



AUDITED FINANCIAL STATEMENTS

June 30, 2008

HABITAT OF EVANSVILLE, INC.

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Accounting & Financial Services, P.C.
Lance Stephens, C.P.A.

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Habitat for Humanity of Evansville, Inc.

We have audited the accompanying statement of financial position of Habitat for Humanity of Evansville, Inc. (a nonprofit organization) as of June 30, 2008, and the related statements of activities, functional expenses and cash flows for the year 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 audit.

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 financial statements referred to above present fairly, in all material respects, the financial position of Habitat of Evansville, Indiana, as of June 30, 2008, 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.

A handwritten signature in black ink, appearing to read "Lance Stephens, C.P.A.", is written over the printed name of the auditor.

Vision Accounting & Financial Services, PC.

October 22, 2008

Habitat for Humanity of Evansville, Inc.
Statement of Financial Position
June 30, 2008

	6/30/2008
ASSETS	
Current Assets	
Cash and Equivalents - Unrestricted	\$ 147,060
Cash and Equivalents - Restricted	647,868
Investments	76,830
Inventory(Cost)	5,435
Houses available for sale	270,123
Land Held for Development(Cost)	706,860
Current Maturities Mort.	533,076
Pledge Receivables- Restricted	45,750
	2,433,002
Total Current Assets	
Fixed Assets	
Construction Equipment	\$ 48,804
Office Equipment	74,191
Accumulated Depreciation	(80,473)
	42,522
	\$ 42,522
Total Fixed Assets	
Other Long - Term Assets	
Mortgage Receivables-Net	\$ 3,179,017
	3,179,017
	\$ 3,179,017
TOTAL ASSETS	
	\$ 5,654,541
LIABILITIES & NET ASSETS	
Current Liabilities	
Accrued Payroll	\$ 30,701
Accounts Payable	137,783
Escrow Payable-Mortgage	108,040
	276,524
	\$ 276,524
Total Current Liabilities	
Net Assets	
Net Assets Temporarily Restricted	\$ 647,868
Net Assets Unrestricted	4,730,149
	5,378,017
	\$ 5,378,017
Total Equity	
TOTAL LIABILITIES & EQUITY	
	\$ 5,654,541

See Independent Auditors Report.

Habitat for Humanity of Evansville, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2008

	Program Services	Supporting Services		
	Housing & Finance	Management and General	Fundraising	Total Supporting Services
Building Transfer Costs	\$ 2,409,766	\$ -	\$ -	\$ -
Salaries	244,800	84,599	45,021	129,620
Auto & Travel	26,855	2,780	552	3,332
Credit Reports	3,389	-	-	-
Discount on Mortgages	996,813	-	-	-
Depreciation	1,530	4,176	-	4,176
Employee Benefits	38,422	11,013	9,527	20,540
Insurance	3,624	7,045	-	7,045
Legal & Accounting	5,125	7,845	-	7,845
Other	21,266	2,147	-	2,147
Communications	3,640	2,929	-	2,929
Office Supplies/Supplies	3,534	4,735	-	4,735
Payroll Taxes	16,757	5,956	3,327	9,283
Postage & Delivery	2,227	2,832	3,922	6,754
Printing	734	-	-	-
Promotions/Advertising/PR	708	-	20,763	20,763
Rent	14,400	15,000	-	15,000
Repairs & Maintenance	596	8,002	-	8,002
Tithe/Contributions	102,500	-	-	-
Volunteer	20,445	8,231	-	8,231
Utilities	5,184	2,573	-	2,573
Newsletter/Direct Mail	-	-	12,709	12,709
	\$ 3,922,315	\$ 169,863	\$ 95,821	\$ 265,684

See Independent Auditors Report.

Habitat for Humanity of Evansville, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2008

Unrestricted & Restricted Revenue

Unrestricted revenues and gains

Transfers to homeowners	\$	1,799,000
Grants		106,588
Donations-In-Kind		265,107
Contributions		1,044,195
Other Income		30,944
Interest Income		316,102
Total unrestricted revenue and gains		3,561,936

Restricted Revenue

Temporarily restricted contributions	2,027,576
Net assets released from restriction	(1,398,533)

**Total Restricted and Unrestricted Revenue
Gains and other Support**

4,190,979

Expenses

Program services

Housing & finance	3,922,315
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Supporting services

Fundraising	95,821
Management and general	169,863
Total supporting services	265,684

Total expenses

4,187,999

Change in net assets

2,980

Net assets at beginning of year

5,375,037

Net assets at end of year

\$ 5,378,017

See Independent Auditors Report.

Habitat for Humanity of Evansville, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2008

Cash Flows From Operating Activities	
Increase (Decrease) in net assets	\$ 2,980
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Depreciation	5,706
(Increase) decrease in operating assets:	
Houses Available for Sale	(236,134)
Pledges Receivable	548,481
Construction in process	-
Inventory	999
Land Held for Development	(144,871)
Mortgage Receivables	(719,300)
Increase (decrease) in operating liabilities:	
Accounts payable & accrued expenses	(58,716)
Escrow - mortgages	(89,157)
Net Cash Provided By Operations	<u>\$ (690,012)</u>
 Cash Flows From Investing Activities:	
Investments	33,904
Capital expenditures	(15,231)
Net Cash Used in Investing Activities	<u>18,673</u>
 Cash Flows From Financing Activities:	
	<u>-</u>
 Net Increase (Decrease) in Cash	(671,339)
 Cash- Beginning of Year	<u>1,466,267</u>
 Cash- End of Year	<u><u>\$ 794,928</u></u>

See Independent Auditors Report.

HABITAT FOR HUMANITY OF EVANSVILLE, INC
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND PURPOSE

Nature of Organization and Purpose

Habitat for Humanity of Evansville, Inc. is a nondenominational Christian not-for-profit organization whose purposes are to partner with specific domestic and international habitat programs by constructing modest but adequate housing, and to associate with other organizations functioning with purposes consistent with those of Habitat. Habitat's goal is to eliminate poverty housing and homelessness worldwide and to stir the hearts and minds of others to take action on this issue.

Habitat's mission is fulfilled primarily through the efforts of volunteers and operates in Vanderburgh County.

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, pursuant to a group exemption letter received from the Internal Revenue Service.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The organization has adopted Statement of Financial Accounting Standards No. 117 "Financial Statements of Not-For-Profit Organizations". Accordingly, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. At June 30, 2008, the organization had net assets with temporary restrictions totaling \$647,868

Contributions

The Organization has adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made". In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires during the same period the support is received. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets based on the nature of the restriction. When the restriction expires or its conditions have been satisfied, restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

See Independent Auditor's Report

HABITAT FOR HUMANITY OF EVANSVILLE, INC
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Promises to Give

Contributions are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give in subsequent years are reported at the present value of their net realizable value, rates ranging from 4 to 6 percent to be received.

The organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Cash and Equivalents

For purposes of the statement of cash flows, the Company considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

Contributed Services

Numerous volunteers donated significant amounts of their time in the organization's program services and its fund raising campaigns. The value of this contributed time is not reflected in the financial statements since it does not require a specialized skill. However, certain other contributed services that require specialized skills, provided by individuals possessing those skills, which would otherwise need to be purchased, if not provided by donation, are recognized as revenue and expense. Such amounts are included in the accompanying statements of activities and changes in net assets.

Investments

Short-term investments are carried at lower of cost or market and have a maturity greater than three months.

See Independent Auditor's Report

HABITAT OF EVANSVILLE, INC
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property and Equipment

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Any donated property and equipment is carried at its fair market value.

Revenue Recognition

Revenues are recognized when homes are completed and a signed mortgage is received by Habitat of Evansville, Inc.

Transfer to Homeowners

Houses sold are carried at cost that includes goods and services that have been donated by the community. The donated goods and services are valued at their fair market value.

NOTE 3 - MORTGAGES RECEIVABLE

Long-term mortgages receivable at June 30, 2008 are as follows:

	<u>Total</u>	<u>June 30, 2008</u> <u>Current</u>	<u>Long-Term</u>
Mortgages receivable	7,809,030	533,076	7,275,954
Less unamortized discount	<u>4,096,937</u>	<u>-</u>	<u>4,096,937</u>
Mortgages receivable - net	<u>3,712,093</u>	<u>533,076</u>	<u>3,179,017</u>

NOTE 4 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give as of June 30, 2008 are unrestricted net assets. These unconditional promises to give are to be received by the Organization for years subsequent to June 30, 2008, and are deemed to be fully collectible by management.

Receivable in less than one year	\$ 45,750
Receivable in one to five years	<u>-</u>
	45,750
Less: discounts to net present value	<u>-</u>
Net Contributions Receivable	\$ 45,750

Unconditional promises to give are primarily from local companies and churches, and are reflected at present value of estimated future cash flows using discount rates ranging from 4.36% to 8.5%.

See Independent Auditor's Report

HABITAT OF EVANSVILLE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - PAYMENT TO NATIONAL AFFILIATES

The goal of Habitat of Evansville, Inc. is to contribute to the National Organization, Habitat for Humanity, it gave \$100,500.00 through June 30, 2008.

NOTE 6 - PROPERTY AND EQUIPMENT

At June 30, 2008 property and equipment consisted of the following:

	<u>June 30, 2008</u>	
	<u>Cost</u>	<u>Accumulated Depreciation/ Amortization</u>
Office Equipment	48,804	39,008
Construction Equipment	74,191	41,465
	<u>122,995</u>	<u>80,473</u>

The amount charged to depreciation for the years ended June 30, 2008 is \$5,706

NOTE 7 - HOUSES FOR SALE

Houses for sale represents the cost of homes that Habitat of Evansville, Inc. has received from a qualifying family or has foreclosed on the mortgage and construction in process.

NOTE 8 - LEASES

Habitat of Evansville, Inc. leases its office space from Ocnad Investments, LLC. with an expiration date of December 31, 2015, and monthly rents at \$2,600.00 per month. The total rent expensed for the year ended June 30 was \$29,400.

NOTE 9 - CONCENTRATIONS OF CREDIT RISK

Financial statements that potentially subject Habitat for Humanity of Evansville, Inc. to concentrations of credit risk consist principally of cash and operations in Vanderburgh County. The Organization has concentrated its credit risk for cash by maintaining its cash balances at two financial institutions. The maximum loss that would have resulted from that risk totaled \$605,299 at June 30, 2008 for the excess of the deposit liabilities reported by the banks/or mutual fund company over the amounts that would have been covered by federal insurance.

NOTE 10 - OTHER MORTGAGE RECEIVABLE INFORMATION

In 1994, Habitat for Humanity of Evansville, Inc. began issuing second mortgages on homes they sold to qualifying families. The second mortgage was designed to discourage mortgagees from selling properties in the first 10 years, due to the market value exceeding the value of the first mortgage.

The organization believes that early termination gains are remotely possible and would represent immaterial gain, so therefore no gain or loss has been included in the financial statements nor its potential impact on them estimated.

NOTE 11 - LETTER OF CREDIT

The organization carries a letter of credit at Integra National Bank for \$500,000 in order to cover infrastructure costs that are in process. The city requires such costs to be secured until final inspections can be made. None of the letter has been used at June 30, 2008.

See Independent Auditor's Report