141,388	-
Accrued expenses	66,712	134
	(348,508)	101,266
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Redemption of certificates of deposit	107,348	41,822
Purchase of property and equipment	(35,137)	(4,208)
	72,211	37,614
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on long-term debt	(16,047)	(13,447)
	(16,047)	(13,447)
Net increase (decrease) in cash and cash equivalents	(292,344)	125,433
Cash and cash equivalents:		
Beginning of year	387,114	261,681
End of year	\$ 94,770	\$ 387,114
Supplemental cash flow information:		
Cash paid for interest	\$ 22,460	\$ 28,005
Foreclosure of mortgages	\$ -	\$ 42,093
New Mortgages	\$ 371,987	\$ 301,551

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	Total	Mgmt and General	Fund Raising	Total	
Construction costs	\$ 578,417	\$ -	\$ -	\$ 578,417	\$ -	\$ -	\$ -	\$ 578,417
Salaries and related costs	207,014	7,916	202,170	417,100	72,301	93,945	166,246	583,346
Homeowners expenses	16,055	1,665	-	17,720	-	-	-	17,720
Tithe to Habitat International	25,200	-	-	25,200	-	-	-	25,200
Occupancy	3,931	-	30,035	33,966	31,449	3,931	35,380	69,346
Telephone	250	-	5,195	5,445	7,036	250	7,286	12,731
Supplies	732	-	-	732	7,467	330	7,797	8,529
Postage	40	-	-	40	1,824	56	1,880	1,920
Printing and promotions	-	-	7,581	7,581	9,226	21,106	30,332	37,913
Travel	11,875	-	2,181	14,056	13,657	2,150	15,807	29,863
Meetings/Training	-	-	-	-	9,898	266	10,164	10,164
Data Processing	-	-	-	-	6,736	-	6,736	6,736
Outside services	-	-	3,090	3,090	37,613	6,720	44,333	47,423
Depreciation and amortization	-	-	21,209	21,209	7,312	-	7,312	28,521
Insurance	9,489	-	23,730	33,219	13,954	-	13,954	47,173
Vehicle	-	-	10,006	10,006	-	-	-	10,006
Interest expense	150	-	22,310	22,460	-	-	-	22,460
Maintenance and small tools	3,856	-	-	3,856	3,700	120	3,820	7,676
Miscellaneous	9,854	2,036	697	12,587	14,140	140	14,280	26,867
<b>Total Expenses</b>	<b>\$ 866,863</b>	<b>\$ 11,617</b>	<b>\$ 328,204</b>	<b>\$ 1,206,684</b>	<b>\$ 236,313</b>	<b>\$ 129,014</b>	<b>\$ 365,327</b>	<b>\$ 1,572,011</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, 2007

	Program Services				Support Services			Total Expenses
	Construction and Homeowner Activities	Family Support and Education	Store Operations	Total	Management and General	Fund Raising	Total	
Construction costs	\$ 551,421	\$ -	\$ -	\$ 551,421	\$ -	\$ -	\$ -	\$ 551,421
Salaries and related costs	192,904	-	173,987	366,891	40,138	64,275	104,413	471,304
Homeowners expenses	-	3,845	-	3,845	-	-	-	3,845
Tithe to Habitat International	29,400	-	-	29,400	-	-	-	29,400
Occupancy	14,794	-	29,215	44,009	3,204	4,192	7,396	51,405
Telephone	3,988	-	7,897	11,885	1,130	864	1,994	13,879
Supplies	5,383	-	2,007	7,390	2,090	1,319	3,409	10,799
Postage	-	-	-	-	1,053	350	1,403	1,403
Printing and promotions	-	-	15,031	15,031	3,625	26,875	30,500	45,531
Travel	12,758	-	2,327	15,085	1,561	3,442	5,003	20,088
Outside services	30,036	-	3,595	33,631	10,784	-	10,784	44,415
Depreciation and amortization	-	-	26,090	26,090	439	-	439	26,529
Insurance	10,906	-	5,302	16,208	10,632	621	11,253	27,461
Vehicle	-	-	17,582	17,582	-	-	-	17,582
Interest expense	-	-	28,005	28,005	-	-	-	28,005
Maintenance and small tools	4,303	-	2,017	6,320	1,220	932	2,152	8,472
Miscellaneous	6,941	-	12,062	19,003	1,462	1,781	3,243	22,246
<b>Total Expenses</b>	<b>\$ 862,834</b>	<b>\$ 3,845</b>	<b>\$ 325,117</b>	<b>\$ 1,191,796</b>	<b>\$ 77,338</b>	<b>\$ 104,651</b>	<b>\$ 181,989</b>	<b>\$ 1,373,785</b>

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, 2008 and 2007**

**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, 2008 and 2007**

**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, 2008 and 2007**

**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, 2008 and 2007**

**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 \$100,000 (\$250,000, subsequent to June 30, 2008). From time to time these funds may exceed FDIC limits, as of June 30, 2008; the Organization's deposits at one financial institution were in excess of the insured limits by approximately \$5,000.

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, 2008 and 2007**

**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 \$1,700,000 and \$1,400,000 as of June 30, 2008 and 2007, 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, 2008, the balances due on the mortgages were scheduled to be paid as follows:

<b>Year Ended June 30,</b>	<b>Mortgage Payment</b>
2009	\$ 116,803
2010	116,803
2011	116,506
2012	115,303
2013	115,303
Thereafter	960,989
Less discount	(685,247)
Total	\$ 856,460

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment as of June 30 consist of:

	<b>2008</b>	<b>2007</b>
Land	\$ 133,128	\$ 133,128
Buildings	682,743	671,908
Fixtures and equipment	45,365	30,437
Vehicles	41,621	30,828
	902,857	866,301
Accumulated depreciation	(175,978)	(147,357)
	\$ 726,879	\$ 718,944

Depreciation expense for the years ended June 30, 2008 and 2007 was \$28,521 and \$26,529.

**Habitat for Humanity in Seminole County, Florida, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2008 and 2007**

**NOTE 4 – NOTES PAYABLE**

Notes payable consist of the following at June 30:

	<b>2008</b>	<b>2007</b>
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	\$ 437,345
Unsecured note payable, with monthly principal payments of \$52, with no interest, with a final payment due Dec 2008.	316	940
	422,238	438,285
Current portion	(422,238)	(13,287)
Long-term portion	\$ -	\$ 424,998

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

Year Ended June 30,	
2009	\$ 422,238
	\$ 422,238

**NOTE 5 – RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets relate to contributions received designated for certain home construction. As of June 30, 2008 and 2007, 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.

**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. For the years ended June 30, 2008 and 2007 the Organization contributed approximately \$25,000 and \$30,000 to Habitat International. As of June 30, 2008 all \$25,000 has been accrued and reflected in the category accrued expenses within the accompanying financial statements

Habitat for Humanity in Seminole County, Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 and 2007

**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 \$3,800 for the year ended June 30, 2008. The following is a schedule by years of future minimum rentals under the leases at June 30, 2008:

Year Ended June 30,	
2009	\$ 3,804
2010	3,804
2011	<u>1,578</u>
	<u>\$ 9,186</u>

The Organization leases its administrative offices under a non-cancelable lease. Rental expense under this lease amounted to approximately \$30,000 for the year ended June 30, 2008. Future obligations over the primary terms of the lease as of June 30, 2008 consist of the following:

Year Ended June 30,	
2009	\$ 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 \$2,500.

**NOTE 9 – OTHER COMMITMENTS / CONTINGENCIES**

The Organization has a \$500,000 line of credit from a local financial institution, collateralized by its assets. The line of credit is due on demand and must be renewed annually. At June 30, 2008 \$0 was outstanding on the line of credit.

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.

Habitat for Humanity in Seminole County, Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 and 2007

**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 \$7,000.

**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.

Contribution June 2008	\$ 10,000
Investment returns	(933)
Distributions	-
Fees	<u>(33)</u>
Fair Market Value September 30, 2008	<u>\$ 9,034</u>