

**HABITAT FOR HUMANITY OF GREATER  
NEW HAVEN, INC. AND SUBSIDIARY**  
*Consolidated Financial Statements*  
**December 31, 2011**

**HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC.  
AND SUBSIDIARY  
CONSOLIDATED FINANCIAL REPORT  
DECEMBER 31, 2011**

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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, 2011, 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, 2010 and in our report dated May 6, 2011, 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, 2011, 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 17, 2012

**Habitat for Humanity of Greater New Haven, Inc. and Subsidiary**  
**Consolidated Statements of Financial Position**  
**For the Years Ended December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 244,619	\$ 142,591
Accounts receivable	2,003	1,687
Contributions and grants receivable	126,254	134,445
Mortgages receivable, net	1,083,872	988,284
Prepaid expenses	3,443	12,459
Building inventory	15,283	43,310
Construction in progress	800,939	733,470
Property and equipment, net	276,289	285,013
Financing costs, net	3,084	3,344
Total Assets	<u><u>\$ 2,555,786</u></u>	<u><u>\$ 2,344,603</u></u>
<b>Liabilities</b>		
Accounts payable and accruals	\$ 75,978	\$ 131,845
Deposits and escrows	12,839	8,292
Mortgage notes payable	235,050	295,903
Total Liabilities	<u>323,867</u>	<u>436,040</u>
<b>Net Assets</b>		
Unrestricted	2,195,419	1,856,313
Temporarily Restricted	36,500	52,250
Total Net Assets	<u>2,231,919</u>	<u>1,908,563</u>
Total Liabilities and Net Assets	<u><u>\$ 2,555,786</u></u>	<u><u>\$ 2,344,603</u></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, 2011**  
**(with comparative summarized totals for 2010)**

	<b>2011</b>			<b>2010</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Total</b>
<b>Revenues and gains</b>				
Contributions	\$ 676,812	\$ 36,500	\$ 713,312	\$ 796,123
Government grants	302,568		302,568	118,309
Special events	73,386		73,386	112,713
In-kind donations	314,473		314,473	259,921
Transfers to homeowners	519,260		519,260	433,500
Mortgage discount amortization	58,808		58,808	52,010
Gain on mortgages	64,640		64,640	38,193
Interest income	667		667	1,597
Other revenue	21,597		21,597	20,437
Satisfaction of program restrictions	52,250	(52,250)	-	-
<b>Total Revenues and Gains</b>	<b>2,084,461</b>	<b>(15,750)</b>	<b>2,068,711</b>	<b>1,832,803</b>
<b>Expenses</b>				
Program services	1,510,628			1,440,619
Supporting services				
Fundraising	109,285			134,250
General and administrative	125,442			112,869
<b>Total Expenses</b>	<b>1,745,355</b>	<b>-</b>	<b>-</b>	<b>1,687,738</b>
<b>Change in Net Assets</b>	<b>339,106</b>	<b>(15,750)</b>	<b>323,356</b>	<b>145,065</b>
Net Assets - Beginning of Year	1,856,313	52,250	1,908,563	1,763,498
Net Assets - End of Year	<b>\$ 2,195,419</b>	<b>\$ 36,500</b>	<b>\$ 2,231,919</b>	<b>\$ 1,908,563</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, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>Operating Activities</b>		
Change in net assets	\$ 323,356	\$ 145,065
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	13,334	12,996
Mortgages recorded, net of discount	(175,167)	(185,096)
Mortgage loan discount amortization	(58,808)	(52,010)
Mortgages released, net of discount recovered	-	15,487
Mortgage payments received, net	88,026	81,851
Losses on receivables	-	300
Changes in operating assets and liabilities:		
Increase in accounts receivable	(316)	(1,377)
Decrease (increase) in contributions and grants receivable	8,191	(107,717)
Decrease in building inventory	28,027	19,748
Increase in construction in progress	(67,469)	(166,090)
Decrease (increase) in prepaids	9,016	(1,483)
Decrease in bond deposit	-	4,517
(Decrease) increase in accounts payable and accruals	(55,867)	90,870
Increase in amounts on deposit	4,547	332
Net cash provided (used) by operating activities	<u>116,870</u>	<u>(142,607)</u>
<b>Investing Activities</b>		
Decrease in investments	-	93,681
Proceeds from sale and assignment of mortgages	115,000	-
Gain on sale and assignment of mortgages	(64,640)	-
Equipment purchases, net	(4,349)	(6,596)
Net cash provided by investing activities	<u>46,011</u>	<u>87,085</u>
<b>Financing Activities</b>		
Principal (decrease) increase on mortgage loans payable	<u>(60,853)</u>	<u>32,530</u>
Increase (decrease) in cash	<u>102,028</u>	<u>(22,992)</u>
Cash - Beginning of year	<u>142,591</u>	<u>165,583</u>
Cash - End of year	<u>\$ 244,619</u>	<u>\$ 142,591</u>
<b>Supplemental disclosures</b>		
Interest paid	<u>\$ 11,212</u>	<u>\$ 11,426</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, 2011**  
(with summarized comparative totals for 2010)

	<b>2011</b>			<b>2010</b>	
	<b>Program Services</b>	<b>Fund Raising</b>	<b>General &amp; Administrative</b>	<b>Total</b>	<b>Total</b>
Cost of homes transferred	\$ 1,005,004	\$ -	\$ -	\$ 1,005,004	\$ 908,847
Misc building supplies	3,519	-	-	3,519	2,632
Construction vehicle costs	5,178	-	-	5,178	9,667
Salaries and benefits	127,847	61,886	94,489	284,222	259,538
Professional fees	4,038	14,368	5,682	24,088	11,568
Insurance	13,884	2,130	2,456	18,470	7,121
Telephone	4,824	1,535	707	7,066	5,345
Postage and mailing	784	1,801	97	2,682	3,234
Printing and publications	2,378	2,382	273	5,033	5,345
Office equipment and supplies	5,171	2,011	1,784	8,966	6,638
Occupancy	7,833	2,041	5,871	15,745	12,565
Meetings, travel and dues	1,369	475	853	2,697	3,316
Public relations	1,883	382	362	2,627	4,065
Cost of special events	10,188	10,581	-	20,769	58,345
Tithe to Habitat International	9,300	-	-	9,300	11,450
In-kind expenses	72,936	6,720	8,641	88,297	119,832
Interest and service charges	7,965	2,076	3,069	13,110	13,815
Amortization and depreciation	11,279	897	1,158	13,334	12,996
Losses on receivables	-	-	-	-	300
Discount on mortgages issued	215,248	-	-	215,248	231,119
<b>Total</b>	<b>\$ 1,510,628</b>	<b>\$ 109,285</b>	<b>\$ 125,442</b>	<b>\$ 1,745,355</b>	<b>\$ 1,687,738</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**  
**For the Years Ended December 31, 2011 and 2010**

**1. Organization and Purpose**

Habitat for Humanity of Greater New Haven, Inc. (Habitat) is a 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.

Habitat is exempt from federal income taxation under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Habitat is generally exempt from state and local taxes. No provision for income tax is recorded in the financial statements.

**2. Summary of Significant Accounting Policies**

**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. 37 Union Ave., LLC is considered a disregarded entity for income tax purposes.

**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.

**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**  
**For the Years Ended December 31, 2011 and 2010**

**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 mortgage. 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.

**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
Furniture and fixtures	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.

**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 for Humanity of Greater New Haven, Inc and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

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.

**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, 2011 and 2010, Habitat valued contributed services at \$55,485 and \$12,400, respectively, and contributed materials at \$258,988 and \$247,521, 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.

**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.

**Reclassifications**

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

**3. Contributions Receivable**

Contributions receivable at December 31, 2011 and 2010 amounted to \$126,254 and \$134,445, 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, 2011 and 2010, conditional grants receivable amounted to \$76,000 and \$208,583, respectively, and is not recorded in the consolidated financial statements.

**Habitat for Humanity of Greater New Haven, Inc and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

**4. Mortgages Receivable**

Monthly mortgage installments range from \$112 to \$340. Historical mortgage discount rates range from 7.47% to 8.78%. Mortgages receivable at December 31 consist of the following:

	<u>2011</u>	<u>2010</u>
Due in less than one year	\$177,189	\$149,375
Due in one to five years	482,859	429,767
Thereafter	1,752,157	1,645,674
	<u>2,412,205</u>	<u>2,224,816</u>
Less, unamortized discount	1,328,333	1,236,532
	<u>\$1,083,872</u>	<u>\$988,284</u>

**5. Property and Equipment**

Property and equipment on December 31 consist of the following:

	<u>2011</u>	<u>2010</u>
Land	\$164,999	\$164,999
Building and improvements	103,893	103,893
Vehicle	25,086	25,086
Office equipment	28,066	26,170
Furniture and fixtures	2,017	2,017
Construction equipment	41,477	40,296
	<u>365,538</u>	<u>362,461</u>
Less accumulated depreciation	89,249	77,448
	<u>\$276,289</u>	<u>\$285,013</u>

Depreciation expense for the years ended December 31, 2011 and 2010 was \$13,073 and \$12,718, respectively.

**6. Mortgages Payable**

Annual maturities required on mortgages payable at December 31, 2011 are as follows:

2012	\$11,210
2013	10,815
2014	10,817
2015	11,089
2016	11,376
Thereafter	179,743
	<u>\$235,050</u>

**HOME Loans**

On March 5, 1995, Habitat entered into a mortgage agreement with the City of New Haven under the United States Department of Housing and Urban Development's HOME Investment Partnership

**Habitat for Humanity of Greater New Haven, Inc and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

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. Principal is to be repaid over twenty-five years, on a quarterly basis, beginning upon transfer of each property to a homeowner. Outstanding principal amounts are secured by collateral assignment of Habitat's mortgage receivable on each property. As of December 31, 2011, the mortgage payable is \$73,920.

**First Niagara 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, now First Niagara Bank, and a lease agreement with Habitat. The mortgage is secured by the property and is due in 240 monthly 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. As of December 31, 2011, the mortgage payable is \$161,130.

**7. Restrictions on Net Assets**

Temporarily restricted net assets at December 31, 2011 consist of contributions restricted for:

Vehicle purchase	\$22,500
Green built home	10,000
New office server	<u>4,000</u>
Total	<u>\$36,500</u>

Temporarily restricted net assets at December 31, 2010 consisted of contributions restricted for a collaborative youth project of \$52,250.

**8. Gains on Mortgages**

For the year ending December 31, 2011 and 2010, gains from the sale, refinance or early payoff of mortgages of \$64,640 and \$38,193 were recognized, respectively.

**9. Special Fundraising Events**

During the year ended December 31, 2011, Habitat conducted the following fundraising events:

	Gross Receipts	Expenses	Net Fundraising Income
Master Builder party	\$52,920	\$20,428	\$32,492
Miscellaneous events	<u>20,466</u>	<u>341</u>	<u>20,125</u>
	<u>\$73,386</u>	<u>\$20,769</u>	<u>\$52,617</u>

**Habitat for Humanity of Greater New Haven, Inc and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

During the year ended December 31, 2010, Habitat conducted the following fundraising events:

	Gross Receipts	Expenses	Net Fundraising Income
Golf tournament	\$82,145	\$47,853	\$34,292
Master Builder party	25,582	10,492	15,090
Miscellaneous events	4,986	0	4,986
	\$112,713	\$58,345	\$54,368

**10. 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, 2011 and 2010, Habitat's expense amounted to \$11,776 and \$11,099, respectively.

**11. Operating Leases**

In December 2011 Habitat entered into a five year operating lease for office equipment. The lease agreement included payment of the remaining balance on Habitat's prior equipment lease. At December 31, 2011 future minimum payments under the lease are as follows:

2012	3,360
2013	3,360
2014	3,360
2015	3,360
2016	3,360
	\$16,800

**12. 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, 2011 and 2010 were \$9,300 and \$11,450, respectively. As of December 31, 2011, \$20,750 is included in accounts payable and accrued expenses.

**13. Contingent Liabilities**

Habitat assigns mortgages to the Connecticut Housing Financing Authority (CHFA) and guarantees repayment of these mortgages to CHFA if the homeowners default. The mortgages are collateralized by the related real estate. For the year ended December 31, 2011 Habitat assigned

**Habitat for Humanity of Greater New Haven, Inc and Subsidiary**  
**Notes to Consolidated Financial Statements**  
**For the Years Ended December 31, 2011 and 2010**

mortgages of \$115,000 and recognized a gain of the unamortized discount on those mortgages of \$64,640. No mortgages were assigned for the year ended December 31, 2010.

As of December 31, 2011, Habitat is secondarily liable to CHFA for approximately \$546,925, equal to the total scheduled payments on the mortgages through 2034. 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.

#### **14. Subsequent Events**

##### **Investment in Leverage Lender**

On April 12, 2012 Habitat, along with four other Habitat for Humanity affiliates, invested in CCML Leverage I, LLC for the purpose of taking advantage of the New Markets Tax Credit (NMTC) program. The NMTC program provides tax credit incentives to investors who invest in low-income communities and is administered by the U.S. Treasury Department. Habitat's investment in CCML Leverage I, LLC totaled \$1,448,866 and represents a 20% ownership stake. The investment was comprised of cash in the amount of \$100,000 and construction in progress of \$1,348,866. As part of the arrangement, Habitat secured a 15 year loan in the amount of \$1,880,000 from CCM Community Development XVII, LLC which received the tax credit allocation. The loan proceeds are to be used solely for the purpose of constructing and selling qualified housing properties to low income residents. The loan will bear interest at a rate of .77076% per year and semi-annual payments of interest only are due in years 1 through 7 with fully amortizing semi-annual payments of principal and interest due in years 8 through 15. The cash proceeds from the transaction are secured by a UCC lien.

In connection with this arrangement, the members of CCML Leverage I, LLC have the option to buy back their affiliate's ownership interest. Exercise of this option will effectively allow Habitat to extinguish its debt owed to CCM Community Development XVII, LLC.

##### **Mortgage**

On March 20, 2012 Habitat entered into a mortgage agreement in the amount of \$159,000 with People's United Bank and satisfied their mortgage agreement with First Niagara Bank. The mortgage is secured by the related real estate. Principal and interest payments are calculated on a 240 month repayment schedule and are due in 120 monthly installments, currently in the amount of \$1,079 including interest at 5.25%. On April 20, 2017 the interest rate will be adjusted by adding 2% to the "People's United Bank Prime Rate". On March 20, 2022 one payment will be due of the remaining principal and interest in the amount of \$101,215. It is Habitat's intention to repay the mortgage evenly over a 10 year repayment schedule.

##### **Line of Credit**

On March 20, 2012 Habitat entered into a line of credit agreement with People's United Bank in the amount of \$73,000. Interest on outstanding balances is calculated daily by adding 2% to the "People's United Bank Prime Rate". The line is secured by the business assets and a second mortgage on the property at 37 Union Street, New Haven, CT.

Subsequent events were evaluated through May 21, 2012, the date the financial statements were available to be issued.

**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, 2011. 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; and *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 17, 2012 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 17, 2012

**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, 2011**

<u>Grantor/Program Title</u>	<u>Catalogue of Federal Domestic Assistance Number</u>	<u>Pass Through Number</u>	<u>Expenditures</u>
United States Department of Housing and Urban Development passed through the City of New Haven			
Community Development Block Grant	14.218	CDBG 37	\$140,042
HOME Investment Partnership Program	14.239	HOME	129,881
Total Expenditures			<u><u>\$269,923</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 THAT COULD HAVE A DIRECT AND  
MATERIAL EFFECT ON EACH GRANT 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, 2011. Habitat for Humanity of Greater New Haven, Inc., specific major federal award programs is identified in the summary of auditor's result section of the accompanying schedule of findings and questioned costs. 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, 2011.

**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 deficiency in 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 a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 17, 2012

**HABITAT FOR HUMANITY OF GREATER NEW HAVEN, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**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:		
• Material weaknesses identified?		X
• Significant deficiencies identified?		X
Noncompliance material to financial statements noted?		X

*Federal Awards:*

Internal control over major programs:		
• Material weaknesses identified?		X
• Significant deficiencies identified?		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 the financial statements.

**SECTION III — FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

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