

**NASHVILLE AREA HABITAT
FOR HUMANITY, INC.**

FINANCIAL STATEMENTS

June 30, 2009 and 2008

NASHVILLE AREA HABITAT FOR HUMANITY, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Nashville Area Habitat for Humanity, Inc.
Nashville, Tennessee

We have audited the accompanying statements of financial position of Nashville Area Habitat for Humanity, Inc. as of June 30, 2009 and 2008, and the related statements of activities, functional expenses, 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 audits 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Nashville Area Habitat for Humanity, Inc. as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Frasier, Dean & Howard, PLLC

September 11, 2009
Nashville, Tennessee

NASHVILLE AREA HABITAT FOR HUMANITY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2009 and 2008

Assets	2009	2008
Cash, including escrow accounts of \$275,080 and \$273,783, respectively	\$ 1,434,643	\$ 592,420
Grants receivable	435,770	605,331
Sponsor and other receivables	161,857	367,796
Contributions receivable, net	130,303	569,749
Investments	-	1,054
Real estate held for sale	50,784	165,259
Construction-in-progress	1,481,476	1,035,522
Property and equipment, net	277,737	347,994
Land held for development	4,964,794	5,621,196
Non-interest bearing mortgage loans, net of discounts of \$11,319,108 and \$10,162,739, respectively	13,016,792	11,576,580
Other	593,231	585,644
Total assets	\$ 22,547,387	\$ 21,468,545
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 747,284	\$ 629,966
Escrow accounts	275,080	273,783
Notes payable	8,736,650	8,112,012
Deferred revenue	778,139	571,642
Unearned revenue on second mortgage loans	3,850,351	3,540,863
Total liabilities	14,387,504	13,128,266
Net assets:		
Unrestricted	3,444,637	4,146,981
Temporarily restricted	4,715,246	4,193,298
Total net assets	8,159,883	8,340,279
Total liabilities and net assets	\$ 22,547,387	\$ 21,468,545

See accompanying notes.

NASHVILLE AREA HABITAT FOR HUMANITY, INC.
STATEMENT OF ACTIVITIES
Year ended June 30, 2009
(with comparative totals for the year ended June 30, 2008)

	2009			2008 Total
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Transfers to homeowners	\$ 3,232,850	\$ -	\$ 3,232,850	\$ 3,812,375
Cash contributions	1,136,200	606,162	1,742,362	3,778,894
Grant income	1,433,033	105,298	1,538,331	2,731,736
HomeStore sales	1,303,155	-	1,303,155	1,190,206
THDA interest contribution	-	844,220	844,220	1,268,294
Mortgage loan discount amortization	449,192	-	449,192	345,622
In-kind contributions	235,106	-	235,106	171,156
Other income	77,742	-	77,742	106,492
Interest income	6,145	-	6,145	21,829
	<u>7,873,423</u>	<u>1,555,680</u>	<u>9,429,103</u>	<u>13,426,604</u>
Net assets released from restrictions	<u>1,033,732</u>	<u>(1,033,732)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>8,907,155</u>	<u>521,948</u>	<u>9,429,103</u>	<u>13,426,604</u>
Expenses:				
Program services	7,883,080	-	7,883,080	9,133,380
Supporting services	1,726,419	-	1,726,419	2,025,305
Total expenses	<u>9,609,499</u>	<u>-</u>	<u>9,609,499</u>	<u>11,158,685</u>
Change in net assets from operations	(702,344)	521,948	(180,396)	2,267,919
Contribution of net assets from Dickson County Habitat for Humanity	<u>-</u>	<u>-</u>	<u>-</u>	<u>220,176</u>
Change in net assets	(702,344)	521,948	(180,396)	2,488,095
Net assets at beginning of year	<u>4,146,981</u>	<u>4,193,298</u>	<u>8,340,279</u>	<u>5,852,184</u>
Net assets at end of year	<u>\$ 3,444,637</u>	<u>\$ 4,715,246</u>	<u>\$ 8,159,883</u>	<u>\$ 8,340,279</u>

See accompanying notes.

NASHVILLE AREA HABITAT FOR HUMANITY, INC.
STATEMENT OF ACTIVITIES
Year ended June 30, 2008
(with comparative totals for the year ended June 30, 2007)

	2008			2007
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenue:				
Transfers to homeowners	\$3,812,375	\$ -	\$3,812,375	\$3,506,583
Cash contributions	1,558,739	2,220,155	3,778,894	3,605,737
Grant income	2,543,044	188,692	2,731,736	1,273,536
HomeStore sales	1,190,206	-	1,190,206	989,820
THDA interest contribution	-	1,268,294	1,268,294	935,339
Mortgage loan discount amortization	345,622	-	345,622	389,272
In-kind contributions	171,156	-	171,156	262,257
Other income	106,492	-	106,492	173,713
Interest income	21,829	-	21,829	35,211
	<u>9,749,463</u>	<u>3,677,141</u>	<u>13,426,604</u>	<u>11,171,468</u>
Net assets released from restrictions	<u>2,228,896</u>	<u>(2,228,896)</u>	-	-
Total support and revenue	<u>11,978,359</u>	<u>1,448,245</u>	<u>13,426,604</u>	<u>11,171,468</u>
Expenses:				
Program services	9,133,380	-	9,133,380	8,296,816
Supporting services	2,025,305	-	2,025,305	1,418,315
Total expenses	<u>11,158,685</u>	<u>-</u>	<u>11,158,685</u>	<u>9,715,131</u>
Change in net assets from operations	819,674	1,448,245	2,267,919	1,456,337
Contribution of net assets from Dickson County Habitat for Humanity	<u>220,176</u>	<u>-</u>	<u>220,176</u>	<u>-</u>
Change in net assets	1,039,850	1,448,245	2,488,095	1,456,337
Net assets at beginning of year	<u>3,107,131</u>	<u>2,745,053</u>	<u>5,852,184</u>	<u>4,395,847</u>
Net assets at end of year	<u>\$4,146,981</u>	<u>\$4,193,298</u>	<u>\$8,340,279</u>	<u>\$5,852,184</u>

See accompanying notes.

NASHVILLE AREA HABITAT FOR HUMANITY, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Change in net assets	\$ (180,396)	\$ 2,488,095
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contribution of net assets from Dickson County	-	(220,176)
Non-cash construction costs	340,625	155,202
Transfers to homeowners	(1,772,518)	(1,929,679)
Depreciation	101,808	101,254
Loss on disposal of fixed assets	810	754
Mortgage loan discount amortization	(392,958)	(318,184)
Changes in operating assets and liabilities:		
Grants receivable	169,561	(354,331)
Sponsor and other receivables	645,385	(99,180)
Construction-in-progress	(445,954)	(375,636)
Land held for development	656,402	(793,091)
Other assets	(7,587)	69,939
Accounts payable and accrued expenses	117,318	45,014
Escrow accounts	1,297	71,673
Deferred revenue	206,497	(238,183)
	<u>(559,710)</u>	<u>(1,396,529)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Cash received from Dickson County	-	11,737
Improvements to real estate held for sale	(44,225)	(43,600)
Purchases of property and equipment	(12,301)	(41,772)
Proceeds from sale of investments	1,054	-
Purchases of investments	-	(1,054)
Mortgage payments received	852,827	703,249
	<u>797,355</u>	<u>628,560</u>
Net cash provided by investing activities		
Cash flows from financing activities:		
Proceeds from issuance of notes payable	1,570,826	2,943,237
Repayments on notes payable	(966,248)	(2,206,495)
	<u>604,578</u>	<u>736,742</u>
Net cash provided by financing activities		
Net increase (decrease) in cash and cash equivalents	842,223	(31,227)
Cash and cash equivalents at beginning of year	592,420	623,647
Cash and cash equivalents at end of year	<u>\$ 1,434,643</u>	<u>\$ 592,420</u>

See accompanying notes.

NASHVILLE AREA HABITAT FOR HUMANITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2009

	Program Services				Supporting Services				
	Construction	Family Support and Educational Ministries	Discounts on Mortgage Obligations	HomeStore Operations	Total	Fund Raising	Management and General	Total	Total
Construction costs	\$3,156,703	\$ -	\$ -	\$ -	\$3,156,703	\$ -	\$ -	\$ -	\$3,156,703
Salaries and related expenses	891,266	511,860	-	560,091	1,963,217	552,982	188,470	741,452	2,704,669
Mortgage discounts	-	-	1,460,332	-	1,460,332	-	-	-	1,460,332
Lease expense	61,534	21,466	-	256,864	339,864	27,576	44,897	72,473	412,337
Printing and public relations	557	124	-	722	1,403	306,002	2,457	308,459	309,862
Legal and professional	131,798	35,041	-	-	166,839	4,782	115,889	120,671	287,510
Other	93,635	30,316	-	12,851	136,802	41,438	71,134	112,572	249,374
Office expenses	60,032	29,160	-	76,751	165,943	33,877	31,097	64,974	230,917
Interest	182,817	-	-	404	183,221	-	10,184	10,184	193,405
Advertising	5,557	3,150	-	5,952	14,659	90,024	1,793	91,817	106,476
Depreciation	-	-	-	-	-	-	101,808	101,808	101,808
Taxes and insurance	73,659	3,713	-	9,736	87,108	3,713	4,461	8,174	95,282
Auto	33,424	3,930	-	16,630	53,984	10,915	800	11,715	65,699
Repairs and maintenance	24,720	1,937	-	20,575	47,232	1,937	4,835	6,772	54,004
Tithe to Habitat for Humanity International, Inc.	50,550	-	-	-	50,550	-	-	-	50,550
Special events	-	-	-	-	-	40,908	-	40,908	40,908
Bank and credit card fees	293	-	-	27,846	28,139	-	5,948	5,948	34,087
Sponsor and volunteer appreciation	-	-	-	-	-	26,392	-	26,392	26,392
Deconstruction	-	-	-	13,096	13,096	-	-	-	13,096
Small tools and equipment	13,902	-	-	86	13,988	-	-	-	13,988
Donations	-	-	-	-	-	2,000	100	2,100	2,100
	<u>\$4,780,447</u>	<u>\$ 640,697</u>	<u>\$1,460,332</u>	<u>\$1,001,604</u>	<u>\$7,883,080</u>	<u>\$1,142,546</u>	<u>\$ 583,873</u>	<u>\$1,726,419</u>	<u>\$9,609,499</u>

See accompanying notes.

NASHVILLE AREA HABITAT FOR HUMANITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2008

	Program Services				Supporting Services				
	Construction	Family Support Discounts on and Educational Ministries	Mortgage Obligations	HomeStore Operations	Total	Fund Raising	Management and General	Total	Total
Construction costs	\$4,038,627	\$ -	\$ -	\$ -	\$4,038,627	\$ -	\$ -	\$ -	\$ 4,038,627
Salaries and related expenses	910,968	504,734	-	675,140	2,090,842	535,828	154,945	690,773	2,781,615
Mortgage discounts	-	-	1,882,696	-	1,882,696	-	-	-	1,882,696
Printing and public relations	5,351	1,156	-	1,874	8,381	528,798	1,484	530,282	538,663
Lease expense	82,721	20,317	-	176,293	279,331	25,132	47,239	72,371	351,702
Other	124,036	22,971	-	20,562	167,569	62,289	92,379	154,668	322,237
Office expenses	69,670	30,873	-	64,116	164,659	48,452	31,367	79,819	244,478
Interest	131,151	-	-	-	131,151	-	22,327	22,327	153,478
Legal and professional	26,227	43,612	-	392	70,231	22,042	47,143	69,185	139,416
Depreciation	-	-	-	-	-	-	101,254	101,254	101,254
Sponsor and volunteer appreciation	-	-	-	-	-	98,018	-	98,018	98,018
Special events	-	-	-	-	-	93,886	-	93,886	93,886
Tithe to Habitat for Humanity International, Inc.	87,996	-	-	-	87,996	-	-	-	87,996
Advertising	156	27	-	3,818	4,001	75,882	1,310	77,192	81,193
Auto	40,344	3,242	-	15,784	59,370	9,048	905	9,953	69,323
Repairs and maintenance	33,362	2,027	-	18,649	54,038	2,222	1,858	4,080	58,118
Small tools and equipment	37,140	-	-	926	38,066	-	-	-	38,066
Bank and credit card fees	1,755	-	-	28,299	30,054	-	6,338	6,338	36,392
Taxes and insurance	7,395	3,870	-	11,886	23,151	3,282	4,577	7,859	31,010
Donations	-	-	-	-	-	2,100	5,200	7,300	7,300
Deconstruction	-	-	-	3,217	3,217	-	-	-	3,217
	<u>\$5,596,899</u>	<u>\$ 632,829</u>	<u>\$ 1,882,696</u>	<u>\$ 1,020,956</u>	<u>\$ 9,133,380</u>	<u>\$1,506,979</u>	<u>\$ 518,326</u>	<u>\$ 2,025,305</u>	<u>\$11,158,685</u>

See accompanying notes.

NASHVILLE AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 1 – ORGANIZATION AND PURPOSE

Nashville Area Habitat for Humanity, Inc. (“Habitat”), a nonprofit corporation, was chartered by the State of Tennessee on March 25, 1985. Habitat is an affiliate of Habitat for Humanity International, Inc. (“Habitat International”), a nondenominational Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, Habitat is primarily and directly responsible for its own operations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Habitat have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The significant accounting policies followed are described below.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Habitat and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of Habitat and/or the passage of time. Temporarily restricted net assets at June 30, 2009 and 2008 consist of contributions received and receivable restricted for home construction and the unamortized discount on interest-free loans payable.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by Habitat. Habitat has no permanently restricted net assets at June 30, 2009 and 2008.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, Habitat reports the support as unrestricted.

NASHVILLE AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Contributions are recognized as revenue when received.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using an interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Contributed land and equipment are recorded at fair value at the date of the donation.

HomeStore sales are recognized as revenue at the time merchandise is transferred to the customer. Sales returns have not been significant.

In-kind contributions (primarily land for development and construction materials) are recorded based on their estimated value on the date of receipt. No amounts have been reflected in the financial statements for donated labor by unskilled volunteers as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to Habitat's program services.

Unearned revenue on second mortgage loans represents the discounted value of non-interest bearing second mortgage loans obtained on Habitat homes. The homeowner is required to sign a second mortgage for the difference between the estimated fair market value of the home, and the first mortgage balance as of the transfer date. The scheduled payment on the second mortgage loan is forgiven by Habitat each time a payment is received on the first mortgage. Habitat does not foresee collection of the second mortgage loans except in the event of sale or refinancing of the home by the owner.

Transfers to homeowners are recorded at the gross amount of payments to be received over the lives of the mortgages. Non-interest bearing mortgages have been discounted at various rates ranging from 4.5% to 10% based upon prevailing market rates at the inception of the mortgages. Discounts are amortized using the straight-line method over the lives of the mortgages.

NASHVILLE AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

A summary of home building activity for 2009 is as follows:

	<u>Number</u>	<u>Costs</u>
Homes under construction, June 30, 2008	19	\$ 1,035,522
Additional costs incurred on beginning inventory		848,054
New homes started in 2009	34	2,754,603
Homes transferred in 2009	<u>(35)</u>	<u>(3,156,703)</u>
Homes under construction, June 30, 2009	<u>18</u>	<u>\$ 1,481,476</u>

Grant Revenues

Grant funds are earned and reported as revenue when Habitat has incurred expenses in compliance with the specific restrictions of the grant agreement.

Grant funds that are restricted for use in home construction are reflected as unrestricted revenue since these funds are generally received and spent during the same year.

Program Services

Program services include construction, HomeStore operations, family support and educational ministries and the discounts on mortgage originations. The cost of home building is charged to program services upon transfer to the homeowner. Program services include the cost of homes transferred, which have an average cost of \$90,192 and \$93,922 for the years ended June 30, 2009 and 2008, respectively.

Advertising

Advertising costs are charged to expense as incurred. Advertising expense totaled \$106,476 and \$81,193 for the years ended June 30, 2009 and 2008, respectively.

Property and Equipment

Property and equipment is reported at cost at the date of purchase or at fair market value at the date of gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from three to five years.

NASHVILLE AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land Held for Development

Land held for development consists of land and improvements to be utilized as lots for future Habitat homeowners. During fiscal 2008, Habitat purchased more than two hundred acres of unimproved land for approximately \$2,800,000. Costs incurred to improve land are capitalized when incurred. The total allocated cost of each lot is charged to construction in progress upon commencement of building activities.

Income Taxes

Habitat is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Accordingly, federal income taxes are not provided in the accompanying financial statements.

Cash Equivalents

For purposes of the statements of cash flows, Habitat considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are stated at fair value in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*.

Deferred Revenue

Deferred revenue consists of deposits received on conditional promises to give in the amount of \$778,139 and \$571,642 at June 30, 2009 and 2008, respectively. The amounts deposited are from sponsors of future home building that are refundable to the donors in the event that construction does not occur.

Summarized Financial Information

The financial statements include certain 2007 summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2007, from which the summarized information was derived.

NASHVILLE AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain reclassifications have been made to 2008 balances to conform to 2009 presentation.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Habitat has included unconditional promises to give as contributions receivable in accordance with the provisions of SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions are scheduled to be received as follows at June 30:

	<u>2009</u>	<u>2008</u>
Amount receivable within one year	\$ 149,786	\$ 308,214
Amount receivable in 1 to 5 years	20,517	314,285
Amount receivable after 5 years	-	10,000
	<u>170,303</u>	<u>632,499</u>
Less allowance for uncollectible contributions	<u>(40,000)</u>	<u>(62,750)</u>
Contributions receivable, net	<u>\$ 130,303</u>	<u>\$ 569,749</u>

NOTE 4 – GRANTS RECEIVABLE

A summary of grants receivable as of June 30 is as follows:

	<u>2009</u>	<u>2008</u>
Foundations and other	\$ 422,537	\$ 386,581
Metropolitan Development and Housing Agency	<u>13,233</u>	<u>218,750</u>
	<u>\$ 435,770</u>	<u>\$ 605,331</u>

NOTE 5 – INVESTMENTS

Investments consist of the following at June 30:

	<u>2009</u>	<u>2008</u>
Common stock	<u>\$ -</u>	<u>\$ 1,054</u>

Investment income is comprised entirely of dividends and interest income for the years ended June 30, 2009 and 2008.

NASHVILLE AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 6 – PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30 is as follows:

	<u>2009</u>	<u>2008</u>
Office equipment	\$ 195,626	\$ 189,786
Leasehold improvements	196,025	196,025
Vehicles and trailers	203,344	177,723
Other	<u>131,872</u>	<u>131,872</u>
	726,867	695,406
Less accumulated depreciation	<u>(449,130)</u>	<u>(347,412)</u>
	<u>\$ 277,737</u>	<u>\$ 347,994</u>

NOTE 7 – TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL, INC.

Habitat annually remits a portion of its unrestricted contributions (excluding in-kind contributions) to Habitat International. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2009 and 2008, Habitat contributed \$50,550 and \$87,996, respectively, to Habitat International.

NOTE 8 – LINE OF CREDIT

Habitat has a \$750,000 unsecured line of credit agreement with a bank bearing interest at the bank's prime interest rate. The line of credit has a maturity date of October 2009. At June 30, 2009, no borrowings were outstanding under the line of credit agreement.

NOTE 9 – NOTES PAYABLE

	<u>2009</u>	<u>2008</u>
Notes payable to Habitat International, non-interest bearing, payable in monthly principal installments ranging from \$100 to \$1,287 through June 2013.	\$ 264,135	\$ 289,936

Notes payable to Tennessee Housing Development Agency, non-interest bearing, payable in total monthly principal installments of \$27,980 through June 2039, secured by non-interest bearing first mortgages held by Habitat, with a discounted value of \$4,543,485. The notes payable have an undiscounted balance outstanding of \$8,477,388 and \$6,993,744 at June 30, 2009 and 2008, respectively. A discount rate of 4.5% and 5.2% was applied to arrive at net present value of the notes payable at issuance.

NASHVILLE AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 9 – NOTES PAYABLE (Continued)

<p>Contribution revenue of \$844,220 and \$1,268,294 has been recognized in 2009 and 2008, respectively, to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense on the straight-line method over the respective terms of the notes. The unamortized discount at June 30, 2009 and 2008 amounted to \$3,933,904 and \$3,268,549, respectively.</p>	4,543,485	3,725,194
<p>Note payable to Habitat International, bearing interest at 3.25%, payable in monthly installments including interest of \$4,207 through December 2010. The note is secured by non-interest bearing first mortgages held by Habitat with principal balances in excess of the note payable balances.</p>	73,610	120,735
<p>Note payable to Habitat International, bearing interest at 3.63%, payable in monthly installments including interest of \$5,299 through December 2011. The note is secured by non-interest bearing first mortgages held by Habitat with principal balances in excess of the note payable balances.</p>	151,356	208,113
<p>Notes payable to finance company secured by equipment, payable in monthly installments ranging from \$385 to \$492, including interest ranging from 0.00% to 9.36%, maturing through May 2013.</p>	65,219	81,359
<p>Notes payable to bank secured by certain real property, non-interest bearing, payable in monthly installments of \$146 and \$191, maturing November 2013 and April 2015.</p>	20,140	24,175
<p>Note payable to bank bearing interest at 2.75%, secured by certain real property held for development, maturing July 2010.</p>	922,143	1,462,500
<p>Note payable to bank, variable interest at Wall Street Journal Prime (as defined) less 4.0% (0% at June 30, 2009), secured by certain real property held for development, maturing July 2015.</p>	2,200,000	2,200,000

NASHVILLE AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 9 – NOTES PAYABLE (Continued)

Note payable to bank, variable interest at Wall Street Journal Prime (as defined) less 2.0% (1.25% at June 30, 2009), secured by certain real property held for development, maturing October 2012.	478,550	-
Note payable to bank bearing interest at 6.25%, secured by certain equipment, maturing February 2012.	<u>18,012</u>	<u>-</u>
	<u>\$ 8,736,650</u>	<u>\$ 8,112,012</u>

Future principal maturities of notes payable are as follows:

Year ending June 30,	
2010	\$ 561,754
2011	1,447,119
2012	936,118
2013	385,633
2014	335,755
Thereafter	<u>9,004,175</u>
Total principal maturities	12,670,554
Amounts representing imputed interest	<u>(3,933,904)</u>
	<u>\$ 8,736,650</u>

NOTE 10 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist principally of contributions restricted for future programs or improvements to existing programs. Significant components include the following at June 30:

	<u>2009</u>	<u>2008</u>
THDA unamortized discount	\$ 3,933,904	\$ 3,268,549
Donor restricted contribution	597,039	255,000
Mortgage reductions for people with disabilities	54,000	100,000
Contributions receivable, net	<u>130,303</u>	<u>569,749</u>
	<u>\$ 4,715,246</u>	<u>\$ 4,193,298</u>

NASHVILLE AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 11 – CONCENTRATIONS

Habitat maintains its cash in bank accounts that at times may exceed federally insured limits. Habitat has not experienced any losses in such accounts. Deposits are insured by the Federal Deposit Insurance Corporation. Management believes Habitat is not exposed to any significant credit risk on cash. Uninsured balances at June 30, 2008 totaled \$210,929. There were no uninsured balances at June 30, 2009.

NOTE 12 – IN-KIND CONTRIBUTIONS

In-kind contributions received by Habitat are recorded based on their estimated value on the date of receipt. A summary of in-kind contributions is as follows:

	2009	2008
Building supplies and home appliances	\$ 165,106	\$ 166,652
In-kind rent	70,000	-
	\$ 235,106	\$ 166,652

During the years ended June 30, 2009 and 2008, approximately 5,000 and 8,000 individuals, respectively, contributed significant amounts of time to Habitat's activities. The financial statements do not reflect the value of these services because they do not meet the recognition criteria of SFAS No. 116, *Accounting for Contributions Received and Contributions Made*.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

In connection with the development of Providence Park and Timberwood subdivisions, Habitat has obtained letters of credit totaling \$635,000 and \$2,215,500 at June 30, 2009 and 2008, respectively, securing the completion of certain improvements. Habitat had no outstanding borrowings associated with these letters of credit at June 30, 2009 and 2008. The letters of credit expire in March 2010.

Habitat leases certain office and warehouse space and equipment under leasing arrangements classified as operating leases. Rent expense under such arrangements amounted to \$412,337 and \$351,702 in 2009 and 2008, respectively.

A summary of future minimum rental payments as of June 30, 2009 is as follows:

Year ending June 30,	
2010	\$ 201,230
2011	103,302
2012	5,680
	\$ 310,212

NASHVILLE AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 14 – RETIREMENT PLAN

Habitat has a defined contribution retirement plan for its employees, which was established as a Simple IRA. As described in the plan document, substantially all full time employees are eligible to participate in the plan. Discretionary contributions may be made at the option of the Board of Directors.

NOTE 15 – SUPPLEMENTAL CASH FLOW INFORMATION

The following is supplemental cash flow information required by SFAS No. 95, *Statement of Cash Flows*.

Supplemental Cash Flow Information

	2009	2008
Interest paid	\$ 193,405	\$ 153,478

Supplemental Schedule of Non-Cash Investing and Financing Activities

Issuance of non-interest bearing mortgage loans	\$ 3,232,850	\$ 3,812,375
Discount on non-interest bearing mortgage loans	(1,460,332)	(1,882,696)
Transfers to homeowners subject to non-interest bearing mortgage loans	\$ 1,772,518	\$ 1,929,679
Loans transferred to real estate held for sale	\$ 181,925	\$ 177,676
Purchase of equipment through issuance of note payable	\$ 20,060	\$ 87,310
Purchase of land held for development through issuance of note payable	\$ -	\$ 2,750,780

Effective July 1, 2007, Habitat and Dickson County Habitat for Humanity (“Dickson County”) merged their operations with Habitat being the surviving entity. Net assets were contributed by Dickson County to Habitat as follows and are shown as non-cash investing and financing activities:

Assets transferred from Dickson County:	
Cash	\$ 11,737
Non-interest bearing mortgages, net	376,942
Real estate held for sale	40,000
	428,679

NASHVILLE AREA HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2009 and 2008

NOTE 15 – SUPPLEMENTAL CASH FLOW INFORMATION (Continued)

Liabilities assumed from Dickson County:

Long-term debt	28,549
Deferred revenue on second mortgages	177,213
Escrow accounts	<u>2,741</u>
	<u>208,503</u>
Net assets contributed by Dickson County to Habitat	<u>\$ 220,176</u>

NOTE 16 – LITIGATION

Habitat is, from time to time, involved in litigation. In the opinion of management, no current or threatened litigation will have a material effect on Habitat's financial position or activities.