

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

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, 2008 and 2007, 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 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, 2008 and 2007, 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 September 10, 2008, 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
September 10, 2008

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Cash	\$ 646,238	\$ 1,001,316
Cash - temporarily restricted	130,436	295,367
Assets held in escrow	136,556	78,493
Non-interest bearing residential mortgage loans, net of unamortized discounts of \$753,063 and \$770,996	494,849	512,078
Accounts receivable	12,667	567,480
Unconditional promises to give	112,466	128,789
Habitat Outlet inventory	60,343	58,911
Homes under construction	1,371,622	471,372
Homes awaiting closing	106,862	102,154
Land for future construction	2,876,047	1,471,237
Real estate held for investment or resale	44,950	119,329
Property and equipment, net	116,653	168,302
Beneficial interest in assets held by others	20,000	20,000
Deferred affordable housing note receivable	350,000	350,000
Other assets	19,773	14,217
	<hr/>	<hr/>
Total Assets	\$ 6,499,462	\$ 5,359,045
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable	\$ 108,138	\$ 34,697
Accrued expenses	33,030	27,289
Due to Northern Trust Bank	2,162	4,342
Escrow deposits	148,779	89,851
Down payments and advance payments	11,500	10,500
Notes payable	1,722,597	375,722
Deferred affordable housing note payable	350,000	350,000
	<hr/>	<hr/>
Total liabilities	2,376,206	892,401
Net Assets		
Unrestricted	3,838,145	3,968,768
Temporarily restricted	265,111	477,876
Permanently restricted	20,000	20,000
	<hr/>	<hr/>
Total net assets	4,123,256	4,466,644
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 6,499,462	\$ 5,359,045

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2008

Support and Revenue	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Contributions				
Building materials and services	\$ 143,215	\$ 251,849	\$ -	\$ 395,064
Cash	240,203	435,399	-	675,602
Habitat Outlet merchandise	332,677	-	-	332,677
Land	15,700	-	-	15,700
Transfers to homeowners	1,191,233	-	-	1,191,233
Mortgage discount amortization	38,415	-	-	38,415
Sales - Habitat Outlet	331,245	-	-	331,245
Fundraising events, net of direct costs of \$27,451	74,576	-	-	74,576
Grants	378,894	38,463	-	417,357
Other	15,763	-	-	15,763
Interest income	50,364	-	-	50,364
Net assets released from restrictions	938,476	(938,476)	-	-
Total support and revenue	3,750,761	(212,765)	-	3,537,996
Expenses				
Program				
Construction and mortgage discounts	3,072,049	-	-	3,072,049
Habitat Outlet	576,421	-	-	576,421
Supporting services				
General and administrative	142,543	-	-	142,543
Fundraising	228,799	-	-	228,799
Total expenses	4,019,812	-	-	4,019,812
Change in Net Assets Before Other Changes	(269,051)	(212,765)	-	(481,816)
Other Changes				
Loss on disposal of assets	8,867	-	-	8,867
Gain on sale of mortgages	129,561	-	-	129,561
Total other changes	138,428	-	-	138,428
Change in Net Assets	(130,623)	(212,765)	-	(343,388)
Net Assets at Beginning of Year	3,968,768	477,876	20,000	4,466,644
Net Assets at End of Year	<u>\$ 3,838,145</u>	<u>\$ 265,111</u>	<u>\$ 20,000</u>	<u>\$ 4,123,256</u>

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

Support and Revenue	<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	25,175	-	-	25,175
Interest income	64,293	-	-	64,293
Net assets released from restrictions	383,585	(383,585)	-	-
Total support and revenue	2,675,264	100,129	-	2,775,393
Expenses				
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	210,400	-	-	210,400
Total expenses	2,625,842	-	-	2,625,842
Change in Net Assets Before Other Changes	49,422	100,129	-	149,551
Other Changes				
Loss on disposal of assets	(4,979)	-	-	(4,979)
Gain on sale of mortgages	264,508	-	-	264,508
Total other changes	259,529	-	-	259,529
Change in Net Assets	308,951	100,129	-	409,080
Net Assets at Beginning of Year	3,659,817	377,747	20,000	4,057,564
Net Assets at End of Year	\$ 3,968,768	\$ 477,876	\$ 20,000	\$ 4,466,644

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2008

	<i>Program Services</i>			<i>Supporting Services</i>			<i>Total</i>	
	<i>Construction</i>	<i>Mortgage Discounts</i>	<i>Habitat Outlet</i>	<i>General and Administrative</i>	<i>Fundraising</i>	<i>Total Supporting Services</i>		
Salaries and benefits	\$ 494,084	\$ -	\$ 142,277	\$ 636,361	\$ 58,952	\$ 188,637	\$ 247,589	\$ 883,950
Building materials and supplies	1,856,946	-	-	1,856,946	-	-	-	1,856,946
Insurance and taxes	19,545	-	3,066	22,611	316	-	316	22,927
Repairs and maintenance	13,817	-	-	13,817	-	-	-	13,817
Depreciation	23,338	-	8,896	32,234	20,862	-	20,862	53,096
Mortgage discounts	-	221,919	-	221,919	-	-	-	221,919
Office supplies, equipment, and utilities	70,069	-	6,959	77,028	3,554	7,544	11,098	88,126
Printing and advertising	6,309	-	2,592	8,901	386	7,905	8,291	17,192
Travel	50,801	-	13,269	64,070	-	1,759	1,759	65,829
Professional services	135,635	-	100	135,735	39,390	1,375	40,765	176,500
Other	38,178	-	339,262	377,440	6,983	5,879	12,862	390,302
Rent	85,233	-	60,000	145,233	12,100	15,700	27,800	173,033
Bad debt expense	14,175	-	-	14,175	-	-	-	14,175
Support of Habitat for Humanity International	42,000	-	-	42,000	-	-	-	42,000
	<u>\$ 2,850,130</u>	<u>\$ 221,919</u>	<u>\$ 576,421</u>	<u>\$ 3,648,470</u>	<u>\$ 142,543</u>	<u>\$ 228,799</u>	<u>\$ 371,342</u>	<u>\$ 4,019,812</u>

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>Total</i>	
	<i>Construction</i>	<i>Mortgage Discounts</i>	<i>Habitat Outlet</i>	<i>General and Administrative</i>	<i>Fundraising</i>	<i>Total Supporting Services</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.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<i>Cash Flows from Operating Activities</i>		
Change in net assets	\$ (343,388)	\$ 409,080
<i>Adjustments to reconcile change in net assets to cash used in operating activities</i>		
Depreciation	53,096	47,008
Amortization of mortgage discounts	(38,415)	(39,549)
Mortgage discounts retired	(30,326)	(100,242)
Net gain on mortgages sold	(129,561)	(264,508)
New mortgages transferred to owners	(317,215)	(183,327)
Correction to notes payable in prior year	-	64,000
Loss (gain) on disposal of real estate	13,739	-
Loss (gain) on disposal of assets	(8,867)	4,979
<i>Decrease (Increase) in:</i>		-
Unconditional promises to give	16,323	6,701
Habitat Outlet inventory	(1,432)	4,376
Homes under construction	(900,250)	(83,482)
Homes awaiting closing	(4,708)	-
Escrow cash	(58,063)	(28,696)
Accounts receivable	554,813	(553,676)
Other assets	(5,556)	14,911
<i>Increase (Decrease) in:</i>		
Accounts payable	73,440	(40,445)
Accrued expenses	5,741	11,707
Due to Northern Trust Bank	(2,180)	2,870
Escrow deposits	58,928	21,353
Down payments and advance payments	1,000	4,500
<i>Net cash used in operating activities</i>	<u>(1,062,881)</u>	<u>(702,440)</u>

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<i>Cash Flows from Investing Activities</i>		
Proceeds from sale of real estate held for resale	237,584	-
Purchases of real estate held for resale	(176,944)	-
Proceeds from sale of equipment	21,068	-
Purchases of equipment	(13,646)	(90,439)
Proceeds from mortgages sold	407,299	432,687
Net purchases of land for future construction	(57,935)	(280,872)
Payments received on mortgages	125,447	307,812
	<u>542,873</u>	<u>369,188</u>
<i>Net cash provided by investing activities</i>		
	<u>542,873</u>	<u>369,188</u>
<i>Net Decrease in Cash</i>	(520,009)	(333,252)
<i>Cash at Beginning of Year</i>	<u>1,296,683</u>	<u>1,629,935</u>
<i>Cash at End of Year</i>	<u>\$ 776,674</u>	<u>\$ 1,296,683</u>
<i>Supplemental Disclosures of Noncash Activities:</i>		
<i>Issuance of Non-Interest Bearing Mortgage Loans</i>	<u>\$ 393,160</u>	<u>\$ 519,405</u>
<i>Discount on Newly Issued Non-Interest Bearing Mortgage Loans</i>	<u>\$ 252,245</u>	<u>\$ 336,078</u>
<i>Transfers of Property to Homeowners</i>	<u>\$ 1,191,233</u>	<u>\$ 600,698</u>
<i>Donated Land</i>	<u>\$ 15,700</u>	<u>\$ 17,800</u>
<i>Payments for the Purchase of Land for Future Construction</i>		
Acquisition of land for future construction	\$ 1,404,810	\$ 319,594
Loans acquired	(1,346,875)	(38,722)
	<u>\$ 57,935</u>	<u>\$ 280,872</u>
<i>Net purchase of land for future construction</i>		
	<u>\$ 57,935</u>	<u>\$ 280,872</u>

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

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, 2008 AND 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. **Homes Under Construction**

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

<u>2008</u>	<u>Number</u>	<u>Costs</u>
Homes under construction July 1, 2007	20	\$ 471,372
Additional costs incurred on beginning inventory	-	1,176,572
New homes started during the year	30	1,399,843
Homes transferred during the year	<u>(10)</u>	<u>(1,676,165)</u>
	<u>40</u>	<u>\$ 1,371,622</u>
<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	<u>(5)</u>	<u>(688,360)</u>
	<u>20</u>	<u>\$ 471,372</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, 2008 AND 2007

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. **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.

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, 2008 and 2007, \$14,175 and \$9,200 was deemed uncollectible and written off to bad debt expense, respectively. No allowance was booked at June 30, 2008 or 2007.

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, 2008 AND 2007

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 \$365,000 in income of which \$22,200 is temporarily restricted in homes under construction at June 30, 2008. At June 30, 2007, contributed services are reflected as \$75,000 in income, of which \$0 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 \$1,900 and \$6,100 for the years ended June 30, 2008 and 2007, 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 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.

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, 2008 and 2007.

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

17. **Reclassification**

Certain amounts in the 2007 financial statements have been reclassified to be comparable to the 2008 financial statements. The reclassification had no effect on the change in net assets for the years ended June 30, 2008 and 2007, respectively.

18. **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, 2008 and 2007 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, 2008 and 2007.

NOTE B – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2008</u>	<u>2007</u>
Vehicles	\$ 57,237	\$ 76,019
Furniture and fixtures	25,273	22,251
Leasehold improvements	63,615	63,615
Signage	11,540	11,540
Construction equipment	57,083	55,975
Office equipment	<u>51,627</u>	<u>43,521</u>
	266,375	272,921
Less accumulated depreciation	<u>(149,722)</u>	<u>(104,619)</u>
	<u>\$ 116,653</u>	<u>\$ 168,302</u>

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE C – UNCONDITIONAL PROMISES TO GIVE

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

	<u>2008</u>	<u>2007</u>
Gross unconditional promises to give	\$ 120,161	\$ 140,200
Less: Unamortized discount	<u>(7,695)</u>	<u>(11,411)</u>
Net unconditional promises to give	<u>\$ 112,466</u>	<u>\$ 128,789</u>
Amounts due in:		
Less than one year	\$ 20,056	\$ 19,640
One to five years	<u>92,410</u>	<u>109,149</u>
	<u>\$ 112,466</u>	<u>\$ 128,789</u>

For June 30, 2008 and 2007, 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 3.49% and 5.03%, 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, 2008 and 2007, Habitat contributed \$42,000 and \$33,820, 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, 2008 and 2007, Habitat's cash balance may have exceeded the federally insured limit of \$100,000. Habitat had approximately \$644,000 and \$286,000 deposited in cash and money market funds which were not FDIC insured for the years ended June 30, 2008 and 2007, 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, 2008 AND 2007

NOTE F – NOTES PAYABLE

Notes payable consists of the following:

	<u>2008</u>	<u>2007</u>
Mortgage payable to a bank, balloon payment due April 25, 2011 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 12 months from lot closing, at 0% per annum, loan is collateralized by land	30,000	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	7,636	8,722
Note payable to Florida Housing Finance Corporation, bearing interest at a rate of 1% per annum, non-amortizing and repayment of principal and interest shall be deferred until maturity at August 11, 2009	9,766	-
Note payable to Branch Banking and Trust Company, including interest on the principal balance. Interest shall be paid from time to time on the principal outstanding at Prime Rate until maturity at February 28, 2011. Accrued interest payments shall be due quarterly commencing April 1, 2008	1,189,359	-
Mortgage payable to City of Clearwater with 0% interest and balloon payment due upon maturity at June 30, 2009	123,477	-
Mortgage payable to City of St. Petersburg with 0% interest, and principal due and payable upon maturity at October 10, 2009	22,212	-

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE F – NOTES PAYABLE– CONTINUED

	<u>2008</u>	<u>2007</u>
Mortgage payable to City of St. Petersburg with 0% interest and principal due and payable upon maturity at October 10, 2009	37,709	-
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	<u>29,438</u>	<u>-</u>
Notes payable	<u>\$ 1,722,597</u>	<u>\$ 375,722</u>

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

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2009	\$ 426,477
2010	59,921
2011	1,189,359
2012	7,636
2013 and thereafter	<u>39,204</u>
	<u>\$ 1,722,597</u>

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

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>2008</u>
Cash	
1675 12 th Street	\$ 50,000
524 3 rd Avenue Northeast	18,041
2837 4 th Avenue South	23,932
Women Build 2009	5,000
Florida Hurricane Relief Fund	<u>33,463</u>
	130,436
Promises to Give	
Unconditional promises to give, net	112,466
Donated Labor and Materials	
3738 18 th Terrace South	7,403
3737 19 th Avenue South	7,403
2837 4 th Avenue South	<u>7,403</u>
	<u>22,209</u>
	<u><u>\$ 265,111</u></u>
	<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

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE G – TEMPORARILY RESTRICTED NET ASSETS – CONTINUED

	<u>2007</u>
<i>Donated Labor and Materials</i>	
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 Northeast	7,194
906 Palmetto Street	<u>7,194</u>
	<u>53,720</u>
	<u>\$ 477,876</u>

NOTE H – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions were comprised of the following:

	<u>2008</u>
2801 2 nd Avenue South	\$ 126,044
3460 19 th Avenue South	27,591
3470 19 th Avenue South	33,185
2045 14 th Avenue South	14,806
701 15 th Avenue South	13,614
416 29 th Street South	5,665
3450 19 th Avenue South	99,311
1771 25 th Street South.	15,352
906 Palmetto	66,090
1024 N. Missouri Avenue	15,561
1028 N. Missouri Avenue	64,806
913 Metto	46,186
911 Metto	58,685
419 7 th Avenue Northeast	65,352
508 14 th Avenue	33,940
615 Oakwood	45,000
620 E. Center Street	14,806
624 E. Center Street	44,806
628 E. Center Street	64,806
1818 20 th Street South	5,665
1750 Preston	7,194

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE H – NET ASSETS RELEASED FROM RESTRICTIONS – CONTINUED

	<u>2008</u>
610 Lyndhurst Street	8,158
Unconditional promises to give, net	53,621
Community Foundation of Tampa Bay (eTapestry Software)	5,000
Capacity Building Grant	<u>3,232</u>
	<u>\$ 938,476</u>
	<u>2007</u>
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>
	<u>\$ 383,585</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 \$173,000 and \$180,000 for the years ended June 30, 2008 and 2007, 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, 2008 and 2007.

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE I – LEASES - CONTINUED

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>
2009	\$ 123,303
2010	127,002
2011	97,379
2012 and thereafter	<u>-</u>
	<u>\$ 347,684</u>

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, 2008, there were no agreements in effect. At June 30, 2007, there were 9 agreements in effect. The total delinquent mortgage and escrow payments included in those agreements were approximately \$31,000 at June 30, 2007.

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 transferred and assigned rights to five non-interest bearing residential mortgage loans, but must service the loans for the remainder of the mortgage terms. Northern paid Habitat 85% of the outstanding principal. The total proceeds on the transaction were \$407,299. After closing the unamortized discounts and mortgages, the net gain on the transaction was \$129,561.

In June 2008, Habitat entered into a Table Funding Agreement with Northern. Under this agreement Habitat will originate, prepare closing documents, and close first-lien residential mortgage loans in Habitat's name using Northern's funds. Habitat will provide loan applications to Northern and all loans will be underwritten by Northern. At the closing, Habitat will sell, transfer, and assign to Northern all the Habitat's ownership, right, title, and interest of any type or kind in the promissory note and mortgage of each residential mortgage loan. Northern agrees to fund Habitat an amount equal to one hundred percent (100%) of the sum of each Mortgage loan. Northern retains Habitat to service the loans. In the event a loan is delinquent by more than ninety days, Habitat will, at Northern's option, purchase the nonperforming loan. The total proceeds on the transaction were \$446,783.

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE K – SALE OF MORTGAGES– CONTINUED

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.

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 are reflected on the June 30, 2008 and 2007 statements of financial position for this associated promissory note.

NOTE M – SUBSEQUENT EVENT

Subsequent to year end, the Organization is refinancing the \$1.3 million loan on property purchased in Clearwater. The portion pertaining to the units that are put into a proposed land trust will be paid off at time of closing. The portion pertaining to the units not put into the land trust will revert to a grant.

NOTE N – 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>
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At June 30, 2008:

Federal and Federal Pass-through:

Department of Housing and Urban
Development / 2006 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	\$ 90,000
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HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE N – 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>
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	140,000
Community Development Block Grant from City of St Petersburg to acquire 3 lots before 09/30/08 construction and sale by 09/30/09	01/25/07 – 09/30/09	60,000	40,000
Community Development Block Grant from City of Largo to acquire 2 lots before 9/30/08 Construction and sale by 9/30/09	01/25/07 – 09/30/09	101,016	<u>101,016</u>
			<u>\$ 371,016</u>

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE N – 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, 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 / 2006 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	27,750
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	8,220
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	<u>60,000</u>
			<u>\$ 130,859</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, 2008, and have issued our report thereon dated September 10, 2008. 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.

***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
September 10, 2008