

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

AND

***REPORTS OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS***

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Habitat for Humanity of Pinellas County, Inc.

We have audited the accompanying statements of financial position of Habitat for Humanity of Pinellas County, Inc. (Habitat) as of June 30, 2011 and 2010, and the related statements of activities, and cash flows for the years then ended, and the related statement of functional expenses for the year ended June 30, 2011. 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. The prior year summarized comparative information included in the statement of functional expenses has been derived from Habitat's 2010 financial statements and, in our report dated October 21, 2010, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Pinellas County, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended, and its functional expenses for the year ended June 30, 2011, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2011, on our consideration of Habitat's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Continued

INDEPENDENT AUDITORS' REPORT – CONTINUED

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Clearwater, Florida
September 15, 2011

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Cash	\$ 524,922	\$ 376,168
Cash - temporarily restricted	101,412	34,805
Assets held in escrow	407,989	216,358
Non-interest bearing residential mortgage loans, net of unamortized discounts of \$525,550 and \$973,289, respectively	454,482	760,247
Accounts receivable	450,510	13,258
Unconditional promises to give	92,524	68,110
Habitat Outlet inventory	63,418	62,149
Homes under construction	1,906,724	1,165,228
Homes awaiting closing	-	106,862
Land for future construction	2,366,071	2,991,279
Real estate held for investment or resale	398,073	196,779
Property and equipment, net	42,280	56,113
Beneficial interest in assets held by others	20,000	20,000
Deferred affordable housing note receivable	350,000	350,000
Other assets	27,711	16,237
Total Assets	\$ 7,206,116	\$ 6,433,593
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 204,604	\$ 164,265
Other liabilities	62,400	-
Escrow deposits	420,069	227,681
Down payments and advance payments	16,000	12,500
Line-of-credit	-	130,000
Notes payable	3,161,487	2,930,027
Deferred affordable housing note payable	350,000	350,000
Total liabilities	4,214,560	3,814,473
Net Assets		
Unrestricted	2,621,840	2,448,447
Temporarily restricted	349,716	150,673
Permanently restricted	20,000	20,000
Total net assets	2,991,556	2,619,120
Total Liabilities and Net Assets	\$ 7,206,116	\$ 6,433,593

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

STATEMENT OF ACTIVITIES

**YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS FOR 2010)**

<i>Support and Revenue</i>	<i>Unrestricted</i>	<i>Temporarily</i>	<i>Permanently</i>	<i>Total</i>	
		<i>Restricted</i>	<i>Restricted</i>	<i>2011</i>	<i>2010</i>
Contributions					
Building materials and services	\$ 50,000	\$ 408,140	\$ -	\$ 458,140	\$ 404,883
Cash	388,510	541,600	-	930,110	708,366
Habitat Outlet merchandise	404,401	-	-	404,401	381,377
In-kind	97,156	-	-	97,156	230,155
Transfers to homeowners	3,152,450	-	-	3,152,450	3,964,100
Mortgage discount amortization	41,966	-	-	41,966	35,885
Sales - Habitat Outlet	403,132	-	-	403,132	382,625
Fundraising events, net of direct costs of \$29,361	57,866	-	-	57,866	88,066
Foundations and grants	280,921	51,412	-	332,333	248,176
Other	29,775	-	-	29,775	39,744
Interest income	13	-	-	13	97
Net assets released from restrictions	802,109	(802,109)	-	-	-
Total support and revenue	5,708,299	199,043	-	5,907,342	6,483,474
Expenses					
Program					
Construction and mortgage discounts	4,140,378	-	-	4,140,378	5,940,042
Habitat Outlet	765,417	-	-	765,417	699,679
Supporting services					
General and administrative	166,274	-	-	166,274	169,124
Fundraising	164,813	-	-	164,813	150,136
Total expenses	5,236,882	-	-	5,236,882	6,958,981
Change in Net Assets Before Other Changes	471,417	199,043	-	670,460	(475,507)
Other Changes - Expense (Revenue)					
Loss on sale of property	173,809	-	-	173,809	86,274
Loss on sale of land	112,281	-	-	112,281	-
Impairment on land held for development	266,832	-	-	266,832	-
Debt forgiveness income	(254,898)	-	-	(254,898)	-
Total other changes	298,024	-	-	298,024	86,274
Change in Net Assets	173,393	199,043	-	372,436	(561,781)
Net Assets at Beginning of Year	2,448,447	150,673	20,000	2,619,120	3,180,901
Net Assets at End of Year	\$ 2,621,840	\$ 349,716	\$ 20,000	\$ 2,991,556	\$ 2,619,120

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010

Support and Revenue	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributions				
Building materials and services	\$ 60,000	\$ 344,883	\$ -	\$ 404,883
Cash	367,573	340,793	-	708,366
Habitat Outlet merchandise	381,377	-	-	381,377
In-kind	230,155	-	-	230,155
Transfers to homeowners	3,964,100	-	-	3,964,100
Mortgage discount amortization	35,885	-	-	35,885
Sales - Habitat Outlet	382,625	-	-	382,625
Fundraising events, net of direct costs of \$12,860	88,066	-	-	88,066
Grants	159,676	88,500	-	248,176
Other	39,744	-	-	39,744
Interest income	97	-	-	97
Net assets released from restrictions	840,027	(840,027)	-	-
Total support and revenue	6,549,325	(65,851)	-	6,483,474
Expenses				
Program				
Construction and mortgage discounts	5,940,042	-	-	5,940,042
Habitat Outlet	699,679	-	-	699,679
Supporting services				
General and administrative	169,124	-	-	169,124
Fundraising	150,136	-	-	150,136
Total expenses	6,958,981	-	-	6,958,981
Change in Net Assets Before Other Changes	(409,656)	(65,851)	-	(475,507)
Other Changes - Expense (Revenue)				
Loss on sale of property	86,274	-	-	86,274
Change in Net Assets	(495,930)	(65,851)	-	(561,781)
Net Assets at Beginning of Year	2,944,377	216,524	20,000	3,180,901
Net Assets at End of Year	\$ 2,448,447	\$ 150,673	\$ 20,000	\$ 2,619,120

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2011

(WITH COMPARATIVE TOTALS FOR 2010)

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total Expenses</u>		
	<u>Construction</u>	<u>Mortgage Discounts</u>	<u>Habitat Outlet</u>	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>2011</u>	<u>2010</u>
Salaries and benefits	\$ 732,380	\$ -	\$ 242,575	\$ 974,955	\$ 65,423	\$ 111,827	\$ 177,250	\$ 1,152,205	\$ 1,021,366
Building materials and supplies	3,285,593	-	-	3,285,593	-	-	-	3,285,593	4,392,581
Insurance and taxes	43,106	-	2,239	45,345	1,203	-	1,203	46,548	39,691
Repairs and maintenance	25,608	-	-	25,608	-	-	-	25,608	42,970
Depreciation and amortization	13,384	-	3,594	16,978	16,227	-	16,227	33,205	41,499
Mortgage discounts	-	(405,773)	-	(405,773)	-	-	-	(405,773)	375,605
Office supplies, equipment, and utilities	82,192	-	9,065	91,257	3,573	6,087	9,660	100,917	96,959
Printing and advertising	7,828	-	1,247	9,075	212	7,651	7,863	16,938	9,341
Travel	47,364	-	11,143	58,507	-	3,471	3,471	61,978	73,588
Professional services	103,738	-	138	103,876	54,746	2,238	56,984	160,860	166,578
Other	20,860	-	434,216	455,076	11,390	17,639	29,029	484,105	424,866
Rent	89,158	-	61,200	150,358	13,500	15,900	29,400	179,758	175,722
Bad debt expense	6,740	-	-	6,740	-	-	-	6,740	10,015
Support of Habitat for Humanity International	88,200	-	-	88,200	-	-	-	88,200	88,200
	<u>\$ 4,546,151</u>	<u>\$ (405,773)</u>	<u>\$ 765,417</u>	<u>\$ 4,905,795</u>	<u>\$ 166,274</u>	<u>\$ 164,813</u>	<u>\$ 331,087</u>	<u>\$ 5,236,882</u>	<u>\$ 6,958,981</u>

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<i>Cash Flows from Operating Activities</i>		
Change in net assets	\$ 372,436	\$ (561,781)
<i>Adjustments to reconcile change in net assets to cash provided by (used in) operating activities</i>		
Depreciation and amortization	33,205	41,499
Amortization of mortgage discounts	(41,966)	(35,885)
Mortgage discounts retired	(441,673)	(85,196)
New mortgages transferred to owners	(264,350)	(299,498)
Loss (gain) on disposal of real estate	552,923	87,718
Loss (gain) on disposal of assets	-	(1,444)
Donated land for development	83,334	-
Transfer of land for construction	516,514	1,486,262
Debt forgiveness income	(254,898)	-
Buyback of homeowner properties	219,821	-
<i>Decrease (Increase) in:</i>		
Unconditional promises to give	(24,414)	24,524
Habitat Outlet inventory	(1,268)	1,249
Homes under construction	(741,496)	(313,190)
Real estate held for investment/resale	-	27,032
Escrow cash	(191,631)	(45,378)
Due from Northern Trust	(1,786)	(821)
Second mortgage receivable	(2,708)	(19,722)
Accounts receivable	(437,252)	25,196
Other assets	(13,205)	784
<i>Increase (Decrease) in:</i>		
Accounts payable and accrued expenses	40,338	48,653
Other liabilities	62,400	40,553
Due to Northern Trust Bank	-	(1,777)
Escrow deposits	192,388	46,002
Down payments and advance payments	3,500	2,000
<i>Net cash provided by (used in) operating activities</i>	<u>(339,788)</u>	<u>466,780</u>

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

STATEMENTS OF CASH FLOWS - CONTINUED

YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<i>Cash Flows from Investing Activities</i>		
Proceeds from sale of real estate held for resale	49,910	335,749
Purchases of real estate held for resale	(285,543)	(336,140)
Proceeds from sale of property and equipment	2,784	2,140
Purchases of equipment	(17,642)	(3,959)
Net proceeds from sale of land and homes awaiting closing	98,101	-
Net purchases of land for future construction	(218,768)	(1,032,460)
Payments received on mortgages	1,058,248	149,295
	<u>687,090</u>	<u>(885,375)</u>
<i>Net cash provided by (used in) investing activities</i>		
	<u>687,090</u>	<u>(885,375)</u>
<i>Cash Flows from Financing Activities</i>		
Payments on re-purchased mortgages	(1,941)	-
Net payments on line-of-credit	(130,000)	(17,500)
	<u>(131,941)</u>	<u>(17,500)</u>
<i>Net cash used in financing activities</i>		
	<u>(131,941)</u>	<u>(17,500)</u>
<i>Net Increase (Decrease) in Cash</i>	215,361	(436,095)
<i>Cash at Beginning of Year</i>	<u>410,973</u>	<u>847,068</u>
<i>Cash at End of Year</i>	<u>\$ 626,334</u>	<u>\$ 410,973</u>
<i>Supplemental Disclosures of Noncash Activities:</i>		
<i>Issuance of Non-Interest Bearing Mortgage Loans</i>	<u>\$ 17,073</u>	<u>\$ 19,722</u>
<i>Transfers of Property to Homeowners</i>	<u>\$ 3,152,450</u>	<u>\$ 3,964,100</u>
<i>Donated Land</i>	<u>\$ 83,334</u>	<u>\$ 33,000</u>
<i>Payments for the Purchase of Land for Future Construction</i>		
Acquisition of land for future construction	\$ 232,349	\$ 1,608,069
Net proceeds from loans acquired	(13,581)	(575,609)
	<u>218,768</u>	<u>(1,032,460)</u>
<i>Net purchase of land for future construction</i>	<u>\$ 218,768</u>	<u>\$ 1,032,460</u>

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

Habitat for Humanity of Pinellas County, Inc. (a not-for-profit organization) was incorporated in January 1985. Habitat for Humanity of Pinellas County, Inc. (Habitat) is an affiliate of Habitat for Humanity International, Inc. (Habitat International), a nondenominational Christian, not-for-profit organization, whose mission is to share the gospel of Jesus Christ through the ministry of home building; to the end that all persons of all races, classes, and faiths work in partnership to eradicate poverty housing, change lives, and build community. 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. **Basis of Presentation**

The financial statements of Habitat have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP).

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 985-205, *Financial Statements of Not-For-Profit Organizations*. Under those provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions 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 can be fulfilled by actions of Habitat pursuant to those stipulations or that expire by the passage of time.
- Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by Habitat. Generally, the donors of such assets permit Habitat to use all or part of the income earned on the assets.

2. **Cash**

Cash consists of cash on deposit with financial institutions and money market mutual fund accounts. All highly liquid assets with an initial maturity of three months or less are considered to be cash equivalents.

3. **Assets Held in Escrow**

Habitat currently services the mortgages on the homes it sells. Included in assets held in escrow are cash amounts received for insurance and property taxes on such homes. These cash amounts are recorded as an asset offset by a related liability.

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Homes Under Construction

Costs incurred in conjunction with homes under construction are expensed when the home is transferred to the homeowner. The following is a summary of home building activity:

<u>2011</u>	<u>Number</u>	<u>Costs</u>
Homes under construction July 1, 2010	49	\$ 1,165,228
Additional costs incurred on beginning inventory	-	2,496,857
Additional costs on homes transferred prior year	(5)	(6,729)
New homes started during the year	43	1,546,209
Other properties transferred out	(2)	(50,389)
Rehab home transferred out	(1)	(114,504)
Homes transferred during the year	<u>(20)</u>	<u>(3,129,948)</u>
	<u>64</u>	<u>\$ 1,906,724</u>
<u>2010</u>	<u>Number</u>	<u>Costs</u>
Homes under construction July 1, 2009	34	\$ 852,038
Additional costs incurred on beginning inventory	-	1,359,638
Additional costs on homes transferred prior year	(7)	(91,015)
New homes started during the year	51	3,360,975
Rehab homes transferred out	(15)	(1,773,183)
Homes transferred during the year	<u>(14)</u>	<u>(2,543,225)</u>
	<u>49</u>	<u>\$ 1,165,228</u>

5. Property and Equipment

Property and equipment are recorded at acquisition cost, including costs necessary to prepare the asset for its intended use. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the assets ranging from 3 – 10 years.

Maintenance and repairs are charged to expense as incurred, while renewals and betterments in excess of \$500 are capitalized. Gains and losses on sales are credited or charged to operations in the year of sale.

6. Other Assets

Other assets consist mainly of other receivables, refundable deposits, and amounts due from the escrow cash account.

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Habitat Outlet Inventory

Habitat Outlet inventory includes donated household building materials, appliances, and furniture that are sold at Habitat Outlet in St. Petersburg, Florida. Merchandise is recorded at its estimated fair market value, which is determined based on its future economic benefit.

8. Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to Habitat that is, in substance, unconditional. Unconditional contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, or when a pledge becomes due, temporarily restricted net assets are reclassified to unrestricted net assets.

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated cash flows. Conditional promises to give are not included as support until the conditions are substantially met.

Habitat uses the allowance method to determine uncollectible unconditional promises. The allowance is based on prior years' experience and management's analysis of specific promises made. At June 30, 2011 and 2010, \$6,740 and \$10,015 was deemed uncollectible and written off to bad debt expense, respectively. No allowance was booked at June 30, 2011 or 2010.

9. Mortgage Loans

Mortgage loans consist of non-interest bearing mortgages secured by real estate and payable in monthly installments over the life of the mortgage. Past due and delinquent mortgage loans are assessed at the discretion of the Board of Directors.

10. Revenue Recognition

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

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

10. Revenue Recognition – Continued

All donor-restricted contributions are reported as increases 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 the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Federal, state and local government and other grants are recognized as support when performance occurs pursuant to the contract agreement.

Sales of homes are recognized when the home is substantially complete and ownership has transferred to the new homeowner.

11. Intangible Assets

Habitat has adopted FASB ASC 350-10, *Goodwill and Other Intangible Assets*. In accordance with this standard, if an intangible asset is determined to have an indefinite useful life, it shall not be amortized until its useful life is determined to be no longer indefinite.

Website costs are Habitat's only intangible asset; and are being amortized on a straight-line basis over three years.

12. Donated Services

Donated premises, services, and materials are recorded as revenue in the accompanying statements of activities, at their estimated values at the date of receipt. Contributions of services are recorded as unrestricted support at their estimated fair value if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donations that are not susceptible to objective measurement or valuation are not included in the financial statements. Donated building materials and services used in building the homes are reflected as contributed services of approximately \$458,000 in income, of which \$127,600 is temporarily restricted in homes under construction at June 30, 2011. At June 30, 2010, contributed services are reflected as approximately \$405,000 in income, of which \$31,900 is temporarily restricted in homes under construction.

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

13. **Transfers to Homeowners**

Transfers to homeowners are recorded at the gross mortgage amount plus down payment received. Non-interest bearing mortgages have been discounted based upon prevailing market rates for low income housing at the inception of the mortgages, as provided by Habitat International. Utilizing the effective interest method, this discount will be recognized as interest income over the term of the mortgage.

14. **Advertising Costs**

Advertising costs are expensed as incurred and were approximately \$2,100 and \$1,400 for the years ended June 30, 2011 and 2010, respectively.

15. **Income Taxes**

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

As of June 30, 2010, Habitat elected to adopt the guidance for uncertainty in income taxes as defined in FASB ASC 740-10-65-1. Habitat records a liability for uncertain tax positions when it is probable that a loss has been incurred and the amount can be reasonably estimated. Habitat has not recognized any respective liability for unrecognized tax benefits as it has no known tax positions that would subject Habitat to any material income tax exposure. A reconciliation of the beginning and ending amount of unrecognized tax benefits is not included, nor is there any interest accrued related to unrecognized tax benefits in interest expense and penalties in the statements of activities as there are no unrecognized tax benefits.

As of June 30, 2011, Habitat did not have any unrecognized tax benefits as defined in FASB ASC 740-10-65-1. We do not believe that there will be any material changes in our unrecognized tax positions over the next twelve months. We continually evaluate expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

16. **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

17. Fair Value Measurement

The financial statements are prepared in accordance with FASB ASC 820 for all financial assets and liabilities and for nonfinancial assets and liabilities recognized or disclosed at fair value in the financial statements or on a recurring basis (at least annually). FASB ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on a measurement date. FASB ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. FASB ASC 820 describes three levels of inputs that may be used to measure fair value:

- Level 1: Quotes market prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

18. Fair Value of Financial Instruments

Habitat's financial instruments include cash, investments, and accounts payable. The following methods and assumptions were used by Habitat in estimating the fair value of its financial instruments:

Cash and cash equivalents- the carrying amount reported in the statements of financial position approximates fair value because of the short maturity of those instruments.

Mortgage receivables - The carrying amount is at net present value of the loan.

Notes payable – The carrying amount and interest rates of these loans are considered to approximate the net realizable value.

Accounts payable – the carrying amount reported in the statements of financial position approximates fair value because of the short maturity of those instruments.

19. Reclassification

Certain amounts in the 2010 financial statements have been reclassified to be comparable to the 2011 financial statements. The reclassification had no effect on the change in net assets for the years ended June 30, 2011 and 2010, respectively.

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

20. Beneficial Interest in Assets Held by Others

In 2006, Habitat established endowment accounts with the Pinellas Community Foundation (PCF) in the amount of \$10,000 and Tampa Bay Community Foundation (TBCF) in the amount of \$10,000. This total amount of \$20,000 is considered an asset (beneficial interest in assets held by others) of Habitat and is included in the accompanying statements of financial position as of June 30, 2011 and 2010 as both an asset and a permanently restricted net asset. Although Habitat does not have the right to receive the endowment assets per the Trust Agreements, the contribution to these endowment funds is considered an asset of Habitat as it has been named beneficiary. Earnings on the endowment funds, net of any service fees, will be periodically distributed to Habitat in accordance with the agreement. Habitat has received approximately \$1,000 in earnings on the endowments for years ending June 30, 2011 and 2010.

NOTE B – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following at June 30:

	<u>2011</u>	<u>2010</u>
Gross unconditional promises to give	\$ 93,735	\$ 69,900
Less: Unamortized discount	<u>(1,211)</u>	<u>(1,790)</u>
Net unconditional promises to give	<u>\$ 92,524</u>	<u>\$ 68,110</u>
Amounts due in:		
Less than one year	\$ 71,110	\$ 27,310
One to five years	<u>21,414</u>	<u>40,800</u>
	<u>\$ 92,524</u>	<u>\$ 68,110</u>

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE B – UNCONDITIONAL PROMISES TO GIVE – CONTINUED

Promises to give have no readily available market and therefore were measured at fair market value as a Level 3 on the fair value hierarchy. Promises to give with due dates extending beyond one year are discounted to present value using Treasury bill rates with similar term investments with an added amount for economic uncertainty. The applicable discount rate at June 30, 2011, was 2.58%. For the years prior to 2011, promises to give were discounted with rates ranging from 3% - 5%.

NOTE C – PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following:

	<u>2011</u>	<u>2010</u>
Vehicles	\$ 53,066	\$ 53,066
Furniture and fixtures	27,973	27,973
Leasehold improvements	89,752	76,284
Signage	11,540	11,540
Construction equipment	60,282	60,282
Office equipment	<u>71,265</u>	<u>67,090</u>
	313,878	296,235
Less accumulated depreciation	<u>(271,598)</u>	<u>(240,122)</u>
	<u>\$ 42,280</u>	<u>\$ 56,113</u>

Depreciation expense was approximately \$31,500 and \$41,100 for years ended June 30, 2011 and 2010, respectively.

NOTE D – CAPITALIZED INTEREST

Interest costs charged to operations consist of the following:

	<u>2011</u>	<u>2010</u>
Interest cost incurred	\$ 17,073	\$ 15,916
Decrease as a result of capitalizing interest as a cost of land held for investment	<u>(17,073)</u>	<u>(15,916)</u>
Interest charged to operations	<u>\$ -</u>	<u>\$ -</u>

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE E – INTANGIBLE ASSETS

Intangible asset subject to amortization at June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Website costs	\$ 5,194	\$ 5,194
Less accumulated amortization	<u>(2,164)</u>	<u>(433)</u>
	<u>\$ 3,030</u>	<u>\$ 4,761</u>

Amortization expense for June 30, 2011 and 2010 was \$1,731 and \$433, respectively. Aggregate amortization expense for each of the next two fiscal years ending June 30 is estimated as follows:

<i>Year ended</i> <u>June 30,</u>	
2012	\$ 1,731
2013	<u>1,299</u>
	<u>\$ 3,030</u>

NOTE F – LINE-OF-CREDIT

For the year ended June 30, 2010, Habitat secured a line-of-credit through BB&T Bank in the amount of \$130,000. Interest accrued at the rate of prime plus 1.75% on any outstanding balance. At June 30, 2010, the outstanding balance on the line-of-credit was \$130,000. The line-of-credit was securitized by the purchase of houses to be rehabilitated and sold within a 23 month period of time. This line-of-credit was paid off and terminated in April 2011.

NOTE G – NOTES PAYABLE

Notes payable consists of the following:

	<u>2011</u>	<u>2010</u>
Mortgage payable to a bank, balloon payment due March of 2014, including interest paid quarterly beginning May 28, 2008 at 5.75% until maturity, collateralized by a first mortgage on land and improvements for the Lake Butler property	\$ 268,381	\$ 273,000

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE G – NOTES PAYABLE – CONTINUED

	<u>2011</u>	<u>2010</u>
Loan payable to Habitat International as part of the SHOP 2004 grant, payments are \$181 paid monthly beginning July 1, 2007 at 0% interest until maturity at July 1, 2011	1,120	3,292
Mortgage payable for infrastructure to City of Clearwater with 0% interest and balloon payment due upon maturity at June 30, 2010, with the principal amount of this note forgiven at the commencement of construction of the first housing unit upon the mortgaged property referred to as Stevens Creek. As of March 31, 2011 the mortgage was satisfied	-	123,477
Loan payable to Habitat International as part of the SHOP 2006 grant, payments are \$625 paid monthly beginning January 1, 2009 at 0% interest until maturity at January 1, 2012	11,280	18,768
Mortgage payable of \$1,425,000 for the land purchase on the Stevens Creek property to Pinellas County Board of Commissioners with 0% interest and payment deferred until October 1, 2013, with interest thereon at 3% per year for the remainder of the thirty (30) year term, interest and principal payments of \$6,008 per month beginning October 1, 2013 continuing until maturity at October 1, 2043. Outstanding balance is the amount of draw downs to date	1,248,271	941,590
Mortgage payable to City of Clearwater for the land purchase of Stevens Creek with 0% interest and payment deferred until September 29, 2013, with interest thereon at 3% per year for the remainder of the thirty (30) year term, to pay \$12,000 each time a house is sold, with any remaining balance including principal and interest due and payable upon maturity at September 29, 2038	564,705	600,000

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE G – NOTES PAYABLE – CONTINUED

	<u>2011</u>	<u>2010</u>
Mortgage payable to the Pinellas County Board of Commissioners of \$640,000 was modified on September 24, 2009 increasing the original principal balance of \$277,000 by \$363,000 for a total loan amount of \$640,000. This loan is for the infrastructure on the Shady Grove property with 0% interest and payment deferred until October 1, 2013, with interest thereon at 3% per year for the remainder of the thirty (30) year term, interest and principal payments of \$2,698 per month beginning October 1, 2013 continuing until maturity at October 1, 2043. Outstanding balance is the amount of draw downs to date	437,942	458,070
Note payable to Pinellas County Board of Commissioners for the land purchase of Havens Ridge with 0% interest and a balloon payment of remaining balance upon maturity at December 1, 2012. Upon the sale of units a portion of the loan is paid down resulting in a partial release of the lien on the sold property	411,908	411,908
Note payable due to Northern Trust for the mortgaged property on 2226 Court St and 3460 19 th Ave. These properties were defaulted on by two separate homeowners and are currently being paid by Habitat until they find replacements	217,880	-
Various mortgages payable due to the City of Clearwater, City of St Petersburg and Pinellas County at 0% interest rates, maturing at various dates between October 2009 and January 2010, collateralized by house and land related to specific mortgage, payment terms deferred until project completion	-	99,922
Total notes payable	<u>\$ 3,161,487</u>	<u>\$ 2,930,027</u>

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE G – NOTES PAYABLE – CONTINUED

Debt maturities for the next five fiscal years are as follows:

<i>Year Ended</i>		<i>Amount</i>
<u>June 30,</u>		
2012	\$	217,880
2013		424,308
2014		312,442
2015		65,796
2016		66,813
Thereafter		<u>2,074,248</u>
		<u>\$ 3,161,487</u>

NOTE H – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of cash available for the following homes and donated labor and materials on homes under construction:

		<u>2011</u>
<i>Cash</i>		
J.P Morgan	\$	50,000
Chapman Foundation		10,000
Bank of America		30,000
City of Largo		<u>11,412</u>
		101,412
<i>Promises to Give</i>		
Unconditional promises to give, net		92,524
<i>Donated Labor and Materials</i>		
2935 5th Avenue South		7,700
559 Shady Grove		16,705
1838 Fuller		16,705
1844 Fuller		7,975
1860 Betty Lane		15,950
Lot 2 St Petersburg Drive		7,975
558 Shady Grove		16,705
414 4 th Street		7,975
421 4 th Street		7,975
610 4 th Avenue		16,705
227 2 nd Avenue		16,705
9071 52 nd Way		<u>16,705</u>
		<u>155,780</u>
		<u>\$ 349,716</u>

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE H – TEMPORARILY RESTRICTED NET ASSETS – CONTINUED

	<u>2010</u>
<i>Cash</i>	
United Methodist	\$ 1,305
Episcopal Church	10,000
Jollay	3,500
AEGON	<u>20,000</u>
	34,805
<i>Promises to Give</i>	
Unconditional promises to give, net	68,110
<i>Donated Labor and Materials</i>	
3738 18 th Terrace South	7,403
2935 5th Avenue South	7,700
1063 Yale	7,975
3850 6 th Avenue	7,975
559 Shady Grove	<u>16,705</u>
	<u>47,758</u>
	<u>\$ 150,673</u>

NOTE I – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions were comprised of the following:

	<u>2011</u>
Donated labor and materials	\$ 300,118
Purpose restricted cash gifts	459,805
Unconditional promises to give, net	<u>42,186</u>
	<u>\$ 802,109</u>
	<u>2010</u>
Donated labor and materials	\$ 749,306
Purpose restricted cash gifts	62,597
Unconditional promises to give, net	<u>28,124</u>
	<u>\$ 804,027</u>

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE J – LEASES

Habitat began leasing its 118th Avenue facility in August 2004. The lease requires monthly rental payments. Total rent expense was approximately \$180,000 and \$176,000 for the years ended June 30, 2011 and 2010, respectively. Subsequent to year-end, Habitat entered into a new property lease agreement with a 60 month term and moved to a new location (see *Note S*).

Based on the terms of the agreements, the minimum payments due on all leases are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2012	\$ 149,309
2013	157,149
2014	161,884
2015	166,852
2016	171,865
Thereafter	<u>28,783</u>
	<u>\$ 835,842</u>

NOTE K – SALE OF MORTGAGES

In June 2008, Habitat entered into a sale and servicing agreement with Northern Trust, N.A. (Northern). Under this agreement Habitat transfers and assigns rights to non-interest bearing residential mortgage loans, but Habitat must service the loans for the remainder of the mortgage terms.

For the year ended June 30, 2011, Habitat transferred and assigned rights of twenty-one non-interest bearing residential mortgage loans, the total proceeds on the transactions were \$3,152,450. Proceeds of \$432,000 were received subsequent to year-end and are reflected as a component of accounts receivable at June 30, 2011.

For the year ended June 30, 2010, Habitat transferred and assigned rights of twenty-two non-interest bearing residential mortgage loans, the total proceeds on the transactions were \$3,224,100. As of year June 30, 2010, Habitat was unable to sell six mortgages with a combined sales price of \$791,000. These mortgages were held by Habitat of which a \$460,000 discount was recorded and reflected in program expenses on the statement of activities under construction and mortgage discounts. As of June 30, 2011, they were sold to Northern.

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE L – LOSS ON SALE OF PROPERTY

During the year ended June 30, 2011, nine properties that were originally held as inventory were sold at a loss. The proceeds were \$100,012 and accumulated costs totaled \$386,102 resulting in a loss of \$286,090.

During the year ended June 30, 2010, four properties that were originally held as inventory were sold at a loss. The proceeds were \$335,749 and accumulated costs totaled \$422,023 resulting in a loss of \$86,274.

NOTE M – IMPAIRMENT LOSS ON LAND HELD FOR DEVELOPMENT

In 2005, Habitat purchased 39 platted lots in a subdivision (Lake Butler) located in Tarpon Springs, FL. Based upon current regulations, the most they can develop on the land is 20-25 platted lots.

These vacant parcels of land were purchased for the intention of developing them into residential real estate properties. At June 30, 2011, Habitat conducted a fair market value impairment test and determined that the fair market value of these properties was significantly lower than the carrying value. In light of this significant decrease, management recorded an impairment loss during 2011. The offset was charged to impairment loss expense as shown on the statement of activities.

	<u>Amount</u>
Carrying value	\$ 416,832
Impairment loss	<u>(266,832)</u>
Fair value of land held for development, June 30, 2011	<u>\$ 150,000</u>

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE N – CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject Habitat to concentrations of credit risk, consist principally of cash and cash equivalents held in financial institutions in excess of federally-insured limits. From time to time throughout the year, Habitat's cash balance may have exceeded the federally insured limits. However, Habitat has not experienced and does not expect to incur any losses in such accounts.

All of Habitat's mortgage loans are to low income individuals and are secured by real estate located in Pinellas County, Florida.

NOTE O – COMMITMENTS AND CONTINGENCIES

Habitat is exposed to various asserted and unasserted potential claims encountered in the normal course of business. In the opinion of management, the resolution of these matters will not have a material effect on Habitat's financial position or the results of its operations.

NOTE P – TRANSACTIONS WITH HABITAT INTERNATIONAL

Habitat remits a portion of its contributions (excluding in-kind contributions) to Habitat International on an annual basis. These funds are used to construct homes in economically depressed areas around the world. For each of the years ended June 30, 2011 and 2010, Habitat contributed \$88,200 to Habitat International. These amounts are included in program services expense in the statements of activities. At June 30, 2011, Habitat owed Habitat International \$29,400 and is reflected as a component of accrued expenses in the statement of financial position. No amount was owed at June 30, 2010.

NOTE Q – RELATED PARTY

On August 31, 2010, the Pinellas County Habitat for Humanity Community Development Organization (Pinellas CHDO) was incorporated as a not-for-profit organization in accordance with the laws of the state of Florida. The Pinellas Habitat CHDO is wholly owned by Habitat and has been certified by Pinellas County, Florida as a Community Housing Development Organization (CHDO). This means that Pinellas CHDO has met the requirements as specified by the U.S. Department of Housing and Urban Development (HUD) to act in the capacity of a CHDO.

As such, Pinellas Habitat CHDO will be eligible to participate in government programs that provide special set-aside funds that can be used to provide affordable housing to low income families within Pinellas County. As of June 30, 2011, approximately \$132,000 was awarded to and expended by Pinellas Habitat CHDO.

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE R – SUMMARY OF GRANTS/CONTRACTS FUNDING

On June 15, 2006, Habitat was awarded a Community Development Block Grant from Pinellas County, Florida in the amount of \$350,000. Under the Grant, Habitat shall acquire 2.5 acres of land in Dunedin, Florida for the future construction of at least eighteen affordable home ownership housing units. Both an asset and a corresponding liability of \$350,000 are reflected on the June 30, 2011 and 2010 statements of financial position for this associated promissory note.

<i>Funding Source/ Grant Name</i>	<i>Total Grant/ Contract</i>	<i>Expended</i>
<i>At June 30, 2011:</i>		
<i>Federal and Federal Pass-through: See Schedule of Expenditures of Federal Awards</i>		
<i>State and Local Grants/Contracts</i>		
Pinellas County – loan	\$ 659,077	\$ 411,908
City of Clearwater – loan for the purchase of property	600,000	<u>564,705</u>
		<u>\$ 976,613</u>

At June 30, 2010:

Federal and Federal Pass-through: See Schedule of Expenditures of Federal Awards

State and Local Grants/Contracts

Pinellas County – loan	\$ 659,077	\$ 411,908
City of Clearwater – loan for the purchase of property	600,000	<u>600,000</u>
		<u>\$1,011,908</u>

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

NOTE S – SUBSEQUENT EVENTS

Habitat entered into a new lease agreement in April 2011. They began operations at the new location on August 22, 2011. During this time period, substantial construction was required in order to prepare it for use by Habitat. The landlord offered a tenant improvement payment plan in the amount of \$175,000 towards the build-out. At June 30, 2011, the amount of the first construction draw was \$62,400 and is reflected on the statements of financial position under other liabilities.

In July 2011, Habitat invested, along with other Habitat affiliates, in a joint venture (HFHI-SA Leverage IX, LLC) to take advantage of New Market Tax Credit (NMTC) financing. NMTC financing allows an entity to receive a loan or investment capital from outside investors, who will receive new markets tax credits to be applied against their federal tax liability. As a result, Habitat has invested \$1,535,474 of cash and homes under construction (\$152,000 of this amount was pledged and deposited in an account at US Bank as of June 30, 2011). With this initial investment, Habitat was able to secure a 16-year loan in the amount of \$2,023,656 payable to a community development entity (an affiliate of the joint venture). The loan proceeds are to be used solely for the purpose of constructing and selling qualified housing properties to low income residents. The loan accrues interest only for years one through eight at a reduced percentage rate. Beginning in year nine through year sixteen, the principal balance of the loan is reduced by an eight-year amortization at the same reduced rate.

Habitat is participating in Neighborhood Lending Partners (NLP), a non-profit organization in Tampa Bay that has put together a consortium to apply for Neighborhood Stabilization Program2 (NSP2) Funds. NSP2 was established to stabilize neighborhoods whose viability has been and continues to be damaged by the economic effects of properties that have been foreclosed upon and abandoned. NSP2 funds are authorized by Title XII of Division A of the American Recovery and Reinvestment Act of 2009 and provided grants to states, local governments, nonprofits and a consortium of public and/or private nonprofit entities on a competitive basis. NLP has been formed to administer the NSP2 funds. Habitat signed an agreement to allow them to utilize NSP2 funds in Stevens Creek. This money will pass through HUD-NLP/Pinellas County before Habitat receives it.

Habitat is in the process of obtaining an unsecured line-of-credit through Wells Fargo Bank in the amount of \$150,000. Interest accrues at the rate of prime plus 0% with a 5% floor on any outstanding balance.

Habitat has evaluated all subsequent events through September 15, 2011, the date the financial statements were available and issued.

SUPPLEMENTARY INFORMATION

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2011

<i>Federal Agency</i> <i>Pass-through Entity</i> <u>Federal Program/State Project</u>	<u>CFDA</u> <u>Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development <i>Passed through Pinellas County</i>		
Community Development Block Grant	14.218	\$ 380,203 *
HOME Investment Partnerships Program	14.239	<u>1,946,213 *</u>
<i>Total Expenditures of Federal Awards</i>		<u>\$ 2,326,416</u>

** This represents the balance of a loan from a previous year for which the federal government imposes continuing compliance requirements.*

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2011

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Habitat for Humanity of Pinellas County, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with accounting principles generally accepted in the United States of America as applicable to non-profit Habitats and the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

CONTINGENCIES

Expenditures incurred by Habitat are subject to audit and possible disallowance by the grantor agency. Management believes that if audited, any adjustments for disallowed expenses would be immaterial in amount.



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Clearwater, FL 33761

***REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE WITH OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS***

Board of Directors
Habitat for Humanity of Pinellas County, Inc.
St. Petersburg, Florida

We have audited the financial statements of Habitat for Humanity of Pinellas County, Inc. (“Habitat”) as of and for the year ended June 30, 2011, and have issued our report thereon dated September 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Habitat’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Habitat’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Habitat’s internal control over financial reporting.

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 Habitat’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE WITH OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS – CONTINUED**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Habitat's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

PDR Certified Public Accountants

Clearwater, Florida
September 15, 2011



29750 U.S. Hwy. 19 North, Suite 101
Clearwater, FL 33761

***REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133***

To the Board of Directors
Habitat for Humanity of Pinellas County, Inc.
St. Petersburg, Florida

Compliance

We have audited the compliance of Habitat for Humanity of Pinellas County, Inc. (Habitat) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Habitat's major federal programs for the year ended June 30, 2011. Habitat's major federal program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Habitat's management. Our responsibility is to express an opinion on Habitat's compliance with those requirements based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Habitat's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Habitat's compliance with those requirements.

In our opinion, Habitat complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of Habitat's major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

Habitat's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Habitat's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Habitat's internal control over compliance.

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133 – CONTINUED**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of the board of directors and management, others within Habitat, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

PDR Certified Public Accountants

Clearwater, Florida
September 15, 2011

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

A. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements.
2. No deficiencies were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No deficiencies relating to the audit of the major federal award programs were reported in the report on compliance with the major federal award program.
5. The auditors' report on compliance for the major federal award programs expresses an unqualified opinion.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The following federal program tested as a major program included:

<u>Federal Program</u>	<u>CFDA No.</u>
U.S. Department of Housing and Urban Development - HOME Investment Partnerships Program	14.239

8. The threshold used for distinguishing between Type A and Type B programs was \$300,000.
9. The auditee did not qualify as a low risk auditee pursuant to OMB Circular A-133.

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

B. Findings – Financial Statements Audit

None

C. Findings and Questioned Costs – Major Federal Awards Programs Audit

None

D. Prior Year Findings – Financial Statement Audit

None

E. Other Issues

None