

**HABITAT FOR HUMANITY OF
PALM BEACH COUNTY, INC.
AND HABITAT RESTORE, INC.**

COMBINED FINANCIAL STATEMENTS

June 30, 2009

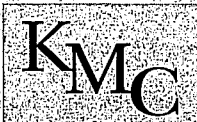
HABITAT FOR HUMANITY OF
PALM BEACH COUNTY, INC.
AND HABITAT RESTORE, INC.

COMBINED FINANCIAL STATEMENTS

June 30, 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Habitat for Humanity of Palm Beach County, Inc.
and Habitat Restore, Inc.
West Palm Beach, Florida

We have audited the accompanying combined statement of financial position of Habitat for Humanity of Palm Beach County, Inc. (the "Organization") and Habitat Restore, Inc. (the "Restore") (both not-for-profit organizations) as of June 30, 2009, and the related combined statements of activities, functional expenses and cash flows for the year then ended. These combined financial statements are the responsibility of the Organization's and Restore's respective managements. Our responsibility is to express an opinion on these combined 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 combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Habitat for Humanity of Palm Beach County, Inc. and Habitat Restore, Inc. as of June 30, 2009, and the combined changes in their net assets and combined cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.


KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
November 17, 2009

HABITAT FOR HUMANITY OF PALM BEACH COUNTY, INC.
AND HABITAT RESTORE, INC.
COMBINED STATEMENT OF FINANCIAL POSITION
June 30, 2009

A S S E T S

ASSETS:

Cash and cash equivalents	\$	1,367,825
Unconditional promises to give		42,931
Mortgage notes receivable, net of unamortized discount of \$ 2,460,659		1,792,701
Other receivables		358
Prepays and other assets		48,837
Construction in progress		564,634
Inventory, land		266,128
Homes held for resale		50,710
Investments		200,037
Property and equipment, net		<u>543,541</u>
Total assets	\$	<u><u>4,877,702</u></u>

L I A B I L I T I E S A N D N E T A S S E T S

LIABILITIES:

Accounts payable	\$	117,854
Accrued expenses		36,202
Escrow deposits		125,864
Debt		<u>1,567,118</u>
Total liabilities		<u>1,847,038</u>

COMMITMENTS AND CONTINGENCIES (Note 10) -

NET ASSETS:

Unrestricted		2,844,085
Temporarily restricted		<u>186,579</u>
Total net assets		<u>3,030,664</u>
Total liabilities and net assets	\$	<u><u>4,877,702</u></u>

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

HABITAT FOR HUMANITY OF PALM BEACH COUNTY, INC.
AND HABITAT RESTORE, INC.
COMBINED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

UNRESTRICTED NET ASSETS:

Support:	
Sale of donated merchandise	\$ 752,433
Contributions	634,375
In-kind contributions	109,384
Governmental grants	1,898
Special events	7,051
	<u>1,505,141</u>
Total support	<u>1,505,141</u>
Revenue:	
Program service revenue:	
Home sold, net of mortgage discounts of \$ 545,527	634,473
Discount amortization	120,990
Other	77,381
Interest income	19,453
Unrealized loss on investment	(58)
Loss on disposal of equipment	(7,012)
	<u>845,227</u>
Total revenue	<u>845,227</u>
Satisfaction of program restrictions releasing temporarily restricted net assets	<u>650,047</u>
Total support, revenue and release of temporarily restricted net assets	<u>3,000,415</u>
Expenses:	
Program services	1,580,640
Supporting services:	
Restore	477,217
Management and general	252,294
Thrift store	153,022
Fundraising	87,747
	<u>970,280</u>
Total supporting services	<u>970,280</u>
Total expenses	<u>2,550,920</u>
Change in unrestricted net assets	<u>449,495</u>
TEMPORARILY RESTRICTED NET ASSETS:	
Contributions	1,120,682
Write-down of donated land to realizable value (Note 7)	(792,000)
Net assets released from donor restrictions	(650,047)
	<u>(321,365)</u>
Change in temporarily restricted net assets	<u>(321,365)</u>
Change in net assets	128,130
NET ASSETS, July 1, 2008	<u>2,902,534</u>
NET ASSETS, June 30, 2009	<u>\$ 3,030,664</u>

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

HABITAT FOR HUMANITY OF PALM BEACH COUNTY, INC.
AND HABITAT RESTORE, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2009

	Supporting Services					Total Supporting Services	Total
	Program Services	Restore	Management and General	Thrift Store	Fundraising		
PERSONNEL COSTS:							
Salaries and contractors	\$ 290,347	\$ 178,593	\$ 191,854	\$ 63,399	\$ 70,131	\$ 503,977	\$ 794,324
Employee benefits and taxes	37,653	20,907	23,470	6,634	7,423	58,434	96,087
Subtotal	<u>328,000</u>	<u>199,500</u>	<u>215,324</u>	<u>70,033</u>	<u>77,554</u>	<u>562,411</u>	<u>890,411</u>
OTHER EXPENSES:							
Home construction costs	947,985	-	-	-	-	-	947,985
Rent	11,174	200,454	11,143	-	-	211,597	222,771
Professional fees	63,590	875	3,649	875	-	5,399	68,989
Office expense	22,757	13,954	4,502	4,244	1,100	23,800	46,557
Interest	24,832	-	-	17,075	-	17,075	41,907
Repairs and maintenance	24,344	15,271	1,992	3,857	81	21,201	45,545
Insurance expense	25,981	5,876	1,258	6,885	-	14,019	40,000
Volunteer/education expense	28,788	1,284	3,049	1,609	1,059	7,001	35,789
Utilities	3,422	13,227	1,684	8,557	-	23,468	26,890
Promotional	16,608	7,632	-	4,038	37	11,707	28,315
Travel	17,369	9,392	3,171	1,654	654	14,871	32,240
Tithe and contribution	25,200	-	-	-	-	-	25,200
Telephone	7,338	3,436	2,988	4,387	556	11,367	18,705
Fundraising expense	-	-	-	-	6,592	6,592	6,592
Taxes and licenses	13,778	77	86	994	-	1,157	14,935
Miscellaneous	12,630	1,457	93	1,074	114	2,738	15,368
Casual labor	-	40	-	3,929	-	3,969	3,969
Subtotal	<u>1,245,796</u>	<u>272,975</u>	<u>33,615</u>	<u>59,178</u>	<u>10,193</u>	<u>375,961</u>	<u>1,621,757</u>
Total expenses before provision for depreciation	1,573,796	472,475	248,939	129,211	87,747	938,372	2,512,168
Provision for depreciation	<u>6,844</u>	<u>4,742</u>	<u>3,355</u>	<u>23,811</u>	<u>-</u>	<u>31,908</u>	<u>38,752</u>
Total expenses	<u>\$ 1,580,640</u>	<u>\$ 477,217</u>	<u>\$ 252,294</u>	<u>\$ 153,022</u>	<u>\$ 87,747</u>	<u>\$ 970,280</u>	<u>\$ 2,550,920</u>

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

HABITAT FOR HUMANITY OF PALM BECH COUNTY, INC.
AND HABITAT RESTORE, INC.
COMBINED STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2009

CASH FLOW FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 128,130
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Provision for depreciation	38,752
Provision for amortization	(111,024)
Loss on disposition of property and equipment	7,012
Unrealized loss on investment	58
Construction in progress conveyed in exchange for mortgage receivables	(344,473)
Changes in assets and liabilities:	
(Increase) decrease in unconditional promises to give	228,225
(Increase) decrease in other receivables	1,362
(Increase) decrease in prepaids and other assets	(5,930)
(Increase) decrease in inventory	(2,731)
(Increase) decrease in homes held for resale	(4,000)
(Increase) decrease in construction in progress	(161,513)
Increase (decrease) in accounts payable	84,262
Increase (decrease) in accrued expenses	6,648
Increase (decrease) in escrow deposits	11,581
	<hr/>
Net cash used in operating activities	(123,641)
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(34,277)
Payments received on mortgage receivables	228,264
	<hr/>
Net cash provided by investing activities	193,987
 CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from debt	518,175
Repayments on debt	(590,729)
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Net cash used in financing activities	(72,554)
	<hr/>
Net decrease in cash and cash equivalents	(2,208)
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CASH AND CASH EQUIVALENTS, beginning of the year	1,370,033
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CASH AND CASH EQUIVALENTS, end of the year	\$ 1,367,825
	<hr/> <hr/>

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

**HABITAT FOR HUMANITY OF PALM BEACH COUNTY, INC.
AND HABITAT RESTORE, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2009**

NOTE 1 - ORGANIZATION AND OPERATIONS

Habitat for Humanity of Palm Beach County, Inc. (the "Organization") was founded in October 1986 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 areas of West Palm Beach, Jupiter and western communities in the Glades area, Florida. Habitat Restore, Inc. (the "Restore") is a not-for-profit tax exempt organization which holds the lease agreement for the building currently occupied by the Restore and the Organization's office (Note 10).

The accompanying combined financial statements include the accounts of the Organization and the Restore. They are presented on a combined basis as the two organizations share the same management team, contain common board members and are financially interrelated. All balances and transactions are eliminated on a combined basis.

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

The significant accounting policies followed by the Organization are described below to enhance the usefulness of the combined financial statement to the reader.

Basis of accounting:

The combined financial statements are prepared on the accrual basis of accounting. Under this basis, revenues are recognized when earned and expenses are recognized when the obligation is incurred. Revenues from the sale of houses are recognized at the transfer to the homeowner. Construction costs are capitalized and carried as an asset until the property is completed and sold.

Basis of presentation:

The Organization has adopted the provisions of Financial Accounting Standards Board (FASB), Statement of Financial Accounting Standards No. 117 pertaining to Financial Statements of Not-for-Profit Organizations and the Statement of Financial Accounting Standards No. 116 pertaining to Accounting for Contributions Received and Contributions Made.

Under these provisions, net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time. The Organization had temporarily restricted net assets of \$ 186,579 at June 30, 2009 (Note 12).

HABITAT FOR HUMANITY OF PALM BEACH COUNTY, INC.
AND HABITAT RESTORE, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that will be permanently restricted. The Organization has no permanently restricted net assets at June 30, 2009.

Use of estimates:

The presentation of the combined 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 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.

Contributions of long-lived assets:

Contributions of land, building and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire equipment with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Cash equivalents:

For purposes of the combined financial statements, the Organization considers all liquid investments having initial maturities of three (3) months or less to be cash equivalents. The Organization maintains cash balances at one financial institution which exceed Federally insured amounts.

Investments:

Investments are comprised of equity securities and certificates of deposit. Investments are measured at fair value in the statements of financial position based on publicly quoted prices or other means.

Land, finished homes, construction in progress and depreciation:

Land for construction, finished homes and construction in progress are carried at cost or at market value when acquired by gift. Donated land is written down to realizable value. No depreciation is charged against these assets as they are being held for resale. Construction equipment is carried at cost or at market value when acquired by gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which are generally three to five years.

Maintenance and repairs to property and equipment are charged to expense when incurred. Additions and major renewals are capitalized.

Restricted and unrestricted revenue and support:

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donated goods to the thrift stores are recorded when sold.

HABITAT FOR HUMANITY OF PALM BEACH COUNTY, INC.
AND HABITAT RESTORE, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Promises to give:

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Uncollectible promises to give are expected to be insignificant based on historical experience and management believes no allowance for uncollectible promises to give is considered necessary. As of June 30, 2009, the Organization had \$ 42,931, in unconditional promises to give and no conditional promises to give.

Functional expenses:

Program and supporting services are charged with their direct expenses. Other expenses are allocated based on their proportionate share of total expenses.

NOTE 3 - FAIR VALUE MEASUREMENTS

The Organization adopted Financial Accounting Standards Board Statement 157, *Fair Value Measurement* (SFAS No. 157) on July 1, 2008 for fair value measurements of investments that are recognized and disclosed at fair value in the combined financial statements on a recurring basis. SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical investments that the entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the investments, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investments.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

HABITAT FOR HUMANITY OF PALM BEACH COUNTY, INC.
AND HABITAT RESTORE, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2009

NOTE 3 – FAIR VALUE MEASUREMENTS (continued)

The following table represents the investments as held by the Organization at June 30, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total 2009</u>
ASSET CLASS:				
Equities	\$ 37	\$ -	\$ -	\$ 37
Certificates of deposit	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>200,000</u>
Total	<u>\$ 37</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 200,037</u>

NOTE 4 - DONATIONS OF ASSETS, MATERIALS AND SERVICES

Donated assets are valued at the estimated fair-market value at the date of receipt. Donated services are recognized as revenue only if the service requires specific expertise and is provided by professionals. Volunteers have also donated significant amounts of time in building the houses; however, such services have not been recognized as revenue. During the year ended June 30, 2009, the Organization recorded \$ 101,368 in donated professional services and \$ 8,016 in donated materials.

NOTE 5 - MORTGAGE NOTES RECEIVABLE

When the Organization sells a home, it accepts two installment notes in return. The first is an interest-free monthly installment note generally issued to recover the costs of construction for a term of 15 to 30 years with principal payments due monthly.

The second note is a trust deed. It is interest-free and for a similar term of years as the first note. It is issued to ensure that the homeowner will not transfer, sell or assign their title of interest in the property or to cease to occupy the property within a relatively short period of time. The second note is forgiven upon repayment of the first note. The second note and its resulting contingent gain is not recorded on either the statements of financial position or the statements of activities. An estimate of the gain on the second trust deed cannot be made. It is unlikely that any gain will be realized.

The mortgage notes receivable are recorded at the face amount less the unamortized discount. The discount rate for June 30, 2009 is 7.77%. The mortgages are well below actual property value; therefore, the exposure to losses appears to be low and no allowance for doubtful accounts was considered necessary.

The outstanding balance is as follows:

Mortgage notes	\$ 4,253,360
Unamortized discount	<u>(2,460,659)</u>
	<u>\$ 1,792,701</u>

HABITAT FOR HUMANITY OF PALM BEACH COUNTY, INC.
AND HABITAT RESTORE, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2009

NOTE 5 - MORTGAGE NOTES RECEIVABLE (continued)

The discount is amortized over its corresponding mortgage note term and is included in program service revenue in the financial statements.

NOTE 6 - CONSTRUCTION IN PROGRESS

Construction in progress of \$ 564,634 represents the accumulated cost of houses under construction and land improvements. At June 30, 2009, houses under construction consisted of the direct material and labor cost incurred on eleven (11) homes. Upon completion of construction, the houses will be sold to prequalified families who have invested hours of their own labor into the construction of the houses.

NOTE 7 - LAND INVENTORY

Land inventory of \$ 266,128 includes purchased parcels of land to be used for future construction of homes. Land inventory is reduced when parcels are sold or when construction begins and the parcels are transferred to construction in progress. Donated land is tracked by lot numbers but is written down to realizable value in the financial statements because the Organization does not include the value of the land in the purchase price for their clients in order to make housing affordable for low-income families.

NOTE 8 - PROPERTY AND EQUIPMENT

Property and equipment used in operations consists of the following:

Building	\$	485,635
Land		75,000
Vehicles		58,772
Equipment, furniture and fixtures		40,748
Leasehold improvements		23,553
Less accumulated depreciation		<u>(140,167)</u>
Total property and equipment used in operations	\$	<u><u>543,541</u></u>

Depreciation expense for the year ended June 30, 2009 totaled \$ 38,752.

NOTE 9 - DEBT

During the prior year, the Organization entered into an agreement which provided for the sale of certain mortgage receivables with full recourse to a bank. The agreement contained several provisions including a default clause, where the Organization will repurchase the principal amount of any defaulted mortgage at the same percentage discount (90%) used when the mortgage was originally sold to the bank.

HABITAT FOR HUMANITY OF PALM BEACH COUNTY, INC.
AND HABITAT RESTORE, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2009

NOTE 9 - DEBT (continued)

Debt consists of the following:

Repurchase agreement payable to a bank. This agreement is payable monthly at \$ 4,934 through February 2011 and at lesser amounts thereafter through 2036 (net of unamortized discount of \$ 113,772).	\$ 1,020,930
Mortgage payable to a bank secured by real property. It provides for monthly payments of \$ 3,007 with a fixed interest rate of 7.10% and matures in May 2022.	299,537
Revolving line of credit to a bank secured by residential lots. It provides for monthly payments of interest only at the prime rate (3.25% at June 30, 2009) and matures in October 2010. The Organization has the availability of an additional \$ 434,720 under this line of credit as of June 30, 2009.	10,280
Revolving line of credit to a bank secured by residential lots. It provides for monthly payments of interest only at the prime rate but never less than 6.0% (6.0% at June 30, 2009) and matures in July 2010. The Organization has the availability of an additional \$ 794,036 under this line of credit as of June 30, 2009.	232,964
Note payable to a finance company secured by a vehicle. It provides for monthly payments of \$ 503 with a fixed interest rate of 8.00% and matures in March 2010.	<u>3,407</u>
	<u>\$ 1,567,118</u>

Future maturities of debt, including the unamortized discount on the repurchase agreement of \$ 113,772, are approximately as follows:

Year Ending June 30,	
2010	\$ 71,800
2011	\$ 312,800
2012	\$ 70,700
2013	\$ 72,000
2014	\$ 73,400
Thereafter	\$ 1,080,200

HABITAT FOR HUMANITY OF PALM BEACH COUNTY, INC.
AND HABITAT RESTORE, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2009

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Lease commitment

Habitat Restore, Inc. (an affiliate created by the Organization) previously entered into a five-year non-cancelable operating lease for its thrift store facility and the Organization's office. The lease requires base rent of \$ 145,431 for the year ending June 30, 2009, with an annual increase of \$.50 per square foot. Rent expense, including CAM, for 2008 was \$ 222,771.

The following are approximate future minimum base lease payments, excluding CAM, in connection with this lease:

Year Ending June 30,		
2010	\$	151,900
2011	\$	145,100
2012	\$	NONE

Contingencies

During the year ending June 30, 2009 the Organization entered into a grant agreement with Palm Beach County. Under the terms of the agreement Palm Beach County loaned the Organization \$ 750,000 with no required repayment if the Organization constructs nineteen (19) homes for eligible extremely low and very low income households and conveys these homes to eligible households with the required declaration of restrictive covenants being executed and recorded. These events must take place before June 30, 2011 or repayment will be immediately due and payable at the rate of \$ 39,474 per unit uncompleted or unconveyed to an eligible household.

During the prior year, Palm Beach County conveyed 27 lots to the Organization. The Organization must complete the construction of all improvements on the lots and shall convey the land associated with each improved lot to a county approved homeowner at no cost to such homeowner. If the Organization does not complete the construction of a single family detached dwelling on the lot, convey such dwelling, land and improvements to applicants approved by the county by July 2, 2010, then the Organization shall convey the lot back to the county or pay the county an amount equal to the current appraised value.

NOTE 11 - INCOME TAXES

Habitat for Humanity of Palm Beach County, Inc. and Habitat Restore, Inc. are nonprofit organizations exempt from tax under Internal Revenue Code Section 501(c)(3); therefore, no tax provision has been made in the accompanying combined financial statements.

**HABITAT FOR HUMANITY OF PALM BEACH COUNTY, INC.
AND HABITAT RESTORE, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
June 30, 2009**

NOTE 12 - TEMPORARILY RESTRICTED ASSETS

At June 30, 2009, temporarily restricted net assets consisting of cash and cash equivalents and unconditional promises to give are available for the following purposes:

Cost for construction of homes	\$	143,648
Unconditional promises to give for periods after June 30, 2009		<u>42,931</u>
	\$	<u><u>186,579</u></u>

NOTE 13 - SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental disclosure of cash flow information:

Cash received during the year for - Interest	\$	19,095
Cash paid during the year for - Interest	\$	51,873

Noncash Operating Activities:

Homes repossessed during the year and and classified - Homes held for resale	\$	46,710
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NOTE 14 - SUBSEQUENT EVENT

On November 12, 2009, the Organization signed an agreement to purchase property for \$ 1,275,000 to house the Restore. The agreement calls for an inspection period of sixty (60) days whereby the Organization may terminate the agreement if it is not satisfied with the property for any reason or determines that the property is not suitable for its intended use and development. The closing of the transaction shall be held no later than thirty (30) days following the expiration of the inspection period.

Subsequent to year end, the Organization was informed that National Title Insurance may assert a claim for an unsatisfied municipal lien against certain property which the Organization acquired via a tax deed and then conveyed to a homeowner. If a claim is made, the Organization will approach the City of West Palm Beach for a reduction or waiver of any fine.