
**HABITAT FOR HUMANITY NEW YORK
CITY, INC.**

Combined Financial Statements

For the six months ended June 30, 2010

HABITAT FOR HUMANITY NEW YORK CITY, INC.

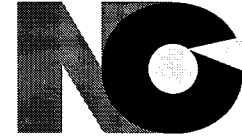
Contents

June 30, 2010

	Page
Independent Auditors' Report	1
Combined Statement of Financial Position.....	2
Combined Statement of Activities and Changes in Net Assets	3
Statement of Functional Expenses	4
Combined Statement of Cash Flows.....	5
Notes to Combined Financial Statement.....	6-15

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Independent Auditors' Report

To the Board of Directors
Habitat for Humanity New York City, Inc.
New York, New York

We have audited the accompanying combined statement of financial position of Habitat for Humanity New York City, Inc. and affiliated organizations (“Habitat”) as of June 30, 2010 and the related combined statements of activities, functional expenses and cash flows for the six months 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.

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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Habitat for Humanity New York City, Inc. and affiliated organizations as of June 30, 2010 and the changes in its net assets and its cash flows for the six months then ended in conformity with accounting principles generally accepted in the United States of America.

N. Cheng & Co., P.C.

New York, New York
August 20, 2010

HABITAT FOR HUMANITY NEW YORK CITY, INC.**Combined Statement of Financial Position**

June 30, 2010

Assets

Mortgages receivable, at fair value, less unamortized discounts of \$5,960,149 – Note 3	\$ 5,602,979
Construction in progress – Note 4	5,160,582
Foreclosed homes – Note 16	218,584
Cash - Homeowners' escrows and reserves	82,018
Cash and cash equivalents	6,681,112
Investments – Note 17	2,269,658
Grants and contributions receivable	254,471
Fixed assets – at cost, net of accumulated depreciation and amortization of \$220,955 – Note 7	142,857
Prepaid expenses	96,328
Security deposits	27,887
Deposits on notes payable – Note 15	<u>19,430</u>
Total assets	<u><u>\$ 20,555,906</u></u>

Liabilities and net assets**Liabilities**

Homeowners' escrow payable – Note 10	(\$ 29,768)
Homeowners' reserve payable – Note 11	7,620
Interim charges – Note 12	4,534
Savings plan contribution for family members – Note 13	52,871
Notes payable – Note 6	2,736,645
Accounts and accrued expenses payable	<u>491,720</u>
Total liabilities	<u>3,263,622</u>

Commitment and contingency – Note 5

Net assets

Unrestricted	14,680,454
Unrestricted Board designated – Note 18	<u>1,000,000</u>
Total unrestricted	15,680,454
Temporarily restricted – Note 8	<u>1,611,830</u>
Total net assets	<u>17,292,284</u>
Total liabilities and net assets	<u><u>\$ 20,555,906</u></u>

See accompanying notes to the financial statements.

HABITAT FOR HUMANITY NEW YORK CITY, INC.**Combined Statement of Activities**

For the six months ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Revenue and support			
Contributions and grants	\$ 630,452	\$ 353,750	\$ 984,202
Government subsidies		487,116	487,116
Mortgage discount amortization – Note 3	221,079		221,079
Interest income – Note 17	30,548		30,548
Other income	46,706		46,706
	<u>928,785</u>	<u>840,866</u>	<u>1,769,651</u>
Total revenue and support	928,785	840,866	1,769,651
Net assets released from restrictions	<u>1,543,711</u>	(<u>1,543,711</u>)	<u>-</u>
	<u>2,472,496</u>	(<u>702,845</u>)	<u>1,769,651</u>
Total revenue and support	2,472,496	(702,845)	1,769,651
Expenses			
Program services	4,298,232		4,298,232
Management and general	281,875		281,875
Fund raising	373,925		373,925
	<u>4,954,032</u>		<u>4,954,032</u>
Total expenses before capitalization	4,954,032		4,954,032
Capitalization of construction expenses	(<u>2,414,569</u>)		(<u>2,414,569</u>)
	<u>2,539,463</u>		<u>2,539,463</u>
Expenses – net of capitalization	2,539,463		2,539,463
Change in net assets from operation before unrealized gain	(66,967)	(702,845)	(769,812)
Unrealized gain – Note 17	<u>20,280</u>		<u>20,280</u>
	(46,687)	(702,845)	(749,532)
Change in net assets	(46,687)	(702,845)	(749,532)
Net assets at beginning of year	<u>15,727,141</u>	<u>2,314,675</u>	<u>18,041,816</u>
	<u>\$ 15,680,454</u>	<u>\$ 1,611,830</u>	<u>\$ 17,292,284</u>
Net assets at end of year	\$ 15,680,454	\$ 1,611,830	\$ 17,292,284

See accompanying notes to the financial statements.

HABITAT FOR HUMANITY NEW YORK CITY, INC.**Combined Statement of Functional Expenses**

For the six months ended June 30, 2010

	<u>Program services</u>	<u>Management and general</u>	<u>Fund raising</u>	<u>Total</u>
Salaries and wages	\$ 243,256	\$ 102,073	\$ 176,774	\$ 522,103
Payroll taxes and fringe benefits	<u>60,398</u>	<u>25,702</u>	<u>42,407</u>	<u>128,507</u>
Total personnel costs	303,654	127,775	219,181	650,610
Construction expenses	2,414,569			2,414,569
Americorps/Vista program expenses	51,383			51,383
Professional fees	24,622	95,811	20,325	140,758
Occupancy costs	35,371	35,371	35,372	106,114
Insurance	4,043	1,011		5,054
Interest expense	1,696			1,696
Office expenses	51,137	9,746	20,334	81,217
Lobbying expenses	175			175
Computer maintenance and software	16,527	918	918	18,363
Advertising	257	279		536
Staff training and education	1,310	1,310	1,310	3,930
Homeowner education, credit reports	1,523			1,523
Postage	4,217	235	234	4,686
Printing and duplicating	5,895	1,263	1,263	8,421
Special event indirect costs	2,518	504	301	3,323
Warranty items	8,315			8,315
Telephone	9,445	1,180	1,181	11,806
Travel and meetings	10,442	1,957	653	13,052
Newsletters and direct mail			68,338	68,338
Public relations	2,699	2,699	2,699	8,097
Homeowners' subsidy – Note 9	1,471,709			1,471,709
Depreciation and amortization expense	14,528	1,816	1,816	18,160
Bad debt expense	59,297			59,297
Indirect cost allocation	<u>(197,100)</u>			<u>(197,100)</u>
Total expenses	<u>\$ 4,298,232</u>	<u>\$ 281,875</u>	<u>\$ 373,925</u>	<u>\$ 4,954,032</u>

See accompanying notes to the financial statements.

HABITAT FOR HUMANITY NEW YORK CITY, INC.**Combined Statement of Cash Flows**

For the six months ended June 30, 2010

Cash flows from operating activities

Change in net assets (\$ 749,532)

Adjustments to reconcile change in net assets to
net cash provided by operating activities:

Depreciation expense	18,160
Bad debt expense	59,297
Unrealized gain	(20,280)
Change in mortgages receivable	146,627
Change in cash - homeowners' escrow and reserve	207,752
Change in grants and contributions receivable	26,521
Change in prepaid expenses	(49,045)
Change in accounts payable	240,269
Change in savings plan contributions payable	(6,982)
Change in homeowners' escrow payable	(1,829)
Change in homeowners' reserve payable	(35,339)
Change in interim charges	(15,793)
Change in construction in progress	959,972
Change in foreclosed homes	(74,423)

Net cash provided by operating activities 705,375**Cash flows from investing activities**

Acquisition of fixed assets (3,720)

Purchase of investments (476,743)Net cash (used in) investing activities (480,463)**Cash flows from financing activities**

Proceeds from construction loan 1,417,782

Loan payments (381,130)Net cash provided by financing activities 1,036,652

Net increase in cash and cash equivalents 1,261,564

Cash and cash equivalents at December 31, 2009 5,419,548Cash and cash equivalents at June 30, 2010 \$ 6,681,112**Supplemental cash flow disclosure**Cash paid during the year for interest \$ 1,696

See accompanying notes to the financial statements.

HABITAT FOR HUMANITY NEW YORK CITY, INC.

Notes to Combined Financial Statement

June 30, 2010

Note 1 Organization

Habitat for Humanity New York City, Inc. (“Habitat”) is a nonprofit interdenominational organization whose purpose is to encourage, promote and assist in the building and rehabilitation of housing for ownership by low income persons in New York City. Habitat is an affiliate of Habitat for Humanity International, Inc. (“HFH International”) located in Americus, Georgia.

Habitat is a privately operated and financed program that transfers such housing to low income persons (its “family partners”) at less than the cost of construction, providing them with no-interest mortgages. Habitat expects to continue financing its operations through continuing contributions and mortgage receipts.

Habitat is exempt from Federal income taxes under section 501(c)(3) of the Internal Revenue Code and has been classified as a publicly supported organization as described in Code Sections 509(a)(1) and 170(b)(A)(VI).

Note 2 Summary of significant accounting policies

Accrual basis. The financial statements have been prepared using the accrual basis of accounting.

Method of consolidation. The accompanying combined financial statements present the assets, liabilities, net assets, financial activities and cash flows of Habitat. Also included within the combined financial statements are the assets, liabilities, net assets and changes in net assets of Habitat for Humanity Housing Development Fund Company (“HDFC”) and Hart Lafayette Housing Development Fund Corporation (“HLHDFC”). The HDFC and HLHDFC were formed as partner organizations to Habitat under the New York State Private Housing Finance Law to develop housing for persons with low income. The assets and liabilities of HDFC and HLHDFC are all the accounts related to projects under construction. In order for these projects to obtain exemption from real estate tax, the properties are required to be owned by HDFC or HLHDFC.

Combined reporting with the HDFC and HLHDFC is presented due to significant degree of managerial control that Habitat currently exercises over these entities. All significant inter-company accounts and transactions have been eliminated in the combination.

Cash and cash equivalents. Habitat considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments. Investments in marketable securities are maintained in investment accounts held as available for sale and are reported at their fair values at fiscal year end. Gains or losses and investment income on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations.

HABITAT FOR HUMANITY NEW YORK CITY, INC.

Notes to Combined Financial Statement

June 30, 2010

Note 2 Summary of significant accounting policies - (continued)

Concentrations of credit and market risk. Habitat maintains its cash accounts primarily with banks located in New York. The total cash balances are insured by the FDIC up to \$250,000. However the FDIC established a Temporary Liquidity Guarantee (“TLG”) program where participating institutions are fully insured under the program. This program has been extended to December 31, 2010. As of June 30, 2010 the total cash balance that exceeds the amount insured by the FDIC is \$5,994,789.

Support. Contributions received and donors’ unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or when the purpose of the restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gifts of goods and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. In the absence of explicit donor stipulations about how long such long-lived assets must be maintained, Habitat reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Net assets. Net assets are classified as follows:

Unrestricted - this class includes net assets from unrestricted contributions and from other sources not subject to donor-imposed restrictions.

Temporarily restricted - this class includes net assets from restricted contributions (temporary restrictions) whose donor-imposed restrictions have not been met due to actions of Habitat and/or the passage of time.

Construction in progress. Construction in progress is recorded at cost and includes capitalization of construction costs including general contractor fee, architect fee, insurance, legal, real estate taxes, and interest.

Donated services. A substantial number of volunteers have made significant contributions of their time to the organization’s program and supporting services. The value of this contributed time is not reflected in these statements since it is not quantifiable by objective measurement or valuation.

HABITAT FOR HUMANITY NEW YORK CITY, INC.

Notes to Combined Financial Statement

June 30, 2010

Note 2 Summary of significant accounting policies - (continued)

Mortgages and advances receivable. Such receivables are recorded at fair value. Mortgage receivables with interest rates at lower than market value are discounted accordingly and reported at present value.

Allowance for doubtful accounts. Management has determined that a 5% allowance for uncollectible accounts for accounts receivable is necessary as of June 30, 2010. Management has also determined that no allowance for uncollectible accounts for contributions and grants receivables is necessary. Such estimate is based on management's assessments of the creditworthiness of the aged basis of its receivables, as well as current economic conditions and historical information.

Fixed assets. Fixed asset acquisitions are recorded at cost. Depreciation is provided over the estimated useful lives of the assets which is 5 years and is computed using the straight-line method. Leasehold improvements are amortized over the life of the lease, which is 10 years.

Use of estimates. 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.

Functional allocation of expenses. The cost of providing the various programs, fund raising and management and general support has been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management.

New accounting pronouncements. Statement of Financial Standards No. 157, Fair Value Measurements (SFAS 157) defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosure about fair value measurements. Fair value is defined under SFAS 157 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under SFAS 157 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes how to measure fair value based on a three-level hierarchy of inputs, of which the first two are considered observable and the last unobservable.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liability.

HABITAT FOR HUMANITY NEW YORK CITY, INC.

Notes to Combined Financial Statement

June 30, 2010

Note 2 Summary of significant accounting policies - (continued)

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The adoption of this statement did not have a material impact on Habitat's statements of activities or financial position.

As of June 30, 2010 all investments were classified as Level 1 under SFAS 157.

Subsequent events. Habitat evaluated its June, 30, 2010 financial statements for subsequent events through November 9, 2010, the date the financial statements were available to be issued. Habitat is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

FASB interpretation No. 48, Accounting for Uncertainty in Income Taxes. Management has considered possible areas of uncertain tax positions and possible areas of risk to its tax-exempt status. Management has concluded that Habitat has no uncertain tax positions and that a tax examination would sustain Habitat's tax exempt status.

Note 3 Mortgages receivable

As of June 30, 2010, Habitat has provided 121 no interest, 30 year fixed mortgages to certain of its family partners. In order to accurately reflect the risk of default on payments, Habitat discounts these mortgages at 8% per year for 30 years. Habitat classifies these discounts as mortgage discount expense each year. Habitat then amortizes these discounts every year and classifies them as mortgage discount amortized income each year.

In addition to Habitat mortgages, Habitat has partnered with State of New York Mortgage Agency (SONYMA) since 2007, to originate mortgages to its family partners. SONYMA, through various banks in New York City, provides 30 year - 2% interest rate mortgages to Habitat's family partners. So far, 46 Habitat family partners have taken advantage of SONYMA's low-interest Habitat mortgage program. Eight other family partners have taken advantage of other mortgages from SONYMA since 2007. These SONYMA mortgages are not recorded on the books of Habitat as the sales proceeds are paid to Habitat at the time of sale.

HABITAT FOR HUMANITY NEW YORK CITY, INC.

Notes to Combined Financial Statement

June 30, 2010

Note 4 Construction in progress

Habitat records construction hard and soft costs, including but not limited to, general contractor fees, building materials, labor, insurance, architect fees, legal costs, at cost when incurred and capitalizes them at the end of the year, as Construction in progress. In addition to these costs, Habitat allocates direct construction management costs to the respective construction projects. Under completed contract method of accounting, Habitat reduces the construction in progress with sale of each unit in a given construction project. Therefore, construction in progress remains on the books until all the units in that project are sold. Construction in progress as of June 30, 2010 consists of the following projects:

	Closing balance as of December 31, 2009	(Add) Construction expenses Jan - June 2010	(Less) Reduction due to sales and other adjustments	Closing balance as of June 30, 2010
Halsey - Marcus Garvey Boulevard, Brooklyn	\$ 688,661	\$ 27,168	\$ 339,700	\$ 376,129
Atlantic Avenue, Brooklyn	3,455,409	205,372	2,776,010	884,771
East 156 th Street, Bronx	241,886	16,277	258,163	
Lafayette Avenue & Hart Street, Brooklyn	1,540,319	2,017,351		3,557,670
Fox Leggett, Bronx	130,702	807	668	130,841
Others	63,577	147,594		211,171
Total	<u>\$ 6,120,554</u>	<u>\$ 2,414,569</u>	<u>\$ 3,374,541</u>	<u>\$ 5,160,582</u>

Note 5 Commitment and contingency

Grants require the fulfillment of certain conditions as set forth in the grant agreement. Failure to fulfill the conditions could require the return of the funds to grantors. Habitat deems the contingency remote, since by accepting the gifts and their terms, it has conformed the objectives of Habitat to the provisions of the gift.

Habitat entered into a lease for office space in November 2006 with Braun Management Inc.; this is a ten year lease starting April 2007 and ending March 2017. Future payments for the lease are as follows:

Lease years	
2011	\$ 189,153
2012	196,500
2013	204,067
2014	210,189
2015	216,495
Lease balance thereafter	<u>392,703</u>
Total lease	<u>\$ 1,409,107</u>

HABITAT FOR HUMANITY NEW YORK CITY, INC.

Notes to Combined Financial Statement

June 30, 2010

Note 6 Notes payable

Various individuals and organizations have provided loans to Habitat as follows:

	<u>Terms</u>	<u>Rate</u>	<u>Amount</u>
HFH International - SHOP loan/grants: 2003 and 2004	On demand	0%	\$ 34,404
HFH International – (AARP)* 2003	12/31/10	3.25%	22,330
2004	12/31/11	3.25%	47,262
Various individuals	On demand	0%	10,668
NYC AHTF Loan /grant		1.25%	83,780
NYC AHC Loan /grant	6/29/11	0%	344,099
		4.5% or	
Construction loan - Amalgamated	6/29/11	Libor + 2.5%	1,073,746
HPD Loan/grant A&B**	6/29/11	1.25%	<u>1,120,356</u>
Total			<u>\$ 2,736,645</u>

* AARP - Accelerated Asset Recovery Program notes payable have certain mortgage receivables as collateral. A certain amount of each loan balance is kept as "security deposit" by the lender (Note 15).

** HPD Loan/Grant A is provided by the City of New York and Brooklyn Borough President. HPD Loan/Grant B is provided by New York City Affordable Housing Trust Fund.

Note 7 Fixed assets

Furniture and equipment	\$ 171,553
Leasehold improvements	<u>192,259</u>
Total fixed assets	<u>363,812</u>
Less: Accumulated depreciation	
Opening balance	202,795
Depreciation for the year	<u>18,160</u>
Total accumulated depreciation	<u>220,955</u>
Total fixed assets	<u>\$ 142,857</u>

HABITAT FOR HUMANITY NEW YORK CITY, INC.

Notes to Combined Financial Statement

June 30, 2010

Note 8 Temporarily restricted net assets

Temporarily restricted net assets include those funds received or promised specifically for construction and development which have not yet been spent in fulfillment of those donor restrictions as well as some grants that are time-restricted.

	Balance as of 12/31/09	Additions	Releases	Balance as of 6/30/10
Halsey-Marcus Garvey, Brooklyn	\$ 425,777	\$ 108,000	\$ 320,888	\$ 212,889
Atlantic Avenue, Brooklyn	828,148	299,116	931,573	195,691
E. 156th St., Bronx	186,250	80,000	266,250	
Hart/Lafayette, Brooklyn	453,500			453,500
Dean Street, Brooklyn	60,000			60,000
St. John, Brooklyn	13,000			13,000
115th Street, Manhattan	2,000			2,000
Fox Legett, Bronx	260,000			260,000
Prospect Macys, Bronx	75,000	120,000		195,000
Capital Fund	11,000			11,000
World Hope		125,000	25,000	100,000
Gala donations		88,750		88,750
Faith based contributions		20,000		20,000
	<u>\$ 2,314,675</u>	<u>\$ 840,866</u>	<u>\$ 1,543,711</u>	<u>\$ 1,611,830</u>

Note 9 Sales of residences – Homeowners’ subsidy

When Habitat sells a completed home to a family partner, the sale price is below the cost of construction. The difference between sales price and cost of construction is met through two types of homeowner subsidies:

- a) restricted funds received from government grants that are released and applied towards the sale price upon sale; and
- b) private contributions, restricted and unrestricted, provided by Habitat donors and applied towards the sales price.

Note 10 Homeowners’ escrow payable

Homeowners’ escrow accounts were set up for homeowners to pay for real estate taxes, water charges, and insurance.

Beginning balance	(\$ 27,939)
Additions	71,422
Withdrawals	<u>(73,251)</u>
Ending balance	<u>(\$ 29,768)</u>

HABITAT FOR HUMANITY NEW YORK CITY, INC.

Notes to Combined Financial Statement

June 30, 2010

Note 10 Homeowners' escrow payable - (continued)

Due to homeowners	\$ 11,574
Due from homeowners	(41,342)
Net due from homeowners escrow balance	<u>(\$ 29,768)</u>

For homeowners with negative balances (total of \$41,342), Habitat is in the process of increasing the escrow payment requirements.

Note 11 Homeowners' reserve payable

Through 2009 Habitat required homeowners to escrow money with Habitat monthly for future repairs. Habitat has since discontinued this practice, giving homeowners more control over their finances and decision-making. Habitat has refunded to each homeowner its respective balance in the Homeowner reserve account. Habitat had a balance of \$7,620 in this account. This remaining balance is attributed to three homeowners, who, as of June 30, 2010, were undergoing foreclosure proceedings.

Beginning balance as of January 1, 2010	\$ 42,959
Less: Refunds issued to Homeowners	(35,339)
Ending balance as of June 30, 2010	<u>\$ 7,620</u>

Note 12 Interim charges payable

To enable family partners to move in before the mortgage closing, Habitat established this interim charges in 2007. Interim charges covers the mortgage, escrow, and common charges for the condominium units. Interim mortgages serve to collect mortgage payments from the move-in date to the mortgage closing date. Interim escrow and interim common charges serve to pay expenses related to the family partners' escrow (taxes and insurance) and its share of common building expenses, respectively. As of June 30, 2010, the remaining balance on the interim charges payable account was \$4,534.

HABITAT FOR HUMANITY NEW YORK CITY, INC.

Notes to Combined Financial Statement

June 30, 2010

Note 13 Savings plan contribution for family partners

Upon acceptance into Habitat's homeownership program, a family partner is required to save funds and deposit them monthly with Habitat. These funds are used to pay part of the family partner's closing costs.

Beginning balance (December 31, 2009)	\$ 59,853
Additions	46,301
Withdrawals	(53,283)
Ending balance	<u>\$ 52,871</u>

Note 14 Indirect cost allocation

To properly record the substantial amount of staff time and overhead devoted to planning and completing its capital projects, Habitat has allocated 10% of the total unsubsidized development costs for projects on Halsey St, Brooklyn and E 156th Street, Bronx.

'Unsubsidized cost' is defined as total project cost net of grants and/or loans provided by various government sources such as New York State Affordable Housing Corporation, DHCR HOME, etc. In addition, Habitat allocated \$15,366 per unit in indirect cost for a project in Atlantic Avenue, Brooklyn. Total indirect cost allocated for the six months ended June 30, 2010 is \$197,100.

Note 15 Deposits on notes payable

For the Accelerated Asset Recovery Program (AARP) loans from Habitat International, the lender withholds an amount equal to one quarter of the payment as reserve. This amount is a receivable and is repaid to Habitat after the entire loan has been repaid. As of June 30, 2010, the outstanding receivable is \$19,430.

Note 16 Foreclosed homes

The following properties were foreclosed and are recorded at book value at the time of foreclosure as follows:

<u>Location</u>	<u>Date foreclosed</u>	<u>Amount</u>
147th Street, So. Ozone Park, NY	October 31, 2006	\$ 93,667
Yates Road, Jamaica	July 13, 2009	50,494
150th Street, Bronx	March 15, 2010	74,423
		<u>\$ 218,584</u>

HABITAT FOR HUMANITY NEW YORK CITY, INC.

Notes to Combined Financial Statement

June 30, 2010

Note 17 Investments

The investment portfolio is comprised of Board designated funds in the amount of \$1,000,000 and unrestricted funds of \$1,232,585.

	<u>Cost</u>	<u>Fair value</u>
Fixed income	<u>\$ 2,232,585</u>	<u>\$ 2,269,658</u>

Investment income includes the following:

Investment income earned on operating accounts	\$ 13,752
Investment income earned on investments	<u>16,796</u>
	<u>\$ 30,548</u>

Unrealized gains of \$20,280 for the six months ended June 30, 2010 are presented as a non-operating item in the statement of activities. Investments were made in compliance with the Board approved investment policy.

Note 18 Board designated net assets

The Board of Directors authorized management to establish a Board-designated reserve to serve as a reserve in times of general economic downturn and as a source of working cash to meet cash flow requirements as needed. This reserve enables Habitat to avoid dramatic year-to-year program changes that might arise due to uncertainties associated with government grant and private funding streams. The balance at June 30, 2010 is \$1,000,000.

Note 19 Recovery on early sale of homes

When family partners resell their Habitat homes prior to the expiration of the time period specified in their deed of sale, Habitat is entitled to recapture from the sale's proceed, a portion of the subsidy it provided to help fund the construction.

Note 20 Donated interest in Limited Partnership

In 2002, an individual donated to Habitat a 14.72% ownership interest in Franklin Square Associates ("FSA"), a New Jersey limited partnership. FSA is managed by its general partner. Certain of FSA's limited partners believe that the general partner has not properly managed the partnership, and several such limited partners including Habitat have initiated litigation against the general partner. The basis for such litigation include an alleged failure by the general partner to timely provide K-1 statements and tax returns from 2002 to 2005; the value of Habitat's ownership interest in FSA is not reflected on Habitat's financial statement due to an inability to accurately assess the investment's fair value. The fair value will be reported when Habitat receives the referenced K-1s and tax returns.