

---

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

**Combined Financial Statements**

For the years ended December 31, 2009 and 2008

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

**Contents**

December 31, 2009 and 2008

	Page
Independent Auditors' Report .....	1
Combined Statement of Financial Position.....	2
Combined Statement of Activities and Changes in Net Assets .....	3-4
Statement of Functional Expenses .....	5-6
Combined Statement of Cash Flows.....	7
Notes to Combined Financial Statement.....	8-18

**N. CHENG & CO. P.C.**  
Certified Public Accountants

40 Exchange Place  
Suite 12061392  
New York, New York 10005  
Voice (212) 785.0100  
Fax (212) 785.9168  
www.ncheng.com



## 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 December 31, 2009 and 2008 and the related combined statements of activities, functional expenses and cash flows 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 on our audit.

We conducted our audits 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 audits provide 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 December 31, 2009 and 2008 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*N. Cheng & Co., P.C.*

New York, New York  
June 4, 2010

**HABITAT FOR HUMANITY NEW YORK CITY, INC.**  
**Combined Statement of Financial Position**  
December 31,

	<u>2009</u>	<u>2008</u> *
<b><u>Assets</u></b>		
Mortgages receivable, at fair value,		
less unamortized discounts of \$6,256,751 – Note 3	\$ 5,749,606	\$ 5,871,628
Construction in progress – Note 4	6,120,554	12,698,845
Foreclosed homes – Note 13	144,161	219,736
Cash - Homeowners' escrow and reserve – Note 10	289,770	419,591
Cash and cash equivalents	5,419,548	1,154,738
Investments – Note 14	1,772,635	1,021,753
Grants and contributions receivable	340,289	1,072,402
Fixed assets – at cost, net of accumulated depreciation and amortization of \$202,795 – Note 7	157,297	201,001
Prepaid expenses	47,283	127,778
Homeowners' escrow shortfall – Note 10	27,939	202,490
Security deposits	27,887	27,887
Deposits on notes payable – Note 12	19,430	39,059
Total assets	<u>\$ 20,116,399</u>	<u>\$ 23,056,908</u>
<b><u>Liabilities and net assets</u></b>		
<b><u>Liabilities</u></b>		
Homeowners' escrow and reserve payable – Note 10	\$ 42,959	\$ 172,230
Savings plan contribution for family members – Note 10	59,853	132,369
Interim charges – Note 10	20,327	76,575
Notes payable – Note 6	1,699,993	2,977,380
Accounts and accrued expenses payable	251,451	292,763
Total liabilities	<u>2,074,583</u>	<u>3,651,317</u>
Commitment and contingency – Note 5		
<b><u>Net assets</u></b>		
Unrestricted	14,727,141	9,529,470
Unrestricted - Board designated- Note 15	1,000,000	-
Total unrestricted	15,727,141	9,529,470
Temporarily restricted – Note 8	2,314,675	9,876,121
Total net assets	<u>18,041,816</u>	<u>19,405,591</u>
Total liabilities and net assets	<u>\$ 20,116,399</u>	<u>\$ 23,056,908</u>

\* Restated for comparative purposes.  
See accompanying notes to the financial statements.

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

For the year ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
<b>Revenue and support</b>			
Contributions and grants	\$ 2,393,945	\$ 982,994	\$ 3,376,939
Government subsidies		1,709,950	1,709,950
Mortgage discount amortization – Note 3	447,171		447,171
Interest income	32,465		32,465
Special event	856,313		856,313
Less: direct expenses	( 85,999)		( 85,999)
Other income	6,767		6,767
Recovery on early sale of homes – Note 17	208,285		208,285
Total revenue and support	3,858,947	2,692,944	6,551,891
Net assets released from restrictions	<u>10,254,390</u>	( <u>10,254,390</u> )	<u>-</u>
Total revenue and support	<u>14,113,337</u>	( <u>7,561,446</u> )	<u>6,551,891</u>
<b>Expenses</b>			
Program services	10,482,350		10,482,350
Management and general	492,611		492,611
Fund-raising	<u>1,190,797</u>		<u>1,190,797</u>
Total expenses before capitalization	12,165,758		12,165,758
Capitalization of construction expenses	( <u>4,271,477</u> )		( <u>4,271,477</u> )
Expenses – net of capitalization	<u>7,894,281</u>		<u>7,894,281</u>
Change in net assets from operation before unrealized loss	6,219,056	( 7,561,446)	( 1,342,390)
Unrealized loss – Note 14	( <u>21,385</u> )		( <u>21,385</u> )
Change in net assets	6,197,671	( 7,561,446)	( 1,363,775)
Net assets at beginning of year	<u>9,529,470</u>	<u>9,876,121</u>	<u>19,405,591</u>
Net assets at end of year	<u>\$ 15,727,141</u>	<u>\$ 2,314,675</u>	<u>\$ 18,041,816</u>

See accompanying notes to the financial statements.

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

For the year ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
<b>Revenue and support</b>			
Contributions and grants	\$ 2,169,122	\$ 840,228	\$ 3,009,350
Government subsidies		264,611	264,611
Mortgage discount amortization – Note 3	458,131		458,131
Interest income	43,691		43,691
Special event	1,029,707		1,029,707
Less: direct expenses	( 85,261)		( 85,261)
Other income	9,070		9,070
Recovery on early sale of homes – Note 17	44,337		44,337
	<u>3,668,797</u>	<u>1,104,839</u>	<u>4,773,636</u>
Total revenue and support			
Net assets released from restrictions	<u>938,511</u>	( <u>938,511</u> )	<u>-</u>
	<u>4,607,308</u>	<u>166,328</u>	<u>4,773,636</u>
Total revenue and support			
<b>Expenses</b>			
Program services	6,290,790		6,290,790
Management and general	464,939		464,939
Fund-raising	<u>1,041,284</u>		<u>1,041,284</u>
	<u>7,797,013</u>		<u>7,797,013</u>
Total expenses before capitalization			
Capitalization of construction expenses	( <u>4,218,959</u> )		( <u>4,218,959</u> )
	<u>3,578,054</u>		<u>3,578,054</u>
Expenses – net of capitalization			
Change in net assets before extraordinary items	1,029,254	166,328	1,195,582
Merger net assets – Note 16	<u>101,904</u>		<u>101,904</u>
	<u>1,131,158</u>	<u>166,328</u>	<u>1,297,486</u>
Change in net assets after extraordinary items			
Net assets at beginning of year	<u>8,398,312</u>	<u>9,709,793</u>	<u>18,108,105</u>
	<u>\$ 9,529,470</u>	<u>\$ 9,876,121</u>	<u>\$ 19,405,591</u>
Net assets at end of year			

See accompanying notes to the financial statements.

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

For the year ended December 31, 2009

	<u>Program services</u>	<u>Management and general</u>	<u>Fund raising</u>	<u>Total 2009</u>
Salaries and wages	\$ 457,088	\$ 152,894	\$ 435,803	\$ 1,045,785
Payroll taxes and fringe benefits	<u>100,174</u>	<u>35,027</u>	<u>99,841</u>	<u>235,042</u>
Total personnel costs	557,262	187,921	535,644	1,280,827
Construction expenses	4,271,477			4,271,477
Americorps/Vista program expense	123,668			123,668
Professional fees	30,930	89,596	25,085	145,611
Occupancy costs	78,521	78,522	78,522	235,565
Insurance	69,490	17,373		86,863
Interest expense	6,317			6,317
Office expenses	26,521	93,716	8,974	129,211
Lobbying expenses	400			400
Computer maintenance and software	39,668	2,204	2,204	44,076
Advertisement	215	817	-	1,032
Staff training and education	1,735	1,736	1,736	5,207
Homeowner education, credit reports	10,448			10,448
Postage	10,374	576	576	11,526
Printing and duplicating	15,333	3,286	3,286	21,905
Special event indirect costs	4,359	2,299	92,686	99,344
Warranty items	10,645			10,645
Telephone	18,899	2,363	2,363	23,625
Travel and meetings	21,263	3,987	1,329	26,581
Newsletters and direct mail			430,177	430,177
Public relations	3,846	3,845	3,845	11,534
Tithe	40,783			40,783
Homeowners' subsidy – Note 9	5,790,747			5,790,747
Depreciation and amortization expense	34,964	4,370	4,370	43,704
Indirect cost allocation	( 685,515 )			( 685,515 )
Total expenses	<u>\$ 10,482,350</u>	<u>\$ 492,611</u>	<u>\$ 1,190,797</u>	<u>\$ 12,165,758</u>

See accompanying notes to the financial statements.

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

For the year ended December 31, 2008

	<u>Program services</u>	<u>Management and general</u>	<u>Fund raising</u>	<u>Total 2008</u>
Salaries and wages	\$ 806,432	\$ 220,381	\$ 308,475	\$ 1,335,288
Payroll taxes and fringe benefits	<u>169,915</u>	<u>46,444</u>	<u>65,002</u>	<u>281,361</u>
Total personnel costs	976,347	266,825	373,477	1,616,649
Construction expenses	4,218,959			4,218,959
Americorps/Vista program expense	117,440			117,440
Professional fees	31,158	71,012	44,201	146,371
Occupancy costs	71,220	71,220	71,220	213,660
Insurance	24,782	6,195	-	30,977
Interest expense	9,091	-	-	9,091
Office expenses	111,071	13,564	13,564	138,199
Computer maintenance and software	47,652	2,647	2,647	52,946
Advertisement	294	3,231	-	3,525
Staff training and education	7,283	4,513	4,513	16,309
Homeowner education, credit reports	1,630	-	-	1,630
Postage	10,849	603	603	12,055
Printing and duplicating	19,830	4,326	4,326	28,482
Special event indirect costs	10,462	5,549	74,832	90,843
Warranty items	11,245	-	-	11,245
Telephone	20,212	2,527	2,527	25,266
Travel and meetings	28,656	5,086	1,695	35,437
Newsletters and direct mail	-	-	434,940	434,940
Public relations	3,753	3,753	8,851	16,357
Tithe	41,993	-	-	41,993
Homeowners' subsidy – Note 9	544,581	-	-	544,581
Depreciation and amortization expense	31,102	3,888	3,888	38,878
Indirect cost allocation	( 48,820)	-	-	( 48,820)
Total expenses	<u>\$ 6,290,790</u>	<u>\$ 464,939</u>	<u>\$ 1,041,284</u>	<u>\$ 7,797,013</u>

See accompanying notes to the financial statements.

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

For the year ended December 31,

	<u>2009</u>	<u>2008*</u>
<b>Cash flows from operating activities</b>		
Change in net assets after extraordinary items	( \$ 1,363,775 )	\$ 1,297,486
Adjustments to reconcile change in net assets to net cash provided by / used in operating activities:		
Depreciation expense	43,704	38,878
Mortgage discount amortization	( 503,673 )	( 427,986 )
Amortization of mortgage receivables	679,668	478,709
Change in mortgage escrow receivable	( 53,973 )	( 21,630 )
Change in cash - homeowners' escrow and reserve	129,821	( 130,544 )
Change in loan reserve receivable	19,629	10,753
Change in grants and contributions receivable	732,025	1,636,608
Change in prepaid expenses	80,492	( 93,825 )
Change in security deposits		( 20 )
Change in accounts payable	( 41,221 )	( 424,312 )
Change in savings plan contributions	( 72,516 )	90,909
Change in homeowners' escrow and reserve shortfall	174,551	( 122,543 )
Change in homeowners' escrow and reserve payable	( 129,271 )	( 50,222 )
Change in interim charges	( 56,248 )	47,250
Change in construction in progress	6,578,291	( 4,218,960 )
Change in construction in foreclosed homes	<u>75,575</u>	
Net cash provided by / (used in) operating activities	<u>6,293,079</u>	( <u>1,889,449</u> )
<b>Cash flows from investing activities</b>		
Purchase of investments	( <u>750,882</u> )	( <u>1,021,753</u> )
<b>Cash flows from financing activities</b>		
Proceeds from construction loan	2,238,552	1,829,184
Loan payments	( <u>3,515,939</u> )	( <u>274,718</u> )
Net cash (used in) / provided by financing activities	( <u>1,277,387</u> )	<u>1,554,466</u>
Net increase / (decrease) in cash and cash equivalents	4,264,810	( 1,356,736 )
Cash and cash equivalents at beginning of year	<u>1,154,738</u>	<u>2,511,474</u>
Cash and cash equivalents at end of year	<u>\$ 5,419,548</u>	<u>\$ 1,154,738</u>
<b>Supplemental cash flow disclosure</b>		
Cash paid during the year for interest	<u>\$ 6,317</u>	<u>9,091</u>

\*Restated for comparative purpose.

See accompanying notes to the financial statements.

## HABITAT FOR HUMANITY NEW YORK CITY, INC.

Notes to Combined Financial Statement

December 31, 2009

### 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 need 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 this entity. 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

December 31, 2009

### 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 Program where participating institutions are fully insured under the program. This program has been extended to June 30, 2010. As of December 31, 2009 and 2008 cash balances exceeded the amount insured by the FDIC by \$3,148,835 and \$423,152 respectively.

**Support.** Contributions received and 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 real estate taxes, insurance 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 susceptible to objective measurement or valuation.

## HABITAT FOR HUMANITY NEW YORK CITY, INC.

Notes to Combined Financial Statement

December 31, 2009

### 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.

**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.

**Comparative information.** Certain 2008 account grouping has been reclassified for comparative purposes.

**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

December 31, 2009

### **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 December 31, 2009 all investments were classified as Level 1 under SFAS 157.

**Subsequent events.** Habitat evaluated its December 31, 2009 financial statements for subsequent events through June 4, 2010, the date the financial statements were available to be issued. Habitat is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

#### **FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes.**

Effective in 2009, Habitat adopted new guidance that creates a single model to address uncertainty in tax positions and clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in its financial statements. Under the requirements of this guidance, organizations could now be required to record an obligation as the result of tax positions they have historically taken on various tax exposure items. The impact of the adoption of this guidance did not have a material effect on the financial statements of Habitat. Prior to the adoption of this guidance, the determination of when to record a liability for a tax exposure was based on whether a liability was considered probable and reasonably estimable in accordance with guidance concerning recording contingencies.

### **Note 3 Mortgages receivable**

The various mortgages receivable (up to 30 years), which are interest free, have been discounted using an annual interest rate of 8%. These original discounted amounts are reflected in the financial statements as mortgage discount expense in the year the mortgage is closed. The annual amortization of the discount is recorded as mortgage discount amortization income.

Habitat has partnered with the State of New York Mortgage Agency (SONYMA) to originate mortgages to Habitat homeowners. Various banks in New York City offer SONYMA approved mortgage products to Habitat homeowners at a discounted, fixed rate of 2% over 30 years. Habitat discounts the sale price by 2% for a 30 year period and records it as homeowner subsidy.

# HABITAT FOR HUMANITY NEW YORK CITY, INC.

Notes to Combined Financial Statement

December 31, 2009

## Note 4 Construction in progress

Real estate costs, building materials, general contractor fees and contract labor are recorded at cost when incurred. A portion of the cost of construction management (which is handled by Habitat staff) is allocated to the respective projects. Construction in progress consists of the following projects in New York City:

	<u>2008</u>	<u>Additions</u>	<u>Sales</u>	<u>2009</u>
Halsey - Marcus Garvey Boulevard, Brooklyn	\$ 2,877,405	\$ 190,178	\$ 2,378,922	\$ 688,661
Atlantic Avenue, Brooklyn	8,404,442	2,493,382	7,442,415	3,455,409
East 156 <sup>th</sup> Street, Bronx	1,198,604	71,713	1,028,431	241,886
Lafayette Avenue & Hart Street, Brooklyn	154,817	1,385,502		1,540,319
Fox Leggett - Bronx		130,702		130,702
Others	63,577			63,577
Total	<u>\$ 12,698,845</u>	<u>\$ 4,271,477</u>	<u>\$ 10,849,768</u>	<u>\$ 6,120,554</u>

  

	<u>2007</u>	<u>Additions</u>	<u>Sales</u>	<u>2008</u>
Halsey - Marcus Garvey Boulevard, Brooklyn	\$ 2,601,679	\$ 275,726		\$ 2,877,405
Atlantic Avenue, Brooklyn	3,845,076	4,559,366		8,404,442
East 156 <sup>th</sup> Street, Bronx	1,887,888	82,039	\$ 771,323	1,198,604
Lafayette Avenue & Hart Street, Brooklyn	71,606	83,211		154,817
Others	73,636		10,059	63,577
Total	<u>\$ 8,479,885</u>	<u>\$ 5,000,342</u>	<u>\$ 781,382</u>	<u>\$ 12,698,845</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	<u>2009</u>	<u>2008</u>
2009		\$ 180,930
2010	\$ 186,358	186,358
2011	191,949	191,949
2012	201,051	201,051
2013	207,083	207,083
2014	213,295	
Lease balance thereafter	<u>502,550</u>	<u>715,845</u>
Total lease	<u>\$ 1,502,286</u>	<u>\$ 1,683,216</u>

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

Notes to Combined Financial Statement

December 31, 2009

**Note 6 Notes payable**

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

	<u>Terms</u>	<u>Rate</u>	<u>2009</u>	<u>2008</u>
HFH International	12/31/10	0%	\$ 50,000	\$ 150,000
HFH International - SHOP loan grants:				
2001 to 2004	On demand	0%	49,102	78,934
HFH International – (AARP)*				
2002	12/31/09	3.85%	-	17,392
2003	12/31/10	3.25%	44,301	87,065
2004	12/31/11	3.25%	62,455	91,951
Bank loan - construction	05/15/09	Libor+1.8%	-	2,541,370
Various individuals	On demand	0%	10,668	10,668
NYC AHTF Loan /grant		1.25%	363,049	
NYC AHC Loan /grant	6/29/11	0%	200,845	
		4.5% or		
Construction loan - Amalgamated	6/29/11	Libor + 2.5%	340,283	
HPD Loan/grant A&B**	6/29/11	1.25%	579,290	
Total			<u>\$ 1,699,993</u>	<u>\$ 2,977,380</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 13).

\*\* HPD Loan/Grant A is provided by 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**

	<u>2009</u>	<u>2008</u>
Furniture, fixtures and equipment	\$ 167,833	\$ 167,833
Leasehold improvements	192,259	192,259
Total fixed assets	<u>360,092</u>	<u>360,092</u>
Less: Accumulated depreciation		
Opening balance	159,091	120,213
Depreciation for the year	43,704	38,878
Total accumulated depreciation	<u>202,795</u>	<u>159,091</u>
Total fixed assets	<u>\$ 157,297</u>	<u>\$ 201,001</u>

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

Notes to Combined Financial Statement

December 31, 2009

**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 12/31/08	Additions	Releases	Balance as of 12/31/09
Halsey-Marcus Garvey, Bk	\$ 1,535,995	\$ 380,000	\$ 1,490,218	\$ 425,777
Atlantic Avenue, Bk	7,408,874	1,173,444	7,754,170	828,148
E. 156th St., Bx	931,252	240,000	985,002	186,250
Hart/Lafayette, Bk	-	453,500	-	453,500
Dean Street, Bk	-	60,000	-	60,000
St. John, Bk	-	13,000	-	13,000
115th Street, Manh	-	2,000	-	2,000
Fox Legett, Bx	-	260,000	-	260,000
Prospect Macys, Bx	-	75,000	-	75,000
Capital Fund	-	11,000	-	11,000
	<u>\$ 9,876,121</u>	<u>\$ 2,667,944</u>	<u>\$ 10,229,390</u>	<u>\$ 2,314,675</u>

  

	Balance as of 12/31/07	Additions	Releases	Balance as of 12/31/08
Atlantic Avenue, Bk	\$ 6,531,263	\$ 877,611		\$ 7,408,874
Halsey-Marus Garvey Blvd., Bk	1,308,767	227,228		1,535,995
East 156 <sup>th</sup> Street, Bx	1,490,003		\$ 558,751	931,252
Habitat for Humanity – SI	5,000		5,000	
Advocacy	117,000		117,000	
Green Build	257,760		257,760	
	<u>\$ 9,709,793</u>	<u>\$ 1,104,839</u>	<u>\$ 938,511</u>	<u>\$ 9,876,121</u>

**Note 9 Sales of residences – Homeowners’ subsidy**

When Habitat sells a completed home to 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.

# HABITAT FOR HUMANITY NEW YORK CITY, INC.

Notes to Combined Financial Statement

December 31, 2009

## Note 10 Homeowners' reserve, escrow and interim charges payable accounts

In addition to the monthly mortgage payment, the homeowner pays additional charges for reserve, escrow and interim charges. Homeowners' reserves were set up to deal with major equipment replacement and emergency repairs. Homeowners' escrow accounts were set up to pay for real estate taxes, water charges, and insurance.

	<u>Beginning balance</u>	<u>Additions</u>	<u>Withdrawals</u>	<u>2009 balance</u>
Homeowners' escrow	(\$ 202,490)	\$ 318,377	(\$ 143,826)	(\$ 27,939) *
Homeowners' reserve	<u>172,230</u>	<u>30,357</u>	<u>( 159,628)</u>	<u>42,959</u>
	<u>( 30,260)</u>	<u>348,734</u>	<u>( 303,454)</u>	<u>15,020</u>
Interim common charges	1,685	40,766	( 42,445)	6
Interim escrow	5,479	4,399	( 15,890)	(6,012)
Interim mortgage	<u>69,411</u>	<u>34,632</u>	<u>( 77,710)</u>	<u>26,333</u>
	<u>76,575</u>	<u>79,797</u>	<u>( 136,045)</u>	<u>20,327</u>
Total liability	<u>\$ 46,315</u>	<u>\$ 428,531</u>	<u>(\$ 439,499)</u>	<u>\$ 35,347</u>

	<u>Beginning balance</u>	<u>Additions</u>	<u>Withdrawals</u>	<u>2008 balance</u>
Homeowners' escrow	(\$ 79,947)	\$ 149,676	(\$ 272,219)	(\$ 202,490) *
Homeowners' reserve	<u>222,452</u>	<u>42,253</u>	<u>( 92,475)</u>	<u>172,230</u>
	<u>142,505</u>	<u>191,929</u>	<u>( 364,694)</u>	<u>( 30,260)</u>
Interim common charges	4,819	116,840	( 119,974)	1,685
Interim escrow	1,672	3,870	( 63)	5,479
Interim mortgage	<u>22,834</u>	<u>64,701</u>	<u>( 18,124)</u>	<u>69,411</u>
	<u>29,325</u>	<u>185,411</u>	<u>( 138,161)</u>	<u>76,575</u>
Total liability	<u>\$ 171,830</u>	<u>\$ 377,340</u>	<u>(\$ 502,855)</u>	<u>\$ 46,315</u>

Homeowners' escrow with a negative balance are as follows:

	<u>2009</u>	<u>2008</u>
Due to homeowners	\$ 30,419	\$ 27,956
Due from homeowners	<u>( 58,358)</u>	<u>( 230,446)</u>
Total net homeowners escrow balance	<u>(\$ 27,939)</u>	<u>(\$ 202,490) *</u>

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

Notes to Combined Financial Statement

December 31, 2009

**Note 10 Homeowners' reserve, escrow and interim charges payable accounts – (continued)**

For homeowners with negative balances, Habitat is in the process of increasing the escrow payment requirement.

<b>Escrow exposure:</b>	<u>2009</u>	<u>2008</u>
Restricted cash accounts		
Escrow	\$ 29,010	\$ 29,435
Reserve	<u>260,760</u>	<u>390,156</u>
Total cash accounts	<u>289,770</u>	<u>419,591</u>
Due to homeowners for:		
Reserve	42,959	172,230
Escrow	30,419	27,956
Families savings plan *	59,853	132,369
Interim common charges	6	1,685
Interim escrow		5,479
Interim mortgage	<u>26,333</u>	<u>69,411</u>
Total due to homeowners	<u>159,570</u>	<u>409,130</u>
Exposure balance is positive	<u>\$ 130,200</u>	<u>\$ 10,461</u>

\* Upon approval to participate in 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. The cash is deposited into the escrow and reserve bank account. As of December 31, 2009 and 2008, the cash balance in this account was \$59,853 and \$132,369 respectively.

**Note 11 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 156<sup>th</sup> 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 project on Atlantic Avenue, Brooklyn. Total indirect cost allocation expense for the year ended December 31, 2009 was \$685,515.

## HABITAT FOR HUMANITY NEW YORK CITY, INC.

Notes to Combined Financial Statement

December 31, 2009

### Note 12 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 paid to Habitat after the entire loan has been repaid. For the year ended December 31, 2009, the outstanding receivable was \$19,430. As of December 31, 2008, the outstanding receivable was \$39,059.

### Note 13 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>2009 Amount</u>	<u>2008 Amount</u>
147th Street, So. Ozone Park, NY	October 31, 2006	\$ 93,667	\$ 82,642
150th Street, Bronx	September 12, 2006		69,191
128th Street, NY	October 31, 2006		67,903
Yates Road, Jamaica	July 13, 2009	50,494	
		<u>\$ 144,161</u>	<u>\$ 219,736</u>

During 2009, Habitat sold two of the homes previously foreclosed upon.

### Note 14 Investments

The investment portfolio is comprised of Board designated funds in the amount of \$1,000,000 and unrestricted amount of \$794,020.

	<u>2009</u>		<u>2008</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market account			\$ 1,021,753	\$ 1,021,753
Fixed income	\$ 1,794,020	\$ 1,772,635		
Total	<u>\$ 1,794,020</u>	<u>\$ 1,772,635</u>	<u>\$ 1,021,753</u>	<u>\$ 1,021,753</u>

Investment income includes the following:

	<u>2009</u>	<u>2008</u>
Investment income earned on operating accounts	\$ 10,220	\$ 21,887
Investment income earned on investments	<u>22,245</u>	<u>21,753</u>
	<u>\$ 32,465</u>	<u>\$ 43,640</u>

Unrealized losses of \$21,385 for the year ended December 31, 2009 are presented as non-operating item in the statement of activities.

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

Notes to Combined Financial Statement

December 31, 2009

### **Note 15 Board designated net assets**

The Board of Directors authorized management to establish a Board-designated reserve to serve as both a reserve in times of general economic downturn and 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 December 31, 2009 was \$1,000,000

### **Note 16 Net assets transfer**

On May 1, 2008, Habitat for Humanity - New York City merged with the Staten Island affiliate of Habitat for Humanity. The Staten Island affiliates built two homes, a two-family home, and a single-family home and have net assets amounting to \$101,904. The New York City affiliate assumed the mortgages on the properties and maintains relationships with the residents.

### **Note 17 Recovery on early sale of homes**

When “family partners” resell their Habitat homes within a time period specified in their deed of sale, Habitat is entitled to recapture a portion of the subsidy it provided to help fund the construction.