

March 2, 2007

Re: Habitat for Humanity Philadelphia, Inc

To Whom it May Concern:

I am writing to clarify questions regarding the large variance in program and administrative expense percentages shown in the statement of functional expenses between the years ended June 30, 2005 and June 30, 2006 for the above referenced organization.

The organization's major program expense is related to construction costs and is recorded at the time that a property is legally transferred to a buyer. Up until the point in time that a home is sold, the construction is recorded as an asset on the statement of financial position either as construction in progress for houses that are currently being worked on or as completed houses for houses that work has been completed and families have moved into. Due to the fact that no homes went to settlement and were not legally transferred the construction expense is low resulting in the program expense appearing low in comparison to prior years.

As of June 30th 2006, the completed house inventory increased \$370,280 and construction in progress increased \$248,708 over the prior year. Accordingly, had the 5 houses completed during the year been sold the overall program percentage would have been significantly higher.

I hope this provides some clarity to the unusual situation. Should you have any further questions, please do not hesitate to contact me.

Sincerely,



Katherine R. Conlon