

**SALT LAKE VALLEY HABITAT
FOR HUMANITY**

**INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS**

June 30, 2009

HANSEN, BARNETT & MAXWELL, P.C.
A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANTS

SALT LAKE VALLEY HABITAT FOR HUMANITY

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Salt Lake Valley Habitat for Humanity

We have audited the accompanying statement of financial position of Salt Lake Valley Habitat for Humanity (a nonprofit organization) (the "Organization") as of June 30, 2009, 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. The prior year summarized comparative information has been derived from the Organization's 2008 financial statements and, in our report dated September 12, 2008, we 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. 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 Salt Lake Valley Habitat for Humanity, as of June 30, 2009, and the results of its operations, changes in net assets, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Hansen, Barnett & Maxwell, P.C.

HANSEN, BARNETT & MAXWELL, P.C.

Salt Lake City, Utah
September 29, 2009

SALT LAKE VALLEY HABITAT FOR HUMANITY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009
With Summarized Financial Information for 2008

	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents - unrestricted	\$ 621,603	\$ 453,120
Cash and cash equivalents - restricted	161,313	194,971
Inventory	5,301	20,301
Prepaid expenses	1,772	12,042
Homes under construction	680,399	1,068,984
Current portion of noninterest bearing mortgage loans	37,817	41,226
Total Current Assets	1,508,205	1,790,644
Land held for future development	114,277	113,346
Furniture, equipment, and vehicles, net	35,265	42,934
Non-interest bearing mortgage loans, net of unamortized discount of \$2,229,523 and \$1,857,430 and net of current portion	1,773,880	1,596,104
Total Assets	\$ 3,431,627	\$ 3,543,028
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 37,160	\$ 139,370
Deferred special events revenue	-	29,550
Accrued liabilities	43,644	43,909
Current portion of note payable	4,430	5,510
Total Current Liabilities	85,234	218,339
Note payable, net of current portion	-	4,431
Total Liabilities	85,234	222,770
Net Assets		
Unrestricted	3,185,080	3,125,287
Temporarily restricted for construction of homes	161,313	194,971
Total Net Assets	3,346,393	3,320,258
Total Liabilities and Net Assets	\$ 3,431,627	\$ 3,543,028

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

SALT LAKE VALLEY HABITAT FOR HUMANITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009
With Summarized Financial Information for 2008

	2009			2008 Total
	Unrestricted	Temporarily Restricted	Total	
Support				
Donations:				
In-kind support	\$ 66,377	\$ 126,900	\$ 193,277	\$ 52,414
Corporations	6,129	364,151	370,280	190,706
Governments	55,999	-	55,999	-
Individuals	13,979	12,486	26,465	57,611
Foundations	15,872	41,117	56,989	118,290
Churches	-	6,774	6,774	3,717
Total donations	158,356	551,428	709,784	422,738
Special events:				
Special event revenue	-	113,453	113,453	-
Less cost of direct benefit to special event donors	-	(52,443)	(52,443)	-
Net revenue from special events	-	61,010	61,010	-
Total Support	158,356	612,438	770,794	422,738
Revenues				
Mortgage discount amortization	170,744	-	170,744	148,366
Interest income	2,015	-	2,015	9,187
Late fees	3,482	-	3,482	4,605
Recapture fees	12,664	-	12,664	2,932
Loss on transfer of homes	(68,873)	-	(68,873)	-
Net assets released from restrictions	646,096	(646,096)	-	-
Total Revenues	766,128	(646,096)	120,032	165,090
Total Support and Revenues	924,484	(33,658)	890,826	587,828
Expenses				
Program services	729,165	-	729,165	224,535
Support services:				
Management and administrative	92,422	-	92,422	86,433
Fundraising	43,104	-	43,104	30,778
Total Expenses	864,691	-	864,691	341,746
Change in Net Assets	59,793	(33,658)	26,135	246,082
Net Assets At Beginning of Year	3,125,287	194,971	3,320,258	3,074,176
Net Assets At End of Year	\$ 3,185,080	\$ 161,313	\$ 3,346,393	\$ 3,320,258

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

SALT LAKE VALLEY HABITAT FOR HUMANITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009
With Summarized Financial Information for 2008

	2009				2008 Total
	Programs	Management and Administrative	Fundraising	Total	
Salaries and wages	\$ 86,601	\$ 47,060	\$ 20,923	\$ 154,584	\$ 161,870
Payroll taxes and benefits	30,185	16,179	6,989	53,353	58,033
Total Salaries and Related Expenses	116,786	63,239	27,912	207,937	219,903
Discount on mortgage loans receivable	544,013	-	-	544,013	6,680
Employee training and seminars	507	-	2,115	2,622	1,094
Insurance	5,294	2,867	1,265	9,426	5,270
Rent	19,489	10,553	4,658	34,700	32,637
Repairs, maintenance and utilities	487	264	116	867	329
Telephone	2,887	1,564	690	5,141	4,085
Printing	2,745	1,486	656	4,887	4,088
Office supplies and equipment	5,551	3,006	1,327	9,884	7,837
Dues and subscriptions	2,726	-	-	2,726	1,347
Postage and delivery	994	196	178	1,368	2,178
Community and volunteer relations	5,678	-	-	5,678	8,155
Professional fees	11,953	6,472	2,856	21,281	18,514
Contributions	4,202	-	-	4,202	2,617
License and permits	-	-	107	107	296
Loss on damaged inventory	-	-	-	-	3,434
Family program expense	78	-	-	78	71
Construction expense	-	-	-	-	2,947
In-kind expenses	817	443	195	1,455	6,993
Interest	651	-	-	651	1,018
Total Before Depreciation	724,858	90,090	42,075	857,023	329,493
Depreciation	4,307	2,332	1,029	7,668	12,253
Total Functional Expenses	\$ 729,165	\$ 92,422	\$ 43,104	\$ 864,691	\$ 341,746

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

**SALT LAKE VALLEY HABITAT FOR HUMANITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009
With Summarized Financial Information for 2008**

	2009	2008
Cash Flows From Operating Activities		
Change in net assets	\$ 26,135	\$ 246,082
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	7,668	12,253
In-kind donations	(193,277)	(52,414)
In-kind expenses	1,455	6,993
Mortgage discount amortization	(170,744)	(148,366)
Discount on mortgages	544,013	6,680
Loss on transfer of homes	68,873	-
Changes in operating assets and liabilities:		
Accounts receivable	-	121
Inventory	15,000	3,434
Prepaid expenses	10,270	(10,197)
Homes under construction	(328,466)	(498,042)
Accounts payable	(102,230)	105,520
Deferred revenue	(29,550)	29,550
Accrued liabilities	(265)	(9,353)
Net Cash From Operating Activities	(151,118)	(307,739)
Cash Flows From Investing Activities		
Costs added to land held for future development	(931)	-
Collections on mortgage loans	292,385	188,311
Net Cash From Investing Activities	291,454	188,311
Cash Flows From Financing Activities		
Principal payments on note payable	(5,511)	(5,088)
Net Cash From Financing Activities	(5,511)	(5,088)
Net Change in Cash and Cash Equivalents	134,825	(124,516)
Cash and Cash Equivalents at Beginning of Period	648,091	772,607
Cash and Cash Equivalents at End of Period	\$ 782,916	\$ 648,091
Reconciliation to Cash Displayed on Statement of Financial Position		
Cash and cash equivalents - unrestricted	\$ 621,603	\$ 453,120
Cash and cash equivalents - restricted	161,313	194,971
Cash and Cash Equivalents and End of Period	\$ 782,916	\$ 648,091

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

SALT LAKE VALLEY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Salt Lake Valley Habitat for Humanity (the Organization) was incorporated under the laws of the State of Utah as a nonprofit corporation on February 25, 1986. The Organization is an affiliate of Habitat for Humanity International (Habitat International), a nondenominational Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need and to make decent shelters a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, the Organization is primarily and directly responsible for its own operations.

The Organization is governed by an independent, volunteer Board of Directors who oversees the Organization's operations. Revenues to support the Organization are primarily received from donations of cash, materials, and services.

The accompanying financial statements have been prepared in accordance with standards for not-for-profit organizations adopted by the American Institute of Certified Public Accountants. They are stated on the accrual basis of accounting whereby expenses are recorded when incurred, donations are recorded when notice is received, and grant revenues are recorded when earned.

Financial Statement Presentation – 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, as applicable.

Summarized Prior Year Information – Financial information for the fiscal year ended June 30, 2008 is included for comparison only and is not complete. Complete information is available in the separately issued financial statements for that 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 the reported amounts of assets and liabilities at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of the financial statements, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. In addition, management also considers money market funds to be cash equivalents. From time to time during the year, the Organization's cash balance in financial institutions has exceeded the FDIC insurance limits. At June 30, 2009, the Organization had approximately \$65,000 in deposits with financial institutions that were not covered by FDIC insurance. Restricted cash balances are those held for construction and deposited in separate bank accounts from unrestricted cash.

Inventory – Inventory consists of construction materials and is stated at the lower of cost or market value. Cost is defined using the first-in, first-out method.

Homes Under Construction – Homes under construction includes the direct and indirect costs of construction, land, and the donated value of materials and professional services used in the construction of homes. Transfer to homeowners is recorded when the home is occupied and title is transferred.

Land Held for Future Development – The Organization acquires land for future housing projects. Purchased land is capitalized at cost and donated land is capitalized at the fair value at the date of donation. Once construction on the land has begun, the recorded cost of the land is reported in the homes under construction balance on the statement of financial position.

Equipment – Equipment is recorded on the basis of cost for purchased assets or fair value at the date of donation for donated assets. The Organization capitalizes all expenditures in excess of \$1,000. Depreciation is recorded using the straight-line method.

Non-interest Bearing Mortgage Loans – Mortgage loans are recorded when a homeowner occupies the home and title is transferred. Habitat International requires local chapters to discount their mortgage loans. The loan is recorded at the gross amount of payments to be received over the life of the mortgage, and an offsetting discount is recorded based on prevailing market rates at the inception of the mortgage. Discounts are amortized over the lives of the loans using the effective interest method.

Contributions and Donor Restrictions – Contributions received are recorded as unrestricted or temporarily restricted depending on the existence and/or nature of any donor restrictions. Contributions not subject to donor restrictions are reported as unrestricted support. Temporarily restricted support represents contributions that are restricted by the donor for construction activities. Net assets restricted for construction are released from restricted net assets when construction costs are paid. If temporarily restricted contributions are released from restricted net assets in the same year as the contribution is received, the contribution is reported as temporarily restricted support on the statement of activities.

In-Kind Support – The Organization receives donations from a variety of sources for services and materials in the furtherance of its objectives. The in-kind support consists principally of discounts on services of professionals, building materials, and land. In-kind support is recorded at its fair value on the date of donation.

Program Services – Program services provided by the Organization include activities associated with completing homes, providing mortgage loans to program participants, and creating community awareness and participation.

Allocated Administrative Expenses – The costs of providing the programs and services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and services benefited.

Income Taxes – The Organization is a qualified charitable organization under Section 501(c)(3) of the Internal Revenue Code and under State of Utah tax regulations and, therefore, is not subject to federal or state income taxes in connection with its exempt activities.

Reclassifications – Certain 2008 balances have been reclassified to conform to the 2009 presentation. These reclassifications had no effect on total net assets or the change in net assets for 2008.

Subsequent Events – Subsequent events have been evaluated through September 28, 2009, the date the financial statements were made available.

Recently Issued Accounting Standards – In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard Number 157, *Fair Value Measurements*, (SFAS No. 157) which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. The provisions of

SFAS No. 157 related to financial assets and financial liabilities were effective during the year ended June 30, 2009. With respect to certain nonfinancial assets and nonfinancial liabilities, SFAS No. 157 is effective for fiscal years beginning after November 15, 2008. The Organization does not expect that the adoption of SFAS No. 157 with respect to nonfinancial assets and nonfinancial liabilities will have a material impact on its financial statements.

In January 2009, the FASB issued SFAS No. 164, *Not-for-Profit Entities: Mergers and Acquisitions*. SFAS No. 164 improves the relevance, representational faithfulness, and comparability of the information that a not-for-profit entity provides in its financial reports about a combination with one or more other not-for-profit entities, businesses, or nonprofit activities. To accomplish that, this Statement establishes principles and requirements for how a not-for-profit entity: (a) determines whether a combination is a merger or an acquisition, (b) applies the carryover method in accounting for a merger, (c) applies the acquisition method in accounting for an acquisition, including determining which of the combining entities is the acquirer, and (d) determines what information to disclose to enable users of financial statements to evaluate the nature and financial effects of a merger or an acquisition. SFAS No. 164 also improves the relevance, representational faithfulness, and comparability of the information a not-for-profit entity provides about goodwill and other intangible assets after an acquisition by amending FASB Statement No. 142, *Goodwill and Other Intangible Assets*, to make it fully applicable to not-for-profit entities. SFAS No. 164 is effective for: (a) mergers for which the merger date is on or after the beginning of an initial reporting period beginning on or after December 15, 2009 and (b) acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2009. It may not be applied to mergers or acquisitions before those dates. The Organization does not expect that the adoption of SFAS No. 164 will have a material impact on its financial statements.

In June 2009, the FASB issued SFAS No. 166, *Accounting for Transfers of Financial Assets*. SFAS No. 166 revises SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. The statement requires more disclosure about sales of securitized financial assets and similar transactions, particularly if the seller retains some risk to the assets. The statement eliminates the concept of a qualifying special-purpose entity, changes the requirements for the derecognition of financial assets, and calls upon sellers of the assets to make additional disclosures about them. SFAS No. 166 is effective for fiscal years beginning after November 15, 2009. Earlier application is prohibited. This statement must be applied to transfers occurring on or after the effective date. The Organization has not yet determined the effect on its financial statements, if any, that will occur upon adoption of SFAS No. 166.

NOTE 2 – HOMES UNDER CONSTRUCTION

A summary of activity in homes under construction for the year ended June 30, 2009 is as follows:

	Homes Under Construction	Land Held for Development
Balance - June 30, 2008	\$ 1,068,984	\$ 113,346
In-kind donations	191,822	-
Additional costs incurred	328,466	931
Completed homes transferred out	(908,873)	-
Balance - June 30, 2009	\$ 680,399	\$ 114,277

NOTE 3 – FURNITURE, EQUIPMENT, AND VEHICLES

As of June 30, 2009, the cost of furniture, equipment, and vehicles was as follows:

	Depreciable Lives	Balance
Furniture and office equipment	5 years	\$ 57,298
Vehicles and construction equipment	5-10 years	76,297
		133,595
Accumulated depreciation		(98,330)
Total, net		\$ 35,265

NOTE 4 – NON-INTEREST BEARING MORTGAGE LOANS

As of June 30, 2009, the Organization held 50 non-interest bearing mortgage loans. The mortgage loan maturities range from 20-40 years. These mortgages are secured by the underlying real estate that is located primarily in Salt Lake and Toole Counties in Utah. All mortgages are secured with a security interest and trust deed in each property. The fair value of the property used as collateral for each loan exceeds the value of any losses due to unpaid mortgages should they occur.

The mortgage loans also contain a recapture agreement whereby if the mortgagor sells a house before a prescribed time, usually twelve years from the date of first occupancy, the mortgagor must pay a recapture amount to the Organization if the home sells for a price above the original loan amount. During the year ended June 30, 2009, there was one home sale subject to the recapture agreement, and the Organization recognized \$12,664 of recapture fees.

Habitat International requires local chapters discount their non-interest bearing loans at certain discount rates published by the IRS. The discount is recorded as an offset to the gross payments to be received from the loans and a corresponding charge to “discount on mortgage loans receivable” in the accompanying Statement of Functional Expenses. During the year ended June 30, 2009, five new loans totaling \$840,000 were issued with maturities from 30-40 years. These loans had underlying construction costs of \$908,873 resulting in a loss on the completed homes of \$68,873. The discount rate for the loans issued during the year ended June 30, 2009 was 8.0%, resulting in a total original discount balance of \$544,013 on the new loans.

The following is a schedule of maturities of non-interest bearing mortgage loans as of June 30, 2009:

Year Ending June 30,	Loan Payments	Unamortized Discount	Net Balance
2010	\$ 187,712	\$ (149,895)	\$ 37,817
2011	187,712	(146,738)	40,974
2012	187,712	(142,894)	44,818
2013	187,712	(138,698)	49,014
2014	187,712	(134,116)	53,596
Thereafter	3,102,660	(1,517,182)	1,585,478
Total	4,041,220	(2,229,523)	1,811,697
Current portion			(37,817)
Balance, net of current portion			\$ 1,773,880

NOTE 5 – NOTE PAYABLE

During the year ended June 30, 2007, the Organization entered into a long-term note for the purchase of construction equipment. The note has a three-year term and matures in March 2010. The note is secured with the equipment and accrues no interest. The value of the equipment and associated note payable were recorded at the present value of the future payments on the note, discounted using an imputed interest rate of 8.0%. The remaining balance of \$4,430 is classified as current.

NOTE 6 – COMMITMENTS

The Organization entered into a lease agreement for its corporate offices commencing July 15, 2005. The lease agreement expires on July 14, 2009. Total office lease expense during the year ended June 30, 2009 was \$34,700. In July 2009, at the expiration of the lease, the Organization continued to lease the office on a month-to-month basis, with no additional commitment.

NOTE 7 – RETIREMENT PLAN

The Organization sponsors a Simple IRA plan for its employees that meet eligibility requirements. All employees who earn at least \$5,000 each year in compensation are eligible to participate. Employees may defer any percentage of their compensation as contributions to the plan up to the statutory maximum

allowed. The plan also provides for an employer discretionary match of up to 3% of participant compensation. During the year ended June 30, 2009, the Organization contributed \$4,558 to the plan on behalf of its employees.

NOTE 8 – RELATED PARTY TRANSACTIONS

The Organization annually remits a portion of its contributions (excluding in-kind contributions) to Habitat International. Habitat International uses the funds to construct homes in economically depressed areas around the world. During the year ended June 30, 2009, the Organization contributed \$4,202 to Habitat International, reported as contributions on the statement of functional expenses.

NOTE 9 – SUPPLEMENTAL CASH FLOW INFORMATION

The Organization paid \$651 for interest during the year ended June 30, 2009, all of which was related to the note payable discussed in Note 5. The Organization also transferred completed homes to the program participants in exchange for the issuance of mortgage loans receivable as further described in Notes 2 and 4.