

***HABITAT FOR HUMANITY
OF PINELLAS COUNTY, INC.***

FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

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. (a nonprofit organization) as of June 30, 2007 and 2006, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America for June 30, 2007 and 2006; 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, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2007, on our consideration of the Organization'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 read in conjunction with this report in considering the results of our audit.

Clearwater, Florida
October 30, 2007

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2007 AND 2006

ASSETS

	<u>2007</u>	<u>2006</u>
Cash	\$ 1,001,316	\$ 1,430,431
Cash - temporarily restricted	295,367	199,504
Assets held in escrow	78,493	49,797
Non-interest bearing residential mortgage loans, net of unamortized discounts of \$770,996 and \$887,293	512,078	626,180
Unconditional promises to give	128,789	135,490
Habitat Outlet inventory	58,911	63,287
Homes under construction	471,372	387,890
Homes awaiting closing	102,154	102,154
Land for future construction	1,471,237	1,151,643
Real estate held for investment or resale	119,329	158,098
Property and equipment, net	168,302	129,852
Beneficial interest in assets held by others	20,000	20,000
Deferred affordable housing note receivable	350,000	350,000
Others assets	581,697	42,932
	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$ 5,359,045</u>	<u>\$ 4,847,258</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 34,697	\$ 75,142
Accrued expenses	27,289	15,582
Due to Northern Trust Bank	4,342	1,472
Escrow deposits	89,851	68,498
Down payments and advance payments	10,500	6,000
Notes payable	375,722	273,000
Deferred affordable housing note payable	350,000	350,000
	<hr/>	<hr/>
<i>Total liabilities</i>	892,401	789,694

Net Assets

Unrestricted	3,968,768	3,659,817
Temporarily restricted	477,876	377,747
Permanently restricted	20,000	20,000
	<hr/>	<hr/>
<i>Total net assets</i>	<u>4,466,644</u>	<u>4,057,564</u>
	<hr/>	<hr/>
<i>Total Liabilities and Net Assets</i>	<u>\$ 5,359,045</u>	<u>\$ 4,847,258</u>

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

<i>Support and Revenue</i>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Contributions				
Building materials and services	\$ 37,796	\$ 53,720	\$ -	\$ 91,516
Cash	810,225	429,994	-	1,240,219
Habitat Outlet merchandise	246,504	-	-	246,504
In-kind	2,600	-	-	2,600
Land	17,800	-	-	17,800
Transfers to homeowners	600,698	-	-	600,698
Mortgage discount amortization	39,549	-	-	39,549
Sales - Habitat Outlet	250,880	-	-	250,880
Fundraising events, net of direct costs of \$39,128	5,677	-	-	5,677
Grants	190,482	-	-	190,482
Other	89,468	-	-	89,468
Net assets released from restrictions	<u>383,585</u>	<u>(383,585)</u>	-	<u>-</u>
<i>Total support and revenue</i>	2,675,264	100,129	-	2,775,393
<i>Expenses</i>				
Program				
Construction and mortgage discounts	1,776,955	-	-	1,776,955
Habitat Outlet	498,668	-	-	498,668
Supporting services				
General and administrative	139,819	-	-	139,819
Fundraising	<u>210,400</u>	<u>-</u>	<u>-</u>	<u>210,400</u>
<i>Total expenses</i>	<u>2,625,842</u>	<u>-</u>	<u>-</u>	<u>2,625,842</u>
<i>Change in net assets before other changes</i>	49,422	100,129	-	149,551
<i>Other Changes</i>				
Loss on disposal of assets	(4,979)	-	-	(4,979)
Gain on sale of mortgages	<u>264,508</u>	<u>-</u>	<u>-</u>	<u>264,508</u>
<i>Total other changes</i>	<u>259,529</u>	<u>-</u>	<u>-</u>	<u>259,529</u>
<i>Change in net assets</i>	308,951	100,129	-	409,080
<i>Net Assets at Beginning of Year</i>	<u>3,659,817</u>	<u>377,747</u>	<u>20,000</u>	<u>4,057,564</u>
<i>Net Assets at End of Year</i>	<u>\$ 3,968,768</u>	<u>\$ 477,876</u>	<u>\$ 20,000</u>	<u>\$ 4,466,644</u>

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

Support and Revenue	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Contributions				
Building materials and services	\$ -	\$ 96,680	\$ -	\$ 96,680
Cash	779,600	444,551	-	1,224,151
Habitat Outlet merchandise	312,211	-	-	312,211
In-kind	3,900	-	-	3,900
Land	26,300	-	-	26,300
Transfers to homeowners	717,581	-	-	717,581
Mortgage discount amortization	42,915	-	-	42,915
Sales - Habitat Outlet	292,240	-	-	292,240
Fundraising events, net of direct costs of \$16,766	9,666	-	-	9,666
Grants	350,000	-	-	350,000
Other	60,175	-	-	60,175
Net assets released from restrictions	298,484	(298,484)	-	-
Total support and revenue	2,893,072	242,747	-	3,135,819
Expenses				
Program				
Construction and mortgage discounts	1,793,617	-	-	1,793,617
Habitat Outlet	513,986	-	-	513,986
Supporting services				
General and administrative	100,786	-	-	100,786
Fundraising	119,432	-	-	119,432
Total expenses	2,527,821	-	-	2,527,821
Change in net assets before other changes	365,251	242,747	-	607,998
Other Changes				
Transfer in beneficial interest in assets held by others	(20,000)	-	20,000	-
Gain on sale of mortgages	439,952	-	-	439,952
Total other changes	419,952	-	20,000	439,952
Change in net assets	785,203	242,747	20,000	1,047,950
Net Assets at Beginning of Year	2,874,614	135,000	-	3,009,614
Net Assets at End of Year	\$ 3,659,817	\$ 377,747	\$ 20,000	\$ 4,057,564

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2007

	<i>Program Services</i>			<i>Supporting Services</i>				
	<i>Construction</i>	<i>Mortgage Discounts</i>	<i>Habitat Outlet</i>	<i>Total Program Services</i>	<i>General and Administrative</i>	<i>Fundraising</i>	<i>Total Supporting Services</i>	<i>Total</i>
Salaries and benefits	\$ 412,025	\$ -	\$ 126,680	\$ 538,705	\$ 55,281	\$ 160,746	\$ 216,027	\$ 754,732
Building materials and supplies	797,420	-	-	797,420	-	-	-	797,420
Insurance and taxes	16,034	-	4,202	20,236	763	-	763	20,999
Repairs and maintenance	9,430	-	-	9,430	-	-	-	9,430
Depreciation	19,258	-	6,728	25,986	21,022	-	21,022	47,008
Mortgage discounts	-	235,836	-	235,836	-	-	-	235,836
Office supplies, equipment, and utilities	53,157	-	13,447	66,604	3,951	12,723	16,674	83,278
Printing and advertising	4,128	-	8,752	12,880	189	14,087	14,276	27,156
Travel	39,757	-	11,760	51,517	193	2,827	3,020	54,537
Legal and accounting	9,605	-	200	9,805	27,136	1,815	28,951	38,756
Other	49,079	-	256,888	305,967	19,367	4,080	23,447	329,414
Rent	88,206	-	70,011	158,217	11,917	14,122	26,039	184,256
Bad debt expense	9,200	-	-	9,200	-	-	-	9,200
Support of Habitat for Humanity International	33,820	-	-	33,820	-	-	-	33,820
	<u>\$ 1,541,119</u>	<u>\$ 235,836</u>	<u>\$ 498,668</u>	<u>\$ 2,275,623</u>	<u>\$ 139,819</u>	<u>\$ 210,400</u>	<u>\$ 350,219</u>	<u>\$ 2,625,842</u>

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2006

	<i>Program Services</i>			<i>Supporting Services</i>				
	<i>Construction</i>	<i>Mortgage Discounts</i>	<i>Habitat Outlet</i>	<i>Total Program Services</i>	<i>General and Administrative</i>	<i>Fundraising</i>	<i>Total Supporting Services</i>	<i>Total</i>
Salaries and benefits	\$ 261,621	\$ -	\$ 113,672	\$ 375,293	\$ 39,764	\$ 93,876	\$ 133,640	\$ 508,933
Contributed services	-	-	-	-	-	-	-	-
Building materials and supplies	897,968	-	-	897,968	-	-	-	897,968
Insurance and taxes	8,965	-	-	8,965	3,781	2,268	6,049	15,014
Repairs and maintenance	5,339	-	-	5,339	-	-	-	5,339
Depreciation	13,450	-	4,635	18,085	9,369	-	9,369	27,454
Mortgage discounts	-	293,152	-	293,152	-	-	-	293,152
Office supplies, equipment, and utilities	42,651	-	17,091	59,742	4,072	6,087	10,159	69,901
Printing and advertising	3,931	-	9,054	12,985	524	6,533	7,057	20,042
Travel	35,814	-	21,057	56,871	351	397	748	57,619
Legal and accounting	3,431	-	-	3,431	32,891	592	33,483	36,914
Loss on sale of real estate	3,069	-	-	3,069	-	-	-	3,069
Other	16,701	-	297,240	313,941	4,475	4,966	9,441	323,382
Rent	74,374	-	51,237	125,611	5,559	4,713	10,272	135,883
Repayments of proceeds on foreclosures	15,349	-	-	15,349	-	-	-	15,349
Bad debt expense	40,515	-	-	40,515	-	-	-	40,515
Subsidy of escrow costs	7,042	-	-	7,042	-	-	-	7,042
Support of Habitat for Humanity International	70,245	-	-	70,245	-	-	-	70,245
	<u>\$ 1,500,465</u>	<u>\$ 293,152</u>	<u>\$ 513,986</u>	<u>\$ 2,307,603</u>	<u>\$ 100,786</u>	<u>\$ 119,432</u>	<u>\$ 220,218</u>	<u>\$ 2,527,821</u>

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<i>Cash Flows from Operating Activities</i>		
Change in net assets	\$ 409,080	\$ 1,047,950
<i>Adjustments to reconcile change in net assets to cash used in operating activities</i>		
Depreciation	47,008	27,454
Amortization of mortgage discounts	(39,549)	(42,915)
Mortgage discounts retired	(100,242)	(110,273)
Net gain on mortgages sold	(264,508)	(439,952)
New mortgages transferred to owners	(183,327)	(325,131)
Correction to notes payable in prior year	64,000	-
Loss on disposal of real estate	-	3,069
Loss on disposal of assets	4,979	-
Delinquent escrows	-	2,881
<i>Decrease (Increase) in:</i>		
Unconditional promises to give	6,701	(94,975)
Habitat Outlet inventory	4,376	(19,971)
Homes under construction	(83,482)	59,037
Homes awaiting closing	-	(21)
Land for future construction	(319,594)	(718,377)
Escrow cash	(28,696)	(2,881)
Other assets	(538,765)	10,095
<i>Increase (Decrease) in:</i>		
Accounts payable	(40,445)	62,399
Accrued expenses	11,707	(28,823)
Due to Northern Trust Bank	2,870	1,472
Escrow deposits	21,353	(770)
Down payments and advance payments	4,500	(2,000)
<i>Net cash used in operating activities</i>	<u>(1,022,034)</u>	<u>(571,732)</u>

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<i>Cash Flows from Investing Activities</i>		
Net proceeds (purchases) on sale of real estate held for construction or resale	-	11,009
Proceeds from notes payable	38,722	-
Purchases of equipment	(90,439)	(70,180)
Proceeds from mortgages sold	-	719,258
Repayments (proceeds) from foreclosures	-	(15,349)
Payments received on mortgages	740,499	279,711
	<u>688,782</u>	<u>924,449</u>
<i>Net cash provided by investing activities</i>		
	<u>688,782</u>	<u>924,449</u>
<i>Net Increase (Decrease) in Cash</i>	(333,252)	352,717
<i>Cash at Beginning of Year</i>	<u>1,629,935</u>	<u>1,277,218</u>
<i>Cash at End of Year</i>	<u>\$ 1,296,683</u>	<u>\$ 1,629,935</u>
<i>Supplemental Disclosures of Noncash Activities:</i>		
Issuance of non-interest bearing mortgage loans	<u>\$ 519,405</u>	<u>\$ 640,466</u>
Discount on newly issued non-interest bearing mortgage loans	<u>\$ 336,078</u>	<u>\$ 315,335</u>
Transfers of property to homeowners	<u>\$ 600,698</u>	<u>\$ 717,581</u>
Donated land	<u>\$ 17,800</u>	<u>\$ 26,300</u>

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

Habitat for Humanity of Pinellas County, Inc. (formerly Pinellas Habitat for Humanity, 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**

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 117, *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 the organization 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 the organization. Generally, the donors of such assets permit the organization 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.

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, 2007 AND 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. **Home Construction Costs**

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

<u>2007</u>	<u>Number</u>	<u>Costs</u>
Homes under construction July 1, 2006	16	\$ 387,890
Additional costs incurred on beginning inventory	-	697,636
New homes started during the year	9	74,206
Homes transferred during the year	(5)	(688,360)
	<u>20</u>	<u>\$ 471,372</u>

<u>2006</u>	<u>Number</u>	<u>Costs</u>
Homes under construction July 1, 2005	14	\$ 446,927
Additional costs incurred on beginning inventory	-	614,065
Other costs and transfers (net)	(2)	(3,298)
New homes started during the year	12	164,395
Homes transferred during the year	(8)	(885,184)
Contributed services and materials on homes under construction	-	50,985
	<u>16</u>	<u>\$ 387,890</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 5 – 7 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, 2007 AND 2006

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 the Habitat Outlet in St. Petersburg, Florida. Merchandise is recorded at its estimated fair market value.

8. **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.

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, 2007 and 2006, \$9,200 and \$40,515 was deemed uncollectible and written off to bad debt expense, respectively. No allowance was booked at June 30, 2007 or 2006.

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.

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 statement of activities as net assets released from restrictions.

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

11. **Donated Services**

Statement of Financial Accounting Standards No. 116 requires the recognition of contributed services that enhance non-financial assets. As such, donated services used in building the homes are reflected as contributed services of approximately \$75,000 in income of which \$0 is temporarily restricted in homes under construction at June 30, 2007. At June 30, 2006, contributed services are reflected as \$90,640 in income, of which \$50,985 is temporarily restricted in homes under construction.

12. **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.

13. **Advertising Costs**

Advertising costs are expensed as incurred and were approximately \$6,100 and \$5,300 for the years ended June 30, 2007 and 2006, respectively.

14. **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.

15. **Use of Estimates**

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

16. **Fair Value of Financial Instruments**

Habitat's financial instruments include cash, mortgages receivable, accounts payable, and notes payable. The carrying values of financial instruments approximate their respective fair values at June 30, 2007 and 2006.

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

17. **Reclassification**

Certain amounts in the 2006 financial statements have been reclassified to be comparable to the 2007 financial statements. The reclassification had no effect on the change in net assets for the years ended June 30, 2007 and 2006, respectively.

18. **Beneficial Interest in Assets Held by Others**

In 2006, Habitat established endowment accounts with the Pinellas County Community Foundation (PCCF) 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, 2007 and 2006 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 not received any earnings on the endowments during the year.

NOTE B – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2007</u>	<u>2006</u>
Vehicles	\$ 76,019	\$ 76,019
Furniture and fixtures	22,251	10,153
Leasehold improvements	63,615	35,381
Signage	11,540	12,309
Construction equipment	55,975	33,521
Office equipment	<u>43,521</u>	<u>34,529</u>
	272,921	201,912
Less accumulated depreciation	<u>(104,619)</u>	<u>(72,060)</u>
	<u>\$ 168,302</u>	<u>\$ 129,852</u>

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

NOTE C – PROMISES TO GIVE

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

	<u>2007</u>	<u>2006</u>
Gross unconditional promises to give	\$ 140,200	\$ 152,252
Less: Unamortized discount	<u>(11,411)</u>	<u>(16,762)</u>
Net unconditional promises to give	<u>\$ 128,789</u>	<u>\$ 135,490</u>
Amounts due in:		
Less than one year	\$ 19,640	\$ 45,092
One to five years	<u>109,149</u>	<u>90,398</u>
	<u>\$ 128,789</u>	<u>\$ 135,490</u>

For June 30, 2007 and 2006, unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 5.03% and 5.07%, respectively.

NOTE D – 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 the years ended June 30, 2007 and 2006, Habitat contributed \$33,820 and \$70,245, respectively, to Habitat International. These amounts are included in program services expense in the statements of activities.

NOTE E – CONCENTRATIONS OF CREDIT RISK

From time to time throughout the years ending June 30, 2007 and 2006, Habitat's cash balance may have exceeded the federally insured limit of \$100,000. Habitat had approximately \$286,000 and \$143,000 deposited in cash and money market funds which were not FDIC insured for the years ended June 30, 2007 and 2006, respectively.

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

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

NOTE F – NOTES PAYABLE

Notes payable consists of the following:

	<u>2007</u>	<u>2006</u>
Mortgage payable to a bank, balloon payment due April 25, 2008 including interest paid quarterly beginning July 25, 2005 at 5.75% until maturity, collateralized by a first mortgage on land and improvements	\$ 273,000	\$ 273,000
Mortgage payable to a bank, balloon payment due November, 2008 at 0% interest per annum, collateralized by land and improvements	64,000	-
Loan payable to City of Clearwater Housing Division, balloon payment due May, 2008, at 0% per annum, loan is collateralized by land	30,000	-
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	<u>8,722</u>	<u>-</u>
Notes payable	<u>\$ 375,722</u>	<u>\$ 273,000</u>

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

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2008	\$ 369,172
2009	2,172
2010	2,172
2011	2,206
2012 and thereafter	<u>-</u>
	<u>\$ 375,722</u>

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

NOTE G – 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>2007</u>
Cash	
906 Palmetto Street	\$ 50,588
419 7 th Avenue NE	50,000
3466 19 th Avenue South	33,750
905 Metto	30,625
911 Metto	35,404
615 Oakwood	45,000
2801 2 nd Avenue South	<u>50,000</u>
	295,367
Promises to Give	
Unconditional promises to give, net	128,789
Donated Labor and Materials	
1818 20 th Street South	5,665
1771 25 th Street South	7,194
701 15 th Avenue South	13,614
1750 Preston	7,194
416 29 th Street South	5,665
419 7 th Avenue NE	7,194
906 Palmetto Street	<u>7,194</u>
	<u>53,720</u>
	<u>\$ 477,876</u>
	<u>2006</u>
Cash	
Palmetto Street	\$ 18,665
843 15 th Avenue Street	53,822
675 6 th Avenue North	7,000
1450 12 th Street South	54,565
3466 19 th Avenue South	33,750
Home in a box – cash	19,122
Home in a box – investments	<u>12,580</u>
	199,504

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

NOTE G – TEMPORARILY RESTRICTED NET ASSETS – CONTINUED

Promises to Give

Unconditional promises to give, net 127,258

Donated Labor and Materials

1818 20 th Street South	5,665
3875 8 th Avenue South	5,665
701 15 th Avenue South	5,665
843 15 th Avenue South	11,330
416 29 th Street South	5,665
675 6 th Avenue North	5,665
507 Disston	11,330
	<u>50,985</u>

\$ 377,747

NOTE H – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions were comprised of the following:

2007

3875 8 th Avenue South	\$ 12,920
509 Disston	73,495
843 15 th Avenue South	65,907
1450 12 th Street South	76,208
6 th Avenue	68,356
Home in a Box	31,702
3818 29 th Avenue South	6,500
2921 Freemont Terrace South	6,500
Tools	33,228
Capacity Building Grant	<u>8,769</u>

\$ 383,585

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

NOTE H – NET ASSETS RELEASED FROM RESTRICTIONS - CONTINUED

	<u>2006</u>
2921 Freemont Terrace	\$ 41,085
1508 Preston	48,585
3818 29 th Avenue	18,585
1136 Engman	12,085
4887 163 rd Avenue	12,085
4897 163 rd Avenue	12,085
759 15 th Avenue South	37,085
908 Palmetto	12,085
Flag kits	150
Home in a box	5,059
Pledges receivable	74,931
Family services coordination salary	1,000
Building materials	50
Tools	1,000
Capacity Building Grant	<u>22,614</u>
	<u><u>\$ 298,484</u></u>

NOTE I – LEASES

Habitat began leasing its 118th Avenue facility in August 2004. The lease requires monthly rental payments through October 2009. Habitat also continues to lease its Starkey Road facility on a month-to-month basis. Total rent expense was approximately \$180,000 and \$131,600 for the years ended June 30, 2007 and 2006, respectively. Habitat also leases office equipment with a term of 60 months. Total lease expense for this leased equipment was \$4,400 for each of the years ended June 30, 2007 and 2006.

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>
2008	\$ 119,712
2009	123,303
2010	127,002
2011	97,379
2012 and thereafter	<u>-</u>
	<u><u>\$ 467,396</u></u>

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

NOTE J – PRONTO AGREEMENTS

Habitat offers Payment Rendered On-Time Opportunities (PRONTO agreements) to mortgagees who have defaulted on their mortgages. In exchange for regular payments for twelve months, Habitat agrees not to seek to foreclose on the mortgage. If the mortgagee is successful in making all the agreed upon payments in full and on time, the mortgage will be modified so that the term is extended. In effect, the amount in arrears is added to the end of the mortgage. At June 30, 2007, there were 9 agreements in effect. The total delinquent mortgage and escrow payments included in those agreements was approximately \$31,000 at June 30, 2007. At June 30, 2006, there were 19 agreements in effect. The total delinquent mortgage and escrow payments included in those agreements was approximately \$42,000 at June 30, 2006.

NOTE K – SALE OF MORTGAGES

In June 2007, Habitat entered into a sale and servicing agreement with BB&T. Under this agreement Habitat transferred and assigned rights to six non-interest bearing residential mortgage loans, but must service the loans for the remainder of the mortgage terms. BB&T paid Habitat 90% of the outstanding principal. The total proceeds on the transaction were \$432,687. After closing the unamortized discounts and mortgages, the net gain on the transaction was \$264,508. Proceeds were received subsequent to year-end.

On June 1, 2006, Habitat entered into a loan sale and servicing agreement with Northern Trust Bank of Florida N.A. (NTB). Under the agreement, Habitat transferred and assigned rights to thirteen non-interest bearing residential mortgage loans, but must service the loans for the remainder of the mortgage terms. NTB paid Habitat 86.5% of the outstanding principal. The total proceeds on the transaction were \$719,258. After closing the unamortized discounts and mortgages, the net gain on the transaction was \$439,952.

NOTE L – GRANTS

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 homeownership housing units. Both an asset and a corresponding liability of \$350,000 have been recorded on the June 30, 2006 statement of financial position in order to record the associated promissory note.

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

NOTE M – SUMMARY OF GRANTS/CONTRACTS FUNDING

The Habitat was funded through the following grants and contracts:

<u>Funding Source/ Grant Name</u>	<u>Grant Contract Period</u>	<u>Total Grant/ Contract</u>	<u>Expended</u>
At June 30, 2007:			
Federal and Federal Pass-through:			
Department of Housing and Urban Development / 2004 Self-Help Home - Ownership Opportunity Program 75% of grant funds shall be in the form of a grant from Habitat International and 25% in the form of a loan from Habitat International	07/31/06 – 06/30/08	\$ 34,889	\$ 34,889
Department of Housing and Urban Development / 2005 Self-Help Home - Ownership Opportunity Program 75% of grant funds shall be in the form of a grant from Habitat International and 25% in the form of a loan from Habitat International	11/20/06 – 06/30/09	120,000	-
Community Development Block Grant from City of St Petersburg to acquire 10 lots before 09/30/07 construction and sale by 09/30/08	11/28/06 – 09/30/08	200,000	60,000
Community Development Block Grant from City of St Petersburg to acquire 5 lots before 09/30/06 construction and sale by 09/30/07	06/13/06 – 09/30/07	41,400	<u>8,220</u>
			<u>\$ 103,109</u>

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

NOTE M – SUMMARY OF GRANTS/CONTRACTS FUNDING - CONTINUED

<u>Funding Source/ Grant Name</u>	<u>Grant Contract Period</u>	<u>Total Grant/ Contract</u>	<u>Expended</u>
At June 30, 2006:			
Federal and Federal Pass-through:			
Community Development Block Grant from Pinellas County to acquire 2.5 acres for future Construction of 18 units		\$ 350,000	\$ 350,000
Community Development Block Grant from City of St Petersburg to acquire 5 lots before 09/30/06 construction and sale by 09/30/07	06/13/06 – 09/30/07	41,400	<u> -</u>
			<u>\$ 350,000</u>



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

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

We have audited the financial statements of Habitat for Humanity of Pinellas County, Inc. (the “Organization”) as of and for the year ended June 30, 2007, and have issued our report thereon dated October 30, 2007. 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 for Humanity of Pinellas County, Inc.’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 the Organization’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Organization’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization’s financial statements that is more than inconsequential will not be prevented or detected by the Organization’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization’s internal control.

Our consideration of internal control over financial reporting 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 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.

We noted certain matters that we reported to management of the Organization in a separate letter dated October 30, 2007.

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

Compliance

As part of obtaining reasonable assurance about whether the Organization’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 and management, and is not intended to be and should not be used by anyone other than these specified parties.

Clearwater, Florida
October 30, 2007