

**HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**June 30, 2010**

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*Santi & Associates, PC*  
Certified Public Accountants

**Independent Auditor's Report**

To the Board of Directors  
Habitat for Humanity-North Central Georgia, Inc.  
Roswell, Georgia

We have audited the accompanying statement of financial position of Habitat for Humanity-North Central Georgia, Inc. (a nonprofit organization) as of June 30, 2010, 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-North Central Georgia, Inc. as of June 30, 2010, and the change 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.

Alpharetta, Georgia  
October 22, 2010

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2010

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Assets	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 421,681
Contribution receivable	173,084
Grant receivable	53,303
Current portion of mortgage receivable, net	120,364
Other receivables	85,367
Prepaid expenses	14,197
ReStore inventory	7,786
Construction in progress	857,331
Land held for development	<u>163,061</u>
Total current assets	<u>1,896,174</u>
<b>Property and Equipment</b>	
Property and equipment, net	<u>12,524</u>
<b>Other Assets</b>	
Mortgage receivable, net, less current portion	6,071,550
Land held for sale	<u>166,130</u>
	<u>6,237,680</u>
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<b>Assets</b>	<b>\$ 8,146,378</b>

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The accompanying notes are an integral part of these financial statements.

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**Liabilities and Net Assets**

**Current Liabilities**

Current portion of long-term debt, net	\$ 2,482,840
Accounts payable	48,640
Accrued expenses	11,175
Homeowner deposits	11,194
Homeowner escrows	184,896
Unearned revenue	19,538
Deferred revenue	<u>39,975</u>

Total current liabilities 2,798,258

**Long-Term Debt, net, less current portion**

78,515

**Net Assets**

Unrestricted	4,772,414
Temporarily restricted	<u>497,191</u>

5,269,605

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**Liabilities and Net Assets**

**\$ 8,146,378**

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HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues, Grants, and Other Support</b>			
House sales	\$ 1,689,686	\$ -	\$ 1,689,686
Imputed interest on new mortgages	(828,461)	-	(828,461)
	<u>861,225</u>	<u>-</u>	<u>861,225</u>
Contributions	136,011	833,671	969,682
In-kind contributions	135,060	-	135,060
Grant revenue	259,148	-	259,148
Mortgage discount amortization	477,429	-	477,429
ReStore, net	(8,057)	-	(8,057)
Special events, net	6,339	-	6,339
Property sales	123,475	-	123,475
Book sales	666	-	666
Interest income	517	-	517
Other revenue	27,409	-	27,409
Net assets released from restrictions	962,791	(962,791)	-
	<u>2,982,013</u>	<u>(129,120)</u>	<u>2,852,893</u>
<b>Expenses and Losses</b>			
Program services	2,445,281	-	2,445,281
Management and general	366,310	-	366,310
Fundraising	214,810	-	214,810
	<u>3,026,401</u>	<u>-</u>	<u>3,026,401</u>
<b>Change in Net Assets</b>	(44,388)	(129,120)	(173,508)
<b>Net Assets, Beginning of Year</b>	<u>4,816,802</u>	<u>626,311</u>	<u>5,443,113</u>
<b>Net Assets, End of Year</b>	<u>\$ 4,772,414</u>	<u>\$ 497,191</u>	<u>\$ 5,269,605</u>

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2010

	Program Services	Management & General	Fundraising	Total
Salaries and related expenses	\$ 340,239	\$ 88,181	\$ 176,678	\$ 605,098
Payroll taxes and benefits	37,220	23,066	13,514	73,800
Cost of houses sold	1,882,374	-	-	1,882,374
Property expenses	26,758	-	-	26,758
Bad debt expense	15,116	-	-	15,116
Occupancy	-	27,501	-	27,501
Professional fees	498	25,577	7,111	33,186
Insurance	51,381	15,084	-	66,465
Dues and memberships	100	5,184	2,265	7,549
Automobile expense	11,823	-	-	11,823
Office supplies and expense	3,357	20,137	235	23,729
Telephone	695	10,247	13	10,955
Postage and delivery	19	2,613	847	3,479
Training	330	25	195	550
Repairs and maintenance	346	316	-	662
Retirement plan fees	-	1,860	-	1,860
Homeowner and volunteer expense	3,631	-	3,494	7,125
Printing and publications	6	574	4,494	5,074
Small tools	3,082	-	-	3,082
Travel, meals, and entertainment	1,622	5,359	2,216	9,197
Loan fees	-	3,010	-	3,010
Interest	-	120,301	-	120,301
Contribution - Habitat International	60,855	-	-	60,855
Depreciation	-	12,867	-	12,867
Miscellaneous	5,829	4,408	3,748	13,985
	<u>\$ 2,445,281</u>	<u>\$ 366,310</u>	<u>\$ 214,810</u>	<u>\$ 3,026,401</u>

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2010

<b>Cash Flow from Operating Activities</b>	
Change in net assets	\$ (173,508)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	12,867
<b>(Increase) Decrease in:</b>	
Contribution receivable	(12,678)
Grant receivable	175,508
Mortgage receivable	(288,086)
Other receivables	(30,396)
Prepaid expenses	295
ReStore inventory	1,926
Construction in progress	693,335
Land held for development	(116,461)
Land held for sale	65,000
Deposits	2,500
<b>Increase (Decrease) in:</b>	
Accounts payable	5,097
Accrued expenses	(3,048)
Homeowner deposits	(11,900)
Homeowner escrows	44,640
Unearned revenue	(6,963)
Deferred revenue	(137,486)
	<u>220,642</u>
Net cash provided by operating activities	<u>220,642</u>
<b>Cash Flow from Financing Activities</b>	
Net payments on long-term debt	(40,804)
	<u>(40,804)</u>
Net cash used in financing activities	<u>(40,804)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	179,838
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>241,843</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 421,681</u></u>

The accompanying notes are an integral part of these financial statements.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Habitat for Humanity-North Central Georgia, Inc. (Habitat) is presented to assist in understanding Habitat's financial statements. The financial statements and notes are representations of Habitat's management, who is responsible for their integrity and objectivity.

**1. Nature of Organization**

Habitat is a non-profit, tax-exempt, non-denominational Christian housing ministry that works in partnership with community sponsors and volunteers to build simple, decent homes for, and with, responsible low income families selected by Habitat. Habitat is an affiliate of Habitat for Humanity International, Inc. (Habitat International). Like other such affiliates, Habitat is an independent, locally run organization that is responsible for its own funding, family selection and education, land acquisition and development, and home construction. Although Habitat International assists Habitat with information resources, training, publications, flow-through contributions, and in other ways, Habitat is primarily and directly responsible for its own operations. Habitat, in its current form, took shape in January 2006 when the affiliates in North Fulton, Cherokee, Forsyth, and Dawson counties merged. Habitat's homeownership program is open to all people, regardless of race, religion, color, or creed.

North Georgia Community Housing Development Corporation, Inc. (NGCHDC) was formed in 2006 by Habitat to be used as an organization to obtain specific government grant funding that will ultimately be passed through to Habitat. Certain members of Habitat's management also serve as officers of NGCHDC. All transactions completed by Habitat in partnership with NGCHDC are consolidated in the financial statements of Habitat since separate accounting records are not currently being maintained by NGCHDC.

**2. Basis of Presentation**

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its ASC 958, Financial Statements of Not-for-Profit Entities. Under FASB ASC 958, Habitat is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. 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 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.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

2. **Basis of Presentation, continued**

There were no permanent restricted assets held during the period presented; and accordingly, these financial statements do not reflect any activity related to this class of net assets for the year ended June 30, 2010.

3. **Cash and Cash Equivalents**

Habitat considers all highly-liquid investments with original maturities of three months or less to be cash equivalents.

4. **Receivables**

Management closely monitors outstanding receivables and charges off to expense any balances that are determined to be uncollectible. At June 30, 2010, Habitat considered all remaining receivables to be fully collectible. Accordingly, there was no allowance for doubtful accounts. Bad debt expense was \$15,116 for the year ended June 30, 2010.

5. **ReStore Inventory**

Inventory for the ReStore is stated at net realizable value at June 30, 2010.

6. **Construction in Progress**

Construction in progress represents houses that are currently under construction for families. Purchased materials and land for the construction of these houses are recorded at cost. Donated materials, labor, and land, if applicable, are recorded at their fair market value. Overhead and administration expenses of houses built by Habitat are included in the overall program expenses of Habitat.

7. **Property and Equipment**

Property and equipment are stated at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally using the straight-line method.

The estimated useful lives in determining depreciation are:

	<u>Years</u>
Computers and equipment	5
Vehicles	5
Building tools	5 - 7
Furniture and fixtures	7 - 10

Expenditures for property and equipment and for improvements, which extend the original estimated economic life of the asset, exceeding \$250, are capitalized. Expenditures for maintenance and repairs are charged to operations as incurred. When an asset is sold or otherwise disposed, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities.

Depreciation expense for the year ended June 30, 2010 was \$12,867.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

7. **Property and Equipment, continued**

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose.

8. **Land Held for Sale**

Land held for sale is stated at cost.

9. **Contributions**

In accordance with FASB ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of donor restrictions. Contributions are recognized when the donor makes an unconditional promise to give to Habitat. Conditions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, restricted net assets are reclassified to unrestricted net assets.

10. **Functional Allocation of Expenses**

The costs of providing the program and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services, based on their nature and purpose.

11. **Income Taxes**

Habitat and NGCHDC, nonprofit organizations operating under Section 501(c)(3) of the Internal Revenue Code, are exempt from federal, state, and local income taxes; and accordingly, no provision for income taxes is included in the accompanying financial statements for Habitat.

12. **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

13. **Donated Services**

Many volunteers have made significant contributions of their time to develop and promote the programs of Habitat. The value of these donated services are not included in the accompanying financial statements, as such services do not create or enhance non-financial assets or require specialized skills.

14. **Subsequent Events**

Subsequent events have been evaluated through October 22, 2010, which is the date the financial statements were issued.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**NOTE B – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are comprised of the following on June 30, 2010:

Cash	\$ 279,625
Restricted cash	<u>142,056</u>
	<u>\$ 421,681</u>

The restricted cash represents escrow being held by Habitat for homeowner mortgages. Escrow payments are incorporated as a part of homeowner regular monthly mortgage payments, and Habitat, as an escrow agent, is responsible for timely paying insurance, real property taxes, and applicable homeowner association dues from the escrow funds for all homeowners.

Habitat maintains a separate bank account for grant funds received from the SHOP programs as required by the grants.

**NOTE C – FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF CREDIT RISK**

Habitat's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents.

Habitat maintains its cash deposits with a highly rated financial institution. At times, such deposits may be in excess of federally insured limits. At June 30, 2010, Habitat maintained uninsured cash deposits of \$197,267. Habitat has not experienced any losses in such accounts and believes it is not exposed to any significant risk of loss.

**NOTE D – MORTGAGE RECEIVABLE**

Habitat holds mortgages on one hundred and seventy one houses as of June 30, 2010. No interest is charged to the homeowners by Habitat. Although for accounting purposes, an interest rate is imputed, and the mortgages are discounted with discounts being amortized over the life of the loans. Mortgage discount rates used vary from 7.95% to 9.00%, according to guidance provided by Habitat International. Management believes all mortgage receivables are recoverable; therefore, no allowance for doubtful accounts has been provided at June 30, 2010. All of the mortgage receivable of Habitat serves as collateral for the line of credit and term loan payable to Bank of North Georgia.

The mortgage receivable and unamortized discount at June 30, 2010 are as follows:

Total mortgage receivable before unamortized discount	\$ 14,245,438
Less unamortized discount	<u>(8,053,524)</u>
	<u>\$ 6,191,914</u>

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**NOTE D – MORTGAGE RECEIVABLE, continued**

These mortgages at their discounted values will be received as follows:

<b>Year Ended June 30,</b>	
2011	\$ 120,364
2012	130,461
2013	141,600
2014	153,177
2015	161,008
Thereafter	<u>5,485,304</u>
	<u>\$ 6,191,914</u>

**NOTE E – PROPERTY AND EQUIPMENT**

Property and equipment, as of June 30, 2010, is summarized as follows:

Computers and equipment	\$ 61,013
Vehicles	47,306
Building tools	12,118
Furniture and fixtures	<u>3,250</u>
	123,687
Less accumulated depreciation	<u>(111,163)</u>
	<u>\$ 12,524</u>

**NOTE F – OPERATING LEASES**

Habitat has entered into lease agreements for office space at its three locations: North Fulton, Cherokee, and Lanier. Office space for the North Fulton location is donated. The fair value of this donated rent is \$25,000 per year. The lease agreement for the North Fulton location expires April 2011, the Cherokee location expires February 2011, and the Lanier location expires September 2011. Expenses, included on the statement of functional expenses as occupancy and statement of activities as ReStore, associated with the leases of office space for Cherokee, Lanier, and North Fulton was \$40,901 for the year ended June 30, 2010.

Habitat has entered into lease agreements for a copier and postage meter expiring January 2013 and September 2013, respectively. The office expense associated with these leases was \$1,733 for the year ended June 30, 2010.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**NOTE F – OPERATING LEASES, continued**

The future minimum lease payments (excluding the donated rent) are as follows:

<b>Year Ended</b>	
<b><u>June 30,</u></b>	
2011	\$ 30,084
2012	2,658
2013	<u>1,061</u>
	<u>\$ 33,803</u>

**NOTE G – LINE OF CREDIT**

Habitat has an open-end line of credit agreement with Bank of North Georgia, which provides for borrowings up to \$500,000, expiring March 2011. Borrowings under the agreement bear interest at the lender's prime rate plus .5% with a minimum rate of 5%. The interest rate on the line of credit at June 30, 2010 was 5%. Balances outstanding are secured by substantially all assets of Habitat. Borrowings under the line of credit are subject to certain restrictive covenants, and at June 30, 2010, Habitat is in compliance with all covenants. There was no outstanding balance on the line of credit as of June 30, 2010.

**NOTE H – LONG-TERM DEBT**

Non-revolving and non-amortizing term loan payable to Bank of North Georgia, maturing March 2011, principal is due at maturity, interest monthly at the lender's prime rate plus .5% with a minimum rate of 5%. The interest rate at June 30, 2010 was 5%. Balances outstanding are secured by substantially all assets of Habitat. Under the terms of the loan, Habitat is obligated to comply with certain restrictive covenants, and at June 30, 2010, Habitat is in compliance with all covenants.

\$ 2,435,045

Note payable to Habitat International, maturing December 2012, due in monthly installments of \$234 with a final payment of \$252, bearing no interest.

4,230

Note payable to Habitat International, maturing December 2012, due in monthly installments of \$312 with a final payment of \$336, bearing no interest.

5,640

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**NOTE H – LONG-TERM DEBT, continued**

Note payable to Habitat International, maturing December 2012, due in monthly installments of \$156 with a final payment of \$168, bearing no interest.	2,976
Note payable to Habitat International, maturing December 2013, due in monthly installments of \$781 with a final payment of \$793, bearing no interest.	23,442
Note payable to Habitat International, maturing December 2013, due in monthly installments of \$1,953 with a final payment of \$1,959, bearing no interest.	58,596
Note payable to Habitat International, maturing June 2012, due in monthly installments of \$548 with a final payment of \$591, bearing no interest.	26,347
Note payable to Habitat International, maturing January 2015 due in monthly installments of \$148 with a final payment of \$187, bearing no interest.	7,143
Note payable to Habitat International, maturing January 2015 due in monthly installments of \$372 with a final payment of \$373, bearing no interest.	<u>17,857</u>
Total long-term debt before unamortized discount	<u>2,581,276</u>
Imputed interest has been applied in aggregate to the notes payable to Habitat International at a rate of 3.75% on all notes. The remaining unamortized discount at June 30, 2010:	<u>(19,921)</u>
Total long-term debt	<u>\$ 2,561,355</u>

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**NOTE H – LONG-TERM DEBT, continued**

Maturities of long-term debt are as follows:

<b>Year Ended</b>	
<b>June 30,</b>	
2011	\$ 2,482,840
2012	49,890
2013	29,238
2014	12,816
2015	6,492
	<u>2,581,276</u>
Less unamortized discount	<u>(19,921)</u>
Total long-term debt	<u>2,561,355</u>
Long-term portion	78,515
Current portion	<u>2,482,840</u>
	<u>\$ 2,561,355</u>

**NOTE I – RESTORE**

ReStore is a retail outlet that sells quality new and used items, such as furniture, appliances, tools, building materials, and related items. ReStore accepts donations of new and slightly used items and records the items in inventory at net realizable value.

Management records contributions of donated items and cost of goods sold as eighty-five percent of total revenues. Management believes this estimate to be representational of fair market value for donated items. Revenue and expenses from ReStore are summarized as follows:

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**NOTE I – RESTORE, continued**

<b>Revenue</b>	
In-kind contributions	\$ 172,071
Sales	202,436
	<u>374,507</u>
<b>Expenses</b>	
Cost of goods sold	172,071
General and administrative expenses	210,493
	<u>382,564</u>
<b>ReStore, net</b>	<u>\$ (8,057)</u>

**NOTE J – COMMITMENTS AND CONTINGENCIES**

Habitat occasionally receives grants from a federally funded program to purchase building lots. To receive these funds, Habitat is required to sign either a ten or fifteen year loan payable to the governmental entity issuing the grant. The loan is deemed paid in increments equal to annual installments calculated on a straight-line basis. At the end of the loan period, if the houses built on the land lots purchased with the grant funds continue to be mortgaged by a qualified family without refinancing over the loan period, the loan will be deemed paid in full. At June 30, 2010, \$194,507 of these grant funds, which have been received by Habitat, may have a future commitment. No liability for these loans is recorded at June 30, 2010 since funds have been used as required and no future liability is expected.

**NOTE K – LICENSE AND DONATION AGREEMENT**

Habitat entered into an agreement with Humanity International, Asheville Area Habitat for Humanity, Inc. (Asheville Habitat), Gene Stelten (Stelten), and Grateful Steps, Inc. (Publisher). Stelten is the author of a children's book, entitled "A House for Wally and Me", to be published by Grateful Steps, Inc. Stelten has agreed to donate 100% of the proceeds of the sale of the book to Habitat, Habitat International, and Asheville Habitat. Habitat will receive 80% of the net proceeds from the sale of the book and, along with the Publisher, is advancing funds and will incur expenses associated with the production and distribution of the book. Habitat and the Publisher will be reimbursed for such advances and expenses prior to the distribution of any proceeds from the sale of the book. For the year ended June 30, 2010, Habitat has revenue of \$15,106 and expenses of \$14,440 associated with this agreement.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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**NOTE L – EMPLOYEE BENEFIT PLAN**

Habitat maintains a 401(k) profit sharing plan and trust, covering all eligible employees credited with 1,000 hours of service annually, on January 1<sup>st</sup>. Each year, in addition to depositing 401(k) salary deferrals, Habitat may contribute to the plan discretionary profit sharing contributions. Habitat did not make discretionary contributions for the year ended June 30, 2010.

**NOTE M – RELATED PARTIES**

Habitat for Humanity-North Central Georgia, Inc. is an affiliate of Habitat for Humanity International, Inc. Habitat occasionally receives direct donations from Habitat International, as well as donations from other donors who use Habitat International as a conduit of funds. Habitat contributed \$60,855 to Habitat International in the year ended June 30, 2010. As of June 30, 2010, Habitat had notes payable to Habitat International in the aggregate amount of \$146,231 and an aggregate receivable of \$53,303 from Habitat International, both of which related to federal award grants received by Habitat from Habitat International as the pass-through entity.

North Georgia Community Housing Development Corporation, Inc. was formed in 2006 by Habitat to be used as an organization to obtain specific government grant funding that will ultimately be passed through to Habitat. Certain members of Habitat's management also serve as officers of NGCHDC. In the year ended June 30, 2010, NGCHDC in partnership with Habitat obtained \$114,699 in grant funds for the purchase of a house.

**NOTE N – AFFILIATION COMMITMENT**

In December 2007, Habitat signed an affiliation agreement with Habitat International to comply with certain covenants, representations, and warranties. Habitat agreed to restrict its operations to a "service area" of a geographic area approved by Habitat International, to restrict fundraising to that service area, to conform to certain design criteria for its houses, to make its financial records available to Habitat International upon request, to cause its officers, directors, agents, and employees to comply with certain core tenets, and to be responsible for funding all of its housing programs.

In addition, Habitat is expected to contribute 10% of the monthly mortgage receipts to Habitat International on a quarterly basis. These funds are used to construct housing in economically depressed countries. For the year ended June 30, 2010, Habitat contributed \$60,855 to Habitat International.

The term of the agreement is for one year and will automatically renew on an annual basis. Habitat International may conduct annual evaluations of Habitat's operations and may exercise certain remedies including placing Habitat on probation. Habitat may terminate the agreement upon delivering 180 day written notice; however, it must terminate the use of the name "Habitat" or "Humanity" and discontinue use of the group tax exempt status it presently has through Habitat International. If Habitat ceases operations but fails to dissolve its corporate existence, Habitat International will have the right to transfer the assets of Habitat to a nonprofit organization designated by Habitat International.

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

**NOTE O – IN-KIND CONTRIBUTIONS**

Habitat has received donated land, rent, and services. The estimated fair values of these donations are reported in the accompanying financial statements as contributions at the date of receipt. During the year ended June 30, 2010, Habitat recorded \$135,060 of in-kind contributions and related expense categories.

**NOTE P – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following activities at June 30, 2010:

Temporarily Restricted Net Assets:	
House construction	<u>\$ 497,191</u>

**NOTE Q – NET ASSETS RELEASED FROM RESTRICTION**

Net assets were released from donor restrictions by incurring expenses satisfying the purposes of the following restrictions during the year ended June 30, 2010:

Released to Unrestricted:	
House construction	<u>\$ 962,791</u>

**NOTE R – SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Cash paid during the year ended June 30, 2010 was as follows:

Interest	<u>\$ 125,035</u>
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All interest incurred was expensed.

In-kind contributions:

Land	\$ 93,000
Rent	25,000
Accounting services	8,275
Appraisal services	7,205
Building costs	1,063
Monitoring services	<u>517</u>
	<u>\$ 135,060</u>

HABITAT FOR HUMANITY-NORTH CENTRAL GEORGIA, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

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**NOTE R – SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION, continued**

**Noncash investing and financing transactions:**

Sale of property through issuance of mortgage receivable	<u>\$ 1,689,686</u>
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