

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

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 not-for-profit Habitat) as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Habitat's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2010, on our consideration of Habitat's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Clearwater, Florida
October 21, 2010

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<u>ASSETS</u>		
Cash	\$ 376,168	\$ 745,980
Cash - temporarily restricted	34,805	101,088
Assets held in escrow	216,358	170,980
Non-interest bearing residential mortgage loans, net of unamortized discounts of \$973,289 and \$633,569, respectively	760,247	468,422
Accounts receivable	13,258	38,454
Unconditional promises to give	68,110	92,634
Habitat Outlet inventory	62,149	63,397
Homes under construction	1,165,228	852,038
Homes awaiting closing	106,862	106,862
Land for future construction	2,991,279	2,869,471
Real estate held for investment or resale	196,779	311,138
Property and equipment, net	56,113	93,916
Beneficial interest in assets held by others	20,000	20,000
Deferred affordable housing note receivable	350,000	350,000
Intangibles, net	4,761	-
Other assets	11,476	17,454
	<hr/>	<hr/>
Total Assets	\$ 6,433,593	\$ 6,301,834
	<hr/>	<hr/>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable	83,549	34,896
Accrued expenses	80,716	40,163
Due to Northern Trust Bank	-	1,777
Escrow deposits	227,681	181,679
Down payments and advance payments	12,500	10,500
Line-of-credit	130,000	147,500
Notes payable	2,930,027	2,354,418
Deferred affordable housing note payable	350,000	350,000
	<hr/>	<hr/>
Total liabilities	3,814,473	3,120,933
Net Assets		
Unrestricted	2,448,447	2,944,377
Temporarily restricted	150,673	216,524
Permanently restricted	20,000	20,000
	<hr/>	<hr/>
Total net assets	2,619,120	3,180,901
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 6,433,593	\$ 6,301,834
	<hr/>	<hr/>

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010

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

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2009

<i>Support and Revenue</i>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
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 \$27,451	96,301	-	-	96,301
Grants	219,853	150,197	-	370,050
Other	41,628	-	-	41,628
Interest income	16,013	-	-	16,013
Net assets released from restrictions	<u>713,707</u>	<u>(713,707)</u>	<u>-</u>	<u>-</u>
<i>Total support and revenue</i>	5,165,927	(48,587)	-	5,117,340
<i>Expenses</i>				
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	<u>254,807</u>	<u>-</u>	<u>-</u>	<u>254,807</u>
<i>Total expenses</i>	<u>6,059,695</u>	<u>-</u>	<u>-</u>	<u>6,059,695</u>
<i>Change in Net Assets</i>	(893,768)	(48,587)	-	(942,355)
<i>Net Assets at Beginning of Year</i>	<u>3,838,145</u>	<u>265,111</u>	<u>20,000</u>	<u>4,123,256</u>
<i>Net Assets at End of Year</i>	<u>\$ 2,944,377</u>	<u>\$ 216,524</u>	<u>\$ 20,000</u>	<u>\$ 3,180,901</u>

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2010

	<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	\$ 629,781	\$ -	\$ 221,749	\$ 851,530	\$ 55,933	\$ 113,903	\$ 169,836	\$ 1,021,366
Building materials and supplies	4,392,581	-	-	4,392,581	-	-	-	4,392,581
Insurance and taxes	35,527	-	2,745	38,272	1,419	-	1,419	39,691
Repairs and maintenance	42,970	-	-	42,970	-	-	-	42,970
Depreciation & amortization	15,303	-	4,968	20,271	21,228	-	21,228	41,499
Mortgage discounts	-	375,605	-	375,605	-	-	-	375,605
Office supplies, equipment, and utilities	79,856	-	7,438	87,294	3,942	5,723	9,665	96,959
Printing and advertising	4,770	-	48	4,818	145	4,378	4,523	9,341
Travel	62,139	-	10,714	72,853	-	735	735	73,588
Professional services	99,037	-	-	99,037	65,656	1,885	67,541	166,578
Other	17,089	-	392,464	409,553	7,501	7,812	15,313	424,866
Rent	87,169	-	59,553	146,722	13,300	15,700	29,000	175,722
Bad debt expense	10,015	-	-	10,015	-	-	-	10,015
Support of Habitat for Humanity International	88,200	-	-	88,200	-	-	-	88,200
	<u>\$ 5,564,437</u>	<u>\$ 375,605</u>	<u>\$ 699,679</u>	<u>\$ 6,639,721</u>	<u>\$ 169,124</u>	<u>\$ 150,136</u>	<u>\$ 319,260</u>	<u>\$ 6,958,981</u>

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
Legal and accounting	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.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<i>Cash Flows from Operating Activities</i>		
Change in net assets	\$ (561,781)	\$ (942,355)
<i>Adjustments to reconcile change in net assets to cash provided by/(used in) operating activities</i>		
Depreciation and amortization	41,499	52,813
Amortization of mortgage discounts	(35,885)	(36,022)
Mortgage discounts retired	(85,196)	(83,472)
New mortgages transferred to owners	(299,498)	-
Loss (gain) on disposal of real estate	87,718	-
Loss (gain) on disposal of assets	(1,444)	-
Transfer of land for construction	1,486,262	636,067
<i>Decrease (Increase) in:</i>		
Unconditional promises to give	24,524	19,832
Deferred escrow	-	1,524
Habitat Outlet inventory	1,249	(3,054)
Homes under construction	(313,190)	519,584
Real estate held for investment/resale	27,032	-
Escrow cash	(45,378)	(34,424)
Due from Northern Trust	(821)	258
Second mortgage receivable	(19,722)	(52,250)
Accounts receivable	25,196	(25,787)
Other assets	784	2,319
<i>Increase (Decrease) in:</i>		
Accounts payable	48,653	(73,242)
Accrued expenses	40,553	7,133
Due to Northern Trust Bank	(1,777)	(386)
Escrow deposits	46,002	32,900
Down payments and advance payments	2,000	(1,000)
<i>Net cash provided by operating activities</i>	<u>466,780</u>	<u>20,438</u>

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<i>Cash Flows from Investing Activities</i>		
Proceeds from sale of real estate held for resale	335,749	69,953
Purchases of real estate held for resale	(336,140)	(336,140)
Proceeds from sale of equipment	2,140	-
Purchases of equipment	(3,959)	(30,076)
Net purchases of land for future construction	(1,032,460)	2,330
Payments received on mortgages	149,295	196,389
	<u> </u>	<u> </u>
<i>Net cash used in investing activities</i>	<u>(885,375)</u>	<u>(97,544)</u>
<i>Cash Flows from Financing Activities</i>		
Net payments on line-of-credit	(17,500)	147,500
	<u> </u>	<u> </u>
<i>Net cash (used in)/provided by financing activities</i>	<u>(17,500)</u>	<u>147,500</u>
<i>Net (Decrease)/Increase in Cash</i>	(436,095)	70,394
<i>Cash at Beginning of Year</i>	<u>847,068</u>	<u>776,674</u>
<i>Cash at End of Year</i>	<u><u>\$ 410,973</u></u>	<u><u>\$ 847,068</u></u>
<i>Supplemental Disclosures of Noncash Activities:</i>		
<i>Issuance of Non-Interest Bearing Mortgage Loans</i>	<u><u>\$ 19,722</u></u>	<u><u>\$ 52,250</u></u>
<i>Transfers of Property to Homeowners</i>	<u><u>\$ 3,964,100</u></u>	<u><u>\$ 2,892,989</u></u>
<i>Donated Land</i>	<u><u>\$ 33,000</u></u>	<u><u>\$ -</u></u>
<i>Payments for the Purchase of Land for Future Construction</i>		
Acquisition of land for future construction	\$ 1,608,069	\$ 629,491
Loans acquired	(575,609)	(631,821)
	<u> </u>	<u> </u>
<i>Net purchase of land for future construction</i>	<u><u>\$ 1,032,460</u></u>	<u><u>\$ (2,330)</u></u>

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

Habitat for Humanity of Pinellas County, Inc. (a not-for-profit Habitat) 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 Habitat 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. **Adoption of the FASB Accounting Standards Codification**

The Financial Accounting Standards Board (“FASB”) issued FASB Accounting Standards Codification (“ASC”) effective for financial statements issued for interim and annual periods ending after September 15, 2009. The ASC is an aggregation of previously issued authoritative accounting principles generally accepted in the United States of America (“GAAP”) in one comprehensive set of guidance organized by subject area. In accordance with the ASC, references to previously issued accounting standards have been replaced by ASC references. Subsequent revisions to GAAP will be incorporated into the ASC through Accounting Standards Updates (ASU). The ASC did not have an effect on Habitat’s results of operations or financial condition.

2. **Basis of Presentation**

Financial statement presentation follows the recommendation of the ASC 985-205, *Financial Statements of Not-For-Profit Habitats*. Under those provisions, net assets and revenues, gains, and losses are classified based on the absence or existence and nature of donor-imposed restrictions as follows:

- Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.
- Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of Habitat pursuant to those stipulations or that expire by the passage of time.
- Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by Habitat. Generally, the donors of such assets permit Habitat to use all or part of the income earned on the assets.

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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>2010</u>	<u>Number</u>	<u>Costs</u>
Homes under construction July 1, 2009	34	\$ 852,038
Additional costs incurred on beginning inventory	-	1,359,638
Additional costs on homes transferred prior year	(7)	(91,015)
New homes started during the year	51	3,360,975
Rehab homes transferred out	(15)	(1,773,183)
Homes transferred during the year	<u>(14)</u>	<u>(2,543,225)</u>
	<u>49</u>	<u>\$ 1,165,228</u>
<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>

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

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 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, 2010 AND 2009

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, 2010 and 2009, \$10,015 and \$7,350 was deemed uncollectible and written off to bad debt expense, respectively. No allowance was booked at June 30, 2010 or 2009.

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

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. Intangible Assets

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

Website costs are being amortized on a straight-line basis over three years.

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

13. **Donated Services**

Donated premises, services, and materials are recorded as revenue in the accompanying statements of activities, at their estimated values at the date of receipt. Contributions of services are recorded as unrestricted support at their estimated fair value if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donations that are not susceptible to objective measurement or valuation are not included in the financial statements. Donated services used in building the homes are reflected as contributed services of approximately \$405,000 in income of which \$31,900 is temporarily restricted in homes under construction at June 30, 2010. At June 30, 2009, contributed services are reflected as approximately \$303,000 in income, of which \$15,400 is temporarily restricted in homes under construction.

14. **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.

15. **Advertising Costs**

Advertising costs are expensed as incurred and were approximately \$1,400 and \$1,000 for the years ended June 30, 2010 and 2009, respectively.

16. **Income Taxes**

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

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

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

16. **Income Taxes – Continued**

As of June 30, 2010, Habitat did not have any unrecognized tax benefits as defined in FASB ASC 740-10-65-1. We do not believe that there will be any material changes in our unrecognized tax positions over the next twelve months. We continually evaluate expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

17. **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.

18. **Fair Value Measurement**

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

Level 1: Quotes market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

19. **Fair Value of Financial Instruments**

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

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

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

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

20. **Reclassification**

Certain amounts in the 2009 financial statements have been reclassified to be comparable to the 2010 financial statements. The reclassification had no effect on the change in net assets for the years ended June 30, 2010 and 2009, respectively.

21. **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, 2010 and 2009 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, 2010 and 2009.

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

22. Subsequent Events – New Accounting Standard

In May 2009, FASB ASC 855-10 was implemented to incorporate the accounting disclosure requirement for subsequent events into U.S. GAAP. This update introduces new terminology, defines a date through which management must evaluate subsequent events, and lists the circumstances under which an entity must recognize and disclose events or transactions occurring after the balance sheet date. Habitat adopted FASB ASC 855-10 as of June 30, 2010. Habitat evaluated its June 30, 2010 financial statements for subsequent events through October 21, 2010, the date the financial statements were available to be issued. Subsequent events are discussed in **NOTE O** of these financial statements.

NOTE B – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2010</u>	<u>2009</u>
Vehicles	\$ 53,066	\$ 57,240
Furniture and fixtures	27,973	27,973
Leasehold improvements	76,284	74,676
Signage	11,540	11,540
Construction equipment	60,282	60,282
Office equipment	<u>67,090</u>	<u>64,740</u>
	296,235	296,451
Less accumulated depreciation	<u>(240,122)</u>	<u>(202,535)</u>
	<u>\$ 56,113</u>	<u>\$ 93,916</u>

Depreciation expense was approximately \$41,000 and \$53,000 for years ended June 30, 2010 and 2009, respectively.

NOTE C – INTANGIBLE ASSETS

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

Website costs	\$ 5,194
Less accumulated amortization	<u>(433)</u>
	<u>\$ 4,761</u>

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE C – INTANGIBLE ASSETS – CONTINUED

Aggregate amortization expense for each of the next three fiscal years ending June 30 is estimated as follows:

<i>Year ended</i> <u>June 30</u>	
2011	\$ 1,731
2012	1,731
2013	<u>1,299</u>
	<u>\$ 4,761</u>

NOTE D – UNCONDITIONAL PROMISES TO GIVE

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

	<u>2010</u>	<u>2009</u>
Gross unconditional promises to give	\$ 69,900	\$ 96,636
Less: Unamortized discount	<u>(1,790)</u>	<u>(4,002)</u>
Net unconditional promises to give	<u>\$ 68,110</u>	<u>\$ 92,634</u>
Amounts due in:		
Less than one year	\$ 27,310	\$ 51,757
One to five years	<u>40,800</u>	<u>40,877</u>
	<u>\$ 68,110</u>	<u>\$ 92,634</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, 2010, 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 3.0%. For the years prior to 2010, promises to give were discounted with rates ranging from 3.49% - 5%.

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

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.

NOTE F – 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, 2010 and 2009, Habitat contributed \$88,200 and \$92,400, respectively, to Habitat International. These amounts are included in program services expense in the statements of activities.

NOTE G – LINE-OF-CREDIT

For the year ended June 30, 2010, Habitat secured a line-of-credit through BB&T Bank in the amount of \$130,000. Interest accrues at the rate of prime plus 1.75% (currently 5.0%) on any outstanding balance. At June 30, 2010, the outstanding balance on the line-of-credit was \$130,000. The line-of-credit is securitized by the purchase of houses to be rehabilitated and sold within a 23 month period of time.

In the year ended June 30, 2009, Habitat had a line of credit of \$235,000 with an outstanding balance of \$147,500 at year end. During the fiscal year ended June 30, 2010 this was renewed at the lower amount stated above with the same terms.

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE H – NOTES PAYABLE

Notes payable consists of the following:

	<u>2010</u>	<u>2009</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 for the Lake Butler property	\$ 273,000	\$ 273,000
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	3,292	5,464
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
Mortgage payable for infrastructure to City of Clearwater with 0% interest and balloon payment due upon maturity at June 30, 2010, with the principal amount of this note forgiven at the commencement of construction of the first housing unit upon the mortgaged property referred to as Stevens Creek	123,477	123,477

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE H – NOTES PAYABLE – CONTINUED

	<u>2010</u>	<u>2009</u>
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	18,768	26,256
Mortgage payable of \$1,425,000 for the land purchase on the Stevens Creek property to Pinellas County Board of Commissioners with 0% interest and payment deferred until October 1, 2013, with interest thereon at 3% per year for the remainder of the thirty (30) year term, interest and principal payments of \$6,008 per month beginning October 1, 2013 continuing until maturity at October 1, 2043. Outstanding balance is the amount of draw downs to date	941,590	768,213
Mortgage payable to City of Clearwater for the land purchase of Stevens Creek with 0% interest and payment deferred until September 29, 2013, with interest thereon at 3% per year for the remainder of the thirty (30) year term, to pay \$12,000 each time a house is sold, with any remaining balance including principal and interest due and payable upon maturity at September 29, 2038	600,000	600,000
Mortgage payable to the Pinellas County Board of Commissioners of \$640,000 was modified on September 24, 2009 increasing the original principal balance of \$277,000 by \$363,000 for a total loan amount of \$640,000. This loan is for the infrastructure on the Shady Grove property with 0% interest and payment deferred until October 1, 2013, with interest thereon at 3% per year for the remainder of the thirty (30) year term, interest and principal payments of \$2,698 per month beginning October 1, 2013 continuing until maturity at October 1, 2043. Outstanding balance is the amount of draw downs to date	458,070	276,287

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE H – NOTES PAYABLE – CONTINUED

	<u>2010</u>	<u>2009</u>
Note payable to Pinellas County Board of Commissioners for the land purchase of Havens Ridge with 0% interest and a balloon payment of remaining balance upon maturity at December 1, 2012. Upon the sale of units a portion of the loan is paid down resulting in a partial release of the lien on the sold property	411,908	-
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>99,922</u>	<u>275,921</u>
Total notes payable	<u>\$ 2,930,027</u>	<u>\$ 2,354,418</u>

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

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2011	\$ 163,477
2012	332,921
2013	433,968
2014	44,060
2015	65,796
Thereafter	<u>1,889,805</u>
	<u>\$ 2,930,027</u>

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE I – 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>2010</u>
<i>Cash</i>	
United Methodist	\$ 1,305
Episcopal Church	10,000
Jollay	3,500
AEGON	<u>20,000</u>
	34,805
<i>Promises to Give</i>	
Unconditional promises to give, net	68,110
<i>Donated Labor and Materials</i>	
3738 18 th Terrace South	7,403
2935 5th Avenue South	7,700
1063 Yale	7,975
3850 6 th Avenue	7,975
559 Shady Grove	<u>16,705</u>
	<u>48,513</u>
	<u>\$ 150,673</u>
	<u>2009</u>
<i>Cash</i>	
8805 58 th Lane	\$ 13,144
4330 8 th 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
<i>Promises to Give</i>	
Unconditional promises to give, net	92,634
<i>Donated Labor and Materials</i>	
3738 18 th Terrace South	7,403
1660 Pinehurst	7,700
2935 5 th Ave. S.	<u>7,700</u>
	<u>22,803</u>
	<u>\$ 216,524</u>

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE J – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from restrictions were comprised of the following:

	<u>2010</u>
4330 8 th Avenue North	\$ 26,705
815 Howard Street	3,025
804 Ewig	31,705
559 Shady Grove	12,500
563 Shady Grove	16,705
567 Shady Grove	66,705
571 Shady Grove	66,705
575 Shady Grove	16,705
13271 116th	66,705
13269 116th	107,614
4775 162nd	16,705
4765 162nd	16,705
415 7 th	16,705
1007 13 th	16,705
405 4 th Avenue	66,705
Lake Butler	9,800
1226 E. Court	66,705
5490 56 th	8,730
3722 41 st	8,730
3783 42 nd	2,749
3777 42 nd	2,749
3791 42 nd	2,749
3773 42 nd	2,749
3787 42 nd	2,748
5490 56 th	25,000
3779 42 nd	2,749
2781 Northridge	8,730
1660 Pinehurst	8,455
334 15 th	8,730
229 15 th	8,730
8805 58 th	21,874
8824 112 th	8,730
Blitz Build	59,979
Unconditional promises to give, net	28,124
Pinellas County Board	<u>2,618</u>
	<u>\$ 840,027</u>

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE J – NET ASSETS RELEASED FROM RESTRICTIONS – CONTINUED

	<u>2009</u>
2045 14 th Avenue South	\$ 755
3470 19 th Avenue South	755
3737 19 th Avenue South	15,858
2837 4 th Avenue South	39,790
1675 12 th Avenue South	66,155
2406 3 rd Avenue South	66,155
4835 20 th Street North	36,155
4330 8 th Avenue North	20,000
1028 Missouri Avenue	755
911 Metto Avenue	755
815 Howard Street	34,898
1125 Howard Street	66,155
524 3 rd Avenue Northeast	34,196
609 16 th Avenue Northwest	41,155
705 2 nd Avenue Northwest	16,155
416 7 th Avenue Northeast	21,250
700 5 th 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 th Avenue South	8,455
8805 58 th 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, 2010 AND 2009

NOTE K – LEASES

Habitat began leasing its 118th 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 \$175,000 and \$176,000 for the years ended June 30, 2010 and 2009, respectively.

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

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

NOTE L – 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, 2010 and 2009, there were no agreements in effect.

NOTE M – 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.

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE M – 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, 2010, Habitat transferred and assigned rights of twenty-two non-interest bearing residential mortgage loans, the total proceeds on the transactions were \$3,224,100. 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.

As of year June 30, 2010, Habitat was unable to sell six mortgages with a combined sales price of \$791,000. These mortgages are held by Habitat of which a \$460,000 discount was recorded and reflected in program expenses on the Statement of Activities under construction and mortgage discounts.

NOTE N – LOSS ON SALE OF PROPERTY

During fiscal year ended June 30, 2010, four properties were sold at a loss that were originally held as inventory in prior years. The proceeds were \$335,749 and accumulated costs totaled \$423,467 resulting in a loss of \$87,718.

NOTE O – SUBSEQUENT EVENT

Effective July 1, 2010, two properties located in St Petersburg were reverted back to the City of St. Petersburg and the outstanding mortgages totaling \$59,921 were forgiven by City of St. Petersburg Housing Community Development.

The City of Clearwater is subsidizing a property currently being built and will forgive the \$40,000 mortgage upon completion of the house.

In all three cases, the appraisals of homes in the vicinity of these properties indicate that building costs are significantly higher than sales values.

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

NOTE P – 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, 2010 and 2009 statements of financial position for this associated promissory note.

<u>Funding Source/ Grant Name</u>	<u>Grant Contract Period</u>	<u>Total Grant/ Contract</u>	<u>Expended</u>
At June 30, 2010:			
<i>Federal and Federal Pass-through: See Schedule of Expenditures of Federal Awards</i>			
<i>State and Local Grants/Contracts</i>			
Pinellas County – loan		\$ 659,077	\$ 411,908
City of Clearwater – loan for the purchase of property		600,000	<u>600,000</u>
			<u>\$1,259,077</u>

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>

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, 2010 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, 2010 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 Habitats*, 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
October 21, 2010

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2010

<i>Federal Agency</i>	<i>CFDA</i>	<i>Expenditures</i>
<i>Pass-through Entity</i>	<i>Number</i>	
<u><i>Federal Program/State Project</i></u>		
U.S. Department of Housing and Urban Development		
<i>Passed through Pinellas County</i>		
Community Development Block Grant	14.218	\$ 350,000 *
HOME Investment Partnerships Program	14.239	<u>1,399,660 *</u>
<i>Total Expenditures of Federal Awards</i>		<u>\$1,749,660</u>

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

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2010

BASIS OF PRESENTATION

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

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, 2010, and have issued our report thereon dated October 21, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

Clearwater, Florida
October 21, 2010



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, 2010. 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 Habitats*. 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, 2010.

Internal Control over Compliance

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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
October 21, 2010

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

A. Summary of Audit Results

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

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

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

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

B. Findings – Financial Statements Audit

None

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

None

D. Prior Year Findings – Financial Statement 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.

Result: Corrective action was taken

E. Other Issues

None