

**HABITAT FOR HUMANITY OF GREATER  
NEW HAVEN, INC. AND SUBSIDIARY**  
*Consolidated Financial Statements*  
**December 31, 2007**

KIRCALDIE, RANDALL & MCNAB LLC

**HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC.  
AND SUBSIDIARY  
CONSOLIDATED FINANCIAL REPORT  
DECEMBER 31, 2007**

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**KIRCALDIE, RANDALL & MCNAB LLC**  
CERTIFIED PUBLIC ACCOUNTANTS  
NORTH HAVEN, CONNECTICUT 06473

INDEPENDENT AUDITOR'S REPORT  
BASIC CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors  
Habitat for Humanity of Greater New Haven, Inc  
New Haven, Connecticut

We have audited the accompanying consolidated statements of financial position of

**HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC**  
**AND SUBSIDIARY**  
*(a nonprofit corporation)*

as of December 31, 2007, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These consolidated 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. The financial statements of Habitat for Humanity of Greater New Haven, Inc. and Subsidiary as of December 31, 2006, were audited by other auditors whose report dated August 21, 2007, expressed an unqualified opinion on those statements.

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Greater New Haven, Inc., as of December 31, 2007, 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.

*Kircaldie Randall & McNab LLC*

North Haven, Connecticut  
May 9, 2008

**HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC  
AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2007 AND 2006**

| <b>ASSETS</b>                            | <b><u>2007</u></b>  | <b><u>2006</u></b>  |
|--|---------------------|---------------------|
| Cash                                     | \$ 185,504          | \$ 171,896          |
| Accounts Receivable                      | 10,692              | 9,704               |
| Contributions and grants receivable, net | 7,250               | 71,280              |
| Mortgage receivable, net                 | 651,611             | 703,425             |
| Prepaid expenses                         | 13,632              | 7,424               |
| Building inventory                       | 58,960              | 6,250               |
| Construction in progress                 | 492,686             | 422,574             |
| Property and Equipment, net              | 268,845             | 272,372             |
| Properties held for sale                 | 238,003             | 29,729              |
| Financing costs, net                     | 4,129               | 4,387               |
| Construction bond deposit                |                     | 3,203               |
| Total assets                             | <u>\$ 1,931,312</u> | <u>\$ 1,702,244</u> |
| <br><b>LIABILITIES</b>                   |                     |                     |
| Accounts payable and accruals            | \$ 54,466           | \$ 60,974           |
| Deposits and escrows                     | 2,180               | 7,785               |
| Mortgage payable                         | 302,339             | 314,935             |
| Total liabilities                        | <u>\$ 358,985</u>   | <u>\$ 383,694</u>   |
| <br><b>NET ASSETS</b>                    |                     |                     |
| Unrestricted                             | \$ 1,568,295        | \$ 1,293,810        |
| Temporarily restricted                   | 4,032               | 24,740              |
| Total net assets                         | <u>\$ 1,572,327</u> | <u>\$ 1,318,550</u> |
| Total liabilities and net assets         | <u>\$ 1,931,312</u> | <u>\$ 1,702,244</u> |

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**HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC  
AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
*(with summarized totals for the year ended December 31, 2006)*

|                                       | <b>2007</b>                |  |                      | <b>2006</b>          |
|---------------------------------------|----------------------------|--|----------------------|----------------------|
|                                       | <u><b>Unrestricted</b></u> | <u><b>Temporarily<br/>Restricted</b></u> | <u><b>Totals</b></u> | <u><b>Totals</b></u> |
| <b>Revenues:</b>                      |                            |  |                      |                      |
| Contributions                         | \$ 304,526                 | \$                                       | \$ 304,526           | \$ 389,496           |
| Government Grants                     | 66,814                     |  | 66,814               | 70,810               |
| Special events                        | 496,274                    |  | 496,274              | 546,828              |
| In Kind donations                     | 155,496                    |  | 155,496              | 75,412               |
| Transfers to Homeowners               | 269,220                    |  | 269,220              | 355,980              |
| Mortgage discount amortizations       | 42,621                     |  | 42,621               | 39,499               |
| Gain on mortgages                     | 169,256                    |  | 169,256              | 85,216               |
| Interest income                       | 5,792                      |  | 5,792                | 9,700                |
| Other revenue                         | 4,801                      |  | 4,801                | 3,214                |
| Net assets released from restrictions | 20,708                     | (20,708)                                 | 0                    | 0                    |
| Total revenues                        | <u>\$ 1,535,508</u>        | <u>\$ (20,708)</u>                       | <u>\$ 1,514,800</u>  | <u>\$ 1,576,155</u>  |
| <b>Expenses:</b>                      |                            |  |                      |                      |
| Program services                      | \$ 818,120                 | \$                                       | \$ 818,120           | \$ 946,156           |
| Support Services:                     |                            |  |                      |                      |
| Fundraising                           | 328,361                    |  | 328,361              | 315,032              |
| General and administrative            | 114,542                    |  | 114,542              | 112,561              |
| Total expenses                        | <u>\$ 1,261,023</u>        | <u>\$ 0</u>                              | <u>\$ 1,261,023</u>  | <u>\$ 1,373,749</u>  |
| <b>Net change in net assets</b>       | \$ 274,485                 | \$ (20,708)                              | \$ 253,777           | \$ 202,406           |
| <b>Net Assets, beginning of year</b>  | 1,293,810                  | 24,740                                   | 1,318,550            | 1,116,144            |
| <b>Net Assets, end of year</b>        | <u>\$ 1,568,295</u>        | <u>\$ 4,032</u>                          | <u>\$ 1,572,327</u>  | <u>\$ 1,318,550</u>  |

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See Accountant's Report and Notes to Consolidated Financial Statements

**HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

|  | <u>2007</u>        | <u>2006</u>        |
|--|--------------------|--------------------|
| <b>Operating Activities</b>                                  |                    |                    |
| Changes in Net Assets  | \$ 253,777         | \$ 202,406         |
| Adjustments to reconcile changes in net assets:              |                    |                    |
| Depreciation and amortization                                | 7,655              | 9,914              |
| Transfers to homeowners, net of discount                     | (115,849)          | (156,536)          |
| Mortgage loan discount amortization                          | (42,621)           | (39,499)           |
| Mortgages released, net of discount recovered                | 61,412             | (52,493)           |
| Mortgages payments received                                  | 109,019            | 159,323            |
| Losses on contributions receivable                           | 1,066              | 1,825              |
| Changes in operating assets and liabilities:                 |                    |                    |
| Increase in accounts receivable                              | (988)              | (5,875)            |
| Decrease (increase) in contributions and grants receivable   | 64,030             | (20,704)           |
| Increase in building inventory                               | (52,710)           | (6,250)            |
| Increase in construction in progress                         | (70,112)           | (161,886)          |
| Increase in properties held for sale                         | (208,274)          | (1,235)            |
| (Increase) decrease in prepaids and other assets             | (2,874)            | 7,006              |
| Decrease in accounts payable and accrued expenses            | (6,508)            | (20,857)           |
| Decrease in amounts on deposit and escrowed                  | (5,605)            | (10,567)           |
| Net cash used by operating activities                        | <u>\$ (8,582)</u>  | <u>\$ (95,428)</u> |
| <b>Cash flows from investing activities:</b>                 |                    |                    |
| Purchase of equipment  | \$ (3,867)         | \$ (2,005)         |
| Proceeds from sale and assignment of mortgages               | 98,550             | 168,964            |
| Gain on sale and assignment of mortgages                     | (59,897)           | (32,723)           |
| Net cash provided by investing activities                    | <u>\$ 34,786</u>   | <u>\$ 134,236</u>  |
| <b>Cash flows from financing activities:</b>                 |                    |                    |
| Principle repayments on mortgage loans payable               | \$ (12,596)        | \$ (13,381)        |
| Net cash used by financing activities                        | <u>\$ (12,596)</u> | <u>\$ (13,381)</u> |
| <b>Net increase in cash</b>                                  | <u>\$ 13,608</u>   | <u>\$ 25,427</u>   |
| <b>Cash and cash equivalents, beginning of year</b>          | <u>171,896</u>     | <u>146,469</u>     |
| <b>Cash and cash equivalents, end of year</b>                | <u>\$ 185,504</u>  | <u>\$ 171,896</u>  |
| <br><b>Supplemental disclosures of cash flow information</b> |                    |                    |
| Interest paid  | <u>\$ 11,790</u>   | <u>\$ 12,015</u>   |

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**HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**  
*(with summarized comparative totals for 2006)*

KIRCALDIE, RANDALL & McNAB LLC

|                                    | <u>2007</u>                 |                         |   | <u>2006</u>         |                     |
|------------------------------------|-----------------------------|-------------------------|---|---------------------|---------------------|
|                                    | <u>Program<br/>Services</u> | <u>Fund<br/>Raising</u> | <u>General &amp;<br/>Administrative</u> | <u>Total</u>        | <u>Total</u>        |
| Cost of homes transferred          | \$ 418,356                  | \$                      | \$                                      | \$ 418,356          | \$ 556,445          |
| Misc building supplies             | 3,640                       |                         | 160                                     | 3,800               | 8,698               |
| Construction vehicle costs         | 8,621                       |                         |   | 8,621               | 7,322               |
| Salaries and benefits              | 85,822                      | 56,453                  | 74,023                                  | 216,298             | 207,135             |
| Professional fees                  | 3,928                       | 8,738                   | 8,825                                   | 21,491              | 14,798              |
| Insurance                          | 6,500                       | 1,412                   | 1,711                                   | 9,623               | 8,732               |
| Telephone                          | 4,363                       | 705                     | 764                                     | 5,832               | 5,837               |
| Postage and mailing                | 3,471                       | 3,236                   | 391                                     | 7,098               | 4,387               |
| Printing and publications          | 3,442                       | 7,376                   | 57                                      | 10,875              | 11,617              |
| Office equipment and supplies      | 3,369                       | 1,643                   | 2,382                                   | 7,394               | 10,367              |
| Occupancy                          | 6,814                       | 2,265                   | 2,753                                   | 11,832              | 9,707               |
| Meetings, travel and dues          | 972                         | 543                     | 477                                     | 1,992               | 2,713               |
| Miscellaneous                      | 1,292                       | 88                      | 708                                     | 2,088               | 2,781               |
| Cost of special events             |                             | 235,125                 |   | 235,125             | 226,871             |
| Tithe to Habitat International     | 12,200                      |                         |   | 12,200              | 12,000              |
| In-kind expenses                   | 88,008                      | 5,893                   | 17,887                                  | 111,788             | 60,792              |
| Interest and service charges       | 8,708                       | 2,765                   | 3,045                                   | 14,518              | 15,239              |
| Amortization and depreciation      | 5,243                       | 1,053                   | 1,359                                   | 7,655               | 9,914               |
| Losses on contributions receivable |                             | 1,066                   |   | 1,066               | 550                 |
| Discount on mortgage issued        | 153,371                     |                         |   | 153,371             | 197,844             |
| Total                              | <u>\$ 818,120</u>           | <u>\$ 328,361</u>       | <u>\$ 114,542</u>                       | <u>\$ 1,261,023</u> | <u>\$ 1,373,749</u> |

See Accountant's Report and Notes to Consolidated Financial Statements

**HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 2007 AND 2006**

**1. Nature of Organization and Significant Accounting Policies**

**Nature of Organization**

Habitat for Humanity of Greater New Haven, Inc. (Habitat) is a tax-exempt not-for-profit organization, incorporated in the State of Connecticut in 1986. Habitat is an affiliate of Habitat for Humanity International, Inc., a nondenominational Christian not-for-profit organization with affiliates worldwide that seeks to eliminate poverty housing and homelessness, and to make decent shelter a matter of conscience and action. Although Habitat for Humanity International assists with informational and fiscal resources, Habitat is primarily responsible for its own operations.

Habitat builds and renovates affordable homes in the Greater New Haven, Connecticut area, through volunteer labor and with the assistance of the future low income homeowner families. Future homeowners are required to contribute four hundred hours of their own labor into the building of their house as well as the houses of others. Habitat houses are sold to low income families at below cost, and financed by Habitat with no interest over twenty to thirty year terms. Habitat's program is funded through contributions, grants, and in-kind donations, from individuals, foundations, corporations, public agencies and religious organizations.

**Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of Habitat for Humanity of Greater New Haven, Inc., and its wholly owned subsidiary, 37 Union Ave., LLC. Habitat is the sole member of 37 Union Ave., LLC which was formed in October 2003 to acquire real property and lease it back to Habitat as office space. All material transactions and balances between the entities have been eliminated in the consolidation.

**Basis of Accounting**

Habitat prepares its consolidated financial statements on the accrual basis of accounting in accordance with accounting principals generally accepted in the United States of America. Under this basis, revenues are recognized when earned and expenses are recognized when the obligation is incurred.

**Financial Statement Presentation**

Habitat follows the recommendations of the Financial Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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 net assets.

**Cash and Cash Equivalents**

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

Habitat maintains deposits which may at times be in excess of the financial institution's insurance limits. Habitat deposits its cash with substantial financial institutions and believes such deposits are not subject to significant credit risk.

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**HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 2007 AND 2006**

**Mortgages Receivable**

Mortgages receivable consist of non interest bearing mortgages, secured by real estate and payable in monthly installments over twenty to thirty year terms. The mortgages are discounted based upon prevailing market rates for low income housing at the inception of the mortgages. The discount is amortized on a straight-line basis over the term of the mortgage.

Because mortgages receivable are secured by real estate, and ultimately through the process of foreclosure, management believes that procedures will result in collection. Accordingly, no allowance for uncollectible accounts has been provided.

**Building Inventory**

Contributed inventory is recorded at fair market value on the date of receipt. Purchased inventory 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 acquiring land and property, holding costs, and construction and rehabilitation costs. When the corresponding homes are completed and transferred to homeowners these costs are expensed.

**Properties Held for Sale**

Donated properties not intended for building are recorded at fair market value at the time of donation as properties held for sale. Occasionally Habitat receives or repossesses title to previously transferred homes. At the time of acquisition Habitat records the gross mortgage balance as properties held for sale and the corresponding unamortized mortgage discount is recorded as a gain. Any legal or holding costs associated with properties held for sale are capitalized.

**Property and Equipment**

Equipment purchased or contributed in excess of \$500 is capitalized. Equipment is recorded at cost if purchased and if contributed, at fair market value on the contribution date. Depreciation is computed on a straight-line basis over the following useful lives:

|   |               |
|---|---------------|
| Building and improvements                     | 40 years      |
| Vehicle and office and construction equipment | 5 to 10 years |

**Net Assets**

Habitat classifies its net assets, revenues and gains, and expenses as unrestricted or temporarily restricted on the absence or existence of donor-imposed restrictions. These classifications are defined as follows:

Unrestricted net assets represent available resources other than donor-restricted contributions.

Temporarily restricted net assets represent contributions that are restricted by the donor either as to purpose or as to time of expenditure.

**HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 2007 AND 2006**

**Grants**

Entitlement to cost or performance based reimbursement grants is conditioned on the expenditure of funds or attainment of specific performance goals in accordance with the grant restrictions and, therefore, Habitat recognizes revenue to the extent of grant expenditures or performance achieved.

**Contributed Services and Materials**

Habitat recognizes contributed services if they require specialized skills and would typically be purchased if not provided by donation. For the years ended December 31, 2007 and 2006, Habitat valued contributed services at \$49,526 and \$28,183, respectively, and contributed materials at \$105,970 and \$47,229, respectively. Although a substantial number of volunteers have made significant contributions of their time, their services do not meet these criteria and are not recorded in the consolidated financial statements.

**Contributions**

Unrestricted and unconditional contributions are recognized when received or pledged, if applicable. Contributions are reported as temporarily restricted if they are received with donor stipulations that limit the use of such assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. Habitat's policy is to present temporarily restricted net assets received during the year whose restrictions are met during the current year as unrestricted net assets.

Habitat recognizes the expiration of donor restrictions on contributions of property and equipment or cash contributions restricted for property and equipment in the year the property and equipment is placed in service.

Contributions are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenues.

**Transfers to Homeowners**

Transfers to homeowners are recorded at the sales price of the home at closing. Habitat executes a Declaration of Resale Restrictions and a Quit-Claim Deed with each homeowner. These documents are attached to the land records.

**Functional Allocation of Expenses**

The costs of providing programs and other activities have been summarized on a functional basis in the consolidated statement of activities and changes in net assets. Certain costs have been allocated among the programs and supporting services benefitted.

**HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 2007 AND 2006**

**Reclassifications**

Certain amounts as previously reported have been reclassified in order to be consistent with the current year presentations.

**Use of Estimates**

Accounting principles generally accepted in the United States require management to make estimates and assumptions in preparing the consolidated financial statements. Actual results could vary from those estimates.

**Income Taxes**

Habitat is a not-for-profit organization operating under section 501(c)(3) of the Internal Revenue Code, and is generally exempt from federal, state and local taxes and, accordingly, no provision for income tax is recorded in the financial statements. 37 Union Ave., LLC is a single member Limited Liability Company and is considered a disregarded entity for income tax purposes.

**2. Contributions Receivable**

Contributions receivable at December 31 consist of the following:

|                                  | <u><b>2007</b></u>     | <u><b>2006</b></u>      |
|----------------------------------|------------------------|-------------------------|
| Due in less than one year        | \$ 10,806              | \$ 73,607               |
| Due in one to five years         |                        | 200                     |
|                                  | <u>\$ 10,806</u>       | <u>\$ 73,807</u>        |
| Less unamortized discount        |                        | 7                       |
| Less allowance for uncollectible | <u>3,556</u>           | <u>2,520</u>            |
|                                  | <u><u>\$ 7,250</u></u> | <u><u>\$ 71,280</u></u> |

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Habitat recognizes conditional promises to give as a receivable only to the extent the condition has been satisfied. Habitat has been awarded conditional grants for the purchase of land and property for building or rehabilitating houses. As of December 31, 2007 and 2006, conditional grants receivable amounted to \$82,392 and \$99,206, respectively, and is not recorded in the consolidated financial statements.

**3. Mortgages Receivable**

Monthly mortgage installments range from \$112 to \$340. Historical mortgage discount rates range from 7.97% to 8.78%. Mortgages receivable at December 31 consists of the following:

|                           | <u><b>2007</b></u>       | <u><b>2006</b></u>       |
|---------------------------|--------------------------|--------------------------|
| Due in less than one year | \$ 99,367                | \$ 102,875               |
| Due in one to five years  | 299,053                  | 306,764                  |
| Thereafter                | <u>1,098,541</u>         | <u>1,197,641</u>         |
|                           | <u>\$ 1,496,961</u>      | <u>\$ 1,607,280</u>      |
| Less unamortized discount | <u>845,350</u>           | <u>903,855</u>           |
|                           | <u><u>\$ 651,611</u></u> | <u><u>\$ 703,425</u></u> |

For the year ended December 31, 2007 and 2006 gains of the unamortized mortgages discount from sales or refinances of mortgages amounted to \$21,347 and \$26,811, respectively.

**HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 2007 AND 2006**

**4. Properties Held for Sale**

Properties held for sale on December 31 consist of the following:

|                                   | <u>2007</u>       | <u>2006</u>       |
|-----------------------------------|-------------------|-------------------|
| Donated properties                | \$ 31,032         | \$ 29,729         |
| Repossessed and deeded properties | <u>206,971</u>    | <u>          </u> |
|                                   | <u>\$ 238,003</u> | <u>\$ 29,729</u>  |

Associated gain of the unamortized mortgage discount for the years ending December 31, 2007 and 2006 was \$88,012 and \$0, respectively.

**5. Property and Equipment**

Property and equipment on December 31, consist of the following:

|                               | <u>2007</u>       | <u>2006</u>       |
|-------------------------------|-------------------|-------------------|
| Land                          | \$ 164,999        | \$ 164,999        |
| Building and improvements     | 100,633           | 100,633           |
| Vehicle                       | 20,915            | 20,915            |
| Office equipment              | 25,204            | 25,204            |
| Construction equipment        | <u>14,148</u>     | <u>10,282</u>     |
|                               | \$ 325,899        | \$ 322,033        |
| Less accumulated depreciation | <u>57,054</u>     | <u>49,661</u>     |
|                               | <u>\$ 268,845</u> | <u>\$ 272,372</u> |

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Depreciation expense for the years ended December 31, 2007 and 2006 was \$7,393 and \$9,653, respectively.

**HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 2007 AND 2006**

**6. Mortgages Payable**

Annual maturities required on mortgages payable at December 31, 2007 are as follows:

|            |                   |
|------------|-------------------|
| 2008       | \$ 25,650         |
| 2009       | 14,126            |
| 2010       | 14,631            |
| 2011       | 15,166            |
| 2012       | 15,734            |
| Thereafter | <u>217,032</u>    |
|            | <u>\$ 302,339</u> |

**HOME Loans**

On March 5, 1995, Habitat entered into a mortgage agreement with the City of New Haven under the U.S. Department of Housing and Urban Development's HOME Investment Partnership Program in the amount of \$143,700. Outstanding amounts bear interest at 0%. Funds were used to acquire and rehabilitate residential structures for the benefit of income eligible individuals and families as defined by the U.S. Department of Housing and Urban Development. Principal is to be repaid over twenty-five years, on a quarterly basis, beginning upon transfer of each property to a home owner. Outstanding principal amounts are secured by collateral assignment of Habitat's mortgage receivable on each property. As of December 31, 2007, the mortgage payable is \$96,935.

**NewAlliance Bank Mortgage**

On November 6, 2003, 37 Union Ave., LLC purchased property located at 37 Union Street, New Haven, Connecticut for \$206,805, entered into a mortgage with NewAlliance Bank and a lease agreement with Habitat. The mortgage is secured by the property and is due in 240 monthly installments of \$1,587, including interest at 5.87%. On November 15, 2008, and each fifth year anniversary thereafter, the interest rate will be adjusted by adding 2% to the Five year Federal Home Loan Bank of Boston "Classic Advance Rate" as of the change date. The lease agreement is for a period of twenty years and payments, equal to the monthly principal and interest payments of the NewAlliance Bank mortgage, are due monthly. As of December 31, 2007, the mortgage payable is \$193,404.

**City of New Haven Lead Abatement Mortgage**

On October 29, 2004, Habitat entered into a mortgage agreement with the City of New Haven under the U.S. Department of Housing and Urban Development's Lead-Based Paint Hazard Reduction Program in the amount of \$12,000. Funds are to be used for lead abatement for property located at 18 Shepard Street. Outstanding amounts under the mortgage agreement bear interest at 0%. Upon full completion of the lead abatement, to the satisfaction of the City of New Haven, the mortgage will be forgiven.

KIRCALDIE, RANDALL & MGNAB LLC

**HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 2007 AND 2006**

**7. Restrictions on Net Assets**

Temporarily restricted net assets at December 31 consisted of the following:

|   | <u>2007</u>     | <u>2006</u>      |
|---|-----------------|------------------|
| Long-term promises to give (A)              | \$ 192          | \$ 5,748         |
| Theme Build restricted contributions        |                 | 15,152           |
| Contribution received for future homeowners | <u>3,840</u>    | <u>3,840</u>     |
|   | <u>\$ 4,032</u> | <u>\$ 24,740</u> |

(A) Amounts are released from temporarily restricted net assets when the promise to give is due.

**8. Gains on Mortgages**

For the year ending December 31, 2007 and 2006, gains equal to the amount of the unamortized mortgage discount of \$169,256 and \$85,216 were recognized, respectively.

In August 2006, Habitat sold 2 interest bearing mortgages totaling \$94,949 for \$69,267 and recognized a loss of \$25,682. The mortgages were on properties located in Waterbury, Connecticut that were donated to Habitat in a previous year and were not part of the non-interest bearing mortgage program.

**9. Special Fundraising Events**

During the year ended December 31, 2007, Habitat conducted the following fundraising events:

|                      | <u>Gross Receipts</u> | <u>Expenses</u>   | <u>Net Fundraising Income</u> |
|----------------------|-----------------------|-------------------|-------------------------------|
| Bike challenge       | \$ 400,468            | \$ 181,287        | \$ 219,181                    |
| Golf tournament      | 94,695                | 53,658            | 41,037                        |
| Miscellaneous events | <u>1,111</u>          | <u>180</u>        | <u>931</u>                    |
|                      | <u>\$ 496,274</u>     | <u>\$ 235,125</u> | <u>\$ 261,149</u>             |

During the year ended December 31, 2006, Habitat conducted the following fundraising events:

|                          | <u>Gross Receipts</u> | <u>Expenses</u>   | <u>Net Fundraising Income</u> |
|--------------------------|-----------------------|-------------------|-------------------------------|
| Bike challenge           | \$ 441,262            | \$ 172,875        | \$ 268,387                    |
| Golf tournament          | 76,500                | 44,785            | 31,715                        |
| Master Builders Luncheon | 13,143                | 7,535             | 5,608                         |
| Martin Luther King event | 13,922                | 1,676             | 12,246                        |
| Miscellaneous events     | <u>2,001</u>          | <u></u>           | <u>2,001</u>                  |
|                          | <u>\$ 546,828</u>     | <u>\$ 226,871</u> | <u>\$ 319,957</u>             |

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**HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 2007 AND 2006**

**10. Pension**

Habitat has a Simple IRA pension plan for employees. Employees can contribute up to the federal maximum and Habitat matches employee contributions up to 3% of the employee's salary. For the years ended December 31, 2007 and 2006, Habitat's expense amounted to approximately \$7,390 and \$8,510, respectively.

**11. Transactions with Habitat for Humanity International**

Habitat annually tithes a portion of its contributions to Habitat for Humanity International which uses the funds exclusively to construct homes in economically depressed areas around the world. The contributions to Habitat for Humanity International for the years ended December 31, 2007 and 2006 were \$12,200 and \$12,000, respectively. As of December 31, 2007, \$12,200 is included in accounts payable and accrued expenses.

**12. Contingent Liabilities**

Habitat assigns mortgages to the Connecticut Housing Financing Authority (CHFA) for the outstanding mortgage receivable balance. Habitat guarantees repayment of these mortgages to CHFA if the homeowners default and the mortgages are collateralized by the related real estate. For the years ended December 31, 2007 and 2006 Habitat assigned mortgages of \$98,550 and \$99,697, respectively and recognized a gain of the unamortized discount on those mortgages of \$59,897 and \$58,405, respectively.

As of December 31, 2007, Habitat is secondarily liable to CHFA for approximately \$445,952 equal to the total scheduled payments on the mortgages through 2032. Habitat's management believes that the fair value of the collateralized real estate exceeds the amount of the debt obligation and does not anticipate significant losses. No liability for potential losses has been recorded.

**13. Subsequent Events**

In January and February of 2008, Habitat transferred 2 homes to homeowners and sold one property held for sale.

**KIRCALDIE, RANDALL & MCNAB LLC**

CERTIFIED PUBLIC ACCOUNTANTS

NORTH HAVEN, CONNECTICUT 06473

INDEPENDENT AUDITOR'S REPORT ON THE  
SCHEDULE OF EXPENDITURES OF THE CITY OF NEW HAVEN'S  
COMMUNITY DEVELOPMENT BLOCK GRANT AWARD

To the Board of Directors  
Habitat for Humanity of Greater New Haven, Inc  
New Haven, Connecticut

We have audited the accompanying schedule of expenditures of the City of New Haven's Community Development Block Grant award of Habitat for Humanity of Greater New Haven, Inc. for the year ended December 31, 2007. This financial statement is the responsibility of Habitat for Humanity of Greater New Haven, Inc.'s management. Our responsibility is to express an opinion on the financial statement of the program based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and the 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 schedule of expenditures of the City of New Haven's Community Development Block Grant award referred to above presents fairly, in all material respects, the expenditures of federal awards under the City of New Haven's Community Development Block Grant Program in accordance with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2008 on our consideration of Habitat for Humanity of Greater New Haven, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Kircaldie, Randall, McNab LLC*

North Haven, Connecticut  
May 9, 2008

KIRCALDIE, RANDALL & MCNAB LLC



**HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC  
 SCHEDULE OF EXPENDITURES OF THE CITY OF  
 NEW HAVEN'S COMMUNITY DEVELOPMENT  
 BLOCK GRANT AWARD  
YEAR ENDED DECEMBER 31, 2007**

| <u>Grantor/Program Title</u>  | <u>Catalog of<br/>Federal Domestic<br/>Assisted Number</u> | <u>Pass Through<br/>Number</u> | <u>Expenditures</u> |
|---|--|--------------------------------|---------------------|
| U.S. Department of Housing and<br>Urban Development passed<br>through the City of New Haven |  |                                |                     |
| Community Development<br>Block Grant  | 14.218   | CDBG 32                        | <u>\$16,814</u>     |

**Basis of Presentation**

The accompanying schedule of expenditures of the City of New Haven's Community Development Block Grant award includes the City of New Haven's Community Development Block Grant activity of Habitat for Humanity of Greater New Haven, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Government and Nonprofit Organizations*. Therefore, some of the amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

KIRCALDIE, RANDALL & MGNAB LLC

**KIRCALDIE, RANDALL & MCNAB LLC**

CERTIFIED PUBLIC ACCOUNTANTS

NORTH HAVEN, CONNECTICUT 06473

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO THE CITY OF NEW HAVEN COMMUNITY DEVELOPMENT BLOCK  
GRANT AWARD PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH THE PROGRAM SPECIFIC AUDIT  
OPTION UNDER OMB CIRCULAR A-133 AS REQUIRED BY THE CITY  
OF NEW HAVEN

To the Board of Directors  
Habitat for Humanity of Greater New Haven, Inc  
New Haven, Connecticut

**Compliance**

We have audited the compliance of Habitat for Humanity of Greater New Haven, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to the City of New Haven's Community Development Block Grant program for the year ended December 31, 2007. Compliance with the requirements of laws, regulations, contracts, and grants applicable to the City of New Haven's Community Development Block Grant program is the responsibility of Habitat for Humanity of Greater New Haven, Inc.'s management. Our responsibility is to express an opinion on Habitat for Humanity of Greater New Haven, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the Community Development Block Grant program occurred. An audit includes examining, on a test basis, evidence about Habitat for Humanity of Greater New Haven, Inc.'s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Habitat for Humanity of Greater New Haven, Inc.'s compliance with those requirements.

In our opinion, Habitat for Humanity of Greater New Haven, Inc. complied, in all material respects, with the requirements referred to above that are applicable to the City of New Haven's Community Development Block Grant program for the year ended December 31, 2007.

KIRCALDIE, RANDALL & MCNAB LLC

## Internal Control Over Compliance

The management Habitat for Humanity of Greater New Haven, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to the City of New Haven's Community Development Block Grant program. In planning and performing our audit, we considered Habitat for Humanity of Greater New Haven, Inc.'s internal control over compliance with requirements that could have a direct and material effect on the City of New Haven's Community Development Block Grant program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Habitat for Humanity of Greater New Haven, Inc.'s internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of the City of New Haven's Community Development Block Grant program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer the City of New Haven's Community Development Block Grant program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of the City of New Haven's Community Development Block Grant program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of the City of New Haven's Community Development Block Grant program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The report is intended solely for the information and use of the board of directors and management of the Organization, and the City of New Haven and is not intended to be and should not be used by anyone other than these specified parties.

*Kircaldie Randall, McNab LLC*

North Haven, Connecticut  
May 9, 2008