

**HABITAT FOR HUMANITY OF
LAFAYETTE, INC. AND
SUBSIDIARY**

**CONSOLIDATED AUDITED
FINANCIAL STATEMENTS**

**As of and For the Years Ended
June 30, 2010 and 2009**

Girardot, Strauch & Co.

A P R O F E S S I O N A L C O R P O R A T I O N
Certified Public Accountants

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Girardot, Strauch & Co.

A P R O F E S S I O N A L C O R P O R A T I O N

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Habitat for Humanity of Lafayette, Inc. and Subsidiary
Lafayette, Indiana

We have audited the consolidated statements of financial position of Habitat for Humanity of Lafayette, Inc. (an Indiana nonprofit corporation) and its subsidiary, Tippecanoe Land Holding, Inc. (an Indiana nonprofit corporation) as of June 30, 2010 and 2009 and the related consolidated 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 consolidated financial statements based on our audits.

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 statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Lafayette, Inc. and its subsidiary, Tippecanoe Land Holding, Inc. as of June 30, 2010 and 2009 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.

Girardot, Strauch & Co.

Lafayette, Indiana
December 1, 2011

HABITAT FOR HUMANITY OF LAFAYETTE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2010 and 2009

ASSETS		
CURRENT ASSETS	2010	2009
Cash	\$ 559,423	\$ 760,022
Escrow accounts	-	922
Accounts receivable	11,815	10,222
Grants receivable	85,891	-
Mortgages receivable, net of discount, due within one year	67,592	62,088
Inventory	10,168	71,405
Inventory - land	394,341	459,491
Construction in progress	468,548	564,984
Prepaid expenses	6,642	33,061
Total Current Assets	1,604,420	1,962,195
 PROPERTY AND EQUIPMENT, net	 982,111	 1,067,798
 OTHER ASSETS		
Investments	-	100,648
Mortgages receivable, net of discount, due after one year	2,273,063	2,074,952
Total Other Assets	2,273,063	2,175,600
	\$ 4,859,594	\$ 5,205,593
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 185,579	\$ 107,185
Escrow deposits	16,262	1,998
Line of credit	74,775	-
Current portion of notes payable	194,578	192,384
Current portion mortgages payable	16,175	16,070
Current portion senior gift annuities	4,310	10,010
Total Current Liabilities	491,679	327,647
 LONG-TERM LIABILITIES		
Mortgages payable	248,907	262,548
Senior gift annuities	144,910	196,674
Total Long-Term Liabilities	393,817	459,222
 NET ASSETS		
Unrestricted	3,708,484	3,752,192
Temporarily restricted	265,614	666,532
Total Net Assets	3,974,098	4,418,724
	\$ 4,859,594	\$ 5,205,593

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY OF LAFAYETTE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2010 and 2009

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Grants	\$ 509,522	\$ 69,600	\$ 579,122	\$ 352,259	\$ 884,119	\$ 1,236,378
Contributions	98,322	489,962	588,284	149,378	204,511	353,889
In-kind contributions	61,042	2,635	63,677	16,111	14,225	30,336
Change in gift annuities	53,323	-	53,323	41,020	-	41,020
Transfer to homeowners, net of discount	337,872	-	337,872	206,305	-	206,305
Mortgage discount amortization	173,008	-	173,008	159,321	-	159,321
Contract income	24,236	-	24,236	31,269	-	31,269
ReStore	158,128	-	158,128	137,522	-	137,522
Rent	10,345	-	10,345	19,574	-	19,574
Special events	11,895	28,557	40,452	48,490	-	48,490
Investment income	17,869	-	17,869	8,215	-	8,215
Gain on payoff of mortgages	33,335	-	33,335	91,208	-	91,208
Gain (loss) on sale of assets	-	-	-	(5,372)	-	(5,372)
Other	700	-	700	868	-	868
Net assets released from restrictions						
Satisfied program restrictions	991,672	(991,672)	-	890,194	(890,194)	-
Total Support and Revenue	2,481,269	(400,918)	2,080,351	2,146,362	212,661	2,359,023
EXPENSES						
PROGRAMS						
Construction	1,977,474	-	1,977,474	1,193,706	-	1,193,706
Family services	112,746	-	112,746	122,136	-	122,136
ReStore	135,617	-	135,617	142,750	-	142,750
Total Programs	2,225,837	-	2,225,837	1,458,592	-	1,458,592
SUPPORT SERVICES						
Administration	245,157	-	245,157	236,975	-	236,975
Fund raising	53,983	-	53,983	39,658	-	39,658
Total Support Services	299,140	-	299,140	276,633	-	276,633
Total Expenses	2,524,977	-	2,524,977	1,735,225	-	1,735,225
INCREASE (DECREASE) IN NET ASSETS	(43,708)	(400,918)	(444,626)	411,137	212,661	623,798
NET ASSETS BEGINNING OF YEAR	3,752,192	666,532	4,418,724	3,341,055	453,871	3,794,926
NET ASSETS END OF YEAR	\$ 3,708,484	\$ 265,614	\$ 3,974,098	\$ 3,752,192	\$ 666,532	\$ 4,418,724

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY OF LAFAYETTE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2010 and 2009

	2010						
	Program						
	Family		Restore	Total	Fund		Total
Construction	Services	Raising			Administration		
Salaries & benefits	\$ 379,006	\$ 91,306	\$ 84,582	\$ 554,894	\$ 33,810	\$ 125,768	\$ 714,472
Cost of Homes transferred	961,675	-	-	961,675	-	-	961,675
Lot inventory writedown	57,129	-	-	57,129	-	-	57,129
Construction costs - DANI	460,538	-	-	460,538	-	-	460,538
Tools	7,602	-	-	7,602	-	-	7,602
Supplies	2,450	-	2,919	5,369	-	24,206	29,575
Committee	3,759	9,017	-	12,776	18,237	11,926	42,939
Tithe	29,900	-	-	29,900	-	-	29,900
Professional fees	-	-	-	-	-	11,656	11,656
Insurance	20,553	1,468	1,468	23,489	1,468	4,404	29,361
Telephone	-	-	1,286	1,286	-	12,053	13,339
Postage	-	-	-	-	-	4,238	4,238
Occupancy	-	-	12,425	12,425	-	6,979	19,404
Interest	-	-	15,292	15,292	-	11,064	26,356
Transportation	38,841	6,562	2,894	48,297	-	2,081	50,378
Conferences	-	-	-	-	-	6,720	6,720
Repairs & maintenance	-	-	2,932	2,932	-	3,450	6,382
Depreciation	16,021	2,558	9,012	27,591	468	12,752	40,811
Other	-	1,835	2,807	4,642	-	7,860	12,502
	<u>\$1,977,474</u>	<u>\$112,746</u>	<u>\$135,617</u>	<u>\$2,225,837</u>	<u>\$ 53,983</u>	<u>\$ 245,157</u>	<u>\$2,524,977</u>

	2009						
	Program						
	Family		Restore	Total	Fund		Total
Construction	Services	Raising			Administration		
Salaries & benefits	\$ 352,602	\$ 94,864	\$ 80,675	\$ 528,141	\$ 26,568	\$ 96,805	\$ 651,514
Cost of Homes transferred	493,405	-	-	493,405	-	-	493,405
Lot inventory writedown	13,192	-	-	13,192	-	-	13,192
Construction costs - DANI	227,845	-	-	227,845	-	-	227,845
Tools	8,355	-	-	8,355	-	-	8,355
Supplies	2,182	-	7,542	9,724	-	37,491	47,215
Committee	4,132	10,206	-	14,338	11,292	4,633	30,263
Tithe	18,916	-	-	18,916	-	-	18,916
Professional fees	-	-	-	-	-	8,799	8,799
Insurance	18,402	1,314	1,314	21,030	1,314	3,943	26,287
Telephone	-	-	676	676	-	13,089	13,765
Postage	-	-	-	-	-	2,936	2,936
Occupancy	-	-	13,129	13,129	-	14,713	27,842
Interest	-	-	15,665	15,665	-	22,263	37,928
Transportation	38,686	11,800	1,738	52,224	-	3,200	55,424
Conferences	-	-	787	787	-	5,713	6,500
Repairs & maintenance	-	-	9,414	9,414	-	6,416	15,830
Depreciation	15,989	3,952	8,609	28,550	484	12,482	41,516
Other	-	-	3,201	3,201	-	4,492	7,693
	<u>\$1,193,706</u>	<u>\$122,136</u>	<u>\$142,750</u>	<u>\$1,458,592</u>	<u>\$ 39,658</u>	<u>\$ 236,975</u>	<u>\$1,735,225</u>

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY OF LAFAYETTE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants and contributions	\$ 1,178,222	\$ 1,638,757
Cash received from other sources	333,073	332,222
Cash received from interest and dividends	7,430	13,153
Cash paid to employees and suppliers	(2,090,351)	(2,063,588)
Cash paid for interest	<u>(16,740)</u>	<u>(18,900)</u>
Net Cash Used by Operating Activities	(588,366)	(98,356)
CASH FLOWS FROM INVESTING ACTIVITIES		
Mortgage payments received	235,810	198,426
Mortgage repurchased	(15,813)	-
Sale of investments	111,087	83,724
Proceeds from sale of fixed asset	-	12,000
Purchases of property and equipment	<u>(4,556)</u>	<u>(66,131)</u>
Net Cash Provided by Investing Activities	326,528	228,019
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances on line of credit	74,775	-
Borrowings on notes payable	-	60,000
Payments on mortgage payable	<u>(13,536)</u>	<u>(15,132)</u>
Net Cash Provided by Financing Activities	<u>61,239</u>	<u>44,868</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(200,599)	174,531
Beginning Cash and Cash Equivalents	<u>760,022</u>	<u>585,491</u>
Ending Cash and Cash Equivalents	<u>\$ 559,423</u>	<u>\$ 760,022</u>

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY OF LAFAYETTE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2010 and 2009

**RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO
NET CASH USED BY OPERATING ACTIVITIES**

	2010	2009
INCREASE (DECREASE) IN NET ASSETS	\$ (444,626)	\$ 623,798
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Used by Operating Activities		
Depreciation	40,811	41,516
Contribution of vehicle	-	(6,365)
Loss on sale of assets	-	5,372
Unrealized loss on investment	-	10,311
Realized gain on investment	(7,896)	-
Reinvested dividends	(2,543)	(5,373)
Amortization mortgage loan discounts	(173,008)	(159,321)
Gain on payoff of mortgages	(33,335)	(91,208)
Mortgage loans made, net of discount	(330,622)	(206,305)
Repossessed houses recorded in construction in progress	73,530	133,372
Loan discount adjustments	28,101	-
Second mortgage adjustments, net of discount	11,722	-
Transfer of fixed asset to inventory	49,432	-
Fair market value rent adjustment - senior gift annuities	(4,141)	(7,764)
Increase (Decrease) in senior gift annuities	(53,323)	(41,020)
Discount on note payable recorded as contribution	(7,422)	(9,616)
Amortization of discount on note payable	9,616	19,028
(INCREASE) DECREASE IN ASSETS		
Escrow accounts	922	(5)
Accounts receivable	(1,593)	19,497
Grants receivable	(85,891)	-
Inventory	61,237	(17,473)
Inventory - land	65,150	21,696
Construction in progress	96,436	(310,788)
Inventory completed homes	-	25,436
Prepaid expenses	26,419	(33,061)
INCREASE (DECREASE) IN LIABILITIES		
Accounts payable and accrued expenses	78,394	(107,972)
Escrow deposits	14,264	(2,111)
TOTAL ADJUSTMENTS	(143,740)	(722,154)
NET CASH USED BY OPERATING ACTIVITIES	\$ (588,366)	\$ (98,356)
NONCASH INVESTING AND FINANCING ACTIVITIES:		
In-kind contributions	\$ 7,422	\$ 9,616
Issuance of mortgage loans net of discounts	\$ 330,622	\$ 206,305
Property transferred to inventory	\$ 49,432	\$ -

See Accompanying Notes to Financial Statements

HABITAT FOR HUMANITY OF LAFAYETTE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

NATURE OF OPERATIONS

The Organization consists of Habitat for Humanity of Lafayette, Inc. and its wholly owned subsidiary Tippecanoe Land Holding, Inc. The purpose of the Organization is to create decent, affordable housing for those in need in the Greater Lafayette area. Assistance with information resources, training, publications and prayer support is provided through an affiliation agreement with Habitat for Humanity International, Inc., a nondenominational Christian nonprofit organization.

ReStore is a thrift store owned and operated by the Organization. Individuals and businesses donate the new and used building materials, which are sold at ReStore.

Family Services include the family selection and family support programs. Family selection services provide information to potential homeowners on the guidelines and process in applying for and purchasing a house. Family selection services also include screening applications and selecting the partner families. Family support services provide the education and support that the families will need to become successful homeowners.

Tippecanoe Land Holding, Inc. purchases land for future developments of affordable housing.

Disaster Assistance for Northwest Indiana (DANI) was formed in February 2008 by faith-based and community-based organizations to respond to the long-term recovery needs of the survivors of the devastating flooding in the winter of 2008 and in March 2009, mainly along the Tippecanoe River and surrounding areas. Habitat for Humanity of Lafayette, Inc. sponsored this effort and the financial activity for DANI is included in these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the accounts of Tippecanoe Land Holding, Inc. a wholly owned subsidiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts Receivable

The Organization considers accounts receivable to be fully collectable; accordingly no allowance for doubtful accounts is required. Bad debts are recognized using the direct write-off method (which approximates the allowance method) thus an expense is charged to operations when it is determined the receivable is not collectible. Finance charges are not assessed by the Organization.

First Mortgage

Mortgages receivable consists of non-interest bearing mortgages, which are secured by real estate and payable in monthly installments over the life of the mortgage. The mortgage balance is discounted using the imputed interest method. The imputed interest rates provided by Habitat for Humanity International, Inc. range from 6% to 8.55%. These mortgages are being serviced by an outside vendor.

Mortgages receivable are secured by real estate, and management believes that through the process of foreclosure the full amount will be collected. Accordingly, no allowance for uncollectible accounts has been provided.

HABITAT FOR HUMANITY OF LAFAYETTE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Second Mortgages

The second mortgages are forgiven over a specific number of years if the family is not delinquent on the payments of their first mortgage. If a family becomes delinquent during a given year on their first mortgage, their second mortgage will not be forgiven for that year and is recorded as a receivable. Payments would begin for the second mortgage after the first mortgage is paid in full.

The second mortgage is a non-interest bearing mortgage. The imputed interest rate on the second mortgage is the same imputed rate as the first mortgage. The imputed interest rate ranges from 6% to 8.55%.

Property and Equipment

Purchased property and equipment is capitalized at cost with no set capitalization policy. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment is depreciated using the straight line method over the estimated useful life of the asset as follows:

Buildings, improvements and senior houses	7 to 39 years
Furniture and fixtures	7 to 10 years
Vehicles	5 to 7 years

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary 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. It is the Organization's policy to account for all temporarily restricted donations as unrestricted if the donor-imposed stipulation is met in the same year as the donation.

Contributed Products and Services

The Organization records various types of in-kind support including property and equipment, professional services, and materials. Property and equipment donated is capitalized on the basis explained above. Contributed professional services are recognized if the services either create or enhance long-lived assets, or require specialized skills and would typically need to be purchased if not provided by the donation. Contributions of supplies and materials are recognized at fair market value when received. In kind contributions of \$63,677 and \$30,336 received during the year ended June 30, 2010 and 2009 were comprised of inventory of lots, building supplies, building construction services, and legal services.

Individuals volunteer many hours of their time to perform a variety of tasks that assist the Organization in achieving the goals of its programs. None of these services meet the requirements of specialized skills to be recorded.

HABITAT FOR HUMANITY OF LAFAYETTE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants

Grant funding provided by HUD, through the City of Lafayette (HOME Grants), is used for the acquisition of property, site development, construction, and administrative expenses. Total funding received during the years ended June 30, 2010 and 2009 totaled \$282,069 and \$185,784. Grant funds are also provided by the Federal Home Loan Bank (HOP Grants) to qualified first-time home buyers. The total HOP Grants awarded during the years ended June 30, 2010 and 2009 were \$65,000 and \$20,000.

Transfer to Homeowners and Cost of Homes Transferred

Transfers to homeowners are recorded at the mortgage amount plus the down payment. Non-interest bearing mortgages have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages. Utilizing the effective interest rate method, this discount will be recognized as interest income over the term of the mortgage. The cost of homes transferred is the direct cost the Organization incurred to build the home.

Inventory

Purchased inventory is stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method. Inventory consists of building materials. The value of inventory donated to the ReStore Outlet is not readily determinable until such merchandise is sold. Therefore, retail inventory of the store has not been recorded in these financial statements. Retail sales are recorded at the point of sale.

Inventory – land

Contributed land is recorded at its fair market value when received. Purchased land is recorded at the lower of cost or market determined by the specific identification method.

Construction in progress

Construction in progress consists of the direct costs of land, building materials, outside labor, and holding costs. When the homes are completed and transferred to the homeowners, these costs are expensed.

Expense Allocation

Expenses are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Habitat for Humanity of Lafayette, Inc.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates. Actual results could differ from those estimates.

Income Taxes

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Habitat for Humanity of Lafayette, Inc. is covered under a group exemption letter granted to Habitat for Humanity International, Inc.

The federal and state income tax returns of the Company for the 2009, 2008, and 2007 are subject to examination by taxing authorities (generally for three years after they were filed). There were no penalties and interest assessed by income taxing authorities during the years ended June 30, 2010 and 2009.

HABITAT FOR HUMANITY OF LAFAYETTE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

Date of management review

Management has evaluated subsequent events through December 1, 2011, the date which the financial statements were available to be issued.

HOME CONSTRUCTION

Sales, construction and purchases during the years ended June 30, 2010 and 2009 were as follows:

	<u>2010</u>		<u>2009</u>	
	<u># of Homes</u>	<u>Cost</u>	<u># of Homes</u>	<u>Cost</u>
COMPLETED HOMES				
Beginning of year	-	\$ -	1	\$ 25,436
Moved from construction in progress	13	805,736	7	432,145
Sold	(13)	(805,736)	(8)	(457,581)
End of year	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
CONSTRUCTION IN PROGRESS				
Beginning of year	14	\$ 564,984	9	\$ 320,277
Moved from Land Holding	14	165,158	9	117,680
Moved from Senior Program	2	49,432	-	-
Repossessed homes	2	73,529	3	133,558
Additional costs	-	421,181	-	425,614
Moved to completed homes	(13)	(805,736)	(7)	(432,145)
End of year	<u>19</u>	<u>\$ 468,548</u>	<u>14</u>	<u>\$ 564,984</u>
	<u># of Lots</u>	<u>Cost</u>	<u># of Lots</u>	<u>Cost</u>
LAND AND LOTS				
Beginning of year	46	\$ 459,491	51	\$ 415,106
Lots purchased or donated	11	124,109	14	122,027
Additional costs	-	45,952	-	53,230
Lot inventory writedown	(4)	(57,129)	(9)	(13,192)
Lot Sold	(1)	(12,924)	-	-
Moved to construction in progress	(14)	(165,158)	(10)	(117,680)
End of year	<u>38</u>	<u>\$ 394,341</u>	<u>46</u>	<u>\$ 459,491</u>

HABITAT FOR HUMANITY OF LAFAYETTE, INC. AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010 and 2009

PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Land	\$ 250,263	\$ 250,263
Building	690,757	690,757
Houses and land - Senior program	70,891	135,246
Furniture and fixtures	45,116	42,203
Vehicles	118,680	117,533
	<u>1,175,707</u>	<u>1,236,002</u>
Less accumulated depreciation	<u>193,596</u>	<u>168,204</u>
	<u>\$ 982,111</u>	<u>\$ 1,067,798</u>

INVESTMENTS - LONG TERM

Investments - long term at June 30, 2010 and 2009 are as follows:

	<u>June 30, 2010</u>		<u>June 30, 2009</u>	
	Carrying	Unrealized	Carrying	Unrealized
	Value	Gains	Value	Gains
		(Losses)		(Losses)
Money market funds	\$ -	\$ -	\$ 30,372	\$ -
Mutual funds	-	-	70,276	(13,755)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,648</u>	<u>\$ (13,755)</u>

Investment income consisted of the following for the year ended June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 9,861	\$ 17,560
Capital gains dividend	112	966
Realized gains	7,896	-
Unrealized losses	-	(10,311)
	<u>\$ 17,869</u>	<u>\$ 8,215</u>

FAIR VALUE MEASUREMENT

Financial Accounting Standards provide the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the accounting standards are described as follows:

Level 1 –Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

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FAIR VALUE MEASUREMENT, continued

Level 2 - Inputs to the valuation methodology include

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2010 and 2009.

Mutual funds: Valued at the net asset value (NAV) of shares held by the organization as quoted on a public stock exchange.

Mortgages receivable – Valued at the estimated present value of expected future cash inflows.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the organization believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair values of assets measured on a recurring basis at June 30, 2010 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mortgages Receivable	<u>\$ 2,340,655</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,340,655</u>

Fair values of assets measured on a recurring basis at June 30, 2009 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds	\$ 70,276	\$ 70,276	\$ -	\$ -
Mortgages Receivable	2,137,040	-	-	2,137,040
	<u>\$ 2,207,316</u>	<u>\$ 70,276</u>	<u>\$ -</u>	<u>\$ 2,137,040</u>

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FAIR VALUE MEASUREMENT, continued

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

Mortgages Receivable

	<u>2010</u>	<u>2009</u>
Beginning Balance	\$ 2,137,040	\$ 2,012,005
New loans	679,603	466,125
Discounts on new loans	(348,981)	(240,301)
Exchanges with bank	14,775	2,924
Repayments	(235,810)	(200,089)
Foreclosures	(39,085)	(65,244)
Interest recognized	173,008	153,678
Adjustments	(39,895)	7,942
Ending Balance	<u>\$ 2,340,655</u>	<u>\$ 2,137,040</u>

MORTGAGE RECEIVABLES

The balances in mortgage receivables at June 30, 2010 and 2009 are as follows:

	<u>2010</u>		
	<u>Receivable</u>	<u>Unamortized Discount</u>	<u>Discounted</u>
First mortgages			
Total	\$ 4,546,310	\$ 2,241,199	\$ 2,305,111
Current portion	246,213	178,621	67,592
Long term	<u>\$ 4,300,097</u>	<u>\$ 2,062,578</u>	<u>\$ 2,237,519</u>
Second mortgages			
Total	\$ 80,647	\$ 45,103	\$ 35,544
Current portion	-	-	-
Long term	<u>\$ 80,647</u>	<u>45,103</u>	<u>\$ 35,544</u>
Total			
Total	\$ 4,626,957	\$ 2,286,302	\$ 2,340,655
Current portion	246,213	178,621	67,592
Long term	<u>\$ 4,380,744</u>	<u>\$ 2,107,681</u>	<u>\$ 2,273,063</u>
	<u>2009</u>		
	<u>Receivable</u>	<u>Unamortized Discount</u>	<u>Discounted</u>
First mortgages			
Total	\$ 4,164,358	\$ 2,080,488	\$ 2,083,870
Current portion	218,738	156,650	62,088
Long term	<u>\$ 3,945,620</u>	<u>\$ 1,923,838</u>	<u>\$ 2,021,782</u>
Second mortgages			
Total	\$ 95,654	\$ 42,484	\$ 53,170
Current portion	-	-	-
Long term	<u>\$ 95,654</u>	<u>42,484</u>	<u>\$ 53,170</u>
Total			
Total	\$ 4,260,012	\$ 2,122,972	\$ 2,137,040
Current portion	218,738	156,650	62,088
Long term	<u>\$ 4,041,274</u>	<u>\$ 1,966,322</u>	<u>\$ 2,074,952</u>

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NOTES PAYABLE

Loans of \$60,000, \$42,000 and \$100,000 that are unsecured notes payable to an individual for the purchase of land were signed on August 13, 2008, September 27, 2007 and October 5, 2007 with maturity dates of August 31, 2009, September 27, 2008 and October 30, 2008. Demand for payment was not made when the notes came due. No interest is charged on the notes, so they have been discounted using an imputed rate of 5%, which was the equivalent estimated market rate.

	2010	2009
Notes payable	\$ 202,000	\$ 202,000
Unamortized discount	(7,422)	(9,616)
Present Value	\$ 194,578	\$ 192,384

LINE OF CREDIT

The Organization has a \$100,000 line of credit dated January 15, 2010 that matures February 15, 2011. The loan bears interest at 7% on any outstanding balance. The note is secured by real estate. The organization had an available line of credit of \$25,225 as of June 30, 2010.

MORTGAGES PAYABLE

The organization has a mortgage payable in the amount of \$26,350 and \$35,905 at June 30, 2010 and 2009 that is secured by the property used for the Training Center. The interest rate is adjustable and was 5% on June 30, 2010 with a monthly required payment of \$291.

The organization has another mortgage payable in the amount of \$238,732 and \$242,713 at June 30, 2010 and 2009, that is secured by property used for the ReStore. The interest rate is adjustable and was 6.375% on June 30, 2010 with a monthly payment of \$1,671.

The total interest expense for the years ended June 30, 2010 and 2009 was \$26,356 and \$37,928.

Future scheduled principal maturities of the mortgages payable are as follows:

2011	2012	2013	2014	2015	Thereafter
\$ 16,175	\$ 16,761	\$ 8,799	\$ 5,967	\$ 6,360	\$ 211,020

SENIOR GIFT ANNUITY PROGRAM

Under the senior program a family donates property to the Organization. In exchange the Organization builds or makes improvements to the property and the donor family for a nominal amount of rent is allowed to live in the home. A liability of \$149,220 and \$206,684 exists at June 30, 2010 and 2009, for the present value of future fair market rent net of the rent paid. This is calculated using an interest rate of 4% and the GAM life expectancy mortality tables and is adjusted annually to reflect the current obligation.

Rent in excess of amount paid was \$4,141 and \$7,764 and the change in the gift annuity liability was a decrease of \$53,323 and \$41,020 for the years ended June 30, 2010 and 2009 .

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TEMPORARILY RESTRICTED NET ASSETS

Net assets with donor restrictions were as follows at June 30 2010 and 2009:

Purpose restriction	2010	2009
DANI	\$ 139,664	\$ 430,593
Chapters	17,382	5,411
Various programs	-	1,515
Haiti project	10,608	3,612
Purdue	32	59,142
Future build	97,928	166,259
	\$ 265,614	\$ 666,532

PENSION PLAN

A defined contribution pension plan covering all full time employees is maintained by the Organization. Contributions are made at a rate of 6% of wages for each participant and will match employee's contributions up to 6%. Pension expense for the year ended June 30, 2010 and 2009 was \$33,287 and \$26,515.

TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL, INC.

The Organization annually remits a portion of its cash 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 year ended June 30, 2010 and 2009, the Organization contributed \$29,900 and \$18,916 to Habitat for Humanity International, Inc. which is included in program services expense in the Statement of Activities. Amounts due to Habitat for Humanity International, Inc. total \$82,730 and \$58,015 at June 30, 2010 and 2009.

CONCENTRATIONS OF CREDIT RISK

The organization maintains cash balances at various financial institutions located in Lafayette. The Federal Deposit Insurance Corporation insures accounts up to \$250,000 at each institution. At June 30, 2010 and 2009, the organization's uninsured cash balance totaled \$38,421 and \$417,973 at one institution.

The Organization's mortgage loans are made to low and moderate income partner families in the Greater Lafayette Area.

CONTINGENCY

Habitat for Humanity of Lafayette, Inc. is self-insured with respect to any unemployment claims that may be made against the organization. This means that instead of making a quarterly contribution to the state, the Organization pays claims as they are incurred. Unemployment claims of \$1,478 and \$1,150 were incurred during the year ended June 30, 2010 and 2009.

The mortgages transferred under the sales agreement of November 7, 2007 to the bank included a recourse provision. Under that provision, the bank has the right to receive payment from the Organization or the Organization must repurchase and/or replace the receivables if the mortgagor defaults as defined in the agreement. The total loans outstanding under this agreement at June 30, 2010 were \$1,270,253.