

MORRIS HABITAT FOR HUMANITY, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

MORRIS HABITAT FOR HUMANITY, INC.

DECEMBER 31, 2009 AND 2008

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Morris Habitat for Humanity, Inc.
Mine Hill, NJ

We have audited the accompanying statements of financial position of Morris Habitat for Humanity, Inc. (the "Organization") as of December 31, 2009 and 2008 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Morris Habitat for Humanity, Inc. as of December 31, 2009 and 2008, and the changes in its net assets and in its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.


Certified Public Accountants

April 5, 2010
Livingston, New Jersey

MORRIS HABITAT FOR HUMANITY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008

ASSETS	December 31,	
	2009	2008
CURRENT ASSETS:		
Cash and cash equivalents	\$ 398,418	\$ 606,607
Mortgages receivable, current portion	13,081	11,231
Note receivable	-	512
Inventory of buildings	560,711	245,908
Other current assets	79,671	39,049
Total Current Assets	1,051,881	903,307
PROPERTY AND EQUIPMENT, Net	71,826	54,626
OTHER ASSETS:		
Mortgages receivable, net of current portion	583,461	504,922
Security deposits	86,071	5,908
Total Other Assets	669,532	510,830
	\$ 1,793,239	\$ 1,468,763
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Notes payable, current portion	\$ 7,152	\$ 6,073
Accounts payable and accrued expenses	88,785	76,857
Deferred revenue	12,474	13,740
Total Current Liabilities	108,411	96,670
LONG-TERM LIABILITIES:		
Notes payable, net of current portion	41,989	46,505
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Unrestricted	1,585,152	1,288,172
Temporarily restricted	57,687	37,416
Total Net Assets	1,642,839	1,325,588
	\$ 1,793,239	\$ 1,468,763

MORRIS HABITAT FOR HUMANITY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2009

	Unrestricted	Temporarily Restricted	Total
Support and Revenues:			
Contributions	\$ 248,208	\$ 355,912	\$ 604,120
Restore sales	591,545	-	591,545
Sales of homes	94,128	-	94,128
Donated services and materials	157,199	-	157,199
Mortgage interest income	43,948	-	43,948
Investment income	6,299	-	6,299
Special event revenue	74,809	-	74,809
Miscellaneous income	1,034	-	1,034
	<u>1,217,170</u>	<u>355,912</u>	<u>1,573,082</u>
Net assets released from restrictions	<u>335,641</u>	<u>(335,641)</u>	<u>-</u>
Total Support and Revenues	<u>1,552,811</u>	<u>20,271</u>	<u>1,573,082</u>
 EXPENSES:			
Program services	1,095,799	-	1,095,799
General and administrative	48,393	-	48,393
Fundraising	111,639	-	111,639
Total Expenses	<u>1,255,831</u>	<u>-</u>	<u>1,255,831</u>
CHANGES IN NET ASSETS	296,980	20,271	317,251
NET ASSETS - Beginning of year	<u>1,288,172</u>	<u>37,416</u>	<u>1,325,588</u>
NET ASSETS - End of year	<u>\$ 1,585,152</u>	<u>\$ 57,687</u>	<u>\$ 1,642,839</u>

MORRIS HABITAT FOR HUMANITY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2008

	Unrestricted	Temporarily Restricted	Total
Support and Revenues:			
Contributions	\$ 279,253	\$ 387,148	\$ 666,401
Restore sales	322,973	6,000	328,973
Sales of homes	313,916	-	313,916
Donated services and materials	121,600	-	121,600
Mortgage interest income	35,773	-	35,773
Investment income	10,564	-	10,564
Special event revenue	102,557	-	102,557
Gain on sale of mortgages	67,548	-	67,548
Miscellaneous income	1,735	-	1,735
	<u>1,255,919</u>	<u>393,148</u>	<u>1,649,067</u>
Net assets released from restrictions	405,163	(405,163)	-
	<u>1,661,082</u>	<u>(12,015)</u>	<u>1,649,067</u>
EXPENSES:			
Program services	1,612,536	-	1,612,536
General and administrative	43,251	-	43,251
Fundraising	123,598	-	123,598
Total Expenses	<u>1,779,385</u>	<u>-</u>	<u>1,779,385</u>
CHANGES IN NET ASSETS	(118,303)	(12,015)	(130,318)
NET ASSETS - Beginning of year	<u>1,406,475</u>	<u>49,431</u>	<u>1,455,906</u>
NET ASSETS - End of year	<u>\$ 1,288,172</u>	<u>\$ 37,416</u>	<u>\$ 1,325,588</u>

MORRIS HABITAT FOR HUMANITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2009

	Program Services			General and		Total
	Home Building Program	ReStore Program	Program Services Total	Administrative	Fundraising	
Salaries	\$ 290,270	\$ 112,526	\$ 402,796	\$ 26,088	\$ 51,719	\$ 480,603
Payroll taxes	26,175	9,921	36,096	2,353	4,664	43,113
Fringe benefits	11,198	4,341	15,539	1,006	1,995	18,540
Professional fees	46,404	-	46,404	5,237	4,362	56,003
Occupancy costs	34,127	156,159	190,286	5,250	4,375	199,911
Tithe	24,821	-	24,821	-	-	24,821
Insurance	25,131	2,905	28,036	3,866	3,222	35,124
Telephone	3,577	2,328	5,905	256	213	6,374
Office expense	27,796	25,125	52,921	2,235	2,068	57,224
Office equipment	171	84	255	26	22	303
Advertising expense	1,840	33,174	35,014	282	236	35,532
Special event expense	-	-	-	-	37,027	37,027
Absorbed construction costs and equipment	19,633	-	19,633	-	-	19,633
Vehicle expense	5,436	8,153	13,589	-	-	13,589
Cost of homes sold	208,961	-	208,961	-	-	208,961
Home repair ministry	1,027	-	1,027	-	-	1,027
Miscellaneous	21	7	28	-	-	28
Depreciation	10,829	722	11,551	1,444	1,444	14,439
Education and travel	2,594	343	2,937	350	292	3,579
	\$ 740,011	\$ 355,788	\$ 1,095,799	\$ 48,393	\$ 111,639	\$ 1,255,831

MORRIS HABITAT FOR HUMANITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2008

	Program Services			General and Administrative	Fundraising	Total
	Home Building Program	ReStore Program	Program Services Total			
Salaries	\$ 291,859	\$ 73,751	\$ 365,610	\$ 24,160	\$ 61,437	\$ 451,207
Payroll taxes	25,697	6,493	32,190	2,127	5,409	39,726
Fringe benefits	13,197	3,335	16,532	1,092	2,778	20,402
Professional fees	18,911	5,000	23,911	2,008	1,673	27,592
Occupancy costs	34,733	133,836	168,569	5,344	4,453	178,366
Tithe	27,925	-	27,925	-	-	27,925
Insurance	22,159	12,718	34,877	3,409	2,841	41,127
Telephone	3,396	1,705	5,101	239	199	5,539
Office expense	25,350	14,064	39,414	2,090	2,252	43,756
Office equipment	643	400	1,043	99	82	1,224
Advertising expense	750	13,513	14,263	115	96	14,474
Special event expense	-	-	-	-	40,022	40,022
Absorbed construction costs and equipment	30,862	-	30,862	-	-	30,862
Vehicle expense	-	7,263	7,263	-	-	7,263
Cost of homes sold	818,668	-	818,668	-	-	818,668
Loss on disposal of equipment	5,897	-	5,897	-	-	5,897
Home repair ministry	1,348	-	1,348	-	-	1,348
Miscellaneous	2,702	-	2,702	413	346	3,461
Depreciation	9,626	642	10,268	1,284	1,284	12,836
Education and travel	5,871	222	6,093	871	726	7,690
	\$ 1,339,594	\$ 272,942	\$ 1,612,536	\$ 43,251	\$ 123,598	\$ 1,779,385

MORRIS HABITAT FOR HUMANITY, INC.
STATEMENTS OF CASH FLOWS

CASH FLOWS PROVIDED BY (USED FOR):	Year Ended December 31,	
	2009	2008
OPERATING ACTIVITIES:		
Change in net assets	\$ 317,251	\$ (130,318)
Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities:		
Depreciation	14,439	12,836
Loss on disposal of equipment	-	5,867
Amortization of discounts on mortgages, net	102,105	499,550
Sales of homes in return for mortgages	(240,000)	(849,000)
Gain on sale of mortgages	-	(67,548)
Cost of homes sold	208,961	818,668
Donated building	25,000	-
Changes in certain assets and liabilities:		
Inventory of buildings	(523,764)	(555,992)
Payments on mortgages from homeowners	57,505	47,819
Proceeds from sale of mortgages	-	281,885
Other current assets	(65,622)	(29,835)
Security deposits	(80,163)	-
Accounts payable and accrued expenses	11,928	7,638
Deferred revenue	(1,266)	140
Net Cash (Used for) Provided by Operating Activities	<u>(173,625)</u>	<u>41,710</u>
INVESTING ACTIVITIES:		
Payments on notes receivable	512	1,402
Purchases of equipment	(31,639)	(17,525)
Net Cash Used for Investing Activities	<u>(31,127)</u>	<u>(16,123)</u>
FINANCING ACTIVITIES:		
Proceeds from notes payable	3,500	7,500
Payments on notes payable	(6,937)	(4,933)
Net Cash (Used for) Provided by Financing Activities	<u>(3,437)</u>	<u>2,567</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(208,189)	28,154
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>606,607</u>	<u>578,453</u>
End of year	<u>\$ 398,418</u>	<u>\$ 606,607</u>
Donated materials, supplies and services	<u>\$ 157,199</u>	<u>\$ 121,600</u>
Interest paid	<u>\$ 2,200</u>	<u>\$ 2,410</u>

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

MORRIS HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 1 - NATURE OF ORGANIZATION:

Morris Habitat for Humanity, Inc. (the "Organization"), established in 1985, is a New Jersey not-for-profit organization and an affiliate of Habitat for Humanity International, Inc. ("HHI"). The Organization is an ecumenical housing program working in partnership with low-income families and individuals to build or renovate houses, which are then sold on a no-interest, no-profit basis. The housing projects are developed mainly by volunteers and significant sources of revenue are received as contributions from individuals, congregations, corporations, sales of donated assets through the ReStore program, foundations and other organizations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America under the *FASB Accounting Standards Codification*.

Financial Statement Presentation:

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follow:

Unrestricted Net Assets

Unrestricted net assets are net assets that are not subject to donor-imposed stipulations. Unrestricted net assets are those currently available for use by the Organization's Board of Directors.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets

Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

The Organization does not currently have any permanently restricted net assets.

MORRIS HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Cash and Cash Equivalents:

The Organization considers all cash balances and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Fair Value Measurements:

Fair value measurements are defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three defined hierarchical levels based on the quality of inputs used that directly relate to the amount of subjectivity associated with the determination of fair value.

The fair value hierarchy defines the three levels as follows:

- Level 1:** Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2:** Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.
- Level 3:** Valuations based on unobservable inputs are used when little or no market is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

Financial assets and liabilities are carried at fair value at December 31, 2009 and December 31, 2008. All cash equivalents are valued using market prices in active markets (Level 1).

The Organization values donated buildings, services and materials using quoted prices in inactive markets (Level 2).

Mortgages Receivable:

Mortgages from homeowners do not bear interest and generally have a maximum life of 30 years. Required monthly repayments are calculated on a level payment basis. The Organization discounts the mortgages received each accounting period using an interest rate stipulated by HHI. This practice facilitates the combining of all affiliated financial statements by HHI. Discounting has no effect on the cash flows of the Organization. Mortgage discounts are amortized to income on a straight-line basis over the life of the underlying mortgages.

MORRIS HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Mortgages Receivable: (Continued)

The Organization reviews mortgages receivable for collectability based on previous experience and determinations by the Board of Directors. In management's opinion, the collateral is sufficient to enable the Organization to realize the mortgages receivable without any allowance.

Accounts Receivable:

The Organization charges uncollectible accounts receivable to operations when they are determined to be uncollectible. Accounts receivable have been reviewed by management and it has been determined that an allowance for doubtful accounts as of December 31, 2009 and 2008 is not necessary.

Inventory of Buildings:

Acquisition and construction costs incurred in connection with the Organization's home building program are capitalized as inventory of buildings until construction is completed. At the time of sale, the total cost is reflected in program service expenses as cost of homes sold on a specific identification basis. Occasionally, when development is deemed not to be feasible, the Organization charges these costs to expense.

Property and Equipment:

All equipment is stated at cost. Significant additions, renewals, and betterments greater than \$500 are capitalized while replacements, maintenance, and repairs which do not improve or extend the life of an asset are expensed. Depreciation is provided using the straight-line method over the estimated useful lives ranging from 5 to 7 years. In the absence of donor-imposed restrictions on the use of the asset, gifts of long-lived assets are reported as unrestricted support.

Deferred Revenue:

Special events fees received in advance are reported as deferred revenue and are recognized in the period in which the special event is held.

Contributions:

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. When a donor 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 restrictions. Contributions with restrictions that are met in the same reporting period as they are received are reported as unrestricted support.

MORRIS HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Contributions: (Continued)

Other unrestricted revenues are obtained from various fundraising projects, ReStore sales, investment earnings and in-kind donations from individuals, congregations, corporations and foundations. These revenues are not restricted in their use and are used to finance construction and offset program, general and administrative and fundraising expenses. Revenues from these sources are recognized at the time of receipt.

Donated Buildings, Services and Materials:

Amounts are reported in the financial statements for voluntary donations of services when those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation. Donated buildings and materials are reported at their fair value at the time of donation. Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization used "Level 2" inputs, based on market value of similar buildings, services or materials, to estimate fair value.

Donated professional fees and building materials of \$132,199 and \$121,600 have been recorded as contributions at estimated fair value at December 31, 2009 and 2008, respectively.

Included in other current assets is a donated building with an estimated fair value of \$25,000 at December 31, 2009.

Numerous volunteers donate their time to the Organization's program services and fund raising activities during the year. These services are not reflected in the financial statements since these services do not require specialized skills. Volunteers worked approximately 30,000 and 31,000 hours for the years ended December 31, 2009 and 2008, respectively.

Functional Expenses:

Expenses are charged to each program based on direct expenditures incurred. Any expenditure not directly chargeable is allocated to a program based on related salaries.

Use of Estimates:

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. These estimates and assumptions are based on management's best estimate and judgment. Actual results could differ from those estimates.

MORRIS HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Income Tax Status:

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. At December 31, 2009 and 2008, all required tax returns were filed.

The Organization follows accounting standards that provide clarification on accounting for uncertainty in income taxes recognized in the Organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the financial statements recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on de-recognition, classification, interest and penalties, disclosure and transition. Informational returns for certain years are subject to audit by federal and state jurisdictions. At December 31, 2009, there are no significant income tax uncertainties that are expected to have a material impact on the Organization's 2009 financial statements.

Reclassifications:

Certain amounts have been reclassified in the 2008 financial statements to conform to the 2009 presentation.

Subsequent Events:

The Organization has evaluated events subsequent to the statement of financial position date as of December 31, 2009 through April 5, 2010, the date that the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE 3 - MORTGAGES RECEIVABLE:

Mortgages receivable consist of non-interest bearing mortgage notes which are secured by properties sold through the home building program and mature in 7-30 years, through September 2039. Mortgages on houses sold during the years ended December 31, 2009 and 2008 were discounted at the HHI stipulated interest rate of 7.77% and 8.38%, respectively.

Mortgages receivables are as follows:

	December 31,	
	2009	2008
Face value of mortgages	\$1,359,088	\$1,176,591
Less: Unamortized discount	762,546	660,438
	596,542	516,153
Less: Current portion	13,081	11,231
	<u>\$ 583,461</u>	<u>\$ 504,922</u>

MORRIS HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 3 - MORTGAGES RECEIVABLE: (Continued):

Maturities of mortgages receivable are as follows:

<u>Year</u>	
2010	\$ 13,081
2011	14,155
2012	15,363
2013	16,576
2014	17,937
Thereafter	519,430
	<u>\$ 596,542</u>

NOTE 4 - INVENTORY OF BUILDINGS:

Inventory of buildings at December 31, 2009 and 2008, includes completed homes, which have not been sold and those under construction.

NOTE 5 - PROPERTY AND EQUIPMENT:

Property and equipment is comprised as follows:

	December 31,	
	2009	2008
Equipment	\$ 30,149	\$ 25,859
Leasehold improvements	57,425	33,325
Vehicle	16,946	13,696
	<u>104,520</u>	<u>72,880</u>
Less: Accumulated depreciation	32,694	18,254
Property and Equipment, Net	<u>\$ 71,826</u>	<u>\$ 54,626</u>

MORRIS HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 6 - LEASES:

The Organization has a lease agreement with an unrelated party for the rental of its ReStore and office space that expires January 31, 2012. Rent expense under this lease amounted to \$138,344 and \$115,567 for the years ended December 31, 2009 and 2008, respectively.

At December 31, 2009, future minimum lease payments are as follows:

<u>Year</u>	
2010	\$ 165,281
2011	169,469
2012	14,151
	<u>\$ 348,901</u>

The Organization also has a lease agreement for office equipment expiring August 31, 2013. Rent expense under this lease amounted to approximately \$4,275 and \$1,800 for the years ended December 31, 2009 and 2008, respectively.

At December 31, 2009, future minimum lease payments are as follows:

<u>Year</u>	
2010	\$ 4,275
2011	4,275
2012	4,275
2013	2,848
	<u>\$ 15,673</u>

NOTE 7 - TITHE:

HHI is a global partnership and in recognition of that commitment, the Organization covenants with HHI to contribute at least 10% of its unrestricted cash contributions to an international affiliate. The tithe for the years ended December 31, 2009 and 2008 was \$24,821 and \$27,925, respectively.

MORRIS HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 8 - NOTES PAYABLE:

Notes payable is comprised of the following:

	December 31,	
	2009	2008
Loan payable to HHI, in monthly payments of \$534, including interest at 1%, adjusted to 5% to reflect fair value, due December 2017; collateralized by certain mortgages receivable.	\$ 41,813	\$ 46,014
Interest free note payable to HUD/SHOP, due in June 2012 payable in monthly installments of \$156.	4,692	6,564
Interest free note payable to HUD/SHOP, due in December 2012 payable in monthly installments of \$72.	2,636	-
Total Notes Payable	49,141	52,578
Less: Current Portion	7,152	6,073
Notes Payable, Net of Current Portion	<u>\$ 41,989</u>	<u>\$ 46,505</u>

At December 31, 2009 notes payable mature as follows:

<u>Year</u>	
2010	\$ 7,152
2011	7,378
2012	6,736
2013	5,129
2014	5,392
Thereafter	17,354
	<u>\$ 49,141</u>

NOTE 9 - LINE OF CREDIT:

The Organization has an unsecured revolving line of credit with a bank to fund temporary deficits in its working capital. The total amount available under this line of credit is \$100,000. The revolving line of credit matures on July 1, 2010 unless extended in writing by the bank. Interest on the line of credit is payable based on the prime rate (3.25% at December 31, 2009). At December 31, 2009 and December 31, 2008, the Organization has no borrowings on the line.

MORRIS HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

NOTE 10 - GAIN ON SALE OF MORTGAGES:

During the year ended December 31, 2008, the Organization sold several mortgages to a local bank with face values of approximately \$214,000, including the unamortized discount, for approximately \$282,000, resulting in a net gain of approximately \$68,000. Such gain is included as gain on sale of mortgages on the statement of activities and changes in net assets for the year ended December 31, 2008.

NOTE 11 - CONCENTRATIONS OF CREDIT RISK:

Financial instruments that expose the Organization to concentrations of credit and market risk consist primarily of mortgages receivable due from homeowners and inventory of buildings. Although the Organization does not currently foresee a credit risk associated with the amounts due, repayment of the amounts is dependent upon the financial stability of the obligors and upon the overall local real estate market in Morris County, New Jersey.

NOTE 12 - COMMITMENTS AND CONTINGENCIES:

The Organization is involved with certain claims, including equal opportunity employment issues, and other routine litigation matters in the normal course of operations. In the opinion of management, after consultation with legal counsel, the outcome of such matters is not expected to have a material adverse effect on the Organization's financial position or results of operations.