

**GREATER FOX CITIES AREA
HABITAT FOR HUMANITY, INC.**

FINANCIAL STATEMENTS

Year Ended June 30, 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Greater Fox Cities Area Habitat for Humanity, Inc.
Menasha, Wisconsin

We have audited the accompanying statement of financial position of Greater Fox Cities Area Habitat for Humanity, Inc. (the Organization) (a not-for-profit corporation) as of June 30, 2009 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Organization's June 30, 2008 financial statements and, in our report dated October 10, 2008, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater Fox Cities Area Habitat for Humanity, Inc. as of June 30, 2009 and the changes in its net assets and its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

Schenck SC

Certified Public Accountants

Appleton, Wisconsin
October 7, 2009



GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

STATEMENT OF FINANCIAL POSITION
 June 30, 2009
 With Comparative Totals as of June 30, 2008

ASSETS	<u>2009</u>	<u>2008</u>
Cash	\$ 251,071	\$ 222,842
Certificate of deposit	75,000	-
Accounts receivable	24,076	3,305
Contributions and grants receivable	44,000	57,000
Prepaid expenses	25,108	7,135
ReStore inventory	88,050	109,487
Home construction in process	315,565	288,087
Land for development	372,270	480,869
Property and equipment, net	347,304	76,087
Deposits	13,793	10,169
Investment	48,950	48,950
Mortgage loans receivable, net	<u>2,258,242</u>	<u>1,876,012</u>
Total assets	<u>\$ 3,863,429</u>	<u>\$ 3,179,943</u>
LIABILITIES AND NET ASSETS		
<u>Liabilities</u>		
Accounts payable	\$ 118,085	\$ 155,223
Accrued payroll	16,514	12,694
Mortgage escrows	140,067	122,194
Other liabilities	1,806	2,074
Lines of credit	99,479	69,615
Notes payable	<u>479,373</u>	<u>257,906</u>
Total liabilities	<u>855,324</u>	<u>619,706</u>
<u>Net assets</u>		
Unrestricted	2,899,473	2,527,228
Temporarily restricted	<u>108,632</u>	<u>33,009</u>
Total net assets	<u>3,008,105</u>	<u>2,560,237</u>
Total liabilities and net assets	<u>\$ 3,863,429</u>	<u>\$ 3,179,943</u>

See notes to financial statements.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

With Comparative Totals for the Year Ended June 30, 2008

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Totals</u>	
			<u>2009</u>	<u>2008</u>
<u>Support and other revenue</u>				
Contributions	\$ 895,443	\$ 64,632	\$ 960,075	\$ 998,601
Grants	305,298	44,000	349,298	334,939
In-kind contributions	78,364	-	78,364	83,788
Special events	32,801	-	32,801	33,325
Sales to homeowners	1,202,598	-	1,202,598	1,182,702
Mortgage loans discount amortization	132,987	-	132,987	111,891
ReStore income	483,140	-	483,140	425,930
Investment and interest income	10,987	-	10,987	11,129
Gain on sale of assets	13,734	-	13,734	39,025
Other income	3,356	-	3,356	2,868
Net assets released from restrictions	<u>33,009</u>	<u>(33,009)</u>	<u>-</u>	<u>-</u>
Total support and other revenue	<u>3,191,717</u>	<u>75,623</u>	<u>3,267,340</u>	<u>3,224,198</u>
<u>Expenses</u>				
Program services - Housing	2,172,070	-	2,172,070	1,984,529
Program services - ReStore	436,642	-	436,642	378,800
Management and general	115,238	-	115,238	88,201
Fundraising	<u>95,522</u>	<u>-</u>	<u>95,522</u>	<u>85,774</u>
Total expenses	2,819,472	-	2,819,472	2,537,304
Change in net assets	372,245	75,623	447,868	686,894
<u>Net assets</u>				
Beginning of year	<u>2,527,228</u>	<u>33,009</u>	<u>2,560,237</u>	<u>1,873,343</u>
End of year	<u>\$ 2,899,473</u>	<u>\$ 108,632</u>	<u>\$ 3,008,105</u>	<u>\$ 2,560,237</u>

See notes to financial statements.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2009

With Comparative Totals for the Year Ended June 30, 2008

	Program	Program	Management	Fund-	Totals	
	Services - Housing	Services - ReStore	and General		raising	2009
Salaries and wages	\$ 222,332	\$150,061	\$ 55,274	\$ 51,605	\$ 479,272	\$ 377,465
Employee benefits	35,412	32,458	9,318	11,578	88,766	66,170
Payroll taxes	21,277	10,506	4,005	3,629	39,417	32,279
Cost of homes transferred	1,249,872	-	-	-	1,249,872	1,155,349
Mortgage loans discount	435,962	-	-	-	435,962	436,578
Professional fees	-	-	19,915	-	19,915	17,800
Supplies	4,878	7,750	2,378	811	15,817	8,348
Telephone	946	7,526	554	201	9,227	9,965
Postage	4,880	5,648	1,983	5,664	18,175	8,283
Occupancy	11,144	129,962	4,814	3,450	149,370	147,323
Insurance	7,508	2,494	459	-	10,461	8,392
Property tax	11,958	25,308	-	-	37,266	32,281
Equipment costs	12,442	9,439	1,013	607	23,501	11,612
Printing	8,070	2,568	1,203	6,422	18,263	15,387
Advertising	3,191	6,532	9,648	5,268	24,639	18,975
Travel	27,808	13,310	1,538	419	43,075	34,919
Conference and convention	2,385	1,832	1,199	647	6,063	1,721
Tithe to HFHI	53,824	-	-	-	53,824	67,035
Interest	9,183	45	191	173	9,592	16,654
Depreciation	13,135	11,388	92	66	24,681	21,427
Other	<u>35,863</u>	<u>19,815</u>	<u>1,654</u>	<u>4,982</u>	<u>62,314</u>	<u>49,341</u>
Total functional expenses	<u>\$2,172,070</u>	<u>\$436,642</u>	<u>\$ 115,238</u>	<u>\$ 95,522</u>	<u>\$2,819,472</u>	<u>\$2,537,304</u>

See notes to financial statements.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2009

With Comparative Totals for the Year Ended June 30, 2008

	<u>2009</u>	<u>2008</u>
<u>Operating activities</u>		
Change in net assets	\$ 447,868	\$ 686,894
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	24,681	21,427
Discount on mortgage loans receivable	435,962	436,578
Amortization of mortgage loans discount	(132,987)	(111,891)
Non-cash sales to homeowners	(1,014,127)	(901,780)
Gain on sale of assets	(13,734)	(39,025)
Decrease (increase) in:		
Accounts receivable	(20,771)	5,083
Contributions and grants receivable	13,000	(50,019)
Prepaid expenses	(17,973)	(4,324)
ReStore inventory	21,437	23,175
Home construction in process	(27,478)	22,495
Land for development	106,200	(223,089)
Deposits	(3,624)	-
Increase (decrease) in:		
Accounts payable	(37,138)	(21,336)
Accrued payroll	3,820	2,654
Mortgage escrows	17,873	19,114
Other liabilities	(268)	314
Net cash used for operating activities	<u>(197,259)</u>	<u>(133,730)</u>
<u>Investing activities</u>		
Purchase of certificate of deposit	(75,000)	-
Purchase of property and equipment	(283,983)	(13,095)
Proceeds from sale of equipment	300	-
Collections received on mortgage loans receivable	328,922	248,789
Collections on second mortgage	22,297	30,052
Proceeds from sale of home held for resale	-	62,837
Net cash provided by (used for) investing activities	<u>(7,464)</u>	<u>328,583</u>

See notes to financial statements.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

STATEMENT OF CASH FLOWS, CONTINUED

Year Ended June 30, 2009

With Comparative Totals for the Year Ended June 30, 2008

	<u>2009</u>	<u>2008</u>
<u>Financing activities</u>		
Proceeds from line of credit	\$ 198,536	\$ 248,471
Payments on line of credit	(168,672)	(328,856)
Proceeds from notes payable	291,836	42,029
Payments on notes payable	<u>(88,748)</u>	<u>(63,120)</u>
Net cash provided by (used for) financing activities	<u>232,952</u>	<u>(101,476)</u>
<u>Cash</u>		
Net increase	28,229	93,377
Beginning of year	<u>222,842</u>	<u>129,465</u>
End of year	<u>\$ 251,071</u>	<u>\$ 222,842</u>
<u>Supplemental cash flow information</u>		
Cash paid for interest	\$ 9,592	\$ 16,654
<u>Non-cash investing and financing activities</u>		
Debt financed purchase of vehicle	\$ 18,379	\$ -
Sales to homeowners for which mortgage loans receivable were obtained	\$1,014,127	\$ 901,780

See notes to financial statements.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1 - Nature of activities and significant accounting policies

A. Nature of activities

Greater Fox Cities Area Habitat for Humanity, Inc. (Organization) is a charitable organization located in Menasha, Wisconsin that is an affiliate of Habitat for Humanity International, Inc. (HFHI). The Organization is a non-denominational Christian not-for-profit organization whose purpose is to create decent, affordable housing in partnership with those in need and to make decent shelter a matter of conscience with people everywhere.

Although HFHI assists with information resources, training, publications, prayer support, and in other ways, the Organization is primarily and directly responsible for its own operations. Such operations are conducted within the Fox Cities area and include acquisition of real estate to be improved upon, purchase of building materials, organization of construction/rehabilitation labor (volunteer and paid), financing of the sale of its completed projects and education of partner families. The Organization targets those in very low income economic groups, selling homes at no profit and financing them with non-interest bearing loans.

The Organization also operates a resale store (ReStore) open to the public located in Appleton, Wisconsin. All of the items sold in ReStore are donated.

The Organization is supported primarily through contributions, grants, sales from its resale store and homeowner mortgage payments.

B. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

C. Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

D. Basis of presentation

The Organization is required to report information regarding its net assets and its activities in the following three classes of net assets:

Unrestricted net assets – net assets that are neither temporarily nor permanently restricted by donor-imposed stipulations.

Temporarily restricted net assets – net assets that result from contributions whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2009

Note 1 - Nature of activities and significant accounting policies, continued

D. Basis of presentation, continued

Permanently restricted net assets – net assets resulting from contributions whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled and removed by actions of the Organization.

The Organization has only unrestricted and temporarily restricted net assets at June 30, 2009.

E. Contributions and grants receivable

Unconditional promises to give are recognized as revenue and as assets in the period promised. Conditional promises to give are recognized only when the conditions on which they depend are substantially met.

F. ReStore inventory

Inventory, consisting of construction and home improvement items, is donated to the Organization throughout the year. At the end of its fiscal year, the Organization estimates the value of donated goods on hand based on the estimated retail value.

G. Property and equipment and depreciation

All acquisitions of property and equipment in excess of \$1,000 are capitalized while all expenditures for repairs and maintenance that do not materially prolong the useful lives of assets are expensed. Purchased property and equipment is carried at cost. Donated property and equipment is carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated lives of the assets.

H. Investment

The Organization's investment consists of a minor interest in a limited partnership. The Organization carries its investment in the limited partnership at the lower of the fair value as of the date the investment was donated to the Organization (cost) or market value. The Organization's risk of loss is limited to the carrying amount of the investment. There is not a public market for this investment. Because the investment in the limited partnership is not readily marketable, its estimated value is subject to uncertainty and, therefore may differ from the value that would have been used had a ready market for such investment been available. Such differences could be material.

I. Mortgage loans receivable

Mortgage loans receivable consists of loans secured by real estate. These mortgages are not actively marketed by third party investors. The loan terms include maturities of 180-360 months and are non-interest bearing. Since the mortgage loans are non-interest bearing, they are discounted using a rate determined annually by Habitat for Humanity International, Inc.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2009

Note 1 - Nature of activities and significant accounting policies, continued

I. Mortgage loans receivable, continued

The Organization aims to sell homes at no profit by setting the home sale price at the estimated cost to build. The Organization holds a second mortgage for each first mortgage currently outstanding. The second mortgage represents the difference between the fair value of the home at the time of the original sale and the actual sale price. These second mortgages are not recorded. The second mortgage would take effect if the homeowner sells, refinances, defaults, or the home is no longer their primary residence before a stipulated time period. The second mortgage is collected after the first mortgage is satisfied, and after certain other liens are satisfied. The second mortgages are designed to prevent the homeowner from selling the home and reaping a substantial benefit. The value of the second mortgages not recorded total \$3,373,243 at June 30, 2009.

J. Contribution recognition

Contributions are recognized as revenue when they are received or unconditionally promised. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers provided services to the Organization throughout the year that have not been recognized as contributions in the financial statements since the recognition criteria were not met. The Organization estimates that 48,760 volunteer hours were contributed during the year ended June 30, 2009 that did not meet the recognition criteria.

K. Other revenue recognition

The Organization recognizes sales to homeowners when title and risk transfer to the homeowner.

L. Advertising

The Organization uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred. During the year ended June 30, 2009, advertising costs totaled \$24,639.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2009

Note 1 - Nature of activities and significant accounting policies, continued

M. Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting activities benefited.

N. Presentation of sales tax

The Organization collects sales tax from certain customers and remits the entire amount to the appropriate governmental entities. The Organization's accounting policy is to exclude the tax collected and remitted from revenues and expenses.

O. Income tax status

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

P. Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements with no change in previously reported net assets or changes in net assets.

Q. Summarized comparative information

The financial statements include certain summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

R. Subsequent events

The Organization has evaluated events and transactions for potential recognition of disclosure in the financial statements through October 7, 2009, the date on which the financial statements were available to be issued.

Note 2 - Certificate of deposit

The Organization holds a certificate of deposit totaling \$75,000 at June 30, 2009. The certificate bears interest of 3% and has a maturity of seven months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2009

Note 3 - Contributions and grants receivable

Contributions and grants receivable at June 30, 2009 totaled \$44,000 and are receivable in less than one year. The Organization considers all of the contributions receivable at June 30, 2009 to be fully collectible; accordingly, no allowance for uncollectible contributions has been established.

At June 30, 2009, the Organization also had conditional promises to give of \$81,582 for the sponsorship of home construction. The promises to give are conditional on obtaining matching contributions and occupying the homes and will be included in the financial statements in future years when the conditions are met.

Note 4 - Home construction in process and land for development

The Organization purchases lots for construction. Costs that are incurred before construction begins are capitalized as part of the lot. After construction has begun, costs associated with the project are accumulated in a construction in process account on the statement of financial position until the construction is completed. These homes are then sold to those in need based upon the Organization's selection criteria. As of June 30, 2009, the total cost of home construction in process and land for development was \$315,565 and \$372,270, respectively.

Note 5 - Property and equipment

Property and equipment consists of the following at June 30, 2009 and the respective estimated useful lives are as follows:

		<u>Estimated Useful Lives</u>
Land	\$ 117,600	-
Building and improvements	136,136	10-40 years
Office equipment	67,831	3-7 years
Trucks and trailers	<u>125,788</u>	3-10 years
	447,355	
Less accumulated depreciation	<u>100,051</u>	
	<u>\$ 347,304</u>	

Depreciation expense on the above assets was \$24,681 for the year ended June 30, 2009.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2009

Note 6 - Mortgage loans receivable

Mortgage loans receivable at June 30, 2009 consist of the following:

Mortgage loans at gross	\$ 4,588,134
Less discount at rates of 7.77% to 8.53%	<u>(2,329,892)</u>
Mortgage loans receivable, net	<u>\$ 2,258,242</u>

Mortgage loans receivable were recorded at fair value using a discount rate of 7.77% during the year ended June 30, 2009 as directed by Habitat for Humanity International, Inc. The Organization considers all of the mortgage loans receivable at June 30, 2009 to be fully collectible; accordingly, no allowance for bad debts has been established.

Note 7 - Lines of credit

The Organization has a line of credit agreement with Community First Credit Union with an available line of \$125,000 of which \$99,479 was outstanding as of June 30, 2009. Interest is payable monthly at the prime rate minus 1% (2.25% at June 30, 2009). Unpaid interest and principal are due October 1, 2009. The line is secured by contributions and grants receivable.

The Organization has a line of credit agreement with Community First Credit Union with an available line of \$100,000 of which \$-0- was outstanding as of June 30, 2009. Interest is payable monthly at the prime rate minus 1% (2.25% at June 30, 2009). Unpaid interest and principal are due October 1, 2009. The line is secured by inventory, receipts, intangibles, and equipment.

The Organization has a line of credit agreement with Thrivent Financial Bank with an available line of \$100,000 of which \$-0- was outstanding as of June 30, 2009. Interest is payable monthly at the prime rate with a floor of 5% (5% at June 30, 2009). Unpaid interest and principal are due October 1, 2013. The line is unsecured.

The Organization has a line of credit agreement with Thrivent Financial Bank with an available line of \$10,000 of which \$-0- was outstanding as of June 30, 2009. Interest is payable monthly at 18%. Unpaid interest and principal are due March 13, 2013. The line is unsecured. This line of credit is for overdraft protection; the Organization does not intend to use this line as a traditional line of credit.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2009

Note 8 - Notes payable

Notes payable at June 30, 2009 consists of the following:

Habitat for Humanity International, Inc.:

Note payable due in quarterly installments of \$5,122, including interest at 3.25%, with a final payment of unpaid principal and interest due December 2010, secured by mortgage loans receivable	\$ 29,875
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Note payable due in quarterly installments of \$5,047, including interest at 3.89%, with a final payment of unpaid principal and interest due March 2013, secured by mortgage loans receivable	70,132
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Shop fund non-interest bearing notes due in varying monthly principal installments totaling approximately \$3,176, under repayment terms of 48 months, unsecured	107,509
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Community First Credit Union:

Note payable due in monthly installments of interest only at 4% until March 2010, and then monthly installments of \$1,798, including interest at 5.75%, with a final payment of unpaid principal and interest due June 2014, secured by a building	256,000
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Lyon Financial Services, Inc.:

Note payable due in monthly installments of \$381, including interest at 8.98%, with a final payment of unpaid principal and interest due September 2013, secured by a vehicle	<u>15,857</u>
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\$ 479,373

The future scheduled maturities of notes payable are as follows:

Year ending <u>June 30,</u>	
2010	\$ 74,996
2011	68,824
2012	57,357
2013	41,838
2014	<u>236,358</u>
	<u>\$ 479,373</u>

The Organization incurred \$9,592 in interest expense during the year ended June 30, 2009.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2009

Note 9 - Temporarily restricted net assets

Temporarily restricted net assets as of June 30, 2009 consist of the following:

Purpose restrictions:

Purchase of real estate and infrastructure in Neenah	\$ 95,573
Purchase of real estate and infrastructure in Appleton	8,009
Purchase of real estate and infrastructure in unspecified area	<u>5,050</u>
	<u>\$ 108,632</u>

Note 10 - Pension plan

The Organization has contract employees through another company. This company has a defined contribution pension plan covering substantially all the Organization's contract employees who work at least 1,000 hours during the plan year. The plan provides for a matching contribution by the Organization equal to 50% of the employee's total contribution with the maximum contribution being equal to 3% of the employee's total compensation. In addition, the plan provides for a safe harbor contribution equal to 3% of the employee's total compensation. For the year ended June 30, 2009, the Organization contributed \$22,908 to the plan.

Note 11 - Leases

The Organization leases office, warehouse, store space, and equipment under operating leases. These lease agreements provide for monthly rentals ranging from \$202 to \$6,250. Rent expense under these leases was \$105,934 during the year ended June 30, 2009. The lease for warehouse space is month-to-month and the leases for the store space and equipment expire in August 2012, and April 2012, respectively. As of June 30, 2009, the Organization no longer had an office lease.

Subsequent to June 30, 2009, the organization renewed the warehouse space lease with an expiration date of September 2010.

Future minimum lease payments under the new terms of the noncancelable operating leases with initial terms of one year or more are approximately as follows:

Year ending <u>June 30,</u>	
2010	\$ 93,430
2011	84,930
2012	80,025
2013	<u>13,000</u>
Total minimum payments required	<u>\$ 271,385</u>

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2009

Note 12 - Transactions with Habitat for Humanity International, Inc.

The Organization annually tithes 10% of its contributions (excluding restricted and in-kind contributions) to HFHI. These funds are used to construct homes in economically depressed areas around the world. For the year ended June 30, 2009, the Organization tithed \$53,824 to HFHI.

HFHI receives grants from the United States Department of Housing and Urban Development (HUD) in the Self-Help Homeownership Opportunity Program (SHOP). For the year ended June 30, 2009, HFHI made \$217,548 of these grants available to the Organization to purchase land for development.

The Organization has two interest bearing notes payable with HFHI (see note 8). For the year ended June 30, 2009, the Organization paid \$4,506 in interest to HFHI.

Note 13 – Accounting for uncertainty in income taxes

The Financial Accounting Standards Board (FASB) has issued FASB Interpretation No. 48, (FIN 48) *Accounting for Uncertainty in Income Taxes* (an interpretation of SFAS No. 109). FIN 48 increases the relevancy and comparability of financial reporting by clarifying the way organizations account for uncertainties in income tax positions taken or expected to be taken. It makes recognition and measurement more consistent as well as offering clear criteria for subsequently recognizing, derecognizing and measuring such tax positions for financial statement purposes. FIN 48 applies to corporations, not-for-profit entities, as well as pass-through entities, such as S corporations and limited liability companies. The Organization will be required to adopt FIN 48 as of July 1, 2009, with any cumulative effect of the change in accounting principle recorded as an adjustment to opening net assets. The Organization has not yet determined the impact of adoption of FIN 48 on the Organization's assets, liabilities, net assets, revenues, expenses and other changes in net assets.

As permitted by FIN 48 (as amended), the Organization has elected to defer the application of FIN 48 until issuance of its June 30, 2010 financial statements. For financial statements covering periods prior to fiscal year ended June 30, 2010, the Organization has evaluated uncertain tax positions in accordance with existing generally accepted accounting principles and makes such accruals and disclosures as might be required there under.

Note 14 - Fair value measurements

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157 (FAS-157), *Fair Value Measurements*. FAS-157 defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements. The Organization adopted the provisions of FAS-157 effective for the year beginning July 1, 2008.

GREATER FOX CITIES AREA HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

June 30, 2009

Note 15 - Functional classification of expenses

Expenses by function for the year ended June 30, 2009 was as follows:

Program services	\$ 2,608,712
Supporting activities:	
Management and general	115,238
Fundraising	<u>95,522</u>
	<u>\$ 2,819,472</u>