

South Shore Habitat for Humanity, Inc.

Financial Statements

Years Ended June 30, 2010 and 2009

SOUTH SHORE HABITAT FOR HUMANITY, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2010 and 2009

SOUTH SHORE HABITAT FOR HUMANITY, INC.

FINANCIAL STATEMENTS

Years Ended June 30, 2010 and 2009

TABLE OF CONTENTS

| | <i><u>Page</u></i> |
|--|--------------------|
| Independent Auditors' Report..... | 1 |
| Financial Statements: | |
| Statements of Financial Position | 2 - 3 |
| Statements of Activities and Changes in Net Assets | 4 |
| Schedules of Functional Expenses | 5 - 6 |
| Statements of Cash Flows..... | 7 |
| Notes to Financial Statements..... | 8 - 13 |

INDEPENDENT AUDITORS' REPORT

Board of Directors
South Shore Habitat for Humanity, Inc.
20 Mathewson, Drive
Weymouth, Massachusetts, 02189

We have audited the accompanying statement of financial position of South Shore Habitat for Humanity, Inc. (a nonprofit organization) as of June 30, 2010, and the related statements of activities and changes in net assets, 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. The accompanying financial statements of South Shore Habitat for Humanity, Inc. as of and for the year ended June 30, 2009, were audited by other auditors whose report dated February 10, 2010, expressed an unqualified opinion on those financial statements.

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 2010 financial statements referred to above present fairly, in all material respects, the financial position of South Shore Habitat for Humanity, Inc. as of June 30, 2010 and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

Kirkland Albrecht & Fredrickson, LLC

Kirkland Albrecht & Fredrickson, LLC
Braintree, Massachusetts

November 5, 2010

Kirkland Albrecht & Fredrickson, LLC

10 Forbes Road West, Braintree, MA 02184 • 150 Presidential Way, Woburn, MA 01801
T 781-356-2000 F 781-356-5450 www.kafgroup.com



Member of JHI with affiliated office worldwide

SOUTH SHORE HABITAT FOR HUMANITY, INC.

Statements of Financial Position

June 30, 2010 and 2009

| | <u>ASSETS</u> | |
|--|---------------------------|---------------------------|
| | <u>2010</u> | <u>2009</u> |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 290,373 | \$ 466,326 |
| Mortgages receivable, net of reserve | 156,804 | 144,300 |
| Property held for sale | 33,894 | - |
| Prepaid expenses and other current assets | 24,780 | 24,280 |
| Construction in progress | 117,596 | 135,509 |
| | <hr/> 623,447 | <hr/> 770,415 |
| PROPERTY AND EQUIPMENT: | | |
| Computer equipment | 30,552 | 23,614 |
| Office equipment | 6,456 | 6,456 |
| Telephone equipment | 4,850 | 4,850 |
| | <hr/> 41,858 | <hr/> 34,920 |
| Less accumulated depreciation | 33,895 | 29,755 |
| | <hr/> 7,963 | <hr/> 5,165 |
| OTHER ASSETS: | | |
| Mortgages receivable, net of current portion | 814,732 | 807,006 |
| Deposits | 4,408 | 3,933 |
| | <hr/> 819,140 | <hr/> 810,939 |
| Total other assets | <hr/> 819,140 | <hr/> 810,939 |
| | <hr/> \$ 1,450,550 | <hr/> \$ 1,586,519 |

See notes to financial statements.

LIABILITIES AND NET ASSETS

| | 2010 | 2009 |
|---|---------------------|--------------|
| CURRENT LIABILITIES: | | |
| Note payable | \$ 2,441 | \$ 3,703 |
| Accounts payable and accrued expenses | 104,269 | 51,824 |
| Total current liabilities | 106,710 | 55,527 |
| NOTE PAYABLE, NET OF CURRENT PORTION | 23,754 | 31,236 |
| COMMITMENTS | | |
| NET ASSETS: | | |
| Unrestricted | 1,246,668 | 1,398,458 |
| Temporarily restricted | 73,418 | 101,298 |
| Total net assets | 1,320,086 | 1,499,756 |
| | \$ 1,450,550 | \$ 1,586,519 |

See notes to financial statements.

SOUTH SHORE HABITAT FOR HUMANITY, INC.

Statements of Activities and Changes in Net Assets

Years Ended June 30, 2010 and 2009

| | 2010 | | | 2009 | | |
|---|------------------|------------------------|------------------|------------------|------------------------|------------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| REVENUES AND OTHER SUPPORT: | | | | | | |
| Sales of homes | \$ 310,000 | \$ - | \$ 310,000 | \$ 311,045 | \$ - | \$ 311,045 |
| Grants | 61,500 | 168,250 | 229,750 | 2,734 | 79,719 | 82,453 |
| Special events | 153,939 | - | 153,939 | 136,023 | - | 136,023 |
| Local project committees' fundraisers | - | 136,265 | 136,265 | 164,571 | - | 164,571 |
| Individual donations | 98,866 | - | 98,866 | 85,812 | - | 85,812 |
| Mortgage discount amortization | 46,116 | - | 46,116 | 66,451 | - | 66,451 |
| Donated construction materials | 32,058 | - | 32,058 | 16,188 | - | 16,188 |
| Donated professional services | 16,329 | - | 16,329 | 4,800 | - | 4,800 |
| Corporate donations | 15,596 | - | 15,596 | 27,333 | - | 27,333 |
| Congregation donations | 13,086 | - | 13,086 | 20,145 | - | 20,145 |
| Organization donations | 2,247 | - | 2,247 | 34,236 | - | 34,236 |
| Investment income | 1,343 | - | 1,343 | 7,703 | - | 7,703 |
| Merchandise sales | 80 | - | 80 | - | - | - |
| Rental income | - | - | - | 4,525 | - | 4,525 |
| Net assets released from restrictions | 332,395 | (332,395) | - | 27,489 | (27,489) | - |
| | 1,083,555 | (27,880) | 1,055,675 | 909,055 | 52,230 | 961,285 |
| EXPENSES: | | | | | | |
| Program services: | | | | | | |
| Cost of homes sold | 424,917 | - | 424,917 | 340,363 | - | 340,363 |
| Mortgage discount | 153,680 | - | 153,680 | 161,833 | - | 161,833 |
| Tithe to Habitat for Humanity International | 24,390 | - | 24,390 | 25,874 | - | 25,874 |
| Other | 273,136 | - | 273,136 | 238,333 | - | 238,333 |
| | 876,123 | - | 876,123 | 766,403 | - | 766,403 |
| Supporting services: | | | | | | |
| General and administrative | 179,826 | - | 179,826 | 142,157 | - | 142,157 |
| Fundraising | 179,396 | - | 179,396 | 163,733 | - | 163,733 |
| | 359,222 | - | 359,222 | 305,890 | - | 305,890 |
| Total expenses | 1,235,345 | - | 1,235,345 | 1,072,293 | - | 1,072,293 |
| Change in net assets | (151,790) | (27,880) | (179,670) | (163,238) | 52,230 | (111,008) |
| NET ASSETS, BEGINNING OF YEAR | 1,398,458 | 101,298 | 1,499,756 | 1,561,696 | 49,068 | 1,610,764 |
| NET ASSETS, END OF YEAR | \$ 1,246,668 | \$ 73,418 | \$ 1,320,086 | \$ 1,398,458 | \$ 101,298 | \$ 1,499,756 |

See notes to financial statements.

SOUTH SHORE HABITAT FOR HUMANITY, INC.

Schedule of Functional Expenses

Year Ended June 30, 2010

| | Program | | | Total |
|-------------------------|-------------------|-------------------|-------------------|---------------------|
| | Services | Administrative | Fundraising | |
| Cost of homes sold | \$ 424,917 | \$ - | \$ - | \$ 424,917 |
| Salaries and benefits | 156,226 | 120,529 | 107,066 | 383,821 |
| Mortgage discount | 153,680 | - | - | 153,680 |
| Bad debt provision | 42,105 | - | - | 42,105 |
| Office rent | 24,287 | 7,472 | 5,605 | 37,364 |
| Professional fees | 1,250 | 29,975 | - | 31,225 |
| Miscellaneous | 2,321 | 9,144 | 16,743 | 28,208 |
| Tithe | 24,390 | - | - | 24,390 |
| Gala costs | - | - | 20,261 | 20,261 |
| Printing | 10,192 | 32 | 4,516 | 14,740 |
| Construction | 14,388 | - | - | 14,388 |
| Golf tournament costs | - | - | 12,156 | 12,156 |
| Insurance | 8,668 | - | - | 8,668 |
| Maintenance fees | 2,343 | 4,772 | 452 | 7,567 |
| Postage | 4,993 | 441 | - | 5,434 |
| Birdhouse event costs | - | - | 4,456 | 4,456 |
| Depreciation | 1,739 | 1,641 | 760 | 4,140 |
| Telephone | 2,401 | 1,063 | 472 | 3,936 |
| Ride for Habitat costs | - | - | 2,965 | 2,965 |
| Conference and seminars | - | 266 | 2,401 | 2,667 |
| Bank charges | - | 1,939 | - | 1,939 |
| Holding costs | 1,753 | - | - | 1,753 |
| Travel | 287 | 161 | 955 | 1,403 |
| Interest | - | 1,264 | - | 1,264 |
| Supplies | 183 | 1,019 | - | 1,202 |
| Dues and subscriptions | - | 108 | 588 | 696 |
| | <u>\$ 876,123</u> | <u>\$ 179,826</u> | <u>\$ 179,396</u> | <u>\$ 1,235,345</u> |

See notes to financial statements.

SOUTH SHORE HABITAT FOR HUMANITY, INC.

Schedule of Functional Expenses

Year Ended June 30, 2009

| | Program | | | Total |
|-------------------------|-------------------|-------------------|-------------------|---------------------|
| | Services | Administrative | Fundraising | |
| Cost of homes sold | \$ 340,363 | \$ - | \$ - | \$ 340,363 |
| Salaries and benefits | 156,809 | 109,590 | 97,708 | 364,107 |
| Mortgage discount | 161,833 | - | - | 161,833 |
| Bad debt provision | 4,917 | - | - | 4,917 |
| Office rent | 13,592 | 3,136 | 4,182 | 20,910 |
| Professional fees | - | 13,750 | - | 13,750 |
| Miscellaneous | 6,189 | 138 | 3,173 | 9,500 |
| Tithe | 25,874 | - | - | 25,874 |
| Gala costs | - | - | 19,208 | 19,208 |
| Printing | 12,330 | 1,857 | 7,428 | 21,615 |
| Construction | 10,193 | - | - | 10,193 |
| Golf tournament costs | - | - | 19,653 | 19,653 |
| Insurance | 9,161 | - | - | 9,161 |
| Maintenance fees | 1,925 | 3,538 | 1,386 | 6,849 |
| Postage | 3,646 | 1,067 | 2,299 | 7,012 |
| Birdhouse event costs | - | - | 4,223 | 4,223 |
| Depreciation | - | 3,445 | - | 3,445 |
| Telephone | 2,790 | 1,077 | 1,299 | 5,166 |
| Ride for Habitat costs | - | - | 2,181 | 2,181 |
| Conference and seminars | - | - | 85 | 85 |
| Bank charges | - | 1,664 | - | 1,664 |
| Holding costs | 13,931 | - | - | 13,931 |
| Travel | 2,016 | 44 | 299 | 2,359 |
| Interest | - | 2,003 | - | 2,003 |
| Supplies | 834 | 697 | - | 1,531 |
| Dues and subscriptions | - | 151 | 609 | 760 |
| | <u>\$ 766,403</u> | <u>\$ 142,157</u> | <u>\$ 163,733</u> | <u>\$ 1,072,293</u> |

See notes to financial statements.

SOUTH SHORE HABITAT FOR HUMANITY, INC.

Statements of Cash Flows

Years Ended June 30, 2010 and 2009

| | 2010 | 2009 |
|--|---------------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ (179,670) | \$ (111,008) |
| Adjustments to reconcile decrease in unrestricted net assets to net cash used by operating activities: | | |
| Depreciation expense | 4,140 | 3,445 |
| Mortgage discount | 153,680 | 161,833 |
| Mortgage discount amortization | (46,116) | (66,451) |
| Allowance for doubtful accounts | 12,806 | 4,917 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in operating assets: | | |
| Deposits | (475) | 10,000 |
| Mortgages receivable | (140,600) | (182,764) |
| Property held for sale | (33,894) | 145,429 |
| Prepaid expenses and other current assets | (500) | 8,680 |
| Construction in progress | 17,913 | (67,220) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable and accrued expenses | 52,445 | (3,749) |
| Net cash used by operating activities | (160,271) | (96,888) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisition of property and equipment | (6,938) | - |
| Net cash used by investing activities | (6,938) | - |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Principal payments on long-term debt | (8,744) | (10,151) |
| Net cash used by financing activities | (8,744) | (10,151) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (175,953) | (107,039) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 466,326 | 573,365 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 290,373 | \$ 466,326 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | |
| Cash paid during the year for: | | |
| Interest | \$ 1,237 | \$ 2,003 |

See notes to financial statements.

SOUTH SHORE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements

Years Ended June 30, 2010 and 2009

1. ORGANIZATION

South Shore Habitat for Humanity, Inc. (the “Organization”) is a Massachusetts faith-based, nonprofit organization dedicated to building simple, decent homes in partnership with families in need. The Organization was founded in 1986 as an affiliate of Habitat for Humanity International (“HFHI”).

The Organization pursues its mission by building homes using donated supplies, volunteer labor, contributed funds and properties obtained for minimal cost. The Organization then sells these homes at no more than cost plus the value of the donated materials to selected, low-income families. The Organization provides these families with no cash down payment, no-interest financing. Families contribute “sweat equity” in their homes or succeeding homes. During the years ended June 30, 2010 and 2009, the Organization sold 2 houses and 3 houses, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of the Organization have been prepared on the accrual basis of accounting.

Basis of Presentation – The accompanying financial statements are prepared in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic *Consolidation*. The Organization is required to report 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.

- Unrestricted net assets represent the portion of net assets of the Organization that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.
- Temporarily restricted net assets represent contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.
- Permanently restricted net assets represent the principal amount of contributions accepted with the stipulation from the donor that the principal be maintained in perpetuity and only the income from investments thereof be expended for other general purposes or a purpose specified by the donor. At June 30, 2010 and 2009, the Organization had no permanently restricted net assets.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect 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. These differences could be significant.

SOUTH SHORE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements

Years Ended June 30, 2010 and 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Cash and Cash Equivalents – The Organization considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. Cash equivalents include money market funds that have no withdrawal restrictions.

Mortgages Receivable – The Organization directly finances the properties for the buyers by placing a mortgage on the property. Mortgages receivable are reported at their estimated collectible amounts and net of a discount (see Note 3). When a borrower is more than two months behind in repayment, the mortgage is considered in delinquency. Recognition of mortgage discount amortization is suspended on delinquent mortgages. Mortgage discount amortization is subsequently recognized as cash is collected.

An allowance for doubtful accounts is provided for those mortgages receivable considered to be uncollectible based upon historical experience and management's evaluation of outstanding mortgages receivable at the end of the year. Bad debts are written off against the allowance when identified. At June 30, 2010 and 2009, the allowance for doubtful accounts was \$116,060 and \$103,254, respectively. Upon receiving title to a property as a result of foreclosure, the Organization's policy is to reclassify the mortgage receivable to property held for sale as the fair market value of the mortgaged property typically exceeds the balance on the mortgage. All related reserves on the mortgage receivable are reversed at that time.

Construction in progress – The Organization capitalizes costs associated with the acquisition and development of land, and costs incurred to build a home on that land, as construction in progress on the statements of financial position. Once the Organization sells the home, these costs are recognized as part of costs of homes sold in the statements of activities and changes in net assets. Due to certain restrictions imposed by HFHI and donors of land, the Organization is only permitted to sell the land and home at specified prices. Therefore, on an annual basis the Organization reviews estimated costs to construct a home with the estimated sales price, and will reserve for any estimated costs in excess of the estimated sales price. For the years ended June 30, 2010 and 2009, the Organization did not have a reserve.

Property and Equipment – All property and equipment are stated at cost. Depreciation is computed using the straight line method over the estimated useful lives of five years.

Revenue Recognition – Revenue from sales of homes is recognized upon closing. When the Organization receives a non-interest bearing mortgage loan at closing, mortgage discount expense is recognized to reflect imputed interest on the note. The discount is amortized into income over the life of the mortgage.

SOUTH SHORE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements

Years Ended June 30, 2010 and 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Contributions and Grants – Unconditional promises to give are recognized as revenues when donor's commitments are received. All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

Unconditional promises to give are recorded in the financial statements as contributions receivable and revenue in the appropriate net asset category. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. A donor restriction expires when a stipulated time restriction ends or when a purpose is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities and changes in net assets as net assets released from restrictions.

Contributed Services and Property and Equipment – The Organization recognizes as unrestricted revenues and expenses the estimated fair value of those contributed services that meet the following criteria:

- The services received either create or enhance nonfinancial assets, or
- The services received require specialized skills and are provided by individuals possessing those skills, and the services received would typically need to be purchased if not provided by contribution.

Contributions of services that create or enhance non-financial assets or that require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. The fair market value of construction trade services donated by electricians and plumbers is reflected in the financial statements.

The Organization utilizes the time, talent and energy of numerous volunteers to complete their construction project, these services are not recorded on the financial statements since their time does not meet the criteria necessary for recognition. It is also common for cities, towns and other municipalities to donate land for the construction project; however this land has no fair value due to deed restrictions, both from the donating body and the Organization.

Donated Assets – Noncash donations are recorded as contributions at their estimated fair values at the date of donation. If a donor makes a contribution to the Organization in the form of marketable securities, it is the policy of the Organization to immediately liquidate the donation.

Federal Excise Taxes – The Organization is exempt from federal income taxes and is classified as a private Organization under Section 501 of the Internal Revenue Code ("IRC"). It is subject to a 2 percent (1 percent if certain criteria are met) federal excise tax on net investment income, including realized gains, as defined by the IRC.

SOUTH SHORE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements
Years Ended June 30, 2010 and 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Concentration of Credit Risk – The Organization maintains its cash in bank accounts which may, at times, exceed insurers' limits. The Organization has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risks relating to its cash.

Subsequent Events – The Organization has evaluated all events subsequent to the balance sheet date of June 30, 2010, through the date which the financial statements were available to be issued, November 5, 2010, and has determined that there are no subsequent events that require disclosure.

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.

3. MORTGAGES RECEIVABLE

The Organization has mortgages receivable consisting of non-interest bearing notes, which are secured by real estate and payable in monthly installments typically over a 20 year period. The Organization imputes interest over the life of all mortgages receivable according to rates set by Habitat for Humanity International. Rates for outstanding mortgages receivable vary from 7.77% to 10.00%. For the years ended June 30, 2010 and 2009, newly issued mortgages receivable were discounted by 7.85% and 7.77%, respectively.

At June 30, 2010, thirteen mortgages receivable totaling \$851,499 had payments greater than 60 days in arrears. Three of these mortgages receivable entered foreclosure proceedings, of which one mortgagor has declared bankruptcy, therefore the Organization has reclassified the mortgage receivable to property held for sale in an amount of \$33,894, the remaining balance on the mortgage receivable at the date of foreclosure. At June 30, 2009 seven mortgages receivable \$388,292 had payments greater than 60 days in arrears. Three of these mortgages entered foreclosure proceedings. During the year ended June 30, 2010, the Organization's bank paid approximately \$29,000 in real estate taxes on behalf of certain mortgagors with mortgages receivable in arrears. The Organization included the full amounts outstanding in their allowance for doubtful accounts as they expect they will ultimately be liable to remit those funds to the bank.

The mortgages receivable are as follows:

| | 2010 | 2009 |
|---|-------------------|-------------------|
| Total mortgages receivable | \$ 2,287,298 | \$ 2,146,698 |
| Less: unamortized discount | (1,199,702) | (1,092,138) |
| Less: allowance for doubtful accounts | (116,060) | (103,254) |
| | <u>971,536</u> | <u>951,306</u> |
| Less: current portion of mortgages receivable | (156,804) | (144,300) |
| | <u>\$ 814,732</u> | <u>\$ 807,006</u> |

SOUTH SHORE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements

Years Ended June 30, 2010 and 2009

3. MORTGAGES RECEIVABLE...continued

Future maturities of mortgages receivable for the years ended June 30, and in the aggregate are as follows:

| <u>Years</u> | <u>Amount</u> |
|--------------|---------------------|
| 2011 | \$ 156,804 |
| 2012 | 156,804 |
| 2013 | 156,804 |
| 2014 | 156,804 |
| 2015 | 156,804 |
| Thereafter | <u>1,503,278</u> |
| | <u>\$ 2,287,298</u> |

4. NOTE PAYABLE

In April 1999, the Organization entered into a fifteen-year note with the Massachusetts Housing Finance Agency (MHFA) for \$100,000 at 3.5% interest. The note is secured by two mortgages receivable, with outstanding balances of \$51,550 at June 30, 2010. Principal and interest is payable in monthly payments of \$715 through May, 2014. At June 30, 2010 and 2009, the outstanding balance is \$26,195 and \$34,939, respectively.

Future maturities of the note payable for the years ended June 30, are as follows:

| <u>Years</u> | <u>Amount</u> |
|--------------|------------------|
| 2011 | \$ 2,441 |
| 2012 | 7,873 |
| 2013 | 8,153 |
| 2014 | <u>7,728</u> |
| | <u>\$ 26,195</u> |

5. OPERATING LEASES

The Organization leased office space as a tenant-at-will with monthly payments of \$1,870 through February of 2010. In March of 2010, the Organization moved to its current location and entered into a lease agreement for five years and three months with a tenant option for an additional five years.

SOUTH SHORE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements

Years Ended June 30, 2010 and 2009

5. OPERATING LEASES...continued

Future minimum rental payments for the above lease for the years ended June 30, are as follows:

| <u>Years</u> | <u>Amount</u> |
|--------------|-------------------|
| 2011 | \$ 58,800 |
| 2012 | 58,800 |
| 2013 | 58,800 |
| 2014 | 58,800 |
| 2015 | <u>53,900</u> |
| | <u>\$ 289,100</u> |

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of contributions restricted for the use of construction in various locations. Temporarily restricted net assets total \$73,418 and \$101,298 at June 30, 2010 and 2009, respectively. During the year ended June 30, 2010 and 2009, assets released from restrictions relate to construction in progress costs for homes that have been sold.

7. PROPERTY HELD FOR SALE

During the year ended June 30, 2010, the Organization has initiated foreclosure proceedings on several properties, however, the Organization believes that only one of these proceedings will result in an actual foreclosure. Therefore, the Organization has reclassified this one mortgage receivable of \$33,894 to property held for sale, as the Organization has an intent to resell this property. There were no properties held for sale during the year ended June 30, 2009.