

HABITAT FOR HUMANITY PHILADELPHIA, INC.

**Financial Statements
and Supplementary Schedules**

For the years ended June 30, 2011 and 2010

(With Independent Auditors' Report Thereon)

HABITAT FOR HUMANITY PHILADELPHIA, INC.
Table of Contents
For the years ended June 30, 2011 and 2010

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position	2-3
Statement of Activities For the year ended June 30, 2011	4
Statement of Activities For the year ended June 30, 2010	5
Statements of Cash Flows	6
Notes to Financial Statements	7-14
Supplementary Schedules:	
Statement of Functional Expenses For the year ended June 30, 2011	15
Statement of Functional Expenses For the year ended June 30, 2010	16

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Habitat for Humanity Philadelphia, Inc.

We have audited the accompanying statements of financial position of Habitat for Humanity Philadelphia, Inc. (a nonprofit organization) as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity Philadelphia, Inc. as of June 30, 2011 and 2010, 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 15-16 is presented for purposes of additional analysis and are not a required part of the financial statements of the Organization. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

HOLMAN & FRENIA, P.C.
Certified Public Accountants

September 05, 2011
Toms River, New Jersey

HABITAT FOR HUMANITY PHILADELPHIA, INC.
Statements of Financial Position
June 30, 2011 and 2010

ASSETS	2011	2010
Current assets:		
Cash and cash equivalents	\$ 334,077	540,239
Investments	5,843	2,340
Mortgage receivable - current portion net of accumulated amortization of \$136,786 and \$129,780, respectively	274,019	283,448
Construction in progress	581,609	328,539
Prepaid expenses and other current assets	20,757	35,831
Total current assets	1,216,305	1,190,397
Buildings and equipment:		
Land	5,000	5,000
Buildings and improvements	82,676	63,302
Office equipment and furnishings	80,484	70,770
Construction equipment	27,728	27,728
Transportation equipment	52,554	31,574
	248,442	198,374
Less: accumulated depreciation	(174,564)	(163,597)
Property and equipment, net	73,878	34,777
Other Assets:		
Completed houses under lease purchase	145,000	255,000
Deposits	17,656	10,156
Loan origination fee, net of accumulated amortization of \$6,993 and \$2,797, respectively	55,953	60,149
Mortgage receivable net of accumulated amortization of \$2,171,083 and \$2,100,330, respectively	2,097,083	2,065,566
Investment in HFHI-SA Leverage III, LLC	1,364,323	1,343,831
Total other assets	3,680,015	3,734,702
Total assets	\$ 4,970,198	\$ 4,959,876

See independent auditors' report and accompanying notes to the financial statements.

HABITAT FOR HUMANITY PHILADELPHIA, INC.
Statements of Financial Position (continued)
June 30, 2011 and 2010

	2011	2010
LIABILITIES		
Current liabilities:		
Lines of credit	\$ -	\$ 40,000
Accounts payable	18,687	22,561
Accrued payroll and payroll taxes	22,192	24,325
Accrued expenses	29,482	24,121
Notes payable - current, net of discount of \$564 and \$564, respectively	35,748	33,651
Total current liabilities	106,109	144,658
Long-term liabilities:		
Escrow deposits	75,568	77,861
Notes payable, net of discount of \$200 and \$764, respectively	2,142,241	2,177,989
Total long-term liabilities	2,217,809	2,255,850
Total liabilities	2,323,918	2,400,508
NET ASSETS		
Unrestricted	2,609,309	2,554,777
Temporarily restricted	36,971	4,591
Total net assets	2,646,280	2,559,368
Total liabilities and net assets	\$ 4,970,198	\$ 4,959,876

See independent auditors' report and accompanying notes to the financial statements.

HABITAT FOR HUMANITY PHILADELPHIA, INC.
Statement of Activities
For the year ended June 30, 2011

	2011		
	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Sales to homeowners	\$ 376,730	\$ -	\$ 376,730
Sales of assets	60,000	-	60,000
Individuals	296,753	-	296,753
Foundations	56,282	157,500	213,782
Corporations	102,235	58,004	160,239
Government	141,600	-	141,600
Churches and schools	15,828	-	15,828
Amortization of mortgage discount	136,476	-	136,476
Interest	215	-	215
Donated materials and supplies	46,520	-	46,520
Donated buildings	20,000	-	20,000
Fundraising	135,919	-	135,919
Restore	60,858	-	60,858
Other revenue	42,040	-	42,040
Realized gain (loss) on investments	(14)	-	(14)
Unrealized gain (loss) on investments	934	-	934
Net assets released from restrictions	183,124	(183,124)	-
	<u>1,675,500</u>	<u>32,380</u>	<u>1,707,880</u>
Total revenues and support			
Expenses:			
Program	1,186,805	-	1,186,805
Administrative	252,429	-	252,429
Fundraising	181,734	-	181,734
	<u>1,620,968</u>	<u>-</u>	<u>1,620,968</u>
Total expenses			
Change in net assets	54,532	32,380	86,912
Net assets, beginning of year	2,554,777	4,591	2,559,368
Net assets, end of year	<u>\$ 2,609,309</u>	<u>\$ 36,971</u>	<u>\$ 2,646,280</u>

See independent auditors' report and accompanying notes to the financial statements.

HABITAT FOR HUMANITY PHILADELPHIA, INC.
Statement of Activities
For the year ended June 30, 2010

	2010		
	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Sales to homeowners	\$ 1,295,283	\$ -	\$ 1,295,283
Individuals	316,987	-	316,987
Foundations	131,098	40,590	171,688
Corporations	89,789	35,000	124,789
Government	63,200	-	63,200
Churches and schools	14,221	-	14,221
Amortization of mortgage discount	133,743	-	133,743
Interest	431	-	431
Donated buildings	90,000	-	90,000
Fundraising	92,545	-	92,545
Restore	16,160	-	16,160
Other revenue	51,837	-	51,837
Unrealized gain (loss) on investments	(197)	-	(197)
Net assets released from restrictions	122,651	(122,651)	-
	<u>2,417,748</u>	<u>(47,061)</u>	<u>2,370,687</u>
Total revenues and support			
Expenses:			
Program	2,521,868	-	2,521,868
Administrative	239,127	-	239,127
Fundraising	146,166	-	146,166
	<u>2,907,161</u>	<u>-</u>	<u>2,907,161</u>
Total expenses			
Change in net assets	<u>(489,413)</u>	<u>(47,061)</u>	<u>(536,474)</u>
Net assets, beginning of year	<u>3,044,190</u>	<u>51,652</u>	<u>3,095,842</u>
Net assets, end of year	<u>\$ 2,554,777</u>	<u>\$ 4,591</u>	<u>\$ 2,559,368</u>

See independent auditors' report and accompanying notes to the financial statements.

HABITAT FOR HUMANITY PHILADELPHIA, INC.
Statements of Cash Flows
For the years ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Change in net assets	\$ 86,912	\$ (536,474)
Items which did not use cash:		
Depreciation	10,967	6,922
Donation of fixed assets	(25,980)	-
Donation of construction in progress	(40,540)	-
Unrealized gain on investments	934	(197)
Amortization of mortgage discount	77,759	591,345
Amortization of loan origination fee	4,196	2,797
Working capital changes which (used) provided cash:		
Mortgage receivable	(99,847)	(1,013,699)
Construction in progress	(212,530)	607,657
Prepaid expenses	15,074	(30,500)
Completed houses	110,000	223,000
Deposits	(7,500)	(10,156)
Accounts payable	(3,874)	(60,259)
Accrued payroll and payroll taxes	(2,133)	182
Accrued expenses	5,361	(23,887)
Escrow and lease deposits	(2,293)	(36,979)
Net cash used by operating activities	(83,494)	(280,248)
Cash flows from investing activities:		
Purchase of fixed assets	(24,088)	(10,797)
Net increase in investments	(24,929)	(1,345,974)
Net cash used by investing activities	(49,017)	(1,356,771)
Cash flows from financing activities:		
Repayment of line of credit	(40,000)	(84,811)
Cash received from notes payable	-	2,103,118
Repayment of notes payable	(33,651)	(16,750)
Cash paid on loan origination fee	-	(62,946)
Net cash (used)/provided by financing activities	(73,651)	1,938,611
Net (decrease)/increase in cash	(206,162)	301,592
Cash, beginning of year	540,239	238,647
Cash, end of year	\$ 334,077	\$ 540,239
Other Supplementary Information:		
Interest paid	\$ 57,139	\$ 38,870

See independent auditors' report and accompanying notes to the financial statements.

HABITAT FOR HUMANITY PHILADELPHIA, INC.
Notes to Financial Statements
For the years ended June 30, 2011 and 2010

NOTE 1: NATURE OF ORGANIZATION

Habitat for Humanity Philadelphia, Inc. (the Organization) was incorporated in February 2003 under the laws of the Commonwealth of Pennsylvania as a nonprofit, ecumenical Christian housing ministry affiliated with Habitat for Humanity International, Inc., an organization with affiliates worldwide that seeks to eliminate poverty housing and homelessness from the world, and to make decent shelter a matter of conscience and action. Through volunteer labor and donations of money and materials, the Organization builds simple, decent houses with the help of low-income homeowner families. The Organization focuses its efforts in Philadelphia, Pennsylvania.

The houses built by the Organization and its volunteers are sold to partner families at no profit, financed with affordable, no-interest loans. The homeowner's monthly mortgage payments go into a revolving fund that is used to build more houses. In addition to a down payment and the monthly mortgage payment, each homeowner family invests hundreds of hours of their own labor into the building of their house as well as the houses of others.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Method

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

B. Basis of Presentation

The Organization has adopted Statement of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) paragraphs 958-605-45-3 through 45-5, *Accounting for Contributions Received and Made*, and FASB ASC 958-205-05-5 through 05-7, *Financial Statements of Not-for-Profit Organizations*. FASB ASC 958-205-05-5 through 05-7 establishes standards for external financial reporting by Not-for-Profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally imposed restrictions. FASB ASC 958-605-45-3 through 45-5 requires that unconditional promises to give be recorded as receivables and revenues and requires the organization to distinguish between contributions received for each net asset category in accordance with externally imposed restrictions. In accordance with these requirements, the Organization has recorded accounting transactions in the following net asset categories:

Unrestricted Net Assets – Net assets that are not subject to externally imposed restrictions.

Temporarily Restricted Net Assets – Net assets subject to externally imposed restrictions that will be met by the passage of time.

HABITAT FOR HUMANITY PHILADELPHIA, INC.
Notes to Financial Statements (continued)
For the years ended June 30, 2011 and 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash includes unrestricted time deposits, certificates of deposit and highly liquid debt instruments with original maturities of three months or less.

E. Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and or nature of any donor restrictions. All operating funds are available for the support of the Habitat for Humanity Philadelphia, Inc.'s operations and are therefore classified as unrestricted. Habitat for Humanity Philadelphia, Inc. recognizes contributions as restricted if donor imposed.

The Organization receives donations to fund acquisition, construction and rehabilitation costs of houses. These costs are capitalized as construction in progress. When the house is completed, it is transferred to a qualified family and recorded as a sale of property for the mortgage balance the homeowner assumes.

F. Functional Allocation of Expenses

Certain operating expenses have been allocated to program services based on the reasonable benefit that the programs derived from these expenses. There are various funding sources providing support towards the Organization's programs and some of the expenses charged to the programs represent direct expenses related to program operations and objectives.

G. Income Taxes

The Organization qualifies as tax-exempt under Section 501 (c)(3) of the Internal Revenue Code.

HABITAT FOR HUMANITY PHILADELPHIA, INC.
Notes to Financial Statements (continued)
For the years ended June 30, 2011 and 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Property and Equipment

Land, buildings and building improvements, furniture and equipment are recorded at cost, except for donated assets, which are recorded at their estimated fair market value at the date of donation. Such donations are reported as unrestricted unless the donor has restricted the donated asset to a specific purpose. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The estimated lives are as follows:

Building and building improvements	15-39 years
Furniture, equipment and transportation equipment	5-7 years

Repairs and maintenance which do not extend the useful lives of the related assets are expensed as incurred.

I. Contributed Service and Materials

Unpaid volunteers have made significant contributions of their time to the Organization's activities. However, the value of the contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or evaluation. Construction materials and fixed assets donated have been recorded at their estimated fair market value.

J. Investment Policy

Investments of the Organization are reported at fair market value as June 30, 2011 and 2010. Investment earnings on the Statement of Activities include interest, dividends and gains and losses on the sale of assets. Change in market value of assets held is reported as unrealized gains and losses.

K. Investment in Joint Venture

The Organization invested, along with five other Habitat affiliates, in a joint venture (HFHI-SA Leverage III, LLC) with 7.35 percent (7.35%) ownership to take advantage of New Market Tax Credit (NMTC) financing. NMTC financing allows an entity to receive a loan or investment capital from outside investors, who will receive new markets tax credits to be applied against their federal tax liability. As a result, Habitat has invested \$1,364,323 and was able to secure a 15-year loan in the amount of \$1,585,101 payable to a community development entity (an affiliate of the joint venture). The loan proceeds are to be used solely for the purpose of constructing and selling qualified housing properties to low income residents. The loan accrues interest only for years 1 through 7 at a reduced rate of 0.8126%. Beginning in year 8 through year 15 the principal balance of the loan is reduced by an eight-year amortization at the same rate of 0.8126%.

HABITAT FOR HUMANITY PHILADELPHIA, INC.
Notes to Financial Statements (continued)
For the years ended June 30, 2011 and 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Subsequent Events

The Organization has evaluated subsequent events occurring after the Statement of Financial Position date through the date of September 05, 2011, which is the date the financial statements were available to be issued.

NOTE 3: CASH

The deposits and investments held by the Organization at June 30, 2011 and 2010, and reported at fair value, are as follows:

	2011	2010
	Carrying Value	
	2011	2010
Deposits:		
Demand Deposits	<u>\$ 334,077</u>	<u>\$ 540,239</u>
Total deposits	<u>\$ 334,077</u>	<u>\$ 540,239</u>
Reconciliation of Statements of Net Assets		
Current assets:		
Cash and cash equivalents	<u>\$ 334,077</u>	<u>\$ 540,239</u>
Total reconciliation	<u>\$ 334,077</u>	<u>\$ 540,239</u>

Custodial Credit Risk - Deposits in financial institutions, reported as components of cash had a bank balance of \$385,255 and \$523,193 at June 30, 2011 and 2010, respectively. Of the bank balance, \$385,255 and \$430,836 was fully insured by depository insurance at June 30, 2011 and 2010, respectively.

Concentration of Credit Risk - Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash investments. The Organization limits the amount of credit exposure to any one financial institution and invests cash in accounts with high credit quality.

NOTE 4: MORTGAGES RECEIVABLE

Mortgages receivable consists of mortgages to homeowners. The mortgages are non-interest bearing and are secured by real estate. The mortgage loans are payable in monthly installments ranging from \$71 to \$388 over 10 to 30 year terms. The mortgages are discounted using rates provided by Habitat for Humanity International, Inc., which reflect the current market conditions. Mortgages receivable at June 30, 2011 and 2010 were as follows:

HABITAT FOR HUMANITY PHILADELPHIA, INC.
Notes to Financial Statements (continued)
For the years ended June 30, 2011 and 2010

NOTE 4: MORTGAGES RECEIVABLE (continued)

	<u>2011</u>	<u>2010</u>
Mortgages receivable	\$ 4,678,971	\$ 4,579,124
Less: unamortized mortgage discount	<u>(2,307,869)</u>	<u>(2,230,110)</u>
Total net mortgages receivable	2,371,102	2,349,014
Less: current portion	<u>(274,019)</u>	<u>(283,448)</u>
Long-term portion	<u>\$ 2,097,083</u>	<u>\$ 2,065,566</u>

NOTE 5: CONSTRUCTION IN PROGRESS

Construction in progress represents costs incurred to build/rehabilitate single family dwellings. Upon completion of construction, these houses will be sold or leased under a lease purchase agreement until clear title can be transferred to the member family. The balance as of June 30, 2011 and 2010 was \$581,609 and \$328,539, respectively.

NOTE 6: COMPLETED HOUSES UNDER LEASE PURCHASE

In some cases, houses completed and available are leased to the future homeowner until final closing and transfer of ownership occur. Prior to the transfer, the future homeowner makes payments, which the Organization holds and applies to defray closing costs. Once a family moves into the home, they are required to make monthly payments, which are applied toward real estate taxes, property insurance, and a down payment to reduce the mortgage they will assume. The balance as of June 30, 2011 and 2010 was \$145,000 and \$255,000, respectively.

NOTE 7: INVESTMENT IN HFHI-SA LEVERAGE III, LLC

For the years ended June 30, 2011 and 2010, the Organization participated in a New Markets Tax Credit (NMTC) program. The program provides funds to eligible organizations for investment in "qualified low-income community investment". Program compliance requirements included creation of a promissory note and investment in a qualified community development entity (CDE). Tax credit recapture is required if compliance requirements are not met over a seven-year period.

At June 30, 2010, the Organization recorded its 7.35% investment in HFHI-SA Leverage III, LLC at the cost. In December 2016, City First Capital Investment Fund, LLC, (the Fund), and the upstream effective owner of City First Capital 21, LLC (holder of the promissory note due from Habitat) is expected to exercise its put option. Under the terms of the put option agreement HFHI-SA Leverage III, LLC is expected to purchase the ownership interest of the Fund. Exercise of the option will effectively allow Habitat to extinguish its outstanding debt owed to the Fund.

HABITAT FOR HUMANITY PHILADELPHIA, INC.
Notes to Financial Statements (continued)
For the years ended June 30, 2011 and 2010

NOTE 8: COMMITMENTS AND CONTINGENCIES

The Pennsylvania Housing Finance Agency (PHFA), a state agency, assumed 9 mortgages held by the Organization. The Organization is responsible for maintaining the mortgages by collecting the payments. Should a homeowner become delinquent, PHFA will require repayment and discontinue the agreement for that mortgage. As of June 30, 2011 and 2010, the Organization was contingently liable for the balance of those mortgages totaling \$267,184 and \$289,982, respectively.

NOTE 9: LINE OF CREDIT

The Organization has established a \$150,000 working capital line of credit with a financial institution with interest due monthly at a variable rate of ½% above prime. Principal and unpaid interest are due in full on February 15th of each year. As of June 30, 2011 and 2010, \$0 and \$0, respectively, were outstanding on the line.

The Organization has established a line of credit in the amount of \$75,000 working capital line of credit with a financial institution with interest rate of 6%. As of June 30, 2011 and 2010, \$0 and \$40,000, respectively, were outstanding on the line.

NOTE 10: NOTES PAYABLE

The Organization had the following notes outstanding at June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Habitat for Humanity International, Inc. dated February 2006, \$5,000, to be paid in 48 monthly installments of \$104 at 0%.	\$ 1,360	\$ 2,608
Habitat for Humanity International, Inc. dated January 2007, \$10,000, to be paid in 48 monthly installments of \$208 at 0%.	3,968	6,464
In October 2009, the Organization entered into a loan agreement with Habitat for Humanity International, Inc. (HFHI) in the amount of \$297,000 at 6.5%. The loan is to be paid monthly over 10 years at \$3,385 per month principal and interest. A reserve fund equal to one quarter worth of principal and interest or \$10,156 was withheld by HFHI. The loan is secured by 15 existing mortgages of the Organization.	263,695	286,254

HABITAT FOR HUMANITY PHILADELPHIA, INC.
Notes to Financial Statements (continued)
For the years ended June 30, 2011 and 2010

NOTE 10: NOTES PAYABLE (continued)

In November 2009, the Organization has established a \$1,585,101 loan payable with City First Capital 21, LLC in relation to the new markets tax credits program and related investment in joint venture. Debt requires interest only payments until December 1, 2016 at 0.8126% and matures in November 2024. The loan is secured by substantially all the assets acquired by the Organization from the project loan proceeds. Debt has a put option feature that is exercisable December 2016 (see Note 7 above).

1,585,101 1,585,101

In March 2010, the Organization converted a construction loan to a term loan held by Sovereign Bank in the amount of \$335,365 at 7.18%. The loan is to be paid monthly over 5 years at \$2,655 per month principal and interest with the total outstanding principal balance becoming due on after 5 years. The loan is secured by Stiles Street properties.

324,629 332,541

Total notes payable

2,178,753 2,212,968

Less: unamortized note discount

(764) (1,328)

Total net notes payable

2,177,989 2,211,640

Less: current portion

(35,748) (33,651)

Long-term portion

\$2,142,241 \$2,177,989

Total maturities of notes payable for the year ending June 30, are as follows:

2012	\$	36,312
2013		36,395
2014		37,209
2015		326,338
2016		31,141
2017-2020		<u>1,711,358</u>
Total		<u>\$ 2,178,753</u>

NOTE 11: NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors, as follows:

HABITAT FOR HUMANITY PHILADELPHIA, INC.
Notes to Financial Statements (continued)
For the years ended June 30, 2011 and 2010

NOTE 11: NET ASSETS RELEASED FROM DONOR RESTRICTIONS (continued)

	<u>2011</u>	<u>2010</u>
Construction	\$105,600	\$101,652
Restore	50,504	-
Energy upgrades	25,000	-
Technology upgrades	2,020	10,999
Gala Event spending	<u>-</u>	<u>10,000</u>
Total releases of restrictions	<u>\$183,124</u>	<u>\$122,651</u>

NOTE 12: TRANSACTION WITH HABITAT FOR HUMANITY INTERNATIONAL, INC.

The Organization annually remits a portion of its unrestricted contributions, excluding in-kind contributions. These funds are used to construct homes in economically depressed areas around the world. For the year ended June 30, 2011 and 2010, the Organization made contributions totaling \$20,000 and \$20,000, respectively.

NOTE 13: PENSION PLAN

The Organization has a 403(b) plan where employees may make payroll deductions, which may be tax deferred in accordance with the Internal Revenue Code. All funds contributed are 100% vested in the employee's name.

HABITAT FOR HUMANITY PHILADELPHIA, INC.
Statement of Functional Expenses
For the year ended June 30, 2011

	Total	Program Services	Management and General	Fundraising
Americorps	\$ 69,730	\$ 69,256	\$ 474	\$ -
Bank fees	9,202	19	7,161	2,022
Construction costs	513,387	513,387	-	-
Depreciation	10,967	5,357	5,610	-
Dues and subscriptions	5,234	990	2,249	1,995
Employee benefits	66,939	50,066	6,869	10,004
Fundraising	27,681	-	-	27,681
Insurance	44,526	44,118	408	-
Interest	56,639	-	56,639	-
Loan origination fee amortization	4,196	-	4,196	-
Miscellaneous	16,555	7,630	8,593	332
Mortgage amortization	214,235	214,235	-	-
Office expense	25,694	3,577	21,721	396
Payroll	350,393	206,050	37,368	106,975
Payroll service	2,229	-	2,229	-
Payroll taxes	49,635	34,228	3,986	11,421
Postage and delivery	7,411	518	3,335	3,558
Printing	20,395	2,248	1,777	16,370
Professional fees	46,240	7,278	38,962	-
Program expenses	6,707	4,794	1,913	-
Rent	5,000	5,000	-	-
Telephone	14,538	140	14,398	-
Tithe	20,000	-	20,000	-
Training and education	3,568	1,610	1,588	370
Travel	19,700	15,680	3,960	60
Utilities	8,925	74	8,851	-
Website	1,242	550	142	550
Total expenses	\$ 1,620,968	\$ 1,186,805	\$ 252,429	\$ 181,734

See independent auditors' report.

HABITAT FOR HUMANITY PHILADELPHIA, INC.
Statement of Functional Expenses
For the year ended June 30, 2010

	Total	Program Services	Management and General	Fundraising
Americorps	\$ 53,018	\$ 52,895	\$ 123	\$ -
Bank fees	11,985	1,151	8,144	2,690
Construction costs	1,377,463	1,376,625	469	369
Depreciation	6,922	2,344	4,578	-
Dues and subscriptions	2,904	472	1,170	1,262
Employee benefits	43,757	37,984	2,282	3,491
Fundraising	19,632	-	-	19,632
Insurance	43,604	32,640	10,964	-
Interest	40,150	-	40,150	-
Loan origination fee amortization	2,797	-	2,797	-
Miscellaneous	21,126	7,235	13,678	213
Mortgage amortization	725,088	725,088	-	-
Office expense	22,654	1,513	20,742	399
Payroll	340,935	232,251	17,449	91,235
Payroll service	2,549	-	2,549	-
Payroll taxes	36,499	28,684	1,069	6,746
Postage and delivery	6,271	265	2,369	3,637
Printing	17,313	1,446	1,980	13,887
Professional fees	72,191	4,621	66,330	1,240
Program expenses	8,867	8,110	757	-
Telephone	12,780	-	12,780	-
Tithe	20,000	-	20,000	-
Training and education	3,664	2,695	490	479
Travel	4,819	4,458	153	208
Utilities	8,854	941	7,913	-
Website	1,319	450	191	678
Total expenses	\$ 2,907,161	\$ 2,521,868	\$ 239,127	\$ 146,166

See independent auditors' report.