HABITAT FOR HUMANITY
OF GREATER NEWBURGH, INC.

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2013 AND 2012

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.
NEWBURGH, NEW YORK

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INDEPENDENT AUDITOR'S REPORT

To the Officers and Members of the
Board of Directors
Habitat for Humanity of Greater Newburgh, Inc.
Newburgh, New York

We have audited the accompanying financial statements of Habitat for Humanity of Greater Newburgh, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Greater Newburgh, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Nugent & Haeussler, P.C.

Montgomery, New York
November 1, 2013

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.
NEWBURGH, NEW YORK
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash	$ 95,169	$ 63,283
Investments	4,588	2,810
Accounts Receivables	29,931	14,794
Pledges Receivable - Current	244,527	109,848
Grants Receivable	160,000	15,000
Prepaid Expenses	1,378	19,457
Construction in Progress	1,590,560	2,802,288
Security Deposit	800	1,300
TOTAL CURRENT ASSETS	2,126,953	3,028,780
PROPERTY AND EQUIPMENT - NET	1,144,813	1,184,675
OTHER ASSETS		
Pledges Receivable - Non Current	677,017	272,318
Mortgage Costs - Net	1,886	5,076
Non-Interest Bearing Mortgage Loans	2,073,004	1,766,804
Discount on Non-Interest Bearing Mortgage Loans	(841,515)	(676,774)
TOTAL OTHER ASSETS	1,910,392	1,367,424
TOTAL ASSETS	$ 5,182,158	$ 5,580,879
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 66,091	$ 239,908
Escrow Deposits	0	23,869
House Deposits	9,125	10,090
Current Portion of Long-Term Debt	92,620	86,515
Lines of Credit	200,000	400,000
Refundable Advance	790,248	582,145
TOTAL CURRENT LIABILITES	1,158,084	1,342,527
LONG-TERM LIABILITIES		
Long-Term Debt, Net of Current Portion	1,324,550	1,558,592
NET ASSETS		
Temporarily Restricted	1,000	0
Unrestricted		
Reserve for House Completion	781,235	1,248,449
Undesignated	1,917,289	1,431,311
TOTAL NET ASSETS	2,699,524	2,679,760
TOTAL LIABILITIES AND NET ASSETS	$ 5,182,158	$ 5,580,879

See notes to financial statements

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.
NEWBURGH, NEW YORK
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

UNRESTRICTED NET ASSETS	2013	2012
SUPPORT AND REVENUE		
Contributions	$ 849,057	$ 607,339
In-Kind Contributions	185,401	281,162
Grants	1,129,791	215,469
Transfers to Homeowners (Net of Discounts)	1,401,588	555,000
Rental Income	57,430	35,983
Mortgage Loan Discount Amortization	80,192	68,625
Interest & Dividend Income	100	39
Other Revenue	670	1,498
Unrealized Gain (Loss) on Investment	817	41
TOTAL SUPPORT AND REVENUE	3,705,046	1,765,156
EXPENSES		
Program Services	3,372,982	1,487,122
Management and General	138,772	132,685
Fundraising	174,528	116,899
TOTAL EXPENSES	3,686,282	1,736,706
INCREASE IN UNRESTRICTED NET ASSETS	18,764	28,450
TEMPORARILY RESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Contributions	1,000	0
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	1,000	0
INCREASE IN NET ASSETS	19,764	28,450
NET ASSETS, BEGINNING OF YEAR	2,679,760	2,651,310
NET ASSETS, END OF YEAR	$ 2,699,524	$ 2,679,760

See notes to financial statements

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.
NEWBURGH, NEW YORK
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013				2012
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND RAISING	TOTAL	TOTAL
Building Material & Supplies	$ 2,573,341	$ 0	$ 0	$ 2,573,341	$ 748,520
Payroll	347,232	58,694	93,555	499,481	442,365
Payroll Taxes	31,807	5,099	8,195	45,101	40,855
Payroll Services	3,648	617	983	5,248	2,426
Employee Benefits	50,467	6,859	9,793	67,119	70,674
Advertising	725	390	0	1,115	575
Ameri-Corps	43,749	0	0	43,749	34,438
Amortization	0	3,190	0	3,190	3,190
Bank & Finance Charges	82,421	20,605	0	103,026	89,249
Depreciation	37,562	9,390	0	46,952	44,105
Development	8,366	2,091	3,486	13,943	24,349
Dues & Subscriptions	14,969	0	4,989	19,958	12,747
Events	7,851	0	31,403	39,254	44,355
Family Services	6,863	0	0	6,863	7,390
Insurance	29,802	7,450	0	37,252	23,981
Maintenance & Repair	4,350	1,088	0	5,438	5,860
Miscellaneous	840	210	0	1,050	329
N.R.I.	359	0	0	359	0
Office Expense	46,604	6,658	13,316	66,578	57,611
Professional Fees	0	12,600	0	12,600	16,691
Tithe to HFHI	31,360	0	0	31,360	20,425
Travel, Meetings & Meals	10,957	1,370	1,370	13,697	3,073
Utilities	20,921	2,461	1,231	24,613	18,804
Vehicle Expense	11,528	0	6,207	17,735	15,316
Volunteer Services	7,260	0	0	7,260	9,378
TOTAL EXPENSES	$ 3,372,982	$ 138,772	$ 174,528	$ 3,686,282	$ 1,736,706

See notes to financial statements.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.
NEWBURGH, NEW YORK
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITES		
Increase in Net Assets	$ 19,764	$ 28,450
Adjustments to Reconcile Increase in Net Assets to Net Cash Flows From Operating Activities:		
Discount on Non-Interest Bearing Mortgage Loans (Current)	244,933	0
Mortgage Note Discount Amortization	(80,192)	(68,625)
Unrealized (Gain) Loss on Investments	(817)	(41)
Amortization	3,190	3,190
Depreciation	46,952	44,105
(Increase) Decrease in Operating Assets:		
Prepaid Expenses	18,579	(2,998)
Accounts Receivable	(15,137)	(5,754)
Pledges Receivable	(539,378)	42,045
Grants Receivable	(145,000)	(15,000)
Construction in Progress	1,211,728	(568,921)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	(173,817)	112,936
Refundable Advance	208,103	386,261
Escrow Deposits	(23,869)	(17,244)
House Deposits	(965)	3,290
TOTAL ADJUSTMENTS	754,310	(86,756)
NET CASH FLOWS FROM OPERATNG ACTIVITIES	774,074	(58,306)
CASH FLOWS FROM INVESTING ACTIVITIES		
Stock Donation	(864)	(2,739)
Purchase of Long-Term Investment - Dividend Reinvest	(97)	(30)
Purchase of Equipment	(7,091)	(6,659)
Issuance of Non-Interest Bearing Mortgage Loans (Current)	(420,500)	(11,271)
Non-Interest Bearing Mortgage Loan Payments	114,300	119,080
NET CASH FLOWS FROM INVESTING ACTIVITIES	(314,252)	98,381
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments	(427,936)	(369,560)
Proceeds from Borrowing	0	300,000
NET CASH FLOWS FROM FINANCING ACTIVITIES	(427,936)	(69,560)
NET CHANGE IN CASH	31,886	(29,485)
CASH, BEGINNING OF YEAR	63,283	92,768
CASH, END OF YEAR	$ 95,169	$ 63,283

See notes to financial statements.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.
NEWBURGH, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

This summary of significant accounting policies of Habitat for Humanity of Greater Newburgh, Inc. is presented to assist in understanding the organization's financial statements. The financial statements and notes are representations for the organization's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Organization and Purpose

Habitat for Humanity of Greater Newburgh, Inc. ("Habitat") (a non-profit corporation) was incorporated on July 27, 1999. 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. The geographic area of Habitat encompasses Eastern Orange County. Presently, Habitat is rebuilding homes in the City of Newburgh.

Status of Organization

Habitat is incorporated as a non-profit corporation in the State of New York. The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code under a group exemption letter granted to Habitat for Humanity International, Inc. by the Internal Revenue Service. Donor's contributions are tax deductible under Section 170 of the Internal Revenue Code.

Accrual Basis of Accounting

The financial statements have been prepared using the accrual method of accounting in accordance with generally accepted accounting principles. Revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which the related liability is incurred.

Habitat operates the Habitat for Humanity Re-Store (the "Re-Store"), a retail operation, where home furnishings, appliances, and other miscellaneous items are donated and then sold to the community at a greatly reduced price. Revenue is recognized by Habitat at the time the goods are sold; therefore, no value for the Re-Store inventory is included in these financial statements.

HABITAT FOR HUMANITY OF GREATER NEWBURGH, INC.
NEWBURGH, NEW YORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statements Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for Profit Organizations*. Under SFAS No. 117, the organization is required to report information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All 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 (that is, when a stipulated time restriction ends or purposes 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. At June 30, 2012 the organization did not have any temporarily or permanently restricted net assets. The organization did receive $1,000 of restricted funds during the 2012-2013 year. See Note 16 for information regarding these restricted funds.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the company uses the indirect method of reporting net cash flows from operating activity, and considers all short-term debt securities purchased with a maturity of 3 months or less to be cash equivalents.

Investments

All investments are reported at fair market value and gains and losses whether realized or unrealized are recognized when they occur.

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (Continued)

Property and Equipment
Property and equipment is recorded at cost. Small tools are expensed.

Depreciation and Amortization
Depreciation of fixed assets are computed under the straight-line method.

Mortgage Costs
Mortgage costs are presented net of amortization of $14,063. Total mortgage costs of $15,949 are being amortized using the straight-line method over 5 years.

Advertising
Advertising costs are generally charged to operations in the year incurred and totaled $1,115 and $575 as of June 30, 2013 and 2012, respectively.

Functional Expenses
The costs of providing programs have been summarized on a functional basis in the statement of functional expenses. Accordingly, overhead and certain other expenses are allocated to functional categories based on percentages estimated by the organization's management.

Non-Interest Bearing Mortgage Loans
Mortgage loans receivable consists of non-interest bearing mortgages which are secured by real estate and payable in monthly installments over the life of the mortgage.

Transfers to Homeowners
Transfers to homeowners are recorded at the gross mortgage amount plus down payment received (less financed closing costs). Non-interest bearing mortgages have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages. The discount will be recognized as interest income over the term of the mortgage.

Pledge Receivables
Pledges receivable are recognized when a donor makes a "promise to give" to Habitat which in substance is unconditional. Pledges receivable are recorded at face value net of an allowance for uncollectable amounts based on management's judgment and analysis of the creditworthiness of the donors, past payment experience and other relevant factors. No allowance for uncollectable accounts was deemed necessary as of June 30, 2013 and June 30, 2012. No accounts were deemed uncollectable and written off to bad debt expense during the year.

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (Continued)

Uncertain Tax Positions

Habitat adopted the provisions of FASB ASC 740-10. This standard requires all taxpayers to analyze all material positions they have taken or plan to take in all tax returns that have been filed or should have been filed with all taxing authorities for all years still subject to challenge by those taxing authorities. If the position taken is "more-likely-than-not" to be sustained by the taxing authority on its technical merits and if there is more than a 50% likelihood that the position would be sustained if challenged and considered by the highest court in the relevant jurisdiction, the tax consequences of that position should be reflected in the taxpayer's GAAP financial statements. Using that guidance, Habitat has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements as of June 30, 2013 and 2012.

Habitat's federal tax returns for the years ended June 30, 2009 through June 30, 2012 are subject to examination by applicable taxing and regulating authorities. Habitat has evaluated its tax positions for all open tax years, and believes all tax positions taken would be upheld under an examination.

NOTE 2. CONSTRUCTION IN PROGRESS.

Construction in progress includes all direct costs for land, materials and professional services and the estimated or actual fair market value of donated items such as land, material and professional services. All direct recorded costs of individual projects are transferred to construction costs when the title transfers to the homeowner. The construction in progress account balance is $1,590,560 and $2,802,288 at June 30, 2013 and 2012, respectively.

NOTE 3. PROPERTY AND EQUIPMENT.

The following is a summary of land, building and equipment less accumulated depreciation as of June 30, 2013 and 2012:

	2013	2012
Office Equipment	$ 29,208	$ 29,208
Vehicles	42,081	34,990
Building	1,272,297	1,272,297
	1,343,586	1,336,495
Less: Accumulated Depreciation	198,773	151,820
	$ 1,144,813	$1,184,675

NOTE 4. MORTGAGE LOANS RECEIVABLE.

All direct expenditures related to the various projects are recorded as construction in progress. When a project is sold, the "subsidized" sale price is recorded as mortgage receivable and the related construction costs are removed from the construction in process account.

The various mortgage loans receivable consist of non-interest bearing mortgage loans to homeowners which are secured by real estate and payable in monthly installments over the lives of the respective mortgages. These non-interest bearing mortgages are recorded at their net realizable value and have been discounted based upon prevailing market rates for low-income housing at the inception of each mortgage. Utilizing the effective interest method, this discount is recognized as interest income over the term of the mortgage. The homeowners' monthly mortgage payments go into a revolving fund for the Organization that is used to build more houses.

In addition, a second lien is placed against the home that is equal to the difference between the cost of construction and the appraised value or the difference between the external mortgage and the appraised value. Repayment of the second lien is only required in the event of a resale or refinance, and is forgiven by 10% a year. All proceeds from a second mortgage realization are recorded as income in the period collected.

Certain funds provided by local governments or institutional investors would be required to be repaid to the donating government or institution in the event the project for which the funds were provided is sold by the homeowner within a specified time period, between 5 and 30 years. These contingent obligations of the homeowners range from $10,000 to $65,000 and are documented in the form of silent second and third trust deeds.

NOTE 5. MORTGAGE LOAN ADMINISTRATION.

Habitat mortgage loans are currently managed by AmeriNational, an experienced loan servicer providing the tasks of payment collection, processing and remittance, delinquency notices, escrow administration, 1098 reporting, and other back-office functions necessary in effectively administering a loan. Habitat records principal payments paid through AmeriNational.

NOTE 6. ESCROW AND HOUSE DEPOSITS.

Escrow deposits are funds received from homeowners that are restricted to payment of taxes and insurance on homeowners' properties. House deposits are funds received from home buyers prior to closing that are held in escrow and restricted to down payment and closing costs on new home sales. As of June 30, 2013 and 2012, Habitat held $9,125 and $33,959, respectively in escrow and house funds with a corresponding liability. The escrow liability and activity has been transferred to AmeriNational during the 2012-2013 year.

NOTE 7. LINE OF CREDIT.

The organization has a line of credit available with M & T Bank. As of June 30, 2013 and 2012, the maximum principal amount available is $300,000 and $300,000, respectively. As of June 30, 2013 and 2012 there were borrowings of $0 and $200,000 on this line of credit. Repayment terms call for monthly payments of interest only. The bank requires that the line of credit is to have a zero balance due, for at least 30 days in a one year term. The interest rate is determined by the bank as its prime rate of interest.

NOTE 8. FLEX LINE.

The organization has a flex line of credit with M&T Bank. As of June 30, 2013 and 2012, the maximum principal amount available is $200,000 and $200,000, respectively. As of June 30, 2013 and 2012 there were borrowings of $200,000 and $200,000 on this flex line. The bank requires that interest be paid monthly with no predetermined date of principal repayment. The interest rate is determined by the bank as its prime rate of interest.

NOTE 9. LONG-TERM DEBT.

Long term debt at June 30, 2013 is as follows:

A. The mortgage note payable to Riverside Bank, requires monthly payments of $5,773 over a five year period (based on a 20 year amortization) with a balloon payment due at the end of five years. The interest rate is 6.00%. The note is secured by the building.

B. On February 17, 2010 Habitat borrowed $300,000 from M&T Bank, collateralizing 15 of our current mortgage receivables. The payback term of this loan is 60 equal monthly payments of $5,821 including interest at 6.07% with the last payment being paid February 16, 2015.

C. On June 22, 2011 Habitat remediated the assignment of property containing sixteen parcels from Leyland Newburgh Associates, LLC and the assignment of the debt associated with the eight parcels. The debt is as follows

   1. Walden Savings Bank (WSB). WSB holds the mortgage note in the amount of $200,443. The payback term of this note is interest only at a floating rate, which is determined by the highest rate as published in the Wall Street Journal or 3.25%, whichever is higher, for three years. The loan is secured by eight parcels. Upon the sale of each individual parcel, Habitat will pay the principal balance associated with that specific parcel to Walden Savings Bank.

   2. City of Newburgh (CON). CON holds the mortgage in the amount of $105,625. Interest accrues at a rate of 2% with a balloon payment on May 1, 2016. Upon the sale of each individual parcel, Habitat will pay the principal balance associated with that specific parcel to the City of Newburgh.

D. On January 5, 2011, debt to Hudson Riverside Equities was assigned to William & Mary Murphy and David & Mary McTamaney and restated in the form of a $200,000 loan with collateral in 10 parcels of Habitat owned property. The payback term of this note is interest only, of 5%, paid annually on September 1st. Upon the sale of each individual parcel, Habitat will pay the principal balance associated with that specific parcel to the individuals.

E. On September 21, 2011 Habitat remediated the purchase of property from William Clark St. Corp. The property contains six parcels to be rehabilitated by Habitat. William Clark St. Corp. holds the mortgage note in the amount of $100,000. The payback term of this note is interest only at 6.00% for ten years. Upon the sale of each individual parcel, Habitat has the option to pay the principal balance associated with that specific parcel to William Clark St. Corp. Any and all remaining principal balance that remains after the ten years is due to William Clark St. Corp. on September 21, 2021. On February 7, 2012, the debt of $100,000 was assigned to Gloria E. and Thomas J. Amodeo.

NOTE 9. LONG-TERM DEBT. (Continued)

	Short-Term	Long-Term	Total
A. Riverside Bank	$ 27,737	$ 673,149	$ 700,886
B. M&T Term Loan	64,883	45,333	110,216
C1. Walden Savings Bank	0	200,443	200,443
C2. City of Newburgh	0	105,625	105,625
D. Murphy/McTamaney Loan	0	200,000	200,000
E. William Clark St. Loan	0	100,000	100,000
Total	$ 92,620	$ 1,324,550	$ 1,417,170

Maturity of long-term debt is as follows:

FYE June 30,	
2014	$ 92,620
2015	174,790
2016	337,354
2017	133,227
2018	35,288
2019 – 2023	312,124
2024 – 2028	286,612
2029	45,155
	$ 1,417,170

NOTE 10. IN-KIND CONTRIBUTIONS.

Included in in-kind contributions are building materials which have been donated to Habitat for use in the houses which they are rehabilitating and the value of contributed services meeting the requirements for recognition in the financial statements. During the fiscal year ended June 30, 2013 and 2012, the value of these in-kind contributions was $185,401 and $281,162, respectively.

NOTE 11. TRANSACTIONS WITH HABITAT FOR HUMANITY INTERNATIONAL, INC.

Habitat for Humanity of Greater Newburgh annually remits a portion of its contributions (excluding in-kind contributions) to Habitat for Humanity International. These funds are used to construct homes in economically depressed areas around the world. For the year ended June 30, 2013 and June 30, 2012, Habitat contributed $31,360 and $20,425, respectively to Habitat International. As of June 30, 2013, the funding provided has enabled us to serve over 86 families internationally. This amount is included as a program service expense in the Statement of Activities.

NOTE 12. REFUNDABLE ADVANCE.

The County of Orange, Office of Community Development, the U.S. Department of Housing and Urban Development Neighborhood Stabilization Program and the Affordable Housing Corporation have provided funds to the organization for the construction of various projects. These funds were recorded as a refundable advance. These grants will only be repayable by Habitat in the event of non-compliance with any of the provisions of the agreement prior to transfer of the liability to the homeowner at closing. The nature of these grants is not fully realizable until the final recording after the closing and transfer of title to the homeowner.

NOTE 13. RESERVE FOR HOUSE COMPLETION.

Habitat has reserved $781,235 and $1,248,449 of unrestricted fund balance for the completion of projects that are currently in progress during the fiscal year 2013 and 2012 respectively. This amount is calculated based on projected completed costs less costs expensed in the current year.

NOTE 14. JOINT VENTURE.

Beginning in 2007, Habitat entered into a joint development project with Leyland Alliance, LLC. The purpose of the project was to develop twenty-four units in the City of Newburgh. Habitat was responsible for constructing and selling 8 of the total 24 units to be developed. All infrastructure costs associated with the project were to be divided, one-third Habitat's responsibility and two-thirds Leyland Alliance, LLC's responsibility. On June 22, 2011, after months of negotiations, the joint project ended, with Habitat assuming all of Leyland Alliance, LLC's 16 units and the outstanding debt associated with those units. Habitat for Humanity of Greater Newburgh will independently complete the project.

NOTE 15. LEASED FACILITIES.

On February 1, 2009 Habitat entered into a lease agreement with K.C. Newburgh, Inc. for storage space with monthly rent of $900.

NOTE 16. RESTRICTED FUNDS.

During fiscal year 2013, Habitat received a donation of $1,000 that was restricted to assist homeowners with their deductible amount for their homeownership insurance policies, if there was a policy claim on their insurance plans. These funds are designated as temporarily restricted on the Balance Sheet

NOTE 17. RETIREMENT PLANS.

The Organization established a 401(k) retirement savings plan (tax deferred annuity) for its Employees. The Organization makes its employees aware of the plan, withholds voluntary contributions from paychecks and remits the contributions to an independent trustee. Each participant may contribute his or her eligible compensation on a pretax basis to the plan up to a maximum allowed by the Internal Revenue Code.

NOTE 18. INCOME TAX STATUS.

The Organization is classified as a section 501(c)(3) Organization under the Federal Internal Revenue Code. As a result, it has been determined to be exempt from federal and state income taxes.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2010, 2011, 2012, and 2013 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 19. EVALUATION OF SUBSEQUENT EVENTS.

The Organization has evaluated subsequent events through November 1, 2013, the date which the financial statements were available to be issued.

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November 1, 2013

To the Board of Directors of
Habitat for Humanity of Greater Newburgh, Inc.
Newburgh, New York

We have audited the financial statements of Habitat for Humanity of Greater Newburgh, Inc. for the year ended June 30, 2013, and have issued our report thereon dated November 1, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 30, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Habitat for Humanity of Greater Newburgh, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

> Management's estimate of the depreciation expenses which is based on the asset's useful life. We evaluated the key factors and assumptions used to develop the useful life in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 1, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

This information is intended solely for the use of Board of Directors and management of Habitat for Humanity of Greater Newburgh, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Nugent + Haeussler, P.C.

Montgomery, New York

Nugent & Haeussler, P.C.
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November 1, 2013

To the Board of Directors of
Habitat for Humanity of Greater Newburgh, Inc.
Newburgh, New York

In planning and performing our audit of the financial statements of Habitat for Humanity of Greater Newburgh, Inc. as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered Habitat for Humanity of Greater Newburgh, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, Board of Directors, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Nugent & Haeussler, P.C.
Montgomery, New York