

**HABITAT FOR HUMANITY
OF NORTH IDAHO, INC.**

**FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**



Magnuson, McHugh
& Company, P.A.
CPAs and Consultants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Habitat for Humanity of North Idaho, Inc.
Hayden, ID 83835

We have audited the accompanying statements of financial position of Habitat for Humanity of North Idaho, Inc., (a nonprofit corporation) as of June 30, 2009 and 2008, and the related statements of activities and changes in net assets, 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 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 of North Idaho, Inc. as of June 30, 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.

Magnuson, McHugh, & Co., P.A.

Magnuson, McHugh & Company, P.A.

October 13, 2009

Habitat for Humanity of North Idaho, Inc.

STATEMENTS OF FINANCIAL POSITION June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 61,826	\$ 113,078
Promises receivable	5,000	27,000
Accounts receivable	10,690	1,254
Prepaid and other assets	2,294	1,088
Construction in process	143,019	132,348
Building lots	300,364	315,803
Noninterest-bearing mortgage loans	1,705,514	1,569,192
Discount on noninterest-bearing loans	(574,746)	(527,522)
Property and equipment, net	774,123	803,284
	<u>774,123</u>	<u>803,284</u>
Total assets	<u>\$ 2,428,084</u>	<u>\$ 2,435,525</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 21,583	\$ 22,980
Impounds	20,404	22,484
Deferred income	630,912	564,384
Capital lease obligations	3,789	8,420
Notes payable	983,844	1,046,004
Total liabilities	<u>1,660,532</u>	<u>1,664,272</u>
Net assets:		
Unrestricted	<u>767,552</u>	<u>771,253</u>
Total liabilities and net assets	<u>\$ 2,428,084</u>	<u>\$ 2,435,525</u>

The accompanying "Notes to the Financial Statements"
are an integral part of this statement.

Habitat for Humanity of North Idaho, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
REVENUES AND SUPPORT		
Contributions	\$ 54,261	\$ 61,932
In-kind contributions	11,214	17,600
United Way giving	5,000	15,034
Special events	2,217	4,457
Grant income	8,222	25,000
Discount Building Supply store sales	422,811	368,110
Mortgage loan discount amortization	30,217	24,566
Transfers to homeowners	95,559	228,825
Gain (loss) on disposal of asset	(52)	
Miscellaneous	12,524	12,955
Total unrestricted revenues and support	<u>641,973</u>	<u>758,479</u>
EXPENSES		
Program services	240,080	459,217
Support services:		
Fund raising	368,236	263,763
Management and general	37,358	102,185
Total expenses	<u>645,674</u>	<u>825,165</u>
CHANGE IN NET ASSETS	(3,701)	(66,686)
NET ASSETS, beginning of year	<u>771,253</u>	<u>837,939</u>
NET ASSETS, end of year	<u>\$ 767,552</u>	<u>\$ 771,253</u>

The accompanying "Notes to the Financial Statements"
are an integral part of this statement.

Habitat for Humanity of North Idaho, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES For the Years Ended June 30, 2009 and 2008

	Program Services	Supporting Services		Total
		Management and General	Fund Raising	
	Construction			
2009				
Cost of home transfer	\$ 159,512			\$ 159,512
Building materials and supplies	4,344			4,344
Tithe to Habitat International	2,940		\$ 16,660	19,600
Insurance	2,921	\$ 495	3,730	7,146
Interest expense	18,813	5,790	47,806	72,409
Depreciation	2,351	2,893	26,848	32,092
Postage and freight	490	209	1,439	2,138
Office supplies	243	1,021	2,557	3,821
Discount Building Supply store expenses			131,401	131,401
Telephone	959	1,161	3,726	5,846
Property tax	711			711
Professional services		2,413	9,833	12,246
Payroll	35,821	20,924	71,568	128,313
Occupancy costs	1,282	940	18,639	20,861
Vehicle costs	1,536	104	6,859	8,499
Printing	1,775	118	1,745	3,638
Other costs	4,906	1,290	10,635	16,831
Newsletter and advertising	1,476		11,911	13,387
Dues and subscriptions			1,166	1,166
Repairs and maintenance			536	536
Special events, direct costs			1,177	1,177
Totals	\$ 240,080	\$ 37,358	\$ 368,236	\$ 645,674
2008				
Cost of home transfer	\$ 348,476			\$ 348,476
Building materials and supplies	3,675			3,675
Tithe to Habitat International	24,731			24,731
Insurance	2,711	\$ 4,736		7,447
Interest expense	20,438	9,682	\$ 45,847	75,967
Depreciation	2,470	2,595	26,960	32,025
Postage and freight	1,446	299	773	2,518
Office supplies	2,528	1,815	5,852	10,195
Discount Building Supply store expenses			81,898	81,898
Telephone	971	1,529	3,209	5,709
Property tax	1,064			1,064
Professional services		3,298	3,000	6,298
Payroll	33,844	73,213	51,264	158,321
Occupancy costs		1,487	16,544	18,031
Vehicle costs		834	6,426	7,260
Printing	128	21	5,912	6,061
Other costs	15,338	2,676	10,149	28,163
Newsletter and advertising	1,397		5,464	6,861
Special events, direct costs			465	465
Totals	\$ 459,217	\$ 102,185	\$ 263,763	\$ 825,165

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

Habitat for Humanity of North Idaho, Inc.

STATEMENTS OF CASH FLOWS For the Years Ended June 30, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (3,701)	\$ (66,686)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	32,091	32,025
Deferred income recognized	(32,845)	(23,411)
Mortgage loan discount amortization	(30,217)	(24,566)
Pre-term retirement of second mortgage		(21,309)
Forgiveness of debt	(20,000)	(40,000)
Mortgage payments received	96,621	69,040
Gain on sale disposal of assets	52	
Effects of changes in assets and liabilities:		
(Increase) in prepaid and other assets	(1,206)	(539)
(Increase) in accounts receivable	(9,436)	(1,254)
Decrease (increase) in promises receivable	22,000	(23,250)
Decrease in construction in progress	4,768	187,601
(Decrease) in accounts payable	(1,397)	(2,917)
(Decrease) increase in other liabilities	(127)	573
Net cash provided by operating activities	56,603	85,307
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of assets	2,875	
Purchases of equipment and capitalization costs	(5,857)	(525)
Mortgages issued to homeowners	(56,002)	(155,263)
Net cash (used) by investing activities	(58,984)	(155,788)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(44,240)	(56,981)
Pre-term repayment of long-term debt		37,049
Repayment of capital lease obligations	(4,631)	(5,473)
Net cash (used) for financing activities	(48,871)	(25,405)
CHANGE IN CASH AND CASH EQUIVALENTS	(51,252)	(95,886)
CASH AND CASH EQUIVALENTS, beginning of year	113,078	208,964
CASH AND CASH EQUIVALENTS, end of year	\$ 61,826	\$ 113,078
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Discount on noninterest-bearing mortgage loans	\$ (30,217)	\$ (24,566)
Transfers to homeowners subject to noninterest bearing mortgage loans	\$ 95,559	\$ 228,825
Interest expense	\$ 72,409	\$ 75,967

The accompanying "Notes to the Financial Statements" are an integral part of this statement.

Habitat for Humanity of North Idaho, Inc.

NOTES TO THE FINANCIAL STATEMENTS June 30, 2009 and 2008

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Habitat for Humanity of North Idaho, Inc. (Habitat) (a nonprofit corporation) was incorporated on November 26, 1988. Habitat is an affiliate of Habitat for Humanity International, Inc. (Habitat International), a nondenominational Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, Habitat is primarily and directly responsible for its own operations. In March of 2004, Habitat for Humanity of North Idaho, Inc. opened Discount Builder's Supply, a store which sells donated building materials to the public as an additional source of fund raising revenue. Revenues from the store are used as the Board deems necessary for general program expenses.

Basis of Accounting - The financial statements of Habitat for Humanity of North Idaho, Inc. have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents - Habitat considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Advertising expenses - Advertising expenses are charged to expense as incurred

Mortgages Receivable - Mortgages receivable consist of noninterest-bearing mortgages which are secured by real estate and payable in monthly installments over the life of the mortgage. Management believes it is probable that it will be able to collect all amounts due under the contractual terms of the loan agreements and, accordingly, has provided no allowance for uncollectible amounts.

Promises Receivable - Promises receivable are normally received within one year of the time of the pledge.

Property, Equipment, and Depreciation - Property and equipment additions over \$500 are recorded at acquisition cost, including costs necessary to get the asset ready for its intended use. Depreciation is provided by the straight-line method over the estimated useful lives of the respective assets, ranging from five to forty years.

Building Lots - Building lots consist of property purchased by the organization and awaiting construction for the future homeowners.

Construction in Process - Construction in process consists of various homes that are currently under construction. Completion of these homes is dependent on donations.

Deferred Income - Habitat has implemented an equity-sharing program with new homeowners. Upon timely payment of mortgage payments, Habitat will forgive a portion of the mortgage. After ten (10) years, all equity in the home will accrue to its homeowner.

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Habitat for Humanity of North Idaho, Inc.

NOTES TO THE FINANCIAL STATEMENTS June 30, 2009 and 2008

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions - Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets, if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Unconditional promises to give are recognized as revenue when the underlying promises are received by Habitat.

Donated Services - The value of donated professional construction services included as in-kind support in the financial statements and corresponding expenses for the years ended June 30, 2009 and 2008, was \$11,214 and \$17,600, respectively.

A substantial number of volunteers have made significant contributions of their time to Habitat's program and supporting services. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation.

Transfers to Homeowners - Transfers to homeowners are recorded at the gross mortgage amount plus down payment received. Noninterest bearing mortgages have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages. Utilizing a straight-line basis, this discount will be recognized as interest income over the term of the mortgage.

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

Income Taxes - The Organization is a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code and is not subject to taxation of its earnings.

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. Accordingly, actual results could differ from those estimates.

NOTE 2: CASH AND CASH EQUIVALENTS

The carrying amount of the Organization's deposits with financial institutions was \$61,826 and the bank balance was \$68,324.

Cash and cash equivalents on deposit with various financial institutions are recorded at cost, which approximates market value, and categorized as follows as of June 30, 2009:

Amount insured by FDIC or other agencies collateralized with securities held by the Organization.	<u>\$68,324</u>
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Habitat for Humanity of North Idaho, Inc.

**NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009 and 2008**

NOTE 3: PROMISES RECEIVABLE

Promises receivable were \$5,000 and \$27,000 respectively as of June 30, 2009 and 2008.

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2009 and 2008 consisted of the following:

	2009	2008
Building	\$817,296	\$815,986
Office equipment	7,847	8,960
Vehicles	33,500	37,390
Store equipment, concession booth and signs	<u>16,971</u>	<u>16,534</u>
	875,614	878,870
Less accumulated depreciation and amortization	<u>(101,491)</u>	<u>(75,586)</u>
Property and equipment, net	<u>\$774,123</u>	<u>\$803,284</u>

NOTE 5: CONSTRUCTION IN PROGRESS

Construction in progress consists of costs incurred on houses not yet completed. There are significant infrastructure costs related to the Millard Place subdivision which will eventually contain twelve homes. During the year, two homes were completed and these costs were expensed upon closing when sold. The balance consists of construction of an additional two homes that began during the year that are in various states of completion.

NOTE 6: CAPITAL LEASE OBLIGATIONS

On March 29, 2007, the organization entered into a capital lease agreement to purchase a tractor for \$15,156. Monthly payments are \$421 for thirty-six months, with no interest. The outstanding lease payable was \$3,789 as of June 30, 2009.

Future payments are as follows:

Years Ending June 30,	Amount
2010	\$3,789
Total	<u>\$3,789</u>

Habitat for Humanity of North Idaho, Inc.

NOTES TO THE FINANCIAL STATEMENTS June 30, 2009 and 2008

NOTE 7: NOTES PAYABLE

Notes payable at June 30, 2009 and 2008 consisted of the following:

	2009	2008
Note payable to Habitat for Humanity International, Inc., payable in monthly installments of \$52, noninterest bearing. Unsecured.	\$ 316	\$ 940
Note payable to Mountain West Bank, due \$83 monthly, noninterest bearing, due October 2011. Secured by property.	2,327	3,329
Note payable to Habitat for Humanity International, due \$706 quarterly, with interest at 4.275%. Secured by mortgages receivable.		1,389
Note payable to Panhandle State Bank, payable in 23 monthly payments of \$867.97 and one balloon payment of entire unpaid balance on July 20, 2011. Interest at 7.5%. Secured by property.	107,755	110,550
Note payable to Habitat for Humanity International, Inc., payable in monthly installments of \$312, noninterest bearing. Unsecured.	3,768	7,512
Note payable to Panhandle State Bank, payable in 23 monthly payments of \$839.20 and one balloon payment of entire unpaid balance on July 5, 2011. Interest at 7.5%. Secured by property.	104,503	107,305
Note payable to Idaho Housing & Finance Association, payable in full on August 16, 2010. Secured by real property. Interim payments to be made of \$9,263.30 on the closing of ten properties. Additionally, a grant of \$10,000 per home on the closing of twelve homes.	20,000	58,526
Note payable to Panhandle State Bank, payable in monthly installments of \$5,461 including interest at 7.25%. Secured by real property.	<u>745,175</u>	<u>756,453</u>
Total notes payable	<u>\$983,844</u>	<u>\$1,046,004</u>

Maturities of notes payable are as follows:

Years Ending June 30,	Amount
2010	\$ 40,401
2011	17,142
2012	216,666
2013	13,665
2014	14,690
Thereafter	<u>681,280</u>
Total	<u>\$983,844</u>

The entity has a line of credit for \$100,000 with the bank and has an outstanding balance of \$0 at June 30, 2009 and 2008.

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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 8: TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL, INC.

Habitat annually remits a portion of its undesignated contributions (excluding in-kind contributions) to Habitat for Humanity International, Inc. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2009 and 2008, Habitat contributed \$19,600 and \$24,731 to Habitat for Humanity International, Inc., respectively. Such amounts are included in program services and fundraising expenses in the statements of activities and changes in net assets.

NOTE 9: RECLASSIFICATION OF 2008 COMPARATIVE TOTALS

Certain 2008 amounts presented herein have been reclassified to conform to the 2009 presentation.

NOTE 10: SIGNIFICANT SUBSEQUENT EVENTS

In July and August of 2009, the organization sold two homes for \$130,000 and \$125,000 respectively.