

DAYTON OHIO HABITAT FOR HUMANITY, INC.

FINANCIAL REPORT

JUNE 30, 2010 AND 2009

DAYTON OHIO HABITAT FOR HUMANITY, INC.

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FLAGEL, HUBER, FLAGEL & Co.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Dayton Ohio Habitat for Humanity, Inc.

We have audited the accompanying statements of financial position of Dayton Ohio Habitat for Humanity, Inc. ("Habitat") (a not-for-profit corporation) as of June 30, 2010 and 2009, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of Habitat'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 audits 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 Habitat as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules of functional expenses are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The supplementary schedules are the responsibility of Habitat management. The schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Flagel, Huber, Flagel & Co.

Certified Public Accountants

Dayton, Ohio

October 8, 2010

Donald R. Harting
Terrence P. Egan
James R. Hochwalt
Charles C. Craft
Randall S. Kuvin
Randolph N. Kramer
David P. Dirksen
Bruce G. Kreinbrink
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Mindy K. Knippen
Kevin A. Behrle
Rachel F. Dexter
Daniel B. Isenbarger
Mathew R. Jones
Kevin W. Garman
Katherine M. Sexton

RETIRED

Gerald P. Flagel
Louis G. Homan

DECEASED

David E. Flagel
1907-2007
Arthur J. Huber
1931-2009

DAYTON OHIO HABITAT FOR HUMANITY, INC.

STATEMENTS OF FINANCIAL POSITION

	JUNE 30,	
	2010	2009
ASSETS		
Cash and cash equivalents	\$ 314,775	\$ 127,963
Escrow cash	56,979	79,291
Investments	18,625	9,249
Investments - permanently restricted	67,570	67,570
Pledges receivable	24,275	30,098
Grants receivable	49,365	21,784
Other receivables	7,566	28,391
Prepaid expenses	996	0
Construction in progress	260,257	214,823
Non-interest bearing mortgage loans	4,852,982	4,637,985
Discount on non-interest bearing mortgage loans	(2,512,430)	(2,395,408)
Land for development	216,802	186,248
Property and equipment, net	195,342	203,012
TOTAL ASSETS	<u>\$ 3,553,104</u>	<u>\$ 3,211,006</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 85,630	\$ 104,785
Escrows - taxes and insurance	56,979	79,291
Escrows - other	60,710	48,775
Line of credit	90,166	90,166
Notes payable - long-term	48,152	74,696
TOTAL LIABILITIES	<u>341,637</u>	<u>397,713</u>
NET ASSETS		
Unrestricted	3,143,897	2,745,723
Temporarily restricted	0	0
Permanently restricted	67,570	67,570
TOTAL NET ASSETS	<u>3,211,467</u>	<u>2,813,293</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,553,104</u>	<u>\$ 3,211,006</u>

The accompanying notes are an integral part of these statements.

DAYTON OHIO HABITAT FOR HUMANITY, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

	<u>UNRESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUE, GAINS AND OTHER SUPPORT:			
Cash contributions	\$ 572,034	\$ 0	\$ 572,034
In-kind contributions	229,490	0	229,490
Grants	367,062	0	367,062
Transfers to homeowners	570,927	0	570,927
Mortgage loan discount amortization	161,871	0	161,871
ReStore sales	279,213	0	279,213
Special events	32,635	0	32,635
Other revenue	1,520	0	1,520
Net investment return	13,544	0	13,544
	<u>2,228,296</u>	<u>0</u>	<u>2,228,296</u>
Net assets released from program restrictions	<u>0</u>	<u>0</u>	<u>0</u>
Total revenue, gains and other support	2,228,296	0	2,228,296
EXPENSES AND LOSSES:			
Program services	1,607,439	0	1,607,439
Supporting services:			
Fund raising	85,105	0	85,105
Management and general	137,578	0	137,578
	<u>1,830,122</u>	<u>0</u>	<u>1,830,122</u>
CHANGE IN NET ASSETS	398,174	0	398,174
NET ASSETS - beginning of year	<u>2,745,723</u>	<u>67,570</u>	<u>2,813,293</u>
NET ASSETS - end of year	<u>\$ 3,143,897</u>	<u>\$ 67,570</u>	<u>\$ 3,211,467</u>

The accompanying notes are an integral part of these statements.

DAYTON OHIO HABITAT FOR HUMANITY, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

	<u>UNRESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
REVENUE, GAINS AND OTHER SUPPORT:			
Cash contributions	\$ 501,540	\$ 0	\$ 501,540
In-kind contributions	68,091	0	68,091
Grants	254,463	0	254,463
Transfers to homeowners	429,746	0	429,746
Mortgage loan discount amortization	155,484	0	155,484
ReStore sales	230,898	0	230,898
Special events	7,138	0	7,138
Other revenue	913	0	913
Net investment return	(15,053)	0	(15,053)
	<u>1,633,220</u>	<u>0</u>	<u>1,633,220</u>
Net assets released from program restrictions	<u>0</u>	<u>0</u>	<u>0</u>
Total revenue, gains and other support	1,633,220	0	1,633,220
EXPENSES AND LOSSES:			
Program services	1,356,186	0	1,356,186
Supporting services:			
Fund raising	98,939	0	98,939
Management and general	170,786	0	170,786
	<u>1,625,911</u>	<u>0</u>	<u>1,625,911</u>
CHANGE IN NET ASSETS	7,309	0	7,309
NET ASSETS - beginning of year	<u>2,738,414</u>	<u>67,570</u>	<u>2,805,984</u>
NET ASSETS - end of year	<u>\$ 2,745,723</u>	<u>\$ 67,570</u>	<u>\$ 2,813,293</u>

The accompanying notes are an integral part of these statements.

DAYTON OHIO HABITAT FOR HUMANITY, INC.

STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED JUNE 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 398,174	\$ 7,309
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Transfers to homeowners	(292,034)	(127,462)
Depreciation	28,837	27,666
Loss on disposal of equipment	302	0
Forgiveness of notes payable	(4,167)	0
Mortgage loan discount amortization	(161,871)	(155,484)
Net investment (gain) loss	(9,376)	15,053
Effect of changes in assets and liabilities:		
Pledges receivable	5,823	(29,848)
Grants receivable	(27,581)	(21,784)
Other receivables	20,825	(18,670)
Inventory	0	261
Prepaid expenses	(996)	7,779
Construction in progress	(45,434)	(87,264)
Land for development	(30,554)	88,548
Accounts payable and accrued expenses	(19,155)	8,613
Escrows - taxes and insurance	(22,312)	(19,981)
Escrows - other	11,935	8,419
NET CASH USED IN OPERATING ACTIVITIES	<u>(147,584)</u>	<u>(296,845)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Mortgage payments received	355,930	271,506
Purchase of equipment	<u>(21,469)</u>	<u>(8,181)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>334,461</u>	<u>263,325</u>

The accompanying notes are an integral part of these statements.

DAYTON OHIO HABITAT FOR HUMANITY, INC.

STATEMENTS OF CASH FLOWS (CONTINUED)

	FOR THE YEARS ENDED JUNE 30,	
	2010	2009
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of notes payable	(26,071)	(39,329)
Proceeds from notes payable	3,694	9,121
NET CASH USED IN FINANCING ACTIVITIES	(22,377)	(30,208)
CHANGE IN CASH AND CASH EQUIVALENTS	164,500	(63,728)
CASH AND CASH EQUIVALENTS:		
Beginning of year	207,254	270,982
End of year	\$ 371,754	\$ 207,254
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ 4,888	\$ 6,713
Non-cash investing and financing activities:		
Issuance of non-interest bearing mortgage loans	\$ 570,927	\$ 302,246
Discount on non-interest bearing mortgage loans	308,501	167,525
Transfers to homeowners subject to non-interest bearing mortgage loans	292,034	127,462
Donated land for development	0	66,370

The accompanying notes are an integral part of these statements.

DAYTON OHIO HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

1. ORGANIZATION AND PURPOSE

Dayton Ohio Habitat for Humanity, Inc. ("Habitat") (a not-for-profit corporation) was incorporated on March 31, 1983. Habitat is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"), a nondenominational Christian non-profit 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, Habitat is primarily and directly responsible for its own operations. Habitat is supported primarily through donor contributions and grants.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

Financial Statement Presentation

Habitat 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. There are no temporarily restricted net assets. In addition, Habitat is required to present a statement of cash flows.

Cash and Cash Equivalents

Habitat considers cash and cash equivalents to be all highly liquid demand accounts that include interest and non-interest bearing demand deposit accounts.

Escrow Cash

Habitat currently services the mortgages on the homes it sells. Included in escrow cash are amounts received for insurance and property taxes on such homes.

Concentration of Credit Risk

Habitat maintains its cash balances in various financial institution accounts, which at times, may exceed federally insured limits. Habitat has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Mortgages Receivable

Mortgages receivable consist of non-interest bearing mortgages, which are secured by real estate and payable in monthly installments over the life of the mortgage. The mortgages have an original maturity of 20 to 30 years and arise in connection with the Organization's homebuilding initiatives. These receivables have been discounted and are amortized under the effective interest method.

DAYTON OHIO HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

All investments are reported at fair value. Investment income, including interest and dividends and realized and unrealized gains or losses, are recorded in the statements of activities as unrestricted or temporarily restricted, based upon donor restrictions.

Property and Equipment

Habitat capitalizes all expenditures for property and equipment in excess of \$1,000 that have a useful life of at least three years. Property and equipment are recorded at acquisition cost, including costs necessary to get the asset ready for its intended use. Donated equipment is recorded at fair market value at the date of the gift. Impairment of asset value is recognized whenever events or changes in circumstances indicate that carrying amounts are not recoverable. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, ranging from 3 to 39 years.

Impairment of Long-Lived Assets

Habitat reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value. No impairment losses were recognized during the years ended June 30, 2010 and 2009.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Transfers to Homeowners

Transfers to homeowners are recorded at the gross amount of payments to be received over the lives of the mortgages. Non-interest bearing mortgages have been discounted at various rates ranging from 6.0% to 9.0% based upon prevailing market rates at the inception of the mortgages. Discounts are amortized using the effective interest method over the lives of the mortgages.

DAYTON OHIO HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Habitat. Numerous volunteers have donated significant amounts of time to Habitat's program and supporting services that do not meet the above criteria for recognition. Although no amounts for these services are reflected in the financial statements, management estimates the fair value of those services to be approximately \$246,000 and \$123,000 for the years ended June 30, 2010 and 2009.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among programs and supporting services benefitted.

Home Construction Costs

Construction in process represents the construction costs, including donated building materials or services, of homes either under construction or completed but not yet transferred to homeowners. Construction in process is valued at purchased cost or if donated, at the fair market value as of the date of donation. Costs incurred in conjunction with home construction are capitalized until the completion of each home. Following is a summary of home building activity:

	2010		2009	
	Number	Costs	Number	Costs
Homes under construction, beginning of year	7	\$ 214,823	6	\$ 127,559
Additional costs on home above		342,850		321,865
New homes started during the year	8	342,287	7	214,823
Homes transferred during the year	(8)	(639,703)	(6)	(449,424)
Homes under construction, end of year	<u>7</u>	<u>\$ 260,257</u>	<u>7</u>	<u>\$ 214,823</u>

Credit Risk - Mortgage Loans Receivable

Habitat's concentration of credit risk with respect to mortgage loans receivable depends on its partner families' ability to repay, which varies with economic conditions in this geographic area.

DAYTON OHIO HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of the 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 these estimates.

Escrows

Habitat services the mortgages on the homes it sells. Amounts received for insurance and property taxes are reflected as escrows – taxes and insurance.

Habitat also services mortgages partially financed through a third party lender. In servicing these homes, Habitat collects owner repayments on behalf of the third parties. Monies collected on behalf of these third parties are reflected as escrows – other.

Income Taxes

Habitat has received exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code under a group exemption letter granted to Habitat International by the Internal Revenue Service.

Habitat adopted FASB Accounting Standards Codification Topic 740 as it relates to Accounting for Uncertainty in Income Taxes on January 1, 2009. The standards prescribe attributes for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. It requires affirmative evaluation that it is more-likely-than-not, based on the technical merits of a tax position, that an enterprise is entitled to economic benefits resulting from positions taken in income tax returns. If a tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements, and additional disclosures about uncertain tax positions are required. Habitat's adoption of these accounting standards had no impact on the financial statements.

Habitat's evaluation as of June 30, 2010 revealed no tax positions that, if overturned, would have a material impact on the financial statements. The 2006 through 2008 tax years remain subject to examination by the Internal Revenue Service. Habitat does not believe that any reasonable possible changes will occur within the next twelve months that will have a material impact on the financial statements.

DAYTON OHIO HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued the Accounting Standards Codification (Codification). Effective July 1, 2009, the Codification is the single source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). The Codification is intended to reorganize, rather than change, existing GAAP. The adoption of the Codification had no impact on Habitat's financial position or results of operations.

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	JUNE 30,		Estimated
COST:	2010	2009	Useful Life in Years
Land	\$ 26,605	\$ 26,605	--
Building and improvements	160,866	160,866	39
Tools	6,648	6,648	5 - 7
Office equipment	29,509	28,875	3 - 7
Vehicles	128,052	109,482	4 - 7
TOTAL	351,680	332,476	
Less accumulated depreciation	(156,338)	(129,464)	
	<u>\$ 195,342</u>	<u>\$ 203,012</u>	

4. LINE OF CREDIT

Habitat has a revolving line of credit with a maximum borrowing limit of \$125,000 to provide for normal working capital requirements. The line of credit bears interest at prime (3.25% at June 30, 2010 and 2009). The outstanding balance on this note was \$90,166 as of June 30, 2010 and 2009.

DAYTON OHIO HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

5. OPERATING LEASES

Effective January 2010, Habitat entered into a lease for office space located in Dayton, Ohio. The lease is for an initial term of two years, and contains a one year renewal term. Habitat also leases certain office equipment under long-term lease agreements. These leases are classified as operating leases and expire in 2012.

Rent expense under operating lease agreements for the years ended June 30, 2010 and 2009 was \$7,713 and \$0, respectively.

Minimum future lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2011	\$ 16,872
2012	9,018
	<u>\$ 25,890</u>

6. RETIREMENT PLAN

Habitat sponsors a defined contribution plan (the Plan) covering substantially all of its employees. The Organization makes a contribution to the Plan up to 3% of the participant's compensation. Total expense for the years ended June 30, 2010 and 2009 was \$10,054 and \$10,879, respectively.

7. TRANSACTIONS WITH HABITAT INTERNATIONAL

Habitat annually remits a portion of its unrestricted contributions (excluding in-kind contributions) to Habitat International. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2010 and 2009, Habitat contributed \$6,035 and \$8,383, respectively, to Habitat International. Such amounts are included in program services expense in the Statements of Activities.

DAYTON OHIO HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

8. NOTES PAYABLE

Notes payable consist of the following:

	JUNE 30,	
	2010	2009
Habitat for Humanity International, Inc. - payable in quarterly installments of \$3,616, including interest at 3.89%, due March 2013, mortgages pledged as collateral.	\$ 37,538	\$ 50,351
Habitat for Humanity International, Inc. - payable in quarterly installments of \$4,157, including interest at 3.85%, mortgages pledged as collateral, paid in full in 2010.	0	8,233
Habitat for Humanity International, Inc. - payable in monthly installments of \$580, including interest at 0%, paid in full in 2010.	0	6,992
Habitat for Humanity International, Inc. - payable in monthly installments of \$125, including interest at 0%, due January 2014.	3,800	4,500
Habitat for Humanity International, Inc. - payable in monthly installments of \$96, including interest at 0%, due January 2014.	6,814	4,620
	<u>\$ 48,152</u>	<u>\$ 74,696</u>

Maturities of the notes payable for each of the four years succeeding June 30, 2010 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2011	\$ 16,661
2012	17,326
2013	13,150
2014	1,015
	<u>\$ 48,152</u>

DAYTON OHIO HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

9. INVESTMENTS

Investments are comprised of the following at:

	JUNE 30, 2010	
	Cost	Fair Value
Money funds, exchange traded and closed funds, common stocks and mutual funds held at Dayton Foundation	<u>\$ 77,618</u>	<u>\$ 86,195</u>

Investments are comprised of the following at:

	JUNE 30, 2009	
	Cost	Fair Value
Money funds, exchange traded and closed funds, common stocks and mutual funds held at Dayton Foundation	<u>\$ 77,198</u>	<u>\$ 76,819</u>

Components of investment return include the following:

	FOR THE YEARS ENDED JUNE 30, 2010	
	2010	2009
Unrealized gains (losses)	\$ 8,955	\$ (16,409)
Interest and dividend income	2,135	2,820
Investment fees	(1,714)	(1,464)
Other	4,168	0
	<u>\$ 13,544</u>	<u>\$ (15,053)</u>

10. RESTRICTIONS ON NET ASSETS

Permanently restricted net assets consist of endowment fund investments to be held indefinitely, the income from which is unrestricted for use of Habitat.

DAYTON OHIO HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

11. FAIR VALUE MEASUREMENTS

Habitat applies accounting principles generally accepted in the United States of America (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received for an asset or paid to transfer a liability, in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants at the measurement date. A three-level fair value hierarchy has been established that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value as follows:

- Level 1 - Observable inputs such as quoted prices in active markets;
- Level 2 - Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3 - Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

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

The fair values of investments categorized as level one are a combination of money market funds, exchange traded and closed end funds, common stocks, and mutual funds. The fair values are determined by quoted prices in active exchange markets, such as the New York Stock Exchange.

The discount on non-interest bearing mortgage loans is categorized as level two. The discount rate used for all mortgages closed during a fiscal year, published annually by Habitat for Humanity International on June 30, is based on an average of the low-income housing credit annual discount rate, Revenue Ruling 2009-16 section 42(b)(1), for buildings placed in service during the period.

12. CONTINGENCIES

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against Habitat for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

DAYTON OHIO HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

13. SUBSEQUENT EVENTS

Management evaluated the activity of Habitat through October 8, 2010 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

DAYTON OHIO HABITAT FOR HUMANITY, INC.

SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2010

	Program Services		Supporting Services		
	Programs *	Discounts on Mortgage Originations	Fund Raising	Management and General	TOTAL
Salaries and benefits	\$ 425,876	\$ 0	\$ 59,299	\$ 53,908	\$ 539,083
Building materials and supplies	435,788	0	0	0	435,788
Building services	274,981	0	0	0	274,981
Depreciation	22,781	0	0	6,056	28,837
Mortgage discounts	0	308,501	0	0	308,501
Rent	7,713	0	0	0	7,713
Vehicles	7,017	0	702	6,315	14,034
Utilities	18,636	0	1,864	16,772	37,272
Publicity	2,113	0	12,675	6,338	21,126
Special projects	9,968	0	0	0	9,968
Printing and postage	1,889	0	2,519	1,889	6,297
ReStore expenses	7,730	0	0	0	7,730
Professional fees	12,046	0	1,606	6,424	20,076
Insurance	16,143	0	1,211	2,825	20,179
Interest expense	0	0	0	4,888	4,888
Travel and entertainment	5,070	0	1,549	7,465	14,084
Office supplies	22,012	0	3,669	11,006	36,687
Education	144	0	11	70	225
Property maintenance	21,808	0	0	5,797	27,605
Other	7,223	0	0	7,825	15,048
	<u>\$ 1,298,938</u>	<u>\$ 308,501</u>	<u>\$ 85,105</u>	<u>\$ 137,578</u>	<u>\$ 1,830,122</u>
Portion of above expenditures supported by in-kind contributions	<u>\$ 116,674</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 112,816</u>	<u>\$ 229,490</u>

* Programs include Family Services, Volunteer Services, Affordable Housing through Construction, ReStore

DAYTON OHIO HABITAT FOR HUMANITY, INC.

SUPPLEMENTARY SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2009

	Program Services		Supporting Services		
	Programs *	Discounts on Mortgage Originations	Fund Raising	Management and General	TOTAL
Salaries and benefits	\$ 400,430	\$ 0	\$ 71,309	\$ 76,795	\$ 548,534
Building materials and supplies	489,871	0	0	0	489,871
Building services	145,417	0	0	0	145,417
Depreciation	21,856	0	0	5,810	27,666
Mortgage discounts	0	167,525	0	0	167,525
Rent	2,190	0	219	1,971	4,380
Utilities	21,633	0	2,163	19,470	43,266
Publicity	1,104	0	6,626	3,313	11,043
Special projects	8,611	0	0	0	8,611
Printing and postage	1,471	0	1,961	1,471	4,903
ReStore expenses	6,211	0	0	0	6,211
Professional fees	17,691	0	2,359	9,435	29,485
Insurance	15,945	0	1,196	2,790	19,931
Interest expense	0	0	0	6,713	6,713
Travel and entertainment	4,640	0	1,418	6,831	12,889
Office supplies	21,434	0	3,572	10,717	35,723
Education	9,979	0	780	4,833	15,592
Property maintenance	14,673	0	7,336	14,673	36,682
Other	5,505	0	0	5,964	11,469
	<u>\$ 1,188,661</u>	<u>\$ 167,525</u>	<u>\$ 98,939</u>	<u>\$ 170,786</u>	<u>\$ 1,625,911</u>
Portion of above expenditures supported by in-kind contributions	<u>\$ 55,707</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 12,384</u>	<u>\$ 68,091</u>

* Programs include Family Services, Volunteer Services, Affordable Housing through Construction, ReStore