

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

***FINANCIAL STATEMENTS***

***JUNE 30, 2009 AND 2008***

***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, 2009 and 2008, 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, 2009 and 2008, 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 14, 2009, 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 considered in assessing the results of our audits.

Clearwater, Florida  
September 14, 2009

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

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b><u>ASSETS</u></b>		
Cash	\$ 745,980	\$ 646,238
Cash - temporarily restricted	101,088	130,436
Assets held in escrow	170,980	136,556
Non-interest bearing residential mortgage loans, net of unamortized discounts of \$633,569 and \$753,063	468,422	494,849
Accounts receivable	38,454	12,667
Unconditional promises to give	92,634	112,466
Habitat Outlet inventory	63,397	60,343
Homes under construction	852,038	1,371,622
Homes awaiting closing	106,862	106,862
Land for future construction	2,869,471	2,876,047
Real estate held for investment or resale	311,138	44,950
Property and equipment, net	93,916	116,653
Beneficial interest in assets held by others	20,000	20,000
Deferred affordable housing note receivable	350,000	350,000
Other assets	17,454	19,773
	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 6,301,834</b>	<b>\$ 6,499,462</b>
	<hr/>	<hr/>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Liabilities</b>		
Accounts payable	34,896	108,138
Accrued expenses	40,163	33,030
Due to Northern Trust Bank	1,777	2,162
Escrow deposits	181,679	148,779
Down payments and advance payments	10,500	11,500
Line-of-credit	147,500	-
Notes payable	2,354,418	1,722,597
Deferred affordable housing note payable	350,000	350,000
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>3,120,933</b>	<b>2,376,206</b>
<b>Net Assets</b>		
Unrestricted	2,944,377	3,838,145
Temporarily restricted	216,524	265,111
Permanently restricted	20,000	20,000
	<hr/>	<hr/>
<b>Total net assets</b>	<b>3,180,901</b>	<b>4,123,256</b>
	<hr/>	<hr/>
<b>Total Liabilities and Net Assets</b>	<b>\$ 6,301,834</b>	<b>\$ 6,499,462</b>
	<hr/>	<hr/>

**See accompanying notes to financial statements**

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

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2009**

<b>Support and Revenue</b>	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
Contributions				
Building materials and services	\$ 79,975	\$ 239,910	\$ -	\$ 319,885
Cash	266,865	275,013	-	541,878
Habitat Outlet merchandise	388,599	-	-	388,599
In-kind	28,431	-	-	28,431
Transfers to homeowners	2,892,989	-	-	2,892,989
Mortgage discount amortization	36,022	-	-	36,022
Sales - Habitat Outlet	385,544	-	-	385,544
Fundraising events, net of direct costs of \$21,857	96,301	-	-	96,301
Foundations and grants	219,853	150,197	-	370,050
Other	41,628	-	-	41,628
Interest income	16,013	-	-	16,013
Net assets released from restrictions	713,707	(713,707)	-	-
<b>Total support and revenue</b>	<b>5,165,927</b>	<b>(48,587)</b>	<b>-</b>	<b>5,117,340</b>
<b>Expenses</b>				
Program				
Construction and mortgage discounts	5,002,864	-	-	5,002,864
Habitat Outlet	664,733	-	-	664,733
Supporting services				
General and administrative	137,291	-	-	137,291
Fundraising	254,807	-	-	254,807
<b>Total expenses</b>	<b>6,059,695</b>	<b>-</b>	<b>-</b>	<b>6,059,695</b>
<b>Change in Net Assets</b>	<b>(893,768)</b>	<b>(48,587)</b>	<b>-</b>	<b>(942,355)</b>
<b>Net Assets at Beginning of Year</b>	<b>3,838,145</b>	<b>265,111</b>	<b>20,000</b>	<b>4,123,256</b>
<b>Net Assets at End of Year</b>	<b>\$ 2,944,377</b>	<b>\$ 216,524</b>	<b>\$ 20,000</b>	<b>\$ 3,180,901</b>

*See accompanying notes to financial statements*

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

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2008**

<b><i>Support and Revenue</i></b>	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
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)	-	-
<b><i>Total support and revenue</i></b>	<b>3,750,761</b>	<b>(212,765)</b>	<b>-</b>	<b>3,537,996</b>
<b><i>Expenses</i></b>				
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
<b><i>Total expenses</i></b>	<b>4,019,812</b>	<b>-</b>	<b>-</b>	<b>4,019,812</b>
<b><i>Change in Net Assets Before Other Changes</i></b>	<b>(269,051)</b>	<b>(212,765)</b>	<b>-</b>	<b>(481,816)</b>
<b><i>Other Changes</i></b>				
Loss on disposal of assets	8,867	-	-	8,867
Gain on sale of mortgages	129,561	-	-	129,561
<b><i>Total other changes</i></b>	<b>138,428</b>	<b>-</b>	<b>-</b>	<b>138,428</b>
<b><i>Change in Net Assets</i></b>	<b>(130,623)</b>	<b>(212,765)</b>	<b>-</b>	<b>(343,388)</b>
<b><i>Net Assets at Beginning of Year</i></b>	<b>3,968,768</b>	<b>477,876</b>	<b>20,000</b>	<b>4,466,644</b>
<b><i>Net Assets at End of Year</i></b>	<b>\$ 3,838,145</b>	<b>\$ 265,111</b>	<b>\$ 20,000</b>	<b>\$ 4,123,256</b>

***See accompanying notes to financial statements***

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

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2009**

	<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	\$ 615,980	\$ -	\$ 174,876	\$ 790,856	\$ 63,069	\$ 167,646	\$ 230,715	\$ 1,021,571
Building materials and supplies	3,922,565	-	-	3,922,565	-	-	-	3,922,565
Insurance and taxes	22,188	-	2,820	25,008	432	-	432	25,440
Repairs and maintenance	24,287	-	-	24,287	-	-	-	24,287
Depreciation	22,919	-	8,875	31,794	21,019	-	21,019	52,813
Mortgage discounts	-	(83,472)	-	(83,472)	-	-	-	(83,472)
Office supplies, equipment, and utilities	78,831	-	7,648	86,479	3,644	17,021	20,665	107,144
Printing and advertising	4,107	-	199	4,306	145	25,834	25,979	30,285
Travel	47,685	-	15,958	63,643	-	1,491	1,491	65,134
Professional services	106,191	-	-	106,191	29,288	3,132	32,420	138,611
Other	54,760	-	394,057	448,817	6,619	24,008	30,627	479,444
Rent	87,073	-	60,300	147,373	13,075	15,675	28,750	176,123
Bad debt expense	7,350	-	-	7,350	-	-	-	7,350
Support of Habitat for Humanity International	92,400	-	-	92,400	-	-	-	92,400
	<u>\$ 5,086,336</u>	<u>\$ (83,472)</u>	<u>\$ 664,733</u>	<u>\$ 5,667,597</u>	<u>\$ 137,291</u>	<u>\$ 254,807</u>	<u>\$ 392,098</u>	<u>\$ 6,059,695</u>

*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
Legal and accounting	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.**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b><i>Cash Flows from Operating Activities</i></b>		
Change in net assets	\$ (942,355)	\$ (343,388)
<b><i>Adjustments to reconcile change in net assets to cash provided by/(used in) operating activities</i></b>		
Depreciation	52,813	53,096
Amortization of mortgage discounts	(36,022)	(38,415)
Mortgage discounts retired	(83,472)	(30,326)
Net gain on mortgages sold	-	(129,561)
New mortgages transferred to owners	-	(317,215)
Loss (gain) on disposal of real estate	-	13,739
Loss (gain) on disposal of assets	-	(8,867)
Transfer of land for construction	636,067	363,064
<b><i>Decrease (Increase) in:</i></b>		
Unconditional promises to give	19,832	16,323
Deferred escrow	1,524	-
Habitat Outlet inventory	(3,054)	(1,432)
Homes under construction	519,584	(900,250)
Homes awaiting closing	-	(4,708)
Escrow cash	(34,424)	(58,063)
Due from Northern Trust	258	-
Second mortgage receivable	(52,250)	-
Accounts receivable	(25,787)	554,813
Other assets	2,319	(5,556)
<b><i>Increase (Decrease) in:</i></b>		
Accounts payable	(73,242)	73,440
Accrued expenses	7,133	5,741
Due to Northern Trust Bank	(386)	(2,180)
Escrow deposits	32,900	58,928
Down payments and advance payments	(1,000)	1,000
<b><i>Net cash provided by/(used in) operating activities</i></b>	<b>20,438</b>	<b>(699,817)</b>

*See accompanying notes to financial statements*

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

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<b><i>Cash Flows from Investing Activities</i></b>		
Proceeds from sale of real estate held for resale	69,953	237,584
Purchases of real estate held for resale	(336,140)	(176,944)
Proceeds from sale of equipment	-	21,067
Purchases of equipment	(30,076)	(13,646)
Proceeds from mortgages sold	-	407,299
Net purchases of land for future construction	2,330	(420,999)
Payments received on mortgages	196,389	125,447
	<u>          </u>	<u>          </u>
<b><i>Net cash (used in)/provided by investing activities</i></b>	<u>(97,544)</u>	<u>179,808</u>
<b><i>Cash Flows from Financing Activities</i></b>		
Proceeds from line-of-credit	147,500	-
	<u>          </u>	<u>          </u>
<b><i>Net cash provided by financing activities</i></b>	<u>147,500</u>	<u>-</u>
<b><i>Net increase/(Decrease) in Cash</i></b>	70,394	(520,009)
<b><i>Cash at Beginning of Year</i></b>	<u>776,674</u>	<u>1,296,683</u>
<b><i>Cash at End of Year</i></b>	<u>\$ 847,068</u>	<u>\$ 776,674</u>
<b><i>Supplemental Disclosures of Noncash Activities:</i></b>		
<b><i>Issuance of Non-Interest Bearing Mortgage Loans</i></b>	<u>\$ 52,250</u>	<u>\$ 393,160</u>
<b><i>Discount on Newly Issued Non-Interest Bearing Mortgage Loans</i></b>	<u>\$ -</u>	<u>\$ 252,245</u>
<b><i>Transfers of Property to Homeowners</i></b>	<u>\$ 2,892,989</u>	<u>\$ 1,191,233</u>
<b><i>Donated Land</i></b>	<u>\$ -</u>	<u>\$ 15,700</u>
<b><i>Payments for the Purchase of Land for Future Construction</i></b>		
Acquisition of land for future construction	\$ 629,491	\$ 1,767,874
Loans acquired	(631,821)	(1,346,875)
	<u>          </u>	<u>          </u>
<b><i>Net purchase of land for future construction</i></b>	<u>\$ (2,330)</u>	<u>\$ 420,999</u>

*See accompanying notes to financial statements*

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009 AND 2008**

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**

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. **Fair Value Measurement**

The financial statements are prepared in accordance with SFAS 157, *Fair Value Measures*, 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). SFAS 157 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. The Standard 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. SFAS 157 describes three levels of inputs that may be used to measure fair value:

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009 AND 2008**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

2. **Fair Value Measurement – Continued**

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.

3. **Cash**

Cash consists of cash on deposit with financial institutions and money market mutual fund accounts.

4. **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.

5. **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>2009</u>	<u>Number</u>	<u>Costs</u>
Homes under construction July 1, 2008	40	\$ 1,371,622
Additional costs incurred on beginning inventory	-	2,072,592
Additional costs on homes transferred prior year	(6)	(16,797)
New homes started during the year	23	1,219,881
Homes transferred during the year	<u>(23)</u>	<u>(3,795,260)</u>
	<u>34</u>	<u>\$ 852,038</u>
<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>

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009 AND 2008**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

6. **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.

7. **Other Assets**

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

8. **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.

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009 AND 2008**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

9. **Unconditional Promises to Give – Continued**

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, 2009 and 2008, \$7,350 and \$14,175 was deemed uncollectible and written off to bad debt expense, respectively. No allowance was booked at June 30, 2009 or 2008.

10. **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.

11. **Revenue Recognition**

Habitat accounts for contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. Accordingly, 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.

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.

12. **Donated Services**

SFAS 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 \$303,000 in income of which \$15,400 is temporarily restricted in homes under construction at June 30, 2009. At June 30, 2008, contributed services are reflected as approximately \$365,000 in income, of which \$22,200 is temporarily restricted in homes under construction.

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009 AND 2008**

**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 \$1,000 and \$1,900 for the years ended June 30, 2009 and 2008, 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.

Habitat has elected to defer the provisions of FIN 48, *Accounting for Income Taxes*, under the provisions of FSP FIN 48-3. Habitat uses the approach authorized in SFAS 5, *Loss Contingencies*, for evaluating uncertain tax positions. 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.

17. **Fair Value of Financial Instruments**

Habitat's financial instruments include cash, mortgages receivable, accounts payable, and notes payable. Due to the short-term nature of these instruments or market interest rates applied, management believes the recorded values of Habitat's financial instruments approximate their respective fair values as required by accounting principles generally accepted in the United States of America.

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009 AND 2008**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

18. **Reclassification**

Certain amounts in the 2008 financial statements have been reclassified to be comparable to the 2009 financial statements. The reclassification had no effect on the change in net assets for the years ended June 30, 2009 and 2008, respectively.

19. **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, 2009 and 2008 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, 2009 and 2008.

**NOTE B – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	<u>2009</u>	<u>2008</u>
Vehicles	\$ 57,240	\$ 57,237
Furniture and fixtures	27,973	25,273
Leasehold improvements	74,676	63,615
Signage	11,540	11,540
Construction equipment	60,282	57,083
Office equipment	<u>64,740</u>	<u>51,627</u>
	296,451	266,375
Less accumulated depreciation	<u>(202,535)</u>	<u>(149,722)</u>
	<u>\$ 93,916</u>	<u>\$ 116,653</u>

Depreciation expense was approximately \$53,000 for years ended June 30, 2009 and 2008.



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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009 AND 2008**

**NOTE C – UNCONDITIONAL PROMISES TO GIVE**

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

	<u>2009</u>	<u>2008</u>
Gross unconditional promises to give	\$ 96,636	\$ 120,161
Less: Unamortized discount	<u>(4,002)</u>	<u>(7,695)</u>
Net unconditional promises to give	<u>\$ 92,634</u>	<u>\$ 112,466</u>
Amounts due in:		
Less than one year	\$ 51,757	\$ 20,056
One to five years	<u>40,877</u>	<u>92,410</u>
	<u>\$ 92,634</u>	<u>\$ 112,466</u>

Promises to give have no ready market available and were valued for fair market value purposes using a level 3 input. For the year ended June 30, 2009, unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a Treasury bill rate with an added amount for economic uncertainty, for a total discount rate of 4.71%. For the years prior to 2009, promises to give were discounted with rates ranging from 3.49% - 5%.

**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, 2009 and 2008, Habitat contributed \$92,400 and \$42,000, respectively, to Habitat International. These amounts are included in program services expense in the statements of activities.

**NOTE E – 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.

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, 2009 AND 2008**

**NOTE F – LINE-OF-CREDIT**

For the year ended June 30, 2009, the Habitat secured a line-of-credit through BB&T Bank in the amount of \$235,000. Interest accrues at the rate of prime plus .75% (currently 4.0%) on any outstanding balance. At June 30, 2009, the outstanding balance on the line-of-credit was \$147,500. The line-of-credit is securitized by the purchase of houses to be rehabilitated and sold within a 23 month period of time.

**NOTE G – NOTES PAYABLE**

Notes payable consists of the following:

	<u>2009</u>	<u>2008</u>
Mortgage payable to a bank, balloon payment due February 28, 2011, including interest paid quarterly beginning May 28, 2008 at 5.75% until maturity, collateralized by a first mortgage on land and improvements	\$ 273,000	\$ 273,000
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
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	5,464	7,636
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	5,800	9,766
Note payable to BB&T Bank, 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

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009 AND 2008**

**NOTE G – NOTES PAYABLE – CONTINUED**

	<u>2009</u>	<u>2008</u>
Mortgage payable 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	123,477	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	26,256	29,438
Mortgage payable of \$1,425,000 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	768,213	-
Mortgage payable to City of Clearwater 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	600,000	-
Mortgage payable of \$277,000 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 \$1,168 per month beginning October 1, 2013 continuing until maturity at October 1, 2043. Outstanding balance is the amount of draw downs to date	276,287	-

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009 AND 2008**

**NOTE G – NOTES PAYABLE – CONTINUED**

	<u>2009</u>	<u>2008</u>
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	<u>275,921</u>	<u>59,921</u>
Total notes payable	<u>\$ 2,354,418</u>	<u>\$ 1,722,597</u>

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

<u>Year Ended June 30,</u>	<u>Amount</u>
2010	\$ 345,277
2011	332,921
2012	31,720
2013	-
2014	307,625
thereafter	<u>1,336,875</u>
	<u>\$ 2,354,418</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>2009</u>
<b>Cash</b>	
8805 58 <sup>th</sup> Lane	\$ 13,144
4330 8 <sup>th</sup> Ave. N	10,000
Shady Grove	15,118
Lake Butler Lots	9,800
Women Build 2009	3,025
Elmar Foundation	<u>50,000</u>
	101,087

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009 AND 2008**

**NOTE H – TEMPORARILY RESTRICTED NET ASSETS - CONTINUED**

***Promises to Give***

Unconditional promises to give, net 92,634

***Donated Labor and Materials***

3738 18<sup>th</sup> Terrace South 7,403

1660 Pinehurst 7,700

2935 5<sup>th</sup> Ave. S. 7,700

22,803

\$ 216,524

**2008**

***Cash***

1675 12<sup>th</sup> Street \$ 50,000

524 3<sup>rd</sup> Avenue Northeast 18,041

2837 4<sup>th</sup> Avenue South 23,932

Women Build 2009 5,000

Florida Hurricane Relief Fund 33,463

130,436

***Promises to Give***

Unconditional promises to give, net 112,466

***Donated Labor and Materials***

3738 18<sup>th</sup> Terrace South 7,403

3737 19<sup>th</sup> Avenue South 7,403

2837 4<sup>th</sup> Avenue South 7,403

22,209

\$ 265,111

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009 AND 2008**

**NOTE I – NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets released from restrictions were comprised of the following:

	<u><b>2009</b></u>
2045 14 <sup>th</sup> Avenue South	\$ 755
3470 19 <sup>th</sup> Avenue South	755
3737 19 <sup>th</sup> Avenue South	15,858
2837 4 <sup>th</sup> Avenue South	39,790
1675 12 <sup>th</sup> Avenue South	66,155
2406 3 <sup>rd</sup> Avenue South	66,155
4835 20 <sup>th</sup> Street North	36,155
4330 8 <sup>th</sup> Avenue North	20,000
1028 Missouri Avenue	755
911 Metto Avenue	755
815 Howard Street	34,898
1125 Howard Street	66,155
524 3 <sup>rd</sup> Avenue Northeast	34,196
609 16 <sup>th</sup> Avenue Northwest	41,155
705 2 <sup>nd</sup> Avenue Northwest	16,155
416 7 <sup>th</sup> Avenue Northeast	21,250
700 5 <sup>th</sup> Avenue	26,155
620 East Center Street	755
624 East Center Street	755
628 East Center Street	755
809 Pine Street	16,155
815 Pine Street	16,155
4555 25 <sup>th</sup> Avenue South	8,455
8805 58 <sup>th</sup> Avenue	12,134
Various – Thrivent contributions	99,974
Florida Hurricane Relief Fund	33,463
Women Build 2009	5,000
Unconditional promises to give, net	<u>33,009</u>
	<u>\$ 713,707</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009 AND 2008**

**NOTE I – NET ASSETS RELEASED FROM RESTRICTIONS - CONTINUED**

	<u>2008</u>
2801 2 <sup>nd</sup> Avenue South	\$ 126,044
3460 19 <sup>th</sup> Avenue South	27,591
3470 19 <sup>th</sup> Avenue South	33,185
2045 14 <sup>th</sup> Avenue South	14,806
701 15 <sup>th</sup> Avenue South	13,614
416 29 <sup>th</sup> Street South	5,665
3450 19 <sup>th</sup> Avenue South	99,311
1771 25 <sup>th</sup> 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 <sup>th</sup> Avenue Northeast	65,352
508 14 <sup>th</sup> 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 <sup>th</sup> Street South	5,665
1750 Preston	7,194
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>

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009 AND 2008**

**NOTE J – LEASES**

Habitat began leasing its 118<sup>th</sup> Avenue facility in August 2004. The lease requires monthly rental payments through October 2009. Habitat continues to lease its Starkey Road facility on a month-to-month basis. Total rent expense was approximately \$176,000 and \$173,000 for the years ended June 30, 2009 and 2008, respectively. In addition, Habitat 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, 2009 and 2008.

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

<i><u>Year Ended</u></i> <i><u>June 30,</u></i>	<i><u>Amount</u></i>
2010	\$ 127,002
2011	97,379
2012 and thereafter	<u>-</u>
	<u>\$ 224,381</u>

**NOTE K – 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. For the years ended June 30, 2009 and 2008, there were no agreements in effect.

**NOTE L – 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, 2008, Habitat transferred and assigned rights to five non-interest bearing residential mortgage loans and 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.



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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009 AND 2008**

**NOTE L – SALE OF MORTGAGES – CONTINUED**

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 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 or shall use its best efforts to substitute with a loan of equal interest rate and similar maturity date. For the year ended June 30, 2009, Habitat transferred and assigned rights of twenty-two non-interest bearing residential mortgage loans, the total proceeds on the transactions were \$2,565,739. For the year ended June 30, 2008, Habitat transferred and assigned rights of four non-interest bearing residential mortgage loans, the total proceeds on the transactions were \$446,783.

**NOTE M – SUBSEQUENT EVENT**

In August 2009, Habitat repurchased a mortgage from the bank. The total mortgage balance was approximately \$21,000. Habitat will proceed with foreclosure procedures due to the mortgage delinquency.

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009 AND 2008**

**NOTE N – 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, 2009 and 2008 statements of financial position for this associated promissory note.

<b><u>Funding Source/ Grant Name</u></b>	<b><u>Grant Contract Period</u></b>	<b><u>Total Grant/ Contract</u></b>	<b><u>Expended</u></b>
--	---	---	------------------------

**At June 30, 2009:**

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

***State and Local Grants/Contracts***

Florida Housing – State Housing Initiatives Partnership Program		\$ 254,000	\$ 254,000
City of Clearwater – loan for the Purchase of property		600,000	<u>600,000</u>
			<u>\$ 854,000</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2009 AND 2008**

**NOTE N – SUMMARY OF GRANTS/CONTRACTS FUNDING – CONTINUED**

<b><u>Funding Source/ Grant Name</u></b>	<b><u>Grant Contract Period</u></b>	<b><u>Total Grant/ Contract</u></b>	<b><u>Expended</u></b>
<b>At June 30, 2008:</b>			
<b>Federal and Federal Pass-through:</b>			
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
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>

***SUPPLEMENTARY INFORMATION***



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

***INDEPENDENT AUDITORS' REPORT ON  
SUPPLEMENTARY INFORMATION***

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

Our report on our audit of the financial statements of Habitat for Humanity of Pinellas County, Inc. for June 30, 2009 appears on page one. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2009 is presented for purposes of additional analysis or 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Clearwater, Florida  
September 14, 2009

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**JUNE 30, 2009**

<b><i>Federal Agency</i></b>	<b><i>CFDA</i></b>	<b><i>Expenditures</i></b>
<b><i>Pass-through Entity</i></b>	<b><i>Number</i></b>	
<b><u><i>Federal Program/State Project</i></u></b>		
<b>U.S. Department of Housing and Urban Development</b>		
<i>Passed through Pinellas County</i>		
Community Development Block Grant	14.218	\$ 350,000 *
HOME Investment Partnerships Program	14.239	1,041,698
<i>Passed through City of Largo</i>		
Community Development Block Grant	14.218	101,415
<i>Passed through City of St. Petersburg</i>		
Community Development Block Grant	14.218	20,000
Direct Program		
Self-Help Home Ownership Opportunity Program	14.247	<u>2,250</u>
<b><i>Total Expenditures of Federal Awards</i></b>		<b><u>\$1,515,363</u></b>

*\* 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, 2009***

***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 organizations 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.



29750 U.S. Hwy. 19 North, Suite 101  
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, 2009, and have issued our report thereon dated September 14, 2009. 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 Habitat’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 Habitat’s financial statements that is more than inconsequential will not be prevented or detected by Habitat’s internal control. We consider the following deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting. Finding number 2009-1.

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 Habitat’s internal control.

Our consideration of the 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 believe that the significant deficiency noted above is not a material weakness.



**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*.

Habitat's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Habitat's response and, accordingly, we express no opinion on it.

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.

Clearwater, Florida  
September 14, 2009



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 are applicable to each of its major federal programs for the year ended June 30, 2009. Habitat's major federal programs are 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 programs 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

**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 *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that a noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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 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. However, this report is a matter of public record and its distribution is not limited.

Clearwater, Florida  
September 14, 2009

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2009**

**A. Summary of Audit Results**

1. The auditors' report expresses an unqualified opinion on the financial statements.
2. One significant deficiency was 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><b>Federal Program</b></u>	<u><b>CFDA No.</b></u>
U.S. Department of Housing and Urban Development - Community Development Block Grant HOME Investment Partnerships Program	14.218
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, 2009**

**B. Findings – Financial Statements Audit**

**Significant Deficiency**

2009-1 Reconciliation of pledge payments

**Condition:** No reconciliation is done between general ledger and E-Tapestry in regards to pledge activity.

**Criteria:** Management has a responsibility to ensure complete and accurate recording of all pledge transactions.

**Effect:** Pledge activity as maintained by the development department did not reconcile to pledge transactions recorded in the general ledger.

**Cause:** A lack of management oversight and reconciliation between the development department and accounting

**Recommendation:** It is recommended that Habitat reconcile the E-Tapestry reports with accounting records on a monthly basis to ensure all pledge activity is being properly recorded.

**Management Response:** Monthly reconciliations are now being done between development and accounting.

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

None

**D. Prior Year Findings – Financial Statement Audit**

None

**E. Other Issues**

None