

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

FINANCIAL STATEMENTS

June 30, 2007 and 2006

Greene, Dycus & Co., P.A.

Certified Public Accountants

205 North Elm Ave., Sanford, FL 32771

407-322-0561



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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, 2007 and 2006 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, 2007 and 2006, 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
August 8, 2007

Habitat for Humanity in Seminole County, Florida, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30, 2007 and 2006

ASSETS

| | 2007 | 2006 |
|--|---------------------|---------------------|
| CURRENT ASSETS | | |
| Cash and equivalents - unrestricted | \$ 298,214 | \$ 155,208 |
| Cash and equivalents - restricted | 88,900 | 106,473 |
| Total cash and cash equivalents | 387,114 | 261,681 |
| Certificates of deposit - unrestricted | 164,515 | 206,337 |
| Land for development | 228,782 | 376,584 |
| Construction in process | 360,874 | 276,070 |
| Current mortgages receivable, net | 105,711 | 96,988 |
| Houses owned by Affiliate | 101,857 | 173,811 |
| Prepaid and other assets | 10,604 | 3,754 |
| Total current assets | <u>1,359,457</u> | <u>1,395,225</u> |
| NONCURRENT ASSETS | | |
| Long-term mortgages receivable, net | 651,724 | 617,187 |
| Property and equipment, net | 718,944 | 739,948 |
| Loan Costs, net | 3,800 | 5,118 |
| Total noncurrent assets | <u>1,374,468</u> | <u>1,362,253</u> |
| Total assets | <u>\$ 2,733,925</u> | <u>\$ 2,757,478</u> |

LIABILITIES AND NET ASSETS

| | | |
|----------------------------------|---------------------|---------------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 7,669 | \$ 32,903 |
| Accrued expenses | 22,168 | 22,034 |
| Notes payable, current | 13,287 | 12,183 |
| Total current liabilities | 43,124 | 67,120 |
| Notes payable, long term | 424,998 | 439,549 |
| Total liabilities | <u>468,122</u> | <u>506,669</u> |
| NET ASSETS | | |
| Unrestricted | 2,176,903 | 2,144,336 |
| Temporarily restricted | 88,900 | 106,473 |
| Total net assets | <u>2,265,803</u> | <u>2,250,809</u> |
| Total liabilities and net assets | <u>\$ 2,733,925</u> | <u>\$ 2,757,478</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, 2007 and 2006

| | 2007 | | | 2006 |
|---|---------------------|------------------------|---------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Total | Total |
| REVENUES AND SUPPORT | | | | |
| Store sales | \$ 370,269 | \$ - | \$ 370,269 | \$ 393,209 |
| Transfers to homeowners | 119,139 | - | 119,139 | 84,628 |
| Donations | 238,129 | 167,750 | 405,879 | 415,669 |
| Grants | 265,996 | - | 265,996 | 233,431 |
| Amortization of mortgage interest | 87,759 | - | 87,759 | 63,914 |
| Special events, net of costs of of \$31,635 and \$42,495 | 47,693 | - | 47,693 | 39,925 |
| Interest income | 16,162 | - | 16,162 | 13,392 |
| Other income | 3,240 | - | 3,240 | 5,335 |
| Income from second mortgage | 24,468 | - | 24,468 | 32,870 |
| In-kind contributions | 48,174 | - | 48,174 | 44,034 |
| Net assets released from restrictions: | | | | |
| Restrictions satisfied by payments | 185,323 | (185,323) | - | - |
| Total revenues and support | <u>1,406,352</u> | <u>(17,573)</u> | <u>1,388,779</u> | <u>1,326,407</u> |
| EXPENSES | | | | |
| Program services | 1,191,796 | - | 1,191,796 | 649,251 |
| Support services | 181,989 | - | 181,989 | 200,177 |
| Total expenses | <u>1,373,785</u> | <u>-</u> | <u>1,373,785</u> | <u>849,428</u> |
| Increase (decrease) in net assets | 32,567 | (17,573) | 14,994 | 476,979 |
| Net assets, beginning of year | <u>2,144,336</u> | <u>106,473</u> | <u>2,250,809</u> | <u>1,773,830</u> |
| Net assets, end of year | <u>\$ 2,176,903</u> | <u>\$ 88,900</u> | <u>\$ 2,265,803</u> | <u>\$ 2,250,809</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, 2007 and 2006

| CASH FLOWS FROM OPERATING ACTIVITIES | <u>2007</u> | <u>2006</u> |
|---|-------------------|-------------------|
| Increase in net assets | \$ 14,994 | \$ 476,979 |
| Adjustments to reconcile increase in net assets to net cash provided by operations: | | |
| Depreciation and amortization | 26,529 | 24,586 |
| Amortization of discount mortgage loans | (87,759) | (63,914) |
| Change in operating assets and liabilities: | | |
| Mortgages receivable | 44,498 | 105,054 |
| Land for development | 147,802 | (293,463) |
| Houses owned by Affiliate | 71,954 | (122,967) |
| Construction in process | (84,804) | (123,110) |
| Prepaid and other assets | (6,850) | 19,274 |
| Accounts payable | (25,232) | 20,907 |
| Accrued expenses | 134 | 7,613 |
| | <u>101,266</u> | <u>50,959</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Redemption (purchase) of certificates of deposit | 41,822 | (4,963) |
| Purchase of property and equipment | (4,208) | (13,643) |
| | <u>37,614</u> | <u>(18,606)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Refund of escrow deposits | - | 2,436 |
| Payments on long-term debt | (13,447) | (24,684) |
| | <u>(13,447)</u> | <u>(22,248)</u> |
| Net increase in cash and cash equivalents | 125,433 | 10,105 |
| Cash and cash equivalents: | | |
| Beginning of year | <u>261,681</u> | <u>251,576</u> |
| End of year | <u>\$ 387,114</u> | <u>\$ 261,681</u> |
| Supplemental cash flow information: | | |
| Cash paid for interest | <u>\$ 28,005</u> | <u>\$ 27,841</u> |
| Foreclosure of mortgages | <u>\$ 42,093</u> | <u>\$ -</u> |
| New Mortgages | <u>\$ 301,551</u> | <u>\$ 49,354</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, 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 |
| Total Expenses | \$ 862,834 | \$ 3,845 | \$ 325,117 | \$ 1,191,796 | \$ 77,338 | \$ 104,651 | \$ 181,989 | \$ 1,373,785 |

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, 2006

| | 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 | \$ 158,150 | \$ - | \$ - | \$ 158,150 | \$ - | \$ - | \$ - | \$ 158,150 |
| Salaries and related costs | 120,208 | - | 168,407 | 288,615 | 60,022 | 65,172 | 125,194 | 413,809 |
| Homeowners expenses | - | 4,264 | - | 4,264 | - | - | - | 4,264 |
| Title to Habitat International | 5,889 | - | - | 5,889 | - | - | - | 5,889 |
| Occupancy | 7,396 | - | 28,518 | 35,914 | 5,633 | 1,804 | 7,437 | 43,351 |
| Telephone | 2,759 | - | 13,471 | 16,230 | 1,938 | 975 | 2,913 | 19,143 |
| Supplies | 1,840 | - | 4,003 | 5,843 | 2,854 | 371 | 3,225 | 9,068 |
| Postage | 838 | - | 545 | 1,383 | 651 | 244 | 895 | 2,278 |
| Printing and promotions | 579 | - | 5,370 | 5,949 | 2,278 | 26,740 | 29,018 | 34,967 |
| Travel | 6,560 | - | 1,666 | 8,226 | 1,377 | 1,058 | 2,435 | 10,661 |
| Outside services | 4,147 | - | 2,732 | 6,879 | 4,226 | 1,011 | 5,237 | 12,116 |
| Depreciation and amortization | - | - | 20,785 | 20,785 | 3,801 | - | 3,801 | 24,586 |
| Insurance | 19,726 | 3,331 | 7,154 | 30,211 | 8,596 | 819 | 9,415 | 39,626 |
| Vehicle | - | - | 12,390 | 12,390 | - | - | - | 12,390 |
| Interest expense | 305 | - | 27,536 | 27,841 | - | - | - | 27,841 |
| Maintenance and small tools | 2,939 | - | 4,929 | 7,868 | 5,280 | - | 5,280 | 13,148 |
| Miscellaneous | 4,567 | - | 8,247 | 12,814 | 3,254 | 2,073 | 5,327 | 18,141 |
| Total Expenses | \$ 335,903 | \$ 7,595 | \$ 305,753 | \$ 649,251 | \$ 99,910 | \$ 100,267 | \$ 200,177 | \$ 849,428 |

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, 2007 and 2006

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, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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.

Habitat for Humanity in Seminole County, Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributed Services and Materials - continued

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.

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.

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. As of June 30, 2007, the Organization's deposits at two financial institutions were in excess of the insured limits by approximately \$330,000.

Estimates in the Financial Statements

The preparation of financial statements in conformity with 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

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, 2007 and 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 paid back over an established and mutually agreed period of time. These mortgages are typically paid back 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 loan 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.

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 \$1,400,000 and \$1,100,000 as of June 30, 2007 and 2006, 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 too single family residential properties in Seminole County Florida. At June 30, 2007, the balances due on the mortgages were scheduled to be paid as follows:

| Year Ended June 30, | Mortgage Payment |
|------------------------|---------------------|
| 2008 | \$ 105,711 |
| 2009 | 105,711 |
| 2010 | 105,262 |
| 2011 | 102,711 |
| 2012 | 102,711 |
| Thereafter | 829,684 |
| Less discount | (594,355) |
| Total | <u>\$ 757,435</u> |

Habitat for Humanity in Seminole County, Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 and 2006

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment as of June 30 consist of:

| | <u>2007</u> | <u>2006</u> |
|--------------------------|-------------------|-------------------|
| Land | \$ 133,128 | \$ 133,128 |
| Buildings | 671,908 | 670,908 |
| Fixtures and equipment | 30,437 | 39,431 |
| Vehicles | 30,828 | 30,828 |
| | <u>866,301</u> | <u>874,295</u> |
| Accumulated depreciation | (147,357) | (134,347) |
| | <u>\$ 718,944</u> | <u>\$ 739,948</u> |

Depreciation expense for the years ended June 30, 2007 and 2006 was \$25,211 and \$23,976.

NOTE 4 – NOTES PAYABLE

Notes payable consist of the following at June 30:

| | | |
|--|-------------------|-------------------|
| payable with a final balloon payment March 20, 2009. This loan is collateralized by the Thrift Store Building. | \$ 437,345 | \$ 449,952 |
| Unsecured note payable, with monthly principal payments of \$52, with no interest, with a final payment due June 2009. | 940 | 1,512 |
| Note payable to Habitat International payable in quarterly installments of \$2,436 including principal and interest at 3.875%, secured by pledged mortgages receivable, and final payment due December 2006. | <u>-</u> | <u>268</u> |
| | 438,285 | 451,732 |
| Current portion | <u>(13,287)</u> | <u>(12,183)</u> |
| Long-term portion | <u>\$ 424,998</u> | <u>\$ 439,549</u> |

Habitat for Humanity in Seminole County, Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 and 2006

NOTE 4 – NOTES PAYABLE - continued

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

| Year Ended June 30, | |
|------------------------|-------------------|
| 2008 | \$ 13,287 |
| 2009 | 424,998 |
| | <u>\$ 438,285</u> |

NOTE 5 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets relate to contributions received designated for certain home construction. As of June 30, 2007 and 2006, 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, 2007 and 2006 the Organization contributed approximately \$30,000 and \$6,000 to Habitat International.

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 \$3,000 for the year ended June 30, 2007. The following is a schedule by years of future minimum rentals under the leases at June 30, 2007:

| Year Ended June 30, | |
|------------------------|------------------|
| 2008 | \$ 3,804 |
| 2009 | 3,804 |
| 2010 | 3,804 |
| 2011 | 1,578 |
| | <u>\$ 12,990</u> |

Habitat for Humanity in Seminole County, Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 and 2006

NOTE 7– OPERATING LEASE COMMITMENTS - continued

The Organization leases its administrative offices under a 62-month non-cancelable lease. Rental expense under this lease amounted to approximately \$17,000 for the year ended June 30, 2007. Future obligations over the primary terms of the lease as of June 30, 2007 consist of the following:

| Year Ended June 30, | |
|------------------------|------------------|
| 2007 | \$ 16,820 |
| 2008 | 7,010 |
| | <u>\$ 23,830</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 \$11,000. One of the Principals of a home design firm utilized by the Organization is a board member. Fees paid to this related party were approximately \$8,600.

NOTE 9 – OTHER COMMITMENTS

The Organization has a \$250,000 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, 2007 \$0 was outstanding on the line of credit. Subsequent to year end the Organization chose not to renew this agreement and executed a \$500,000 line of credit with another local financial institution.

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 \$6,000.

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. As a result, continued contributions may be affected by the economy of this region.

In addition, all of the mortgages receivable, reflected in the accompanying financial statements, relate to residential properties within Seminole County, Florida.

Habitat for Humanity in Seminole County, Florida, Inc.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 and 2006

NOTE 12 – OTHER ITEMS

The Organization incurred an unanticipated nonrecurring cost related to preparing a property for construction. As such, the accompanying financial statements contain a provision for an impairment loss of \$102,000.