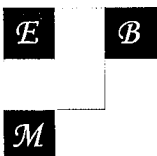


**RUTHERFORD COUNTY AREA  
HABITAT FOR HUMANITY, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED JUNE 30, 2009 AND 2008**

**RUTHERFORD COUNTY AREA  
HABITAT FOR HUMANITY, INC.  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
YEARS ENDED JUNE 30, 2009 AND 2008**

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*Edmondson, Betzler & Montgomery, PLLC*

*(Certified Public Accountants)*

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Rutherford County Area Habitat for Humanity, Inc.

We have audited the accompanying statements of financial position of Rutherford County 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 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 Rutherford County Area Habitat for Humanity, Inc., as of June 30, 2009 and 2008, and the change 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.

*Edmondson, Betzler & Montgomery, PLLC*

August 28, 2009

**RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2009 AND 2008**

	2009	2008
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 275,775	\$ 213,140
Grants/accounts receivable	85,823	-
Warehouse inventory	3,891	5,706
Prepaid insurance	5,494	5,494
Construction in process/lots held	722,661	698,368
Current portion of mortgages	<u>137,811</u>	<u>126,675</u>
Total current assets	<u>1,231,455</u>	<u>1,049,383</u>
Property and equipment, net	<u>1,023,783</u>	<u>1,045,056</u>
<b>OTHER ASSETS</b>		
Mortgages receivable - long-term portion	950,835	854,051
Other assets	<u>7,171</u>	<u>1,048</u>
Total other assets	<u>958,006</u>	<u>855,099</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,213,244</u></u>	<u><u>\$ 2,949,538</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	\$ 55,024	\$ 40,000
Note payable to bank - line-of-credit	355,671	433,077
Accounts payable	45,007	21,690
Escrow funds held	22,076	26,021
Other accrued expenses	<u>23,665</u>	<u>24,091</u>
Total current liabilities	<u>501,443</u>	<u>544,879</u>
<b>LONG-TERM DEBT, less current portion</b>		
Mortgage note payable	<u>1,099,594</u>	<u>846,349</u>
<b>NET ASSETS</b>		
Unrestricted	1,608,516	1,514,619
Temporarily restricted	<u>3,691</u>	<u>43,691</u>
Total net assets	<u>1,612,207</u>	<u>1,558,310</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 3,213,244</u></u>	<u><u>\$ 2,949,538</u></u>

The accompanying notes are an integral part of these financial statements.

**RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2009 AND 2008**

	2009	2008
<b>SUPPORT AND REVENUE:</b>		
Grants/contributions	\$ 565,866	\$ 491,030
Transfers to homeowners	753,825	256,421
Mortgage discount amortization	69,595	109,063
Contributions of land, materials, labor	148,442	38,259
Interest income	833	4,023
Income from special events	24,908	30,056
Restore income	307,407	352,548
Other income	8,311	27,238
Net assets released from restrictions	40,000	85,000
	<u>1,919,187</u>	<u>1,393,638</u>
<b>Total unrestricted support and revenue</b>		
<b>EXPENSES:</b>		
Program services	1,664,606	1,014,401
Fundraising	72,517	68,531
General and administrative	88,167	86,543
	<u>1,825,290</u>	<u>1,169,475</u>
<b>Total expenses</b>		
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	<u>93,897</u>	<u>224,163</u>
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>		
Grants and contributions	-	40,000
Interest income	-	30
Net assets released from restrictions	(40,000)	(85,000)
	<u>(40,000)</u>	<u>(44,970)</u>
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>		
<b>CHANGES IN NET ASSETS</b>	53,897	179,193
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,558,310</u>	<u>1,379,117</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,612,207</u>	<u>\$ 1,558,310</u>

The accompanying notes are an integral part of these financial statements.

**RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED JUNE 30, 2009 AND 2008**

	2009				2008			
	Program	Fundraising	General and Administrative	Total	Program	Fundraising	General and Administrative	Total
Construction materials and supplies	\$ 953,785	\$ -	\$ -	\$ 953,785	\$ 404,810	\$ -	\$ -	\$ 404,810
Mortgage discount	213,764	-	-	213,764	147,158	-	-	147,158
Tithes and contributions	10,000	-	-	10,000	5,025	-	-	5,025
Tools	12,610	-	-	12,610	4,918	-	-	4,918
Payroll and related costs	267,518	44,630	33,678	345,826	226,028	37,708	28,455	292,191
Payroll service expenses	6,505	1,085	819	8,409	9,116	1,521	1,147	11,784
Contract labor	2,589	-	6,975	9,564	4,622	-	4,967	9,589
Training	8,503	-	-	8,503	2,140	-	-	2,140
Advertising	6,274	-	-	6,274	1,856	-	-	1,856
Accounting and legal	-	-	8,000	8,000	-	-	6,250	6,250
Bank charges	-	-	637	637	-	-	3,399	3,399
Depreciation and amortization	19,903	3,212	8,029	31,144	18,072	2,917	7,291	28,280
Dues and fees	1,775	-	630	2,405	3,471	-	700	4,171
Insurance	22,206	13,324	8,881	44,411	13,749	8,250	5,499	27,498
Interest	23,242	4,159	4,350	31,751	55,232	9,884	10,338	75,454
Meetings and travel	2,920	-	-	2,920	9,721	-	-	9,721
Miscellaneous	7,924	-	4,750	12,674	4,150	-	910	5,060
Printing	8,482	-	-	8,482	1,561	1,602	946	4,109
Office supplies	1,171	2,063	5,742	8,976	1,488	2,623	7,300	11,411
PO Box rental and postage	4,373	-	-	4,373	2,880	-	-	2,880
Restore expense	63,264	-	-	63,264	68,951	-	-	68,951
Repair and maintenance	3,551	-	1,449	5,000	1,305	-	5,132	6,437
HFHI Vista cost share	1,659	-	-	1,659	5,658	-	-	5,658
Utilities	16,399	2,935	3,069	22,403	17,220	3,082	3,223	23,525
Telephone	6,189	1,109	1,158	8,456	5,270	944	986	7,200
<b>Total expenses</b>	<b>\$ 1,664,606</b>	<b>\$ 72,517</b>	<b>\$ 88,167</b>	<b>\$ 1,825,290</b>	<b>\$ 1,014,401</b>	<b>\$ 68,531</b>	<b>\$ 86,543</b>	<b>\$ 1,169,475</b>

The accompanying notes are an integral part of these financial statements.

**RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2009 AND 2008**

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 53,897	\$ 179,193
Depreciation and amortization	31,144	28,280
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Decrease (increase) in warehouse inventory	1,815	(605)
Increase in grants/accounts receivable	(85,823)	-
Increase in construction in process/lost held	(24,293)	(362,314)
(Increase) decrease in mortgages receivable	(105,903)	26,208
Increase in other assets	-	(20)
Increase (decrease) in accounts payable	23,317	(12,764)
Decrease in escrow liability	(3,945)	(2,755)
(Decrease) increase in accrued expenses	(426)	9,170
Net cash used in operating activities	<u>(110,217)</u>	<u>(135,607)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(8,340)	(22,160)
Payment of loan closing costs	(7,654)	-
Net cash used in investing activities	<u>(15,994)</u>	<u>(22,160)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net (repayments) borrowings on line-of-credit	(77,406)	211,771
Principal paid on long-term debt	(931,652)	(135,983)
Borrowing on long-term debt	1,197,904	34,204
Net cash provided by financing activities	<u>188,846</u>	<u>109,992</u>
Net increase (decrease) in cash and cash equivalents	62,635	(47,775)
Cash and cash equivalents, beginning of year	<u>213,140</u>	<u>260,915</u>
Cash and cash equivalents, end of year	<u>\$ 275,775</u>	<u>\$ 213,140</u>
<b>SUPPLEMENTAL DISCLOSURE</b>		
Interest paid	<u>\$ 31,751</u>	<u>\$ 75,454</u>

The accompanying notes are an integral part of these financial statements.

**RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2009 AND 2008**

**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Rutherford County Area Habitat for Humanity, Inc., is a not-for-profit organization, chartered by the State of Tennessee, and is an affiliate of Habitat for Humanity International headquartered in Americus, Georgia. The purpose of the Organization is to provide simple, decent, affordable homes for sale to low income families. Homes are sold at no profit and are financed with non-interest bearing mortgages. The Organization also operates a Restore which receives donated used building materials and appliances and then resells them to the general public.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted net assets depending on the absence or existence and nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.



RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2009 AND 2008

**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Contributions of Services and Materials

Contributed materials used for home building are reflected as contributions in the financial statements at their estimated values at the date of receipt. No amounts have been reflected in the statements for contributed services inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have contributed significant amount of their time in the Organization's program services.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$500. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. The building is depreciated using the straight-line method over an estimated life of thirty-nine years. The remaining assets are depreciated using the straight-line method over three to seven year estimated life.

Restore Materials

Consistent with policies used by other Habitat agencies, used materials donated to the Restore are not valued in inventory since they are deemed to have no determinable value until sold.

Transfers to Homeowners

Transfers to homeowners include material costs, lot costs and other direct costs associated with properties that were transferred to homeowners during the year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2009 AND 2008**

**NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Concentration of Credit Risk

The Organization's credit risk relates to cash and cash equivalents. The Organization maintains several bank accounts at two banks. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at one of these institutions exceeds federally insured limits from time to time.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

**NOTE 2 - CASH EQUIVALENTS/RESTRICTED CASH**

Habitat held \$33,379 and \$41,697 June 30, 2009 and 2008, respectively, in a separate escrow account used to pay for homeowner property taxes and insurance.

**NOTE 3 - MORTGAGES RECEIVABLE**

Rutherford County Area Habitat for Humanity, Inc., sells homes to qualifying families and provides interest free mortgages ranging from twenty to thirty years. The qualifying families are required to contribute "sweat equity" during the construction phase and then they qualify to purchase the home. Mortgage payments net of insurance and taxes, are applied to reduce the mortgage.

**RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2009 AND 2008**

**NOTE 3 - MORTGAGES RECEIVABLE (CONTINUED)**

Mortgages receivable are summarized as follows:

		2009	2008
Homes with mortgages	68	\$ 2,336,119	\$ 2,084,030
Less unamortized discount		<u>(1,247,473)</u>	<u>(1,103,304)</u>
		<u>\$ 1,088,646</u>	<u>\$ 980,726</u>

The discount is computed using rates varying from 7.77% to 8.5% based upon the original amount of the note. Habitat also holds a second mortgage on each home that is not reflected above. This mortgage represents the difference between market value and purchase price of the home. This mortgage would only be collected if the family sold the property. Habitat holds a right of first refusal on each property.

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment is as follows:

	2009	2008
Vehicles	\$ 7,300	\$ 7,300
Office furniture and equipment	33,893	25,552
Building	<u>868,347</u>	<u>868,347</u>
	909,540	901,199
Less accumulated depreciation	<u>112,992</u>	<u>83,378</u>
	796,548	817,821
Land	<u>227,235</u>	<u>227,235</u>
	<u>\$ 1,023,783</u>	<u>\$ 1,045,056</u>

**NOTE 5 - TRANSACTIONS WITH HABITAT INTERNATIONAL**

Habitat voluntarily remits a portion of its cash contributions to Habitat International. These funds are used to construct homes in economically depressed areas around the world. Habitat contributed \$10,000 and \$5,000 to Habitat International for the years ended June 30, 2009 and 2008, respectively.

RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED JUNE 30, 2009 AND 2008

**NOTE 6 - RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets of \$3,691 at June 30, 2009 and 2008 are available for scholarships.

**NOTE 7 - LINE OF CREDIT**

The Organization has a line-of-credit with a bank for \$375,000. The line is secured by the mortgage notes receivables and money market accounts and matures November 15, 2009. The interest rate on the line at June 30, 2009 was 3%. The unused portion at June 30, 2009 is \$19,329.

**NOTE 8 - LONG TERM DEBT**

Long term debt is composed of the following:

	2009	2008
Note payable to bank; fixed interest rate of 1%; monthly payments of principal and interest of \$5,527 through maturity date of August 11, 2013. The note is secured by real estate.	\$ 1,154,618	\$ -
Matured/refinanced notes	<u>-</u>	<u>886,349</u>
	<u>\$ 1,154,618</u>	<u>\$ 886,349</u>

Aggregate maturities of long-term debt are as follows:

<u>Year ending June 30,</u>	
2010	\$ 55,024
2011	55,576
2012	56,135
2013	56,699
2014	<u>931,184</u>
	<u>\$ 1,154,618</u>

**RUTHERFORD COUNTY AREA HABITAT FOR HUMANITY, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2009 AND 2008**

**NOTE 9 - 401K PLAN**

The Organization has a 401k plan that covers all eligible employees who have reached age 21 and have completed one year of service. Participating employees may contribute up to 96% of compensation to the plan, subject to IRS limits. The Organization makes a discretionary matching contribution determined annually. For the year ending June 30, 2009 participating employee deferrals were matched 50% up to 3% of eligible compensation. For the year ended June 30, 2009 matching contributions were \$2,973.

**NOTE 10 - CONTINGENCY**

During the year, the Organization sold six first mortgages to Tennessee Housing Development Agency (THDA) for \$371,061. The Organization continues to service these mortgages, collecting principal and escrow payments from the homeowners in exchange for a nominal monthly fee that is withheld from monthly mortgage payments submitted to THDA. The Organization guarantees payment of the mortgages to THDA for the homeowners. In the event the homeowner defaults on their mortgage, THDA assigns the deed of trust back to the Organization, who would then be able to initiate foreclosure proceedings. Seven mortgages are serviced under this arrangement totaling \$412,319.

**NOTE 11 - PRIOR PERIOD ADJUSTMENT**

During the year the Organization discovered that lot costs related to closed lots from June 30, 2007 had not been expensed when those lots were sold. The effects of this error have resulted in an overstatement of previously reported construction in process/lots held asset amounts of \$121,570 and an overstatement of previously reported unrestricted net assets of \$121,570. As a result of this correction, the prior year financial statement amounts have been restated to reflect this correction.