

**HABITAT FOR HUMANITY OF GREATER
NEW HAVEN, INC. AND SUBSIDIARY**
Consolidated Financial Statements
December 31, 2008

**HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC.
AND SUBSIDIARY
CONSOLIDATED FINANCIAL REPORT
DECEMBER 31, 2008**

CONTENTS

	Page
Independent Auditors' Report on the Basic Consolidated Financial Statements	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities and Changes in Net Assets	3
Consolidated Statements of Cash Flows	4
Consolidated Statement of Functional Expenses	5
Notes to Consolidated Financial Statements	6
City of New Haven Program-Specific Audit Requirements	
Independent Auditors' Report on the Schedule of Expenditures of the Award	14
Schedule of Expenditures of the Federal Awards administered through the City of New Haven	15
Report on Compliance with Requirements Applicable to the Federal Awards administered through the City of New Haven 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	16
Schedule of Findings and Questioned Costs for Federal Awards administered through the City of New Haven	18

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

INDEPENDENT AUDITORS' 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, 2008, 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 prior year summarized information has been derived from the financial statements of Habitat for Humanity of Greater New Haven, Inc., and subsidiary as of and for the year ended December 31, 2007 and in our report dated May 9, 2008, we expressed an unqualified opinion on those financial 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, 2008, 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 8, 2009

**HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007**

ASSETS	<u>2008</u>	<u>2007</u>
Cash	\$ 383,093	\$ 185,504
Investments at fair value	91,085	0
Accounts receivable	10,758	10,692
Contributions and grants receivable, net	35,886	7,250
Mortgage receivable, net	721,096	651,611
Prepaid expenses	15,215	13,632
Building inventory	62,027	58,960
Construction in progress	233,076	492,686
Property and equipment, net	270,825	268,845
Properties held for sale	251,317	238,003
Financing costs, net	3,866	4,129
Total assets	<u>\$ 2,078,244</u>	<u>\$ 1,931,312</u>
LIABILITIES		
Accounts payable and accruals	\$ 31,583	\$ 54,466
Deposits and escrows	7,817	2,180
Deferred revenue	3,010	0
Mortgage payable	276,751	302,339
Total liabilities	<u>\$ 319,161</u>	<u>\$ 358,985</u>
NET ASSETS		
Unrestricted	\$ 1,722,289	\$ 1,568,295
Temporarily restricted	36,794	4,032
Total net assets	<u>\$ 1,759,083</u>	<u>\$ 1,572,327</u>
Total liabilities and net assets	<u>\$ 2,078,244</u>	<u>\$ 1,931,312</u>

KIRCALDIE, RANDALL & MGNAB LLC

**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, 2008
(with summarized totals for the year ended December 31, 2007)

	2008			2007
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>	<u>Totals</u>
Revenues:				
Contributions	\$ 593,622	\$ 38,547	\$ 632,169	\$ 304,526
Government grants	159,050		159,050	66,814
Special events	125,764		125,764	496,274
In-kind donations	139,172		139,172	155,496
Transfers to homeowners	522,678		522,678	269,220
Mortgage discount amortizations	43,025		43,025	42,621
Gain on mortgages	157,401		157,401	169,256
Interest income	7,843		7,843	5,792
Other revenue	32,092		32,092	4,801
Net assets released from restrictions	5,785	(5,785)	0	0
Total revenues	\$ 1,786,432	\$ 32,762	\$ 1,819,194	\$ 1,514,800
Expenses:				
Program services	\$ 1,341,264	\$	\$ 1,341,264	\$ 818,120
Support services:				
Fundraising	178,161		178,161	328,361
General and administrative	113,013		113,013	114,542
Total expenses	\$ 1,632,438	\$ 0	\$ 1,632,438	\$ 1,261,023
Change in net assets	\$ 153,994	\$ 32,762	\$ 186,756	\$ 253,777
Net Assets, beginning of year	1,568,295	4,032	1,572,327	1,318,550
Net Assets, end of year	\$ 1,722,289	\$ 36,794	\$ 1,759,083	\$ 1,572,327

KIRCALDIE, RANDALL & MGNAB LLC

HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Operating Activities		
Changes in Net Assets	\$ 186,756	\$ 253,777
Adjustments to reconcile changes in net assets:		
Depreciation and amortization	7,936	7,655
Mortgages recorded, net of discount	(181,685)	(114,649)
Mortgage loan discount amortization	(43,025)	(42,621)
Mortgages released, net of discount recovered	51,663	101,587
Mortgage payments received	63,702	68,844
Losses on contributions receivable	3,450	1,066
Changes in operating assets and liabilities:		
Increase in accounts receivable	(66)	(988)
(Increase) decrease in contributions and grants receivable	(32,086)	62,964
Increase in building inventory	(3,067)	(52,710)
Decrease (increase) in construction in progress	259,610	(70,112)
Increase in properties held for sale	(13,314)	(208,274)
Increase in prepaids and other assets	(1,583)	(3,008)
Decrease in accounts payable and accrued expenses	(22,883)	(6,508)
Increase (decrease) in amounts on deposit and escrowed	8,647	(5,605)
Net cash provided (used) by operating activities	<u>\$ 284,055</u>	<u>\$ (8,582)</u>
Cash flows from investing activities:		
Purchase of equipment	\$ (9,656)	\$ (3,867)
Increase in investments	(91,085)	0
Proceeds from sale and assignment of mortgages	98,075	98,550
Gain on sale and assignment of mortgages	(58,212)	(59,897)
Net cash (used) provided by investing activities	<u>\$ (60,878)</u>	<u>\$ 34,786</u>
Cash flows from financing activities:		
Gain on mortgage loan forgiveness	\$ (12,000)	\$ 0
Principle repayments on mortgage loans payable	(13,588)	(12,596)
Net cash used by financing activities	<u>\$ (25,588)</u>	<u>\$ (12,596)</u>
Net increase in cash	<u>\$ 197,589</u>	<u>\$ 13,608</u>
Cash and cash equivalents, beginning of year	<u>185,504</u>	<u>171,896</u>
Cash and cash equivalents, end of year	<u>\$ 383,093</u>	<u>\$ 185,504</u>
 Supplemental disclosures of cash flow information		
Interest paid	<u>\$ 11,241</u>	<u>\$ 11,790</u>

KIRCALDIE, RANDALL & MGNAB LLC

HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008
(with summarized comparative totals for 2007)

	2008				2007
	Program Services	Fund Raising	General & Administrative	Total	Total
Cost of homes transferred	\$ 854,751	\$ 0	\$ 0	\$ 854,751	\$ 418,356
Misc building supplies	3,307	144	140	3,591	3,800
Construction vehicle costs	7,061	0	0	7,061	8,621
Salaries and benefits	93,867	48,567	82,533	224,967	216,298
Professional fees	2,772	14,375	9,068	26,215	21,491
Insurance	4,953	1,183	1,408	7,544	9,623
Telephone	2,884	1,153	725	4,762	5,832
Postage and mailing	1,753	2,699	159	4,611	7,098
Printing and publications	4,906	7,429	563	12,898	10,875
Office equipment and supplies	3,421	2,341	1,989	7,751	7,394
Occupancy	6,109	2,386	2,920	11,415	11,832
Meetings, travel and dues	1,419	970	503	2,892	1,992
Public relations	3,748	1,589	0	5,337	0
Miscellaneous	0	1,997	656	2,653	2,088
Cost of special events	0	65,442	0	65,442	235,125
Tithe to Habitat International	10,800	0	0	10,800	12,200
In-kind expenses	90,864	20,847	8,488	120,199	111,788
Interest and service charges	8,398	2,524	2,500	13,422	14,518
Amortization and depreciation	5,510	1,065	1,361	7,936	7,655
Losses on contributions receivable	0	3,450	0	3,450	1,066
Discount on mortgages issued	234,741	0	0	234,741	153,371
Total	<u>\$ 1,341,264</u>	<u>\$ 178,161</u>	<u>\$ 113,013</u>	<u>\$ 1,632,438</u>	<u>\$ 1,261,023</u>

KIRCALDIE, RANDALL & MGNAB LLC

HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 2008 AND 2007

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.

Investments

Investments are reported at fair value. Investment income is reported as an increase in unrestricted net assets unless a donor or law temporarily or permanently restricts its use.

KIRCALDIE, RANDALL & MGNAB LLC

HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 2008 AND 2007

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 2008 AND 2007

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, 2008 and 2007, Habitat valued contributed services at \$19,763 and \$49,526, respectively, and contributed materials at \$119,409 and \$105,970, 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 2008 AND 2007

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. Investments

Investments at December 31 consist of the following:

	<u>2008</u>	<u>2007</u>
Certificate of deposit	\$91,085	\$0

Investment income for 2008 is \$1,085 and is included in interest income.

3. Contributions Receivable

Contributions receivable at December 31 consist of the following:

	<u>2008</u>	<u>2007</u>
Due in less than one year	\$ 35,886	\$ 10,806
Less allowance for uncollectible	<u>0</u>	<u>3,556</u>
	<u><u>\$ 35,886</u></u>	<u><u>\$ 7,250</u></u>

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, 2008 and 2007, conditional grants receivable amounted to \$119,342 and \$82,392, respectively, and is not recorded in the consolidated financial statements.

KIRCALDIE, RANDALL & MGNAB LLC

HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 2008 AND 2007

4. 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>2008</u>	<u>2007</u>
Due in less than one year	\$ 104,889	\$ 99,367
Due in one to five years	366,001	299,053
Thereafter	<u>1,181,440</u>	<u>1,098,541</u>
	\$ 1,652,330	\$ 1,496,961
Less unamortized discount	<u>931,234</u>	<u>845,350</u>
	<u><u>\$ 721,096</u></u>	<u><u>\$ 651,611</u></u>

For the year ended December 31, 2008 and 2007 gains of the unamortized mortgage discount from sales or refinances of mortgages amounted to \$73,701 and \$21,347, respectively.

5. Properties Held for Sale

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

	<u>2008</u>	<u>2007</u>
Donated properties	\$ 31,745	\$ 31,032
Reposessed and deeded properties	<u>219,572</u>	<u>206,971</u>
	<u><u>\$ 251,317</u></u>	<u><u>\$ 238,003</u></u>

Associated gain of the unamortized mortgage discount for the years ending December 31, 2008 and 2007 was \$25,488 and \$88,012, respectively.

6. Property and Equipment

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

	<u>2008</u>	<u>2007</u>
Land	\$ 164,999	\$ 164,999
Building and improvements	103,033	100,633
Vehicle	20,915	20,915
Office equipment	32,460	25,204
Construction equipment	<u>14,148</u>	<u>14,148</u>
	\$ 335,555	\$ 325,899
Less accumulated depreciation	<u>64,730</u>	<u>57,054</u>
	<u><u>\$ 270,825</u></u>	<u><u>\$ 268,845</u></u>

Depreciation expense for the years ended December 31, 2008 and 2007 was \$7,676 and \$7,393, respectively.

KIRCALDIE, RANDALL & MGNAB LLC

HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 2008 AND 2007

7. Mortgages Payable

Annual maturities required on mortgages payable at December 31, 2008 are as follows:

2009	\$ 13,378
2010	13,889
2011	14,434
2012	15,015
2013	15,635
Thereafter	<u>204,400</u>
	<u>\$ 276,751</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, 2008, the mortgage payable is \$91,181.

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, currently \$1,622 including interest. On November 15, 2008 the interest rate was adjusted from 5.87% to 6.5% by adding 2% to the five year Federal Home Loan Bank of Boston “Classic Advance Rate”. On November 15, 2013, and each fifth year anniversary thereafter, the interest rate will again be adjusted accordingly. 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, 2008, the mortgage payable is \$185,570.

KIRCALDIE, RANDALL & MGNAB LLC

HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 2008 AND 2007

8. Restrictions on Net Assets

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

	<u>2008</u>	<u>2007</u>
Long-term promises to give (A)	\$ 0	\$ 192
Collaborative youth project restricted contributions	36,794	0
Contribution received for future homeowners		3,840
	<u>\$ 36,794</u>	<u>\$ 4,032</u>

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

9. Gains on Mortgages

For the year ending December 31, 2008 and 2007, gains equal to the amount of the unamortized mortgage discount of \$157,401 and \$169,256 were recognized, respectively.

10. Special Fundraising Events

During the year ended December 31, 2008, Habitat conducted the following fundraising events:

	<u>Gross Receipts</u>	<u>Expenses</u>	<u>Net Fundraising Income</u>
Golf tournament	\$ 96,890	\$ 55,236	\$ 41,654
Master Builder party	23,881	8,663	15,218
Miscellaneous events	4,993	1,543	3,450
	<u>\$ 125,764</u>	<u>\$ 65,442</u>	<u>\$ 60,322</u>

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	1,111	180	931
	<u>\$ 496,274</u>	<u>\$ 235,125</u>	<u>\$ 261,149</u>

KIRCALDIE, RANDALL & MGNAB LLC

HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 2008 AND 2007

11. 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, 2008 and 2007, Habitat's expense amounted to approximately \$7,150 and \$7,390, respectively.

12. Operating Leases

In January 2008 Habitat entered into a five year operating lease for office equipment. At December 31, future minimum payments under the lease are as follows:

2009	\$ 2,820
2010	2,820
2011	2,820
2012	<u>2,820</u>
	<u>\$ 11,280</u>

13. 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, 2008 and 2007 were \$10,800 and \$12,200, respectively. As of December 31, 2008, \$10,800 is included in accounts payable and accrued expenses.

14. 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, 2008 and 2007 Habitat assigned mortgages of \$98,075 and \$98,550, respectively and recognized a gain of the unamortized discount on those mortgages of \$58,212 and \$59,897, respectively.

As of December 31, 2008, Habitat is secondarily liable to CHFA for approximately \$509,567 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.

KIRCALDIE, RANDALL & MCNAB LLC

CERTIFIED PUBLIC ACCOUNTANTS

NORTH HAVEN, CONNECTICUT 06473

INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF EXPENDITURES OF THE FEDERAL AWARDS ADMINISTERED
THROUGH THE CITY OF NEW HAVEN

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 Federal Awards administered through the City of New Haven to Habitat for Humanity of Greater New Haven, Inc. for the year ended December 31, 2008. 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 Federal Awards administered through the City of New Haven referred to above presents fairly, in all material respects, the expenditures of federal awards under the City of New Haven's Programs 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 8, 2009 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 8, 2009

KIRCALDIE, RANDALL & MCNAB LLC

HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC
SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS ADMINISTERED THROUGH
THE CITY OF NEW HAVEN
YEAR ENDED DECEMBER 31, 2008

<u>Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Pass Through Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development passed through the City of New Haven			
Community Development Block Grant	14.218	CDBG 32	\$ 33,050
Home Investment Partnership Program	14.239	HOME	<u>114,000</u>
	Total expenditures		<u><u>\$ 147,050</u></u>

Basis of Presentation

The accompanying schedule of expenditures of federal awards administered through the City of New Haven includes 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 FEDERAL AWARDS ADMINISTERED THROUGH THE CITY OF NEW HAVEN
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 grant programs for the year ended December 31, 2008. Compliance with the requirements of laws, regulations, contracts, and grants applicable to the City of New Haven's grant programs 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 grant programs 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 grant programs for the year ended December 31, 2008.

KIRCALDIE, RANDALL & MCNAB LLC

Internal Control Over Compliance

The management of 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 grant programs. 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 grant programs 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 grant programs 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 grant programs such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of the City of New Haven's grant programs 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 grant programs 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 8, 2009

**HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

SECTION I — SUMMARY OF AUDITORS' RESULTS:

Financial Statements:

Type of auditors' report issued: Unqualified	<u>Yes</u>	<u>No/None rep</u>
Internal control over financial reporting:		
• Significant deficiencies identified?		X
• Deficiencies identified that are not considered to be material weaknesses?		X
Noncompliance material to financial statements noted?		X

Federal Awards:

Internal control over major programs:		
• Significant deficiencies identified?		X
• Deficiencies identified that are not considered to be material weaknesses?		X

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	X
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Major Programs:
NONE

Dollar threshold used to distinguish between type A and B programs: \$300,000

Auditee qualified as low risk?	X
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SECTION II — FINANCIAL STATEMENT FINDINGS

There are NO findings or questioned costs that are reported relating to Federal Financial Assistance Programs.

SECTION III — FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No findings or questioned costs are reported relating to Federal Financial Assistance Programs.

KIRCALDIE, RANDALL & MGNAB LLC