

HABITAT FOR HUMANITY OF GALLATIN VALLEY, INC.

AUDITED FINANCIAL STATEMENTS

June 30, 2010 and 2009

**HABITAT FOR HUMANITY OF GALLATIN VALLEY, INC.
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**To the Board of Directors
Habitat for Humanity of Gallatin Valley, Inc.
Belgrade, Montana**

We have audited the accompanying statements of financial position of Habitat for Humanity of Gallatin Valley, Inc. (a nonprofit organization), as of June 30, 2010 and 2009, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of Habitat for Humanity of Gallatin Valley, Inc.'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 the 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 Habitat for Humanity of Gallatin Valley, Inc., as of June 30, 2010 and 2009, and the changes in net assets and its cash flows in conformity with U.S. generally accepted accounting principles.

Junkermier, Clark, Campanella, Stevens, P.C.

Bozeman, Montana
September 1, 2010

HABITAT FOR HUMANITY OF GALLATIN VALLEY, INC.
STATEMENTS OF FINANCIAL POSITION

	June 30	
	2010	2009
ASSETS		
Cash	\$ 161,698	\$ 37,014
Investments	274,626	319,068
Mortgages receivable, net of discounts of \$930,937 and \$947,575, respectively	822,741	781,594
Homes under construction	296,402	425,163
Fixed assets, net of accumulated depreciation of \$90,280 and \$66,919, respectively	575,609	598,970
AARP loan reserve	16,757	16,757
Prepaid loan interest, net of amortization of \$995 and \$995, respectively	4,296	5,291
Other asset	11,272	-
Total assets	\$ 2,163,401	\$ 2,183,857
 LIABILITIES		
Accounts payable	\$ 12,655	\$ 11,257
Payroll liabilities payable	9,928	4,614
Accrued compensated absences payable	9,680	5,280
Escrow payable	-	500
Notes payable	531,033	560,258
Total liabilities	563,296	581,909
 NET ASSETS		
Unrestricted	1,548,105	1,549,948
Permanently restricted	52,000	52,000
Total net assets	1,600,105	1,601,948
Total liabilities and net assets	\$ 2,163,401	\$ 2,183,857

See notes to financial statements.

**HABITAT FOR HUMANITY OF GALLATIN VALLEY, INC.
STATEMENTS OF ACTIVITIES**

	Years ended June 30	
	2010	2009
CHANGES IN UNRESTRICTED NET ASSETS		
Support and revenue:		
Transfers to homeowners	\$ 189,400	\$ 309,000
ReStore, less direct expenses of \$82,321 and \$89,185, respectively	54,482	29,229
Contributions and grants	172,771	168,697
In-kind donations	3,551	33,201
Interest and dividends	825	9,388
Mortgage discount amortization	82,994	49,437
Other	9,317	4,760
Total unrestricted revenue and support	513,340	603,712
Expenses:		
Construction	345,831	475,922
Family support and educational ministries	21,360	17,446
Mortgage discount expense	66,355	121,205
Fundraising	48,798	43,680
Management and general	32,839	26,265
Total expenses	515,183	684,518
DECREASE IN UNRESTRICTED NET ASSETS	(1,843)	(80,806)
Unrestricted net assets beginning of year	1,549,948	1,630,754
UNRESTRICTED NET ASSETS END OF YEAR	1,548,105	1,549,948
PERMANENTLY RESTRICTED NET ASSETS END OF YEAR	52,000	52,000
TOTAL NET ASSETS END OF YEAR	\$ 1,600,105	\$ 1,601,948

See notes to financial statements.

HABITAT FOR HUMANITY OF GALLATIN VALLEY, INC.
STATEMENTS OF CASH FLOWS

	Years ended June 30	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,843)	\$ (80,806)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Construction expenses (houses sold)	300,767	406,663
Houses under construction costs	(169,175)	(214,221)
New mortgages (houses sold)	(104,000)	(198,000)
In-kind contributions of construction costs	(2,831)	(30,006)
In-kind contributions of capital assets	-	(3,195)
Mortgage discount amortization	(82,994)	(49,437)
Mortgage discount expense	66,355	121,205
Depreciation	23,361	24,479
(Increase) decrease in:		
AARP loan reserve	-	(16,757)
Prepaid expenses	995	680
Increase (decrease) in:		
Accounts payable	1,398	(7,248)
Payroll taxes payable	5,314	(13,017)
Accrued compensated absences payable	4,400	(4,750)
Escrow payable	(500)	-
	41,247	(64,410)
Net cash provided (used) by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	(18,904)
Sale of investments	224,813	395,000
Purchase of investments	(180,371)	(363,290)
Purchase of improvements on foreclosed residence	(11,272)	-
Mortgage payments received	79,492	74,883
	112,662	87,689
Net cash provided by investing activities		
CASH FLOWS USED BY FINANCING ACTIVITIES		
Repayment of notes payable	(29,225)	(26,768)
NET INCREASE (DECREASE) IN CASH	124,684	(3,489)
Cash at beginning of year	37,014	40,503
CASH AT END OF YEAR	\$ 161,698	\$ 37,014

See notes to financial statements.

HABITAT FOR HUMANITY OF GALLATIN VALLEY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2010

	PROGRAM SERVICES				SUPPORT SERVICES		
	Construction	Family Support & Educational Ministries	Discounts on Mortgage Originations	Total	Fundraising	Management and General	Total
Advertising	\$ -	\$ 1,499	\$ -	\$ 1,499	\$ 5,998	\$ -	\$ 7,497
Bank charges	-	-	-	-	-	227	227
Contributions - Habitat for Humanity International, Inc.	-	6,300	-	6,300	-	-	6,300
Costs of homes	286,647	-	-	286,647	-	-	286,647
Depreciation	18,689	-	-	18,689	1,168	3,504	23,361
Dues and subscriptions	-	-	-	-	-	1,330	1,330
Family selection	-	636	-	636	-	-	636
Health insurance	363	363	-	726	2,538	361	3,625
Insurance	11,608	-	-	11,608	-	2,902	14,510
Interest	5,330	-	-	5,330	-	-	5,330
Miscellaneous	1,869	623	-	2,492	1,869	1,869	6,230
Mortgage discounts	-	-	66,355	66,355	-	-	66,355
Office	1,051	1,051	-	2,102	2,101	1,050	5,253
Payroll taxes	3,488	3,488	-	6,976	8,720	1,744	17,440
Postage and freight	84	84	-	168	169	85	422
Professional fees	-	-	-	-	-	2,930	2,930
Salaries and wages	15,229	6,092	-	21,321	24,366	15,228	60,915
Small tools	234	-	-	234	-	-	234
Taxes and licenses	15	-	-	15	-	-	15
Telephone	897	897	-	1,794	897	299	2,990
Training and conference fees	-	-	-	-	203	203	406
Travel	-	-	-	-	396	395	791
Utilities	327	327	-	654	327	656	1,637
Vehicle	-	-	-	-	46	56	102
Total expenses	\$ 345,831	\$ 21,360	\$ 66,355	\$ 433,546	\$ 48,798	\$ 32,839	\$ 515,183

See notes to financial statements.

HABITAT FOR HUMANITY OF GALLATIN VALLEY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2009

	PROGRAM SERVICES				SUPPORT SERVICES		
	Construction	Family Support & Educational Ministries	Discounts on Mortgage Originations	Total	Fundraising	Management and General	Total
Advertising	\$ -	\$ 955	\$ -	\$ 955	\$ 3,820	\$ -	\$ 4,775
Bank charges	-	-	-	-	-	719	719
Contributions - Habitat for Humanity International, Inc.	-	6,300	-	6,300	-	-	6,300
Costs of homes	426,734	-	-	426,734	-	-	426,734
Depreciation	19,583	-	-	19,583	1,224	3,672	24,479
Dues and subscriptions	-	-	-	-	-	2,299	2,299
Family selection	-	473	-	473	-	-	473
Fundraising	-	-	-	-	8,390	-	8,390
Health Insurance	163	163	-	326	1,141	163	1,630
Insurance	3,635	-	-	3,635	-	909	4,544
Interest	8,885	-	-	8,885	-	-	8,885
Miscellaneous	805	268	-	1,073	805	805	2,683
Mortgage discounts	-	-	121,205	121,205	-	-	121,205
Office	1,015	1,015	-	2,030	2,030	1,014	5,074
Payroll taxes	2,853	2,853	-	5,706	7,132	1,425	14,263
Postage and freight	174	174	-	348	347	173	868
Professional fees	-	-	-	-	-	3,000	3,000
Retirement plan	58	58	-	116	92	22	230
Salaries and wages	10,673	4,269	-	14,942	17,077	10,673	42,692
Small tools	333	-	-	333	-	-	333
Taxes and licenses	93	-	-	93	-	-	93
Telephone	689	689	-	1,378	689	229	2,296
Training and conference fees	-	-	-	-	200	200	400
Travel	-	-	-	-	504	503	1,007
Utilities	229	229	-	458	229	459	1,146
Total expenses	\$ 475,922	\$ 17,446	\$ 121,205	\$ 614,573	\$ 43,680	\$ 26,265	\$ 684,518

See notes to financial statements.

HABITAT FOR HUMANITY OF GALLATIN VALLEY, INC.
NOTES TO FINANCIALS STATEMENTS
June 30, 2010 and 2009

1. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES

Nature of Organization:

Habitat for Humanity of Gallatin Valley, Inc. (HHGV) (a nonprofit corporation) was incorporated on May 17, 1991. HHGV is an affiliate of Habitat for Humanity International, Inc. (Habitat International), a nondenominational Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, HHGV is primarily and directly responsible for its own operations. Since HHGV's activities are primarily in Gallatin and Park Counties in Montana, they are subject to the general economic conditions of southwest Montana.

Basis of Accounting:

HHGV's books are maintained on the accrual basis of accounting in accordance with generally accepted accounting principles.

The organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets-Net assets that are not subject to donor-imposed stipulations.

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 passage of time.

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 income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. Grant revenues are recognized at the time reimbursable expenses are incurred. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassification between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Unrestricted promises to give that are scheduled to be received more than one year after the balance sheet date are shown as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when the cash is received and any purpose restrictions are met. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair market value. It is the policy of the Organization to report gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions specifying how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are recorded as restricted support. Absent explicit donor stipulation about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated assets are placed in service.

HABITAT FOR HUMANITY OF GALLATIN VALLEY, INC.
NOTES TO FINANCIALS STATEMENTS
June 30, 2010 and 2009

1. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (Continued)

Accounting Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from these estimates.

Cash Equivalents:

For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At times, cash and money market account balances in the Organization's accounts exceed federally insured limits.

Investments:

Investments are carried at fair value. Investment gains and losses are included in the statements of activities.

Income Taxes:

Habitat for Humanity of Gallatin Valley, Inc. qualifies as a tax-exempt non-profit organization under Section 501(c)(3) of the Internal Revenue Service Code and, therefore, has no provision for federal or state income tax.

Restricted and Unrestricted Revenue and Support:

Contributions and support received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

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 or is met through expenditure, temporarily restricted net assets are reclassified to unrestricted net assets.

In accordance with SFAS No. 116, temporarily restricted contributions and grants received and expensed in the same fiscal year are recorded as unrestricted revenue.

Furniture and Equipment:

This policy has been amended for upcoming fiscal years. Purchases that are both over \$500 and have an economic life greater than three years will be capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of assets, ranging from three to forty years.

Discount on Mortgage Origination:

Home sales to selected families are recorded at the gross amount of payments to be received over the lives of mortgages. Non-interest bearing mortgages have been discounted at various rates ranging from 4.5% to 8.4% based upon prevailing market rates at the inception of the mortgage. Discounts are amortized using the effective interest method over the lives of the mortgages.

Functional Allocation of Expenses:

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities.

HABITAT FOR HUMANITY OF GALLATIN VALLEY, INC.
NOTES TO FINANCIALS STATEMENTS
June 30, 2010 and 2009

1. SIGNIFICANT ACCOUNTING PRINCIPLES AND POLICIES (Continued)

Construction of Homes:

Costs incurred to construct homes are capitalized as incurred and recorded as "Homes under construction" on the statements of financial position.

Following is a summary of home building activity for the years ended June 30:

	<u>2010</u>		<u>2009</u>	
	<u>Number</u>	<u>Costs</u>	<u>Number</u>	<u>Costs</u>
Homes under construction	7	\$ 425,163	8	\$ 587,599
Additional costs incurred on beginning inventory	-	132,854	-	139,702
New homes started in fiscal year	1	39,152	2	104,525
Homes transferred in fiscal year	<u>(2)</u>	<u>(300,767)</u>	<u>(3)</u>	<u>(406,663)</u>
Homes under construction at year end	<u>6</u>	<u>\$ 296,402</u>	<u>7</u>	<u>\$ 425,163</u>

2. INVESTMENTS

Effective July 1, 2008, the Organization adopted the provisions of Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS 157"). In February 2008, the Financial Accounting Standards Board ("FASB") issued Staff Position No. SFAS 157-2, *Effective Date of FASB Statement No. 157*, which provides a one year deferral of the effective date of SFAS 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. Therefore, the Organization has adopted the provision of SFAS 157 with respect to its financial assets and liabilities only.

SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and enhances disclosures about fair value measurements. Fair value is defined under SFAS 157 as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under SFAS 157 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable, and the last unobservable, that may be used to measure fair value, which are the following:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2- Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted market prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that the observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

HABITAT FOR HUMANITY OF GALLATIN VALLEY, INC.
NOTES TO FINANCIALS STATEMENTS
June 30, 2010 and 2009

2. INVESTMENTS (Continued)

The adoption of SFAS 157 did not have a material impact on the Organization's financial position or changes in net assets and its cash flows.

June 30, 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Bank insured deposits	\$ 56,808	\$ -	\$ 56,808
Certificates of deposit	-	156,000	156,000
Money market - endowment	<u>61,818</u>	<u>-</u>	<u>61,818</u>
Totals	<u>\$ 118,626</u>	<u>\$ 156,000</u>	<u>\$ 274,626</u>

June 30, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Bank insured deposits	\$ 201,126	\$ -	\$ 201,126
Certificates of deposit	-	56,000	56,000
Money market - endowment	<u>61,942</u>	<u>-</u>	<u>61,942</u>
Totals	<u>\$ 263,068</u>	<u>\$ 56,000</u>	<u>\$ 319,068</u>

Components of investment income for the years ended June 30, 2010 and 2009 consist of the following:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ <u>825</u>	\$ <u>9,388</u>

3. DONATED SERVICES AND MATERIALS

The value of donated services are not reflected in the accompanying financial statements since there is no objective basis available by which to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of their time to HHGV's home construction and educational efforts.

The following in-kind donations were either recognized as expenses or included in inventory for the year ended June 30, 2010:

Vehicle expense	102	
Advertising	618	
Home under construction (inventory)	<u>2,831</u>	
		<u>\$ 3,551</u>

HABITAT FOR HUMANITY OF GALLATIN VALLEY, INC.
NOTES TO FINANCIALS STATEMENTS
June 30, 2010 and 2009

3. DONATED SERVICES AND MATERIALS (Continued)

The following in-kind donations were either recognized as expenses or included in inventory for the year ended June 30, 2009:

Professional fees	\$	500	
Improvements		3,195	
Office expense		96	
Supplies		125	
Cost of homes		8,744	
Home under construction (inventory)		<u>20,541</u>	
			\$ <u>33,201</u>

4. TRANSACTIONS WITH HABITAT INTERNATIONAL

HHGV annually remits a portion of its contributions (excluding in-kind contributions) to Habitat International. These funds are used to construct homes in economically depressed areas around the world. HHGV contributed \$6,300 and \$6,300 to Habitat International and for the years ended June 30, 2010 and 2009, respectively.

5. CONTINGENT GAIN ON SALE OF HOMES

HHGV obtains a second promissory note on all mortgages. This note is a zero interest note for the difference between the appraisal price and the initial sales price of the home. No installment payment is required on this note. The entire principal amount of the note shall be due and payable upon the sale of the mortgaged property prior to the initial mortgage being paid. Since no loans are currently in default, no receivable has been recorded for these notes as of June 30, 2010 or June 30, 2009. There were no such sales for fiscal years ending June 30, 2010 or 2009.

6. LINE OF CREDIT

During fiscal year ending June 30, 2006, HHGV established an operating line of credit at U.S. Bank. The line had an available limit of \$100,000 with a stated rate of interest is 0.5% above prime. The line of credit was closed May of 2010. At June 30, 2010 and 2009, there was no outstanding balance.

HABITAT FOR HUMANITY OF GALLATIN VALLEY, INC.
NOTES TO FINANCIALS STATEMENTS
June 30, 2010 and 2009

7. LONG-TERM DEBT

	2010	2009
6.0% note payable to James and Linda Houdashelt; dated December 13, 2006 and due May 1, 2036; payable in monthly installments of \$2,698 including principal and interest; secured by building.	\$ 424,212	\$ 432,188
4.0% note payable to Habitat for Humanity International; dated November 6, 2007 and due November 6, 2014; payable in monthly installments of \$2,171 including principal and interest; secured by mortgages receivables.	<u>106,821</u>	<u>128,070</u>
	<u>\$ 531,033</u>	<u>\$ 560,258</u>

Future maturities of the long-term debt are as follows:

2011	29,216	
2012	30,554	
2013	31,955	
2014	33,423	
2015	20,821	
Thereafter	<u>385,064</u>	
		<u>\$ 531,033</u>

8. ENDOWMENT

As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. During the year ended June 30, 2010 and 2009, fees paid for management of endowment funds were \$149 and \$-, respectively.

Interpretation of Relevant Law

The Board of Directors has interpreted the Montana Uniform Prudent Management of Institutional Funds Act ("MUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by MUPMIFA. In accordance with MUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

HABITAT FOR HUMANITY OF GALLATIN VALLEY, INC.
NOTES TO FINANCIALS STATEMENTS
June 30, 2010 and 2009

8. ENDOWMENT (Continued)

- (1) The duration and preservation of the fund;
- (2) The purposes of the Organization and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Organization; and
- (7) The investment policies of the Organization.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor of MUPMIFA requires the Organization to retain as a fund of perpetual direction. As of the June 30, 2010 and 2009, the endowment fund had no such deficiency.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to operations while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). The Organization expects its endowment funds, over time, to provide a reasonable level of current income to support the spending policy authorized by the Board of Directors and to grow equity assets. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation including cash equivalents, fixed income, and equity securities to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Currently the Organization has no formal spending policy. The Organization's objective is to preserve the fair value of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

HABITAT FOR HUMANITY OF GALLATIN VALLEY, INC.
NOTES TO FINANCIALS STATEMENTS
June 30, 2010 and 2009

8. ENDOWMENT (Continued)

Endowment net asset composition by type of fund is as follows:

June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Donor-restricted endowment funds	\$ <u>9,818</u>	\$ <u>-</u>	\$ <u>52,000</u>	\$ <u>61,818</u>

June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Donor-restricted endowment funds	\$ <u>9,942</u>	\$ <u>-</u>	\$ <u>52,000</u>	\$ <u>61,942</u>

June 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
Endowment net assets, beginning of year	\$ 9,942	\$ -	\$ 52,000	\$ 61,942
Investment return:				
Investment income, net	-	25	-	25
Investment fees	<u>(124)</u>	<u>(25)</u>	<u>-</u>	<u>(149)</u>
	<u>\$ 9,818</u>	<u>\$ -</u>	<u>\$ 52,000</u>	<u>\$ 61,818</u>

June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 Totals</u>
Endowment net assets, beginning of year	\$ 9,414	\$ -	\$ 52,000	\$ 61,414
Investment return:				
Investment income, net	-	528	-	528
Board release of restriction	<u>528</u>	<u>(528)</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,942</u>	<u>\$ -</u>	<u>\$ 52,000</u>	<u>\$ 61,942</u>

HABITAT FOR HUMANITY OF GALLATIN VALLEY, INC.
NOTES TO FINANCIALS STATEMENTS
June 30, 2010 and 2009

9. STATEMENT OF CASH FLOWS

Non-cash Transactions:

During the years ended June 30, 2010 and 2009, the Organization received in-kind donations of \$3,551 and \$33,201, respectively, which included equipment, constructions costs, and various expenses.

Cash Paid for Interest: During the years ended June 30, 2010 and 2009, the Organization paid interest of \$29,453 and \$35,362, respectively. Of those amounts, \$24,123 and \$21,660, respectively, were recorded in ReStore direct expenses.

10. SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through September 1, 2010, the date on which the financial statements were available to be issued.