

**HABITAT FOR HUMANITY OF GREATER  
NEW HAVEN, INC. AND SUBSIDIARY**  
*Consolidated Financial Statements*  
**December 31, 2009**

**HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC.  
AND SUBSIDIARY  
CONSOLIDATED FINANCIAL REPORT  
DECEMBER 31, 2009**

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**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, 2009, 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, 2008 and in our report dated May 8, 2009, 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, 2009, 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 6, 2010

**Habitat for Humanity of Greater New Haven, Inc. and Subsidiary**  
**Consolidated Statements of Financial Position**  
**For the Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 165,583	\$ 383,093
Investments at fair value	93,681	91,085
Accounts receivable	310	10,758
Contributions and grants receivable	26,728	35,886
Mortgages receivable, net	848,515	721,096
Prepaid expenses	10,976	15,215
Building inventory	63,058	62,027
Construction in progress	348,968	233,076
Property and equipment, net	291,453	270,825
Properties held for sale	218,412	251,317
Construction bond deposit	4,517	-
Financing costs, net	3,605	3,866
Total Assets	<u><b>\$ 2,075,806</b></u>	<u><b>\$ 2,078,244</b></u>
<b>Liabilities</b>		
Accounts payable and accruals	\$ 40,975	\$ 31,583
Deposits and escrows	7,960	7,817
Deferred revenue	-	3,010
Mortgage notes payable	263,373	276,751
Total Liabilities	<u>312,308</u>	<u>319,161</u>
<b>Net Assets</b>		
Unrestricted	1,760,448	1,722,289
Temporarily Restricted	3,050	36,794
Total Net Assets	<u>1,763,498</u>	<u>1,759,083</u>
Total Liabilities and Net Assets	<u><b>\$ 2,075,806</b></u>	<u><b>\$ 2,078,244</b></u>

*See Accompanying Auditors' Report and Notes to Consolidated Financial Statements*

**Habitat for Humanity of Greater New Haven, Inc. and Subsidiary**  
**Consolidated Statement of Activities and Changes in Net Assets**  
**For the Year Ended December 31, 2009**  
**(with comparative summarized totals for 2008)**

	<b>2009</b>			<b>2008</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Total</b>
<b>Revenues and gains</b>				
Contributions	\$ 491,304	\$ 3,050	\$ 494,354	\$ 632,169
Government grants	143,986	-	143,986	159,050
Special events	121,566	-	121,566	125,764
In-kind donations	156,968	-	156,968	139,172
Transfers to homeowners	428,700	-	428,700	522,678
Mortgage discount amortization	45,863	-	45,863	43,025
Gain on mortgages	40,309	-	40,309	157,401
Interest income	5,551	-	5,551	7,843
Other revenue	17,689	-	17,689	32,092
Satisfaction of program restrictions	36,794	(36,794)	-	-
<b>Total Revenues and Gains</b>	<b>1,488,730</b>	<b>(33,744)</b>	<b>1,454,986</b>	<b>1,819,194</b>
<b>Expenses</b>				
Program services	1,204,428	-	1,204,428	1,341,264
Supporting services				
Fundraising	135,598	-	135,598	178,161
General and administrative	110,545	-	110,545	113,013
<b>Total Expenses</b>	<b>1,450,571</b>	<b>-</b>	<b>1,450,571</b>	<b>1,632,438</b>
<b>Change in Net Assets</b>	<b>38,159</b>	<b>(33,744)</b>	<b>4,415</b>	<b>186,756</b>
Net Assets - Beginning of Year	1,722,289	36,794	1,759,083	1,572,327
Net Assets - End of Year	<b>\$ 1,760,448</b>	<b>\$ 3,050</b>	<b>\$ 1,763,498</b>	<b>\$ 1,759,083</b>

*See Accompanying Auditors' 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, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>Operating Activities</b>		
Change in net assets	\$ 4,415	\$ 186,756
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	10,332	7,936
Mortgages recorded, net of discount	(174,672)	(181,685)
Mortgage loan discount amortization	(45,863)	(43,025)
Mortgages released, net of discount recovered	-	51,663
Mortgage payments received	71,543	63,702
Losses on receivables	3,049	3,450
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	7,399	(66)
Decrease (increase) in contributions and grants receivable	9,158	(32,086)
Increase in building inventory	(1,031)	(3,067)
(Increase) decrease in construction in progress	(115,892)	259,610
Decrease (increase) in properties held for sale	32,905	(13,314)
Increase in prepaids and other assets	(278)	(1,583)
Increase (decrease) in accounts payable and accruals	9,392	(22,883)
(Decrease) increase in amounts on deposit and deferred	(2,867)	8,647
Net cash provided (used) by operating activities	<u>(192,410)</u>	<u>284,055</u>
<b>Investing Activities</b>		
Increase in investments	(2,596)	(91,085)
Proceeds from sale and assignment of mortgages	49,801	98,075
Gain on sale and assignment of mortgages	(28,229)	(58,212)
Equipment purchases	(30,698)	(9,656)
Net cash (used) provided by investing activities	<u>(11,722)</u>	<u>(60,878)</u>
<b>Financing Activities</b>		
Principal reduction on mortgage loans payable	(13,378)	(13,588)
Gain on mortgage loan forgiveness	-	(12,000)
Net cash used in financing activities	<u>(13,378)</u>	<u>(25,588)</u>
Increase in cash	<b>(217,510)</b>	<b>197,589</b>
Cash - Beginning of year	<u>383,093</u>	<u>185,504</u>
Cash - End of year	<u><b>\$ 165,583</b></u>	<u><b>\$ 383,093</b></u>
<b>Supplemental disclosures</b>		
Interest paid	<u>\$ 11,838</u>	<u>\$ 11,241</u>

*See Accompanying Auditors' Report and Notes to Consolidated Financial Statements*

**Habitat for Humanity of Greater New Haven, Inc. and Subsidiary**  
**Consolidated Statement of Functional Expenses**  
**For the Year Ended December 31, 2009**  
(with summarized comparative totals for 2008)

	<b>2009</b>			<b>2008</b>	
	<b>Program Services</b>	<b>Fund Raising</b>	<b>General &amp; Administrative</b>	<b>Total</b>	<b>Total</b>
Cost of homes transferred	\$ 696,475	\$ -	\$ -	\$ 696,475	\$ 854,751
Misc building supplies	3,312	83	48	3,443	3,591
Construction vehicle costs	6,892	-	-	6,892	7,061
Salaries and benefits	104,729	57,000	80,559	242,288	224,967
Professional fees	3,254	1,623	7,536	12,413	26,215
Insurance	6,638	1,143	1,374	9,155	7,544
Telephone	3,531	1,424	849	5,804	4,762
Postage and mailing	1,931	2,354	107	4,392	4,611
Printing and publications	2,009	4,711	21	6,741	12,898
Office equipment and supplies	3,226	1,886	1,940	7,052	7,751
Occupancy	6,658	2,319	4,140	13,117	11,415
Meetings, travel and dues	719	400	1,390	2,509	2,892
Public relations	989	907	476	2,372	5,337
Miscellaneous	4	5	101	110	2,653
Cost of special events	5,912	58,205	-	64,117	65,442
Tithe to Habitat International	11,250	-	-	11,250	10,800
In-kind expenses	105,195	805	7,650	113,650	120,199
Interest and service charges	8,727	1,078	3,098	12,903	13,422
Amortization and depreciation	8,081	995	1,256	10,332	7,936
Losses on receivables	2,389	660	-	3,049	3,450
Discount on mortgages issued	222,507	-	-	222,507	234,741
<b>Total</b>	<b>\$ 1,204,428</b>	<b>\$ 135,598</b>	<b>\$ 110,545</b>	<b>\$ 1,450,571</b>	<b>\$ 1,632,438</b>

*See Accompanying Auditors' Report and Notes to Consolidated Financial Statements*

**Habitat for Humanity of Greater New Haven, Inc and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 2009 and 2008**

**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 Accountings 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.

**Habitat for Humanity of Greater New Haven, Inc and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 2009 and 2008**

**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	10 to 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.

**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.

**Habitat for Humanity of Greater New Haven, Inc and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 2009 and 2008**

**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, 2009 and 2008, Habitat valued contributed services at \$33,360 and \$19,763, respectively, and contributed materials at \$123,608 and \$119,409, 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 benefited.

**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.

**Habitat for Humanity of Greater New Haven, Inc and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 2009 and 2008**

**2. Investments**

Investments at December 31 consist of the following:

	<u>2009</u>	<u>2008</u>
Certificate of deposit	\$93,681	\$91,085

Investment income for 2009 and 2008 of \$2,596 and \$1,085, respectively, is included in interest income.

**3. Contributions Receivable**

Contributions receivable at December 31, 2009 and 2008 amounted to \$26,728 and \$35,886, respectively, and were due in less than one year. No allowance for uncollectible contributions was recorded.

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 and for building or rehabilitating houses. As of December 31, 2009 and 2008, conditional grants receivable amounted to \$222,356 and \$119,342, respectively, and is not recorded in the consolidated financial statements.

**4. Mortgages Receivable**

Monthly mortgage installments range from \$112 to \$340. Historical mortgage discount rates range from 7.76% to 8.78%. Mortgages receivable at December 31 consist of the following:

	<u>2009</u>	<u>2008</u>
Due in less than one year	\$118,366	\$104,889
Due in one to five years	380,886	366,001
Thereafter	1,428,910	1,181,440
	<u>1,928,162</u>	<u>1,652,330</u>
Less unamortized discount	1,079,647	931,234
	<u>\$848,515</u>	<u>\$721,096</u>

For the year ended December 31, 2009 and 2008 gains of the unamortized mortgage discount from sales or refinances of mortgages amounted to \$40,309 and \$73,701, respectively.

**5. Properties Held for Sale**

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

	<u>2009</u>	<u>2008</u>
Donated properties	\$31,949	\$31,745
Repossessed and deeded properties	186,463	219,572
	<u>\$218,412</u>	<u>\$251,317</u>

**Habitat for Humanity of Greater New Haven, Inc and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 2009 and 2008**

Associated gain of the unamortized mortgage discount for the years ending December 31, 2009 and 2008 was \$0 and \$25,488, respectively.

**6. Property and Equipment**

Property and equipment on December 31 consist of the following:

	<u>2009</u>	<u>2008</u>
Land	\$164,999	\$164,999
Building and improvements	103,033	103,033
Vehicle	27,090	20,915
Office equipment	26,170	32,460
Construction equipment	36,478	14,148
	<u>357,770</u>	<u>335,555</u>
Less accumulated depreciation	66,317	64,730
	<u>\$291,453</u>	<u>\$270,825</u>

Depreciation expense for the years ended December 31, 2009 and 2008 was \$10,071 and \$7,676, respectively.

**7. Mortgages Payable**

Annual maturities required on mortgages payable at December 31, 2009 are as follows:

2010	\$13,889
2011	14,434
2012	15,015
2013	15,635
2014	16,297
Thereafter	188,103
	<u>\$263,373</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, 2009, the mortgage payable is \$85,427.

**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

**Habitat for Humanity of Greater New Haven, Inc and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 2009 and 2008**

installments, currently in the amount of \$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, 2009, the mortgage payable is \$177,946.

**8. Restrictions on Net Assets**

Temporarily restricted net assets at December 31, 2009 and 2008 consisted of contributions restricted for a collaborative youth project of \$3,050 and \$36,794, respectively.

**9. Gains on Mortgages**

For the year ending December 31, 2009 and 2008, gains equal to the amount of the unamortized mortgage discount of \$40,309 and \$157,401 were recognized, respectively.

**10. Special Fundraising Events**

During the year ended December 31, 2009, Habitat conducted the following fundraising events:

	Gross Receipts	Expenses	Net Fundraising Income
Golf tournament	\$88,340	\$50,212	\$38,128
Master Builder party	27,426	9,854	17,572
Miscellaneous events	5,800	4,051	1,749
	<u>\$121,566</u>	<u>\$64,117</u>	<u>\$57,449</u>

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

	Gross Receipts	Expenses	Net Fundraising Income
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>

**Habitat for Humanity of Greater New Haven, Inc and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**December 2009 and 2008**

**11. Pension Plan**

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, 2009 and 2008, Habitat's expense amounted to approximately \$9,209 and \$7,150, respectively.

**12. Operating Leases**

In January 2008 Habitat entered into a five year operating lease for office equipment. At December 31, 2009 future minimum payments under the lease are as follows:

2010	\$2,820
2011	2,820
2012	2,820
	<u>\$8,460</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, 2009 and 2008 were \$11,250 and \$10,800, respectively. As of December 31, 2009, \$11,250 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, 2009 and 2008 Habitat assigned mortgages of \$49,801 and \$98,075, respectively and recognized a gain of the unamortized discount on those mortgages of \$28,229 and \$58,212, respectively.

As of December 31, 2009, Habitat is secondarily liable to CHFA for approximately \$523,093, 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 doesn't 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, 2009. 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 6, 2010 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 6, 2010

**Habitat for Humanity of Greater New Haven, Inc. and Subsidiary**  
**Schedule of Expenditures of Federal Awards Administered through the City of New Haven**  
**For the Year Ended December 31, 2009**

<u>Grantor/Program Title</u>	<u>Catalogue 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 35	\$67,986
HOME Investment Partnership Program	14.239	HOME	<u>76,000</u>
Total Expenditures			<u><u>\$143,986</u></u>

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards administered through the City of New Haven 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 Governments 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.

*See Accompanying Auditors' Report and Notes to Consolidated Financial Statements*

**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, 2009. 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, 2009.

## **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.

*Kicaldie Randall, McNab LLC*

North Haven, Connecticut  
May 6, 2010

**HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**SECTION I — SUMMARY OF AUDITORS' RESULTS:**

*Financial Statements:*

Type of auditors' report issued: Unqualified	<b><u>Yes</u></b>	<b><u>No/None rep</u></b>
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: \$500,000

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.