

HABITAT FOR HUMANITY GREATER BOSTON, INC.

**Financial Statements
JUNE 30, 2009**

HABITAT FOR HUMANITY GREATER BOSTON, INC.

FINANCIAL STATEMENTS
JUNE 30, 2009

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To the Board of Directors of
Habitat for Humanity Greater Boston, Inc.
Boston, Massachusetts

Independent Auditors' Report

We have audited the accompanying statement of financial position of Habitat for Humanity Greater Boston, Inc. 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.

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 Habitat for Humanity Greater Boston, Inc. as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.


SANDBERG, GONZALEZ & CREEDEN, P.C.
Certified Public Accountants

Stoughton, Massachusetts
August 26, 2009

HABITAT FOR HUMANITY GREATER BOSTON, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009

ASSETS

Current Assets

Cash and cash equivalents	\$ 422,700
Pledges receivable	355,120
Prepaid expenses and other current assets	82,399
Current portion of mortgage and notes receivable	<u>243,145</u>
Total current assets	1,103,364

Property and Equipment

Office equipment	26,742
Furniture and equipment	<u>18,570</u>
Subtotal	45,312
Less: accumulated depreciation	<u>26,598</u>
Total property and equipment	18,714

Other Assets

Long term pledges receivable - net of discount	73,577
Mortgage and notes receivable - net of current portion	4,362,695
Housing-land and construction in progress	3,244,357
Security deposit	10,628
Other deposit	<u>18,600</u>
Total other assets	<u>7,709,857</u>

Total Assets

\$ 8,831,935

LIABILITIES AND NET ASSETS

Current Liabilities

Accrued expenses and accounts payable	\$ 448,221
Down payment deposits	3,650
Notes payable - current portion	<u>277,176</u>
Total current liabilities	729,047

Long-Term Liabilities

Notes payable - net of current portion	<u>187,612</u>
Total long-term liabilities	187,612

Net Assets

Unrestricted	7,496,579
Temporarily restricted	<u>418,697</u>
Total net assets	<u>7,915,276</u>

Total Liabilities and Net Assets

\$ 8,831,935

See accompanying notes and Independent Auditors' Report.

HABITAT FOR HUMANITY GREATER BOSTON, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Support and Revenue</u>			
Contributions and grants	\$ 796,173	\$ 702,577	\$ 1,498,750
Inkind contributions	532,161		532,161
Special events	161,607		161,607
Released from restriction	482,868	(482,868)	
Interest/dividend income	6,798		6,798
Realized gain (loss) on investments	304		304
Sale of property	1,019,628		1,019,628
Rental income	3,005		3,005
Other income	<u>19,462</u>		<u>19,462</u>
<u>Total Support and Revenue</u>	3,022,006	219,709	3,241,715
<u>Expenses</u>			
Program services			203,735
Family services expenses	203,735		203,735
Pre/post conveyance expenses	<u>2,780,510</u>		<u>2,780,510</u>
Total program services	2,984,245		2,984,245
General and administrative	235,977		235,977
Fundraising	<u>210,883</u>		<u>210,883</u>
<u>Total Expenses</u>	<u>3,431,105</u>		<u>3,431,105</u>
<u>Change in Net Assets</u>	(409,099)	219,709	(189,390)
<u>Net Assets - Beginning of Year</u>	<u>7,905,678</u>	<u>198,988</u>	<u>8,104,666</u>
<u>Net Assets - End of Year</u>	<u>\$ 7,496,579</u>	<u>\$ 418,697</u>	<u>\$ 7,915,276</u>

See accompanying notes and Independent Auditors' Report.

HABITAT FOR HUMANITY BOSTON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009

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	2009					
	Family Services Expenses	Pre/Post Conveyance Expenses	Total Program Expenses	General and Administrative Expenses	Fundraising Expenses	Total
Salaries	\$ 77,482	\$ 248,590	\$ 326,072	\$ 88,493	\$ 88,016	\$ 502,581
Payroll taxes	7,495	24,077	31,572	8,676	8,487	48,735
Benefits	8,473	23,692	32,165	9,978	15,196	57,339
Salaries and related expenses	<u>93,450</u>	<u>296,359</u>	<u>389,809</u>	<u>107,147</u>	<u>111,699</u>	<u>608,655</u>
Advertising		60	60			60
Applicant costs	31,741	10,301	42,042		13	42,055
Bad debt						
Bank charges	1,929		1,929	3,927	974	6,830
Bonds and permits		2,375	2,375			2,375
Consultants	39,015	360,341	399,356	92,541	16,154	508,051
Costs of homes sold		1,624,608	1,624,608			1,624,608
Depreciation	1,018	1,091	2,109	437	1,091	3,637
Dues, fees and subscriptions				85		85
Equipment rental and tools		20,146	20,146		504	20,650
Imputed interest		240,984	240,984			240,984
Insurance	2,004	43,328	45,332	2,887	2,551	50,770
Interest		4,850	4,850			4,850
Miscellaneous	685	604	1,289	337	1,454	3,080
Office supplies and expenses	3,142	3,247	6,389	2,630	3,789	12,808
Payroll services	391	1,452	1,843	475	475	2,793
Postage	1,697	1,810	3,507	1,413	16,534	21,454
Printing	1,197	1,891	3,088	583	19,995	23,666
Professional fees				13,200		13,200
Real estate taxes		10,150	10,150			10,150
Rent	17,535	28,820	46,355	7,515	18,788	72,658
Repairs and maintenance		10,608	10,608			10,608
Security		28,135	28,135			28,135
Site cleaning and disposal		6,171	6,171			6,171
Special events					2,984	2,984
Staff training	402	762	1,164	339	1,752	3,255
Supplies		6,838	6,838			6,838
Tithe expense		56,251	56,251			56,251
Truck expenses	2,657		2,657			2,657
Telephone	2,229	2,389	4,618	955	2,410	7,983
Travel	1,232	6,702	7,934	751	7,828	16,513
Utilities	3,411	10,237	13,648	755	1,888	16,291
Total	<u>\$ 203,735</u>	<u>\$ 2,780,510</u>	<u>\$ 2,984,245</u>	<u>\$ 235,977</u>	<u>\$ 210,883</u>	<u>\$ 3,431,105</u>

See accompanying notes and Independent Auditors' Report.

HABITAT FOR HUMANITY GREATER BOSTON, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

Cash Flows From Operating Activities

Change in net assets	\$ (189,390)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	3,637
Imputed interest expense	240,964
(Increase) decrease in:	
Pledges receivable	(229,709)
Advances to homeowners	18,142
Prepaid expenses and other current assets	(25,264)
Increase (decrease) in:	
Accrued expenses and accounts payable	330,369
Deposits and escrows	(3,600)
Reserve for buyer's equity	<u>(25,076)</u>

Net Cash Provided by Operating Activities

120,073

Cash Flows From Investing Activities

Purchase of certificate of deposit	(5,000)
Construction of housing and improvements	(1,359,456)
Housing and property conveyed	1,624,608
Mortgage notes receivable from sale of housing and property	(833,152)
Collection of Mortgage notes receivable	<u>323,519</u>

Net Cash (Used) in Investing Activities

(249,481)

Cash Flows From Financing Activities

Principal payments on notes and loans	<u>(142,532)</u>
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Net Cash (Used) in Financing Activities

(142,532)

Decrease in Cash and Cash Equivalents

(271,940)

Cash and Cash Equivalents - Beginning of Year

694,640

Cash and Cash Equivalents - End of Year

\$ 422,700

SUPPLEMENTAL INFORMATION:

Interest paid	<u>\$ 4,850</u>
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See accompanying notes and Independent Auditors' Report.

HABITAT FOR HUMANITY GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009

Note 1. Organization

Habitat for Humanity Greater Boston, Inc. (HFHGB) is a charitable nonprofit Massachusetts corporation organized in December 1987. It is an affiliate of Habitat for Humanity International (HFHI), an organization with a grassroots structure which is dedicated to eliminating poverty housing from the earth and making poverty housing and homelessness socially and politically unacceptable in the world. HFHGB's mission is to help low-income families become homeowners in the Greater Boston area using the Habitat model of volunteer labor, donated materials and charitable contributions to construct housing. Each Habitat family helps build their home by providing at least 300 hours of "sweat equity." When the home is complete Habitat sells it to the family for an affordable price which is equal to or less than the final accumulated development cost and also provides the family with a no-interest mortgage loan. HFHGB is responsible for raising funds for all of its projects, its annual operating budget and for "tithing" 10% of its unrestricted revenues to HFHI projects overseas.

Note 2. Summary of Significant Accounting Policies

a. **Standards of Accounting and Reporting**

The Organization follows the standards of accounting and financial reporting as described in the American Institute of Certified Public Accountants' Audit and Accounting Guide for "Not-for-Profit Organizations".

b. **Financial Statement Presentation**

Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted - Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization.

c. **Property and Equipment**

These assets are recorded at cost when purchased or, if donated, at their estimated fair market value at the date of the donation. All acquisitions of property and equipment in excess of \$2,500 and all expenditures for repairs and betterments that materially prolong the useful lives of assets are capitalized.

HABITAT FOR HUMANITY GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

- d. Depreciation
Provisions for depreciation are made in the accounts using the straight-line method. Building improvements and the buildings to be conveyed to qualified buyers are not depreciated. Other fixed assets are depreciated over 5 to 7 years.
- e. Allocation of Expenses
Expenses are allocated among program and supporting services directly or on the basis of time records and utilization estimates made by the Organization's management. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.
- f. Cash and Cash Equivalents
For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Escrows required by financing arrangements are not considered cash or cash equivalents for financial statement purposes.
- g. Use of Estimates
The presentation 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 disclosures 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.
- h. Housing Activities
As discussed above, HFHGB is a charity engaged in providing homeownership opportunities to low-income families living or working in the Greater Boston area. Upon completion of construction, the home is conveyed to a selected family for an affordable price which is equal to or less than the final accumulated development cost. HFHGB takes back a note for the purchase price at 0% interest and the note is secured by a first mortgage on the home. HFHGB takes back a second note, secured by a second mortgage, for the difference between the sale price of the home and its fair market value as determined by an independent appraisal.

HABITAT FOR HUMANITY GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

i. Contributed Goods and Services

Contributed services are recognized as contributions in accordance with SFAS No. 116 "Accounting for Contributions Received and Contributions Made" if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by HFHGB. In-kind contributed goods and services were recorded as follows:

Capitalized costs	
Construction goods and services	\$ 25,070
Professional services	<u>26,112</u>
Total capitalized costs	51,182
Professional fees (non-capital)	<u>480,979</u>
	<u>\$ 532,161</u>

In addition, HFHGB received other donated materials and supplies and the services of a substantial number of volunteers. These goods and services are not recognized as contributions in the financial statements since the criteria under SFAS No. 116 were not met. In the case of volunteers, whether construction related, administrative or Board Members, it is the policy of Habitat for Humanity Greater Boston, Inc. not to recognize the value of these services in the financial statements. While there are volunteers serving many needs of the Organization, it is not practical to quantify the value of these commercial services.

j. Restricted and Unrestricted Support and Revenue

Contributions that are restricted by the donor 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.

k. Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met and the promises become unconditional.

l. Compensated Absences

Vacation and sick pay are considered expenditures in the year paid. The Organization has not accrued compensated absences because the amount cannot be reasonably estimated.

HABITAT FOR HUMANITY GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

- m. Capitalization of Construction Costs
Construction expenses, which represent a significant portion of the Organization's operating budget, are capitalized pursuant to generally accepted accounting principles for financial statement purposes. Consequently, construction expenses are not shown as program expenses until conveyed.

Note 3. Tax Status

Habitat for Humanity Greater Boston, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code under a group exemption obtained by Habitat for Humanity International, Inc. (Atlanta, Georgia). In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

Note 4. Concentration of Credit Risk

Credit risk with respect to pledged contributions is considered low as the balance has either been received or from well established entities.

Note 5. Pledges Receivable

At June 30, 2009 the Organization had pledged contributions as follows:

Due FY 2010	\$ 355,120
Due FY 2011	20,000
Due FY 2012	20,000
Due FY 2013	20,000
Due FY 2014	<u>20,000</u>
	435,120
Less discount	<u>(6,423)</u>
Total pledged receivables	<u>\$ 428,697</u>

HABITAT FOR HUMANITY GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(Continued)

Note 6. Housing Activities

The following provides a summary of the Habitat for Humanity Greater Boston, Inc.'s construction and housing activities:

<u>Housing Units</u>	
Units Conveyed, subject to Mortgage Loans Serviced by Bank	57
Units Conveyed, subject to Mortgage Loans in Default or other issues	2
Units under renovation	3
Occupied Units as a tenant	1
Housing Units under Construction	<u>11</u>
Total	<u>74</u>

Note 7. Mortgage Notes Receivable

At conveyance of a unit to a homeowner, HFHGB receives a 20 to 30-year mortgage note with 0% interest. The amount reported in the statement of financial position is net of imputed interest. The rate used to calculate the imputed interest is the market rate at the time of conveyance. The following is a summary of the notes receivable at December 31:

Total unpaid balance	\$ 4,448,622
Imputed interest	<u>157,218</u>
Net present value of mortgage notes	<u>\$ 4,605,840</u>
Current portion	\$ 243,145
Long-term portion	<u>4,362,695</u>
Total	<u>\$ 4,605,840</u>

Estimated principal payments for the next five years:

2010	\$ 243,145
2011	246,733
2012	246,480
2013	243,682
2014	244,899
Thereafter	3,380,901

HABITAT FOR HUMANITY GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(Continued)

Note 8. Notes Payable

Mortgages and notes payable consist of the following:

	<u>Short-Term</u>	<u>Long-Term</u>	<u>Total</u>
<u>Habitat for Humanity International:</u>			
SHOP funds payable in monthly installments of \$908 at zero interest; due December 2009; paid July 2009.	\$ 509	\$	\$ 509
<u>Dedham Institution for Savings:</u>			
Line of credit for development of Arrowhead Project dated 9/19/2003; maximum \$500,000; 0% interest; 36 month term; 42 month pay-down required; due March 2007. This line of credit was subsequently extended to March, 2010. In August 2009, an additional \$250,000 was drawn down.	255,509		255,509
<u>Massachusetts Housing Finance Agency:</u>			
Loan dated November 29, 2001 totaling \$300,000 secured by five property loans conveyed to buyers; at a rate of 2.5%; at 6/30/08 requiring monthly payments of \$2,000 due to balance outstanding; due 2016.	20,222	142,108	162,330
Loan dated April 2, 2008 totaling \$600,000 secured by five property loans conveyed to buyers; at a rate of 2.5%; requiring monthly payments of \$158 due to balance outstanding; due May 2023.	936	38,004	38,940
Lawrence Model Lodging Houses Trust dated May 21, 2008 totaling \$7,500 at zero interest due on sale of 31 Ashton Street or within three (3) years.	<u> </u>	<u>7,500</u>	<u>7,500</u>
Total Notes Payable	<u>\$ 277,176</u>	<u>\$ 187,612</u>	<u>\$ 464,788</u>

HABITAT FOR HUMANITY GREATER BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

(Continued)

Note 8. Notes Payable (Continued)

Principal payments due over the next five years:

2010	\$ 277,176
2011	29,193
2012	22,241
2013	22,804
2014	23,381
Thereafter	89,993

Note 9. Lease Commitments

In 2008, the Organization entered into a five year lease agreement expiring January 2013 with an additional five year option to renew. The lease required a \$5,000 security deposit plus the last month rent of \$5,628 in advance. Rent is stated at \$5,000 per month with a 3% increase each year. Total rent expense under this lease amounted to \$65,024 for 2009. Future minimum lease payments are as follows:

2010	\$ 62,573
2011	64,450
2012	66,383
2013	39,393

Note 10. Temporarily Restricted

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

	<u>Total</u>
Development costs:	
Blue Hills/Time FY10	\$ 263,120
Time	155,577
Total	<u>\$ 418,697</u>

Note 11. Tax-Deferred Annuity Plan

The Organization maintains a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers any employees electing to participate and is entirely funded with employee contributions up to the maximum amount allowed by the Internal Revenue Code.