

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

***FINANCIAL STATEMENTS***

***JUNE 30, 2012 AND 2011***

***AND***

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

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

## ***INDEPENDENT AUDITORS' REPORT***

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

We have audited the accompanying statements of financial position of Habitat for Humanity of Pinellas County, Inc. (Habitat) as of June 30, 2012 and 2011, and the related statements of activities, and cash flows for the years then ended, and the related statement of functional expenses for the year ended June 30, 2012. These financial statements are the responsibility of Habitat's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative information included in the statement of functional expenses has been derived from Habitat's 2011 financial statements and, in our report dated September 15, 2011, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Pinellas County, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, and its functional expenses for the year ended June 30, 2012, 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 8, 2012, 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 audit.

*Continued*

***INDEPENDENT AUDITORS' REPORT - CONTINUED***

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

Clearwater, Florida  
October 8, 2012

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

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2012 AND 2011**

**ASSETS**

	<b><u>2012</u></b>	<b><u>2011</u></b>
Cash and cash equivalents	\$ 796,322	\$ 524,922
Cash and cash equivalents - temporarily restricted	391,379	101,412
Assets held in escrow	406,825	407,989
Accounts receivable	167,580	450,510
Grants receivable	106,083	-
Unconditional promises to give	33,455	92,524
Due from affiliate	38,620	-
Habitat ReStore inventory	94,341	69,961
Homes under construction	1,798,085	1,906,724
Homes awaiting closing	147,181	-
Land for future construction	1,994,224	2,366,071
Real estate held for investment or resale	379,152	398,073
Property and equipment, net	279,004	42,280
Non-interest bearing residential mortgage loans, net of unamortized discounts of \$655,512 and \$525,550, respectively	572,502	454,446
Beneficial interest in assets held by others	20,000	20,000
Investment in joint venture	1,533,249	-
Deferred affordable housing note receivable	350,000	350,000
Other assets	214,559	20,508
<b><i>Total Assets</i></b>	<b><u>\$ 9,322,561</u></b>	<b><u>\$ 7,205,420</u></b>

**LIABILITIES AND NET ASSETS**

***Liabilities***

Accounts payable and accrued expenses	\$ 359,264	\$ 203,908
Escrow deposits	416,560	420,069
Down payments and advance payments	15,500	16,000
Capital lease payable	14,749	-
Notes payable and lines-of-credit	5,144,457	3,223,887
Deferred affordable housing note payable	350,000	350,000
<b><i>Total liabilities</i></b>	<b><u>6,300,530</u></b>	<b><u>4,213,864</u></b>

***Net Assets***

Unrestricted	2,881,238	2,621,840
Temporarily restricted	120,793	349,716
Permanently restricted	20,000	20,000
<b><i>Total net assets</i></b>	<b><u>3,022,031</u></b>	<b><u>2,991,556</u></b>
<b><i>Total Liabilities and Net Assets</i></b>	<b><u>\$ 9,322,561</u></b>	<b><u>\$ 7,205,420</u></b>

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

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

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2012  
(WITH COMPARATIVE TOTALS FOR 2011)**

<i>Support and Revenue</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>	
				<i>2012</i>	<i>2011</i>
Contributions					
Building materials and services	\$ -	\$ 369,407	\$ -	\$ 369,407	\$ 458,140
Cash	808,575	3,550	-	812,125	930,110
Habitat ReStore merchandise	481,806	-	-	481,806	404,401
In-kind	101,941	-	-	101,941	97,156
Transfers to homeowners	3,866,258	-	-	3,866,258	3,152,450
Mortgage discount amortization	50,761	-	-	50,761	41,966
Sales - Habitat ReStore	461,731	-	-	461,731	403,132
Fundraising events, net of direct costs of \$22,251	125,999	-	-	125,999	57,866
Foundations and grants	482,583	-	-	482,583	332,333
Other	40,011	-	-	40,011	29,775
Interest income	10,550	-	-	10,550	13
Net assets released from restrictions	601,880	(601,880)	-	-	-
<b>Total support and revenue</b>	<b>7,032,095</b>	<b>(228,923)</b>	<b>-</b>	<b>6,803,172</b>	<b>5,907,342</b>
<b>Expenses</b>					
Program					
Construction and mortgage discounts	5,483,401	-	-	5,483,401	4,140,378
Habitat ReStore	958,022	-	-	958,022	765,417
Supporting services					
General and administrative	160,647	-	-	160,647	166,274
Fundraising	208,161	-	-	208,161	164,813
<b>Total expenses</b>	<b>6,810,231</b>	<b>-</b>	<b>-</b>	<b>6,810,231</b>	<b>5,236,882</b>
<b>Change in Net Assets Before Other Changes</b>	<b>221,864</b>	<b>(228,923)</b>	<b>-</b>	<b>(7,059)</b>	<b>670,460</b>
<b>Other Changes - Expense (Revenue)</b>					
Loss on sale of property	44,492	-	-	44,492	173,809
Loss on sale of land	19,458	-	-	19,458	112,281
Impairment on land held for development	15,516	-	-	15,516	266,832
Debt forgiveness income	(117,000)	-	-	(117,000)	(254,898)
<b>Total other changes</b>	<b>(37,534)</b>	<b>-</b>	<b>-</b>	<b>(37,534)</b>	<b>298,024</b>
<b>Change in Net Assets</b>	<b>259,398</b>	<b>(228,923)</b>	<b>-</b>	<b>30,475</b>	<b>372,436</b>
<b>Net Assets at Beginning of Year</b>	<b>2,621,840</b>	<b>349,716</b>	<b>20,000</b>	<b>2,991,556</b>	<b>2,619,120</b>
<b>Net Assets at End of Year</b>	<b>\$ 2,881,238</b>	<b>\$ 120,793</b>	<b>\$ 20,000</b>	<b>\$ 3,022,031</b>	<b>\$ 2,991,556</b>

*See accompanying notes to financial statements*

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

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2011**

<b>Support and Revenue</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Contributions				
Building materials and services	\$ 50,000	\$ 408,140	\$ -	\$ 458,140
Cash	388,510	541,600	-	930,110
Habitat ReStore merchandise	404,401	-	-	404,401
In-kind	97,156	-	-	97,156
Transfers to homeowners	3,152,450	-	-	3,152,450
Mortgage discount amortization	41,966	-	-	41,966
Sales - Habitat ReStore	403,132	-	-	403,132
Fundraising events, net of direct costs of \$29,361	57,866	-	-	57,866
Grants	280,921	51,412	-	332,333
Other	29,775	-	-	29,775
Interest income	13	-	-	13
Net assets released from restrictions	802,109	(802,109)	-	-
<b>Total support and revenue</b>	<b>5,708,299</b>	<b>199,043</b>	<b>-</b>	<b>5,907,342</b>
<b>Expenses</b>				
Program				
Construction and mortgage discounts	4,140,378	-	-	4,140,378
Habitat ReStore	765,417	-	-	765,417
Supporting services				
General and administrative	166,274	-	-	166,274
Fundraising	164,813	-	-	164,813
<b>Total expenses</b>	<b>5,236,882</b>	<b>-</b>	<b>-</b>	<b>5,236,882</b>
<b>Change in Net Assets Before Other Changes</b>	<b>471,417</b>	<b>199,043</b>	<b>-</b>	<b>670,460</b>
<b>Other Changes - Expense (Revenue)</b>				
Loss on sale of property	173,809	-	-	173,809
Loss on sale of land	112,281	-	-	112,281
Impairment on land held for development	266,832	-	-	266,832
Debt forgiveness income	(254,898)	-	-	(254,898)
<b>Total other changes</b>	<b>298,024</b>	<b>-</b>	<b>-</b>	<b>298,024</b>
<b>Change in Net Assets</b>	<b>173,393</b>	<b>199,043</b>	<b>-</b>	<b>372,436</b>
<b>Net Assets at Beginning of Year</b>	<b>2,448,447</b>	<b>150,673</b>	<b>20,000</b>	<b>2,619,120</b>
<b>Net Assets at End of Year</b>	<b>\$ 2,621,840</b>	<b>\$ 349,716</b>	<b>\$ 20,000</b>	<b>\$ 2,991,556</b>

**See accompanying notes to financial statements**

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

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2012**

**(WITH COMPARATIVE TOTALS FOR 2011)**

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total Expenses</u>		
	<u>Construction</u>	<u>Mortgage Discounts</u>	<u>Habitat ReStore</u>	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>2012</u>	<u>2011</u>
Salaries and benefits	\$ 641,745	\$ -	\$ 310,092	\$ 951,837	\$ 87,146	\$ 148,027	\$ 235,173	\$ 1,187,010	\$ 1,152,205
Building materials and supplies	4,110,488	-	-	4,110,488	-	-	-	4,110,488	3,285,593
Subsidy of escrow costs	32,066	-	-	32,066	-	-	-	32,066	-
Insurance and taxes	65,178	-	6,298	71,476	273	-	273	71,749	46,548
Repairs and maintenance	35,987	-	-	35,987	-	-	-	35,987	25,608
Depreciation and amortization	48,567	-	4,269	52,836	14,871	-	14,871	67,707	33,205
Mortgage discounts	-	180,723	-	180,723	-	-	-	180,723	(405,773)
Office supplies, equipment, and utilities	82,010	-	36,328	118,338	4,658	10,814	15,472	133,810	100,917
Printing and advertising	6,345	-	9,083	15,428	-	10,158	10,158	25,586	16,938
Travel	44,333	-	21,882	66,215	-	3,528	3,528	69,743	61,978
Professional services	29,906	-	1,162	31,068	27,602	5,322	32,924	63,992	160,860
Other	21,397	-	476,617	498,014	16,497	20,262	36,759	534,773	484,105
Rent	64,521	-	92,291	156,812	9,600	10,050	19,650	176,462	179,758
Bad debt expense	12,135	-	-	12,135	-	-	-	12,135	6,740
Support of Habitat for Humanity International	108,000	-	-	108,000	-	-	-	108,000	88,200
	<u>\$ 5,302,678</u>	<u>\$ 180,723</u>	<u>\$ 958,022</u>	<u>\$ 6,441,423</u>	<u>\$ 160,647</u>	<u>\$ 208,161</u>	<u>\$ 368,808</u>	<u>\$ 6,810,231</u>	<u>\$ 5,236,882</u>

*See accompanying notes to financial statements*



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

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b><i>Cash Flows from Operating Activities</i></b>		
Change in net assets	\$ 30,475	\$ 372,436
<b><i>Adjustments to reconcile change in net assets to cash provided by (used in) operating activities</i></b>		
Depreciation	39,410	31,475
Amortization of intangibles	28,297	1,730
Amortization of mortgage discounts	(34,282)	(41,966)
Mortgage discounts retired	-	(441,673)
New mortgages transferred to owners	(119,277)	(264,350)
Loss on disposals	79,466	552,923
Donated land for development	85,746	83,334
Transfer of land for construction	653,989	516,514
Debt forgiveness income	(117,000)	(254,898)
Buyback of homeowner properties	-	219,821
<b><i>Decrease (Increase) in:</i></b>		
Escrow cash	1,164	(191,631)
Accounts receivable	282,930	(437,252)
Grants receivable	(106,083)	-
Unconditional promises to give	59,069	(24,414)
Due from affiliate	(38,620)	-
Habitat ReStore inventory	(24,379)	(1,268)
Homes under construction	108,639	(741,496)
Due from Northern Trust	(5,126)	(1,786)
Second mortgage receivable	1,695	(2,708)
Other assets	(222,348)	(13,205)
<b><i>Increase (Decrease) in:</i></b>		
Accounts payable and accrued expenses	155,356	40,338
Escrow deposits	(3,509)	192,388
Down payments and advance payments	(500)	3,500
<b><i>Net cash provided by (used in) operating activities</i></b>	<b>855,112</b>	<b>(402,188)</b>

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

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

**STATEMENTS OF CASH FLOWS - CONTINUED**

**YEARS ENDED JUNE 30, 2012 AND 2011**

	<u>2012</u>	<u>2011</u>
<b><i>Cash Flows from Investing Activities</i></b>		
Proceeds from sale of real estate held for resale	42,486	49,910
Purchases of real estate held for resale	(59,957)	(285,543)
Proceeds from sale of property and equipment	-	2,784
Purchases of equipment	(171,634)	(17,642)
Net change in sale of land and homes awaiting closing	(147,181)	98,101
Net purchases of land for future construction	(231,370)	(218,768)
Payments received on mortgages	55,413	1,058,248
	<u>(512,243)</u>	<u>687,090</u>
<b><i>Cash Flows from Financing Activities</i></b>		
Payments on re-purchased mortgages	-	(1,941)
Proceeds on capital lease obligations	14,749	-
Payments on debt	(370,118)	-
Proceeds from debt	120,754	62,400
Net proceeds from New Market Tax Credit	290,613	-
Net proceeds from lines-of-credit	162,500	(130,000)
	<u>218,498</u>	<u>(69,541)</u>
<b><i>Net cash provided by (used in) investing activities</i></b>	<u>(512,243)</u>	<u>687,090</u>
<b><i>Net Increase in Cash</i></b>	<u>561,367</u>	<u>215,361</u>
<b><i>Cash and Cash Equivalents at Beginning of Year</i></b>	<u>626,334</u>	<u>410,973</u>
<b><i>Cash and Cash Equivalents at End of Year</i></b>	<u><u>\$ 1,187,701</u></u>	<u><u>\$ 626,334</u></u>
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES:</b>		
<b><i>Transfers of Property to Homeowners</i></b>	<u><u>\$ 1,485,258</u></u>	<u><u>\$ 3,152,450</u></u>
<b><i>Donated Land</i></b>	<u><u>\$ 85,746</u></u>	<u><u>\$ 83,334</u></u>
<b><i>New Market Tax Credit</i></b>		
Debt acquired	\$ 2,023,656	\$ -
Other start-up costs and investments	(199,794)	-
Investment in joint venture	(1,533,249)	-
	<u>\$ 290,613</u>	<u>\$ -</u>
<b><i>Net proceeds from New Market Tax Credit</i></b>	<u><u>\$ 290,613</u></u>	<u><u>\$ -</u></u>

*See accompanying notes to financial statements*

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

**NOTE A - NATURE OF ORGANIZATION**

Habitat for Humanity of Pinellas County, Inc. (Habitat) was incorporated in January 1985. Habitat is an affiliate of Habitat for Humanity International, Inc. (Habitat International), a nondenominational Christian, not-for-profit organization, whose mission is to build and repair simple, decent, affordable houses with those who lack adequate shelter. 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 B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. **Basis of Presentation**

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

Habitat presents information regarding its financial position and activities according to three classes of net assets described as follows:

- Unrestricted Net Assets - All resources over which the governing board has discretionary control. The governing board of Habitat may elect to designate such resources for specific purposes. This designation may be removed at the Board's discretion.
- Temporarily Restricted Net Assets - Resources accumulated through donations or grants for specific operating or capital purpose. Such resources will become unrestricted when the requirements of the donor or grantee have been satisfied through expenditure for the specified purpose or program or through the passage of time.
- Permanently Restricted Net Assets - Resources accumulated through donations or grants that are subject to the restriction in perpetuity that the principal be invested. These net assets include the original value of the gift, plus any subsequent additions.

2. **Use of Estimates**

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Significant estimates included in the financial statements include allocation of expenses by function, useful lives of depreciable assets, fair value of certain allowances on pledges receivable, and discount on non-interest bearing mortgage loans.

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**3. Fair Value Measurement**

The financial statements are prepared in accordance with an accounting standard, 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). Fair value is defined 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. There are 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.

**4. Fair Value of Financial Instruments**

At June 30, 2012, the following methods, assumptions, and accounting principles are used to estimate fair value of each of the following classes of financial instruments for which it is practical to estimate value:

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

*Unconditional promises to give* - the fair value is determined as the present value of the amount pledged based on the interest rates applicable in the year the promises were received.

*Mortgage receivables* - the fair value is determined as the present value of the loan.

*Investment in joint venture* - the carrying amount reported in the statements of financial position approximates fair value because of the short maturity of those instruments.

*Accounts payable and accrued expenses* - the carrying amount reported in the statements of financial position approximates fair value because of the short maturity of those instruments.

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**4. Fair Value of Financial Instruments - Continued**

*Lines-of-credit, capital lease payable, and notes payable* - the carrying amount reported in the statements of financial position approximates fair value because Habitat can obtain similar loans of comparable maturities and rates by Habitat's financial institution.

**5. Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on deposit with financial institutions and money market mutual fund accounts. Habitat considers all highly liquid assets with an initial maturity of three months or less as cash. Restricted cash consists of funds temporarily restricted by donors for specific use.

Financial instruments, which potentially subject Habitat to concentrations of credit risk, consist principally of cash held in financial institutions in excess of federally-insured limits. From time to time throughout the years ending June 30, 2012 and 2011, Habitat's cash balance may have exceeded the federally insured limit. However, Habitat has not experienced and does not expect to incur any losses in such accounts.

**6. 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.

**7. Accounts Receivable**

Accounts receivable consist of mortgages receivable that are pending funding in order to transfer the loans purchased by a financial institution. Loans closed but not yet transferred at the end of the year are recorded in the statements of financial position as accounts receivable.

**8. Unconditional Promises to Give**

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

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**8. Unconditional Promises to Give - Continued**

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

Habitat uses the allowance method to determine uncollectible unconditional promises. The allowance is based on prior years' experience and management's analysis of specific promises made. Management considers all amounts to be collectible. As such, an allowance for doubtful accounts is not recorded in the accompanying financial statements.

**9. Habitat ReStore Inventory**

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

**10. Homes Under Construction**

Homes under construction consist of labor, material, and lot costs using the specific identification method. It also includes indirect construction costs incurred during the construction period.

**11. Residential Inventory**

Residential inventory consists of land for future construction and real estate held for investment or resale. It is stated at the lower of cost (specific identification) or estimated net realizable value.

**12. 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.

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**13. Impairment on Long-Lived Assets**

Habitat's long-lived assets, such as land, building, and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount exceeds the fair value of the asset.

Assets to be disposed of would be separately presented in the statements of financial position and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the statements of financial position. Habitat recognized an impairment loss on land held for development during the years ended June 30, 2012 and 2011 (see **NOTE R**).

**14. Non-Interest Bearing Residential Mortgage Loans**

Pursuant to the sale and servicing agreement with Northern, Habitat must service the loans for the remainder of the mortgage term. 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.

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

The beneficial interest in trust is recorded at fair value in the statements of financial position. The change in the fair value of the beneficial interest is adjusted at year end and recorded in the permanently restricted asset class in the statements of activities.

**16. Other Assets**

Other assets consist mainly of other receivables, refundable deposits, and intangible assets. In accordance with US GAAP, 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. Substantially all of the intangible assets are costs associated with the investment in joint venture to take advantage of the New Market Tax Credit (see **NOTE I**), and are being amortized over the estimated life of this joint venture on a straight-line basis.

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**17. Revenue Recognition**

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

Habitat recognizes revenue from home sales when a closing occurs. A closing is considered to occur when title, possession, and other attributes of ownership have been transferred to the buyer; and Habitat is not obligated to perform significant activities after the sale.

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

**18. Donated Services**

Donated services and materials are recorded as unrestricted support in the accompanying statements of activities, at their estimated fair market values at the date of receipt. Contributions of services are recorded 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. During the years ended June 30, 2012 and 2011, Habitat recorded donation revenue of approximately \$369,000 and \$458,000 in donated services related to donations of building materials and services.

**19. 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.

**20. Advertising Costs**

Advertising costs are expensed as incurred and were approximately \$2,500 and \$2,100 for the years ended June 30, 2012 and 2011, respectively.

**21. Income Tax Status**

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 FOR HUMANITY OF PINELLAS COUNTY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**22. Uncertain Tax Positions**

Habitat accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. Habitat has identified its tax status as a tax-exempt entity as its only significant tax position; however, Habitat has determined that such tax position does not result in an uncertainty requiring recognition. Habitat is not currently under examination by any taxing jurisdiction. Habitat’s federal returns are generally open for examination for three years following the date filed.

**23. Functional Expense Allocation**

Costs have been allocated to functional classifications based upon actual expenditures by program. The majority of expenditures are recorded by function at the time they are recorded in the general ledger. Other expenses are allocated utilizing percentages based on management’s estimate of time spent between program and support services.

**24. Reclassification**

Certain amounts in the 2011 financial statements have been reclassified to be comparable to the 2012 financial statements. The reclassification had no effect on the change in net assets for the years ended June 30, 2012 and 2011, respectively.

**NOTE C - UNCONDITIONAL PROMISES TO GIVE**

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

	<u>2012</u>	<u>2011</u>
Gross unconditional promises to give	\$ 35,175	\$ 93,735
Less: Unamortized discount	<u>(1,720)</u>	<u>(1,211)</u>
	<u>\$ 33,455</u>	<u>\$ 92,524</u>
Amounts due in:		
Less than one year	\$ 15,858	\$ 71,110
One to five years	<u>17,597</u>	<u>21,414</u>
	<u>\$ 33,455</u>	<u>\$ 92,524</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

**NOTE C - UNCONDITIONAL PROMISES TO GIVE - CONTINUED**

Promises to give with due dates extending beyond one year are discounted to present value using Treasury bill rates with similar term investments with an added amount for economic uncertainty. The applicable discount rate at June 30, 2012, was approximately 1%. For the years prior to 2012, promises to give were discounted with rates ranging from 3% - 5%.

At June 30, 2012 and 2011, approximately \$12,000 and \$7,000 was deemed uncollectible and written off to bad debt expense, respectively. No allowance was recorded at June 30, 2012 or 2011.

**NOTE D - HOMES UNDER CONSTRUCTION**

The following is a summary of home building activity:

<u>2012</u>	<u>Number</u>	<u>Costs</u>
Homes under construction July 1, 2011	64	\$ 1,906,724
Additional costs incurred on beginning inventory	-	2,778,743
New homes started during the year	42	1,421,830
Other properties transferred out	(1)	(147,181)
Rehab home transferred out	(1)	(21,302)
Homes transferred during the year	<u>(26)</u>	<u>(4,140,729)</u>
	<u>78</u>	<u>\$ 1,798,085</u>
<u>2011</u>	<u>Number</u>	<u>Costs</u>
Homes under construction July 1, 2010	49	\$ 1,165,228
Additional costs incurred on beginning inventory	-	2,496,857
Additional costs on homes transferred prior year	(5)	(6,729)
New homes started during the year	43	1,546,209
Other properties transferred out	(2)	(50,389)
Rehab homes transferred out	(1)	(114,504)
Homes transferred during the year	<u>(20)</u>	<u>(3,129,948)</u>
	<u>64</u>	<u>\$ 1,906,724</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

**NOTE E - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	<u>2012</u>	<u>2011</u>
Vehicles	\$ 76,824	\$ 53,066
Furniture and fixtures	27,623	27,973
Leasehold improvements	207,297	89,752
Signage	11,717	11,540
Construction equipment	51,257	60,282
Office equipment	<u>81,218</u>	<u>71,265</u>
	455,936	313,878
Less accumulated depreciation	<u>(176,932)</u>	<u>(271,598)</u>
	<u>\$ 279,004</u>	<u>\$ 42,280</u>

**NOTE F - NON-INTEREST BEARING RESIDENTIAL MORTGAGE LOANS**

Non-residential mortgage loans consist of the following:

	<u>2012</u>	<u>2011</u>
Non-interest bearing loans at par value	\$ 1,228,014	\$ 979,996
Less: Unamortized discount based on imputed interest	<u>(655,512)</u>	<u>(525,550)</u>
	<u>\$ 572,502</u>	<u>\$ 454,446</u>

The initial amount of each mortgage loan approximated Habitat's cost to build the house, plus mortgage discount expense.

The residential mortgage loans have been discounted to reflect their economic value. The interest rates used to determine the discount range from 6.0% - 10.0% and are based on prevailing market rates, as provided by Habitat International, in the year the mortgage originated. The discount rate used during the years ended June 30, 2012 and 2011 was 7.5% and 7.61%, respectively. The discount is calculated by computing the present value of each of the non-interest bearing notes using the applicable discount rate.

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

**NOTE G - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS**

In 2006, Habitat established 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, 2012 and 2011 as both an asset and a permanently restricted net asset. Although Habitat does not have the right to receive the assets per the Trust Agreements, the contribution to these funds is considered an asset of Habitat as it has been named beneficiary. Earnings on the 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 these accounts for years ending June 30, 2012 and 2011. The trust assets are composed of cash and cash equivalents, fixed income, equity securities, and real and tangible asset funds. The portfolio is managed by an investment company.

**NOTE H - FAIR VALUE MEASUREMENT**

Fair value of assets measured on a recurring basis at June 30, 2012 is as follows:

**Fair Value Measurements at Reporting Date Using**

<b><u>Description:</u></b>	<b><u>Quoted Prices</u></b>			<b><u>Total</u></b>
	<b><u>In Active</u></b>	<b><u>Significant</u></b>	<b><u>Significant</u></b>	
	<b><u>Markets for</u></b>	<b><u>Other</u></b>	<b><u>Other</u></b>	
	<b><u>Identical</u></b>	<b><u>Observable</u></b>	<b><u>Unobservable</u></b>	
	<b><u>Assets</u></b>	<b><u>Inputs</u></b>	<b><u>Inputs</u></b>	<b><u>Fair</u></b>
	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Value</u></b>
Beneficial interest in perpetual trust	\$ _____ -	\$ <u>20,000</u>	\$ _____ -	\$ <u>20,000</u>
Total assets at fair value	\$ _____ -	\$ <u>20,000</u>	\$ _____ -	\$ <u>20,000</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

**NOTE H – FAIR VALUE MEASUREMENT - CONTINUED**

Fair value of assets measured on a recurring basis at June 30, 2011 is as follows:

**Fair Value Measurements at Reporting Date Using**

<b><u>Description:</u></b>	<b><u>Quoted Prices In Active Markets for Identical Assets Level 1</u></b>	<b><u>Significant Other Observable Inputs Level 2</u></b>	<b><u>Significant Other Unobservable Inputs Level 3</u></b>	<b><u>Total Fair Value</u></b>
Beneficial interest in perpetual trust	\$ _____ -	\$ <u>20,000</u>	\$ _____ -	\$ <u>20,000</u>
Total assets at fair value	\$ _____ -	\$ <u>20,000</u>	\$ _____ -	\$ <u>20,000</u>

**NOTE I - INVESTMENT IN JOINT VENTURE**

Habitat invested, along with four other Habitat affiliates, in a joint venture (HFHI-SA Leverage IX, LLC) with 17.26% ownership to take advantage of New Market Tax Credit (NMTC) financing. NMTC financing allows an entity to receive a loan or investment capital from outside investors, who will receive new markets tax credits to be applied against their federal tax liability. As a result, Habitat has invested approximately \$1,530,000 and was able to secure a 15-year loan in the amount of \$2,023,656 payable to a community development entity. The loan proceeds are to be used solely for the purpose of constructing and selling qualified housing properties to low income residents. The loan accrues interest only for years one through seven at a reduced rate of .755%. Beginning in year eight through year fifteen the principal balance of the loan is reduced by an eight-year amortization at the same rate of .755% (see **NOTE L**).

**NOTE J - LINES-OF-CREDIT**

In March 2012, Habitat secured a revolving line-of-credit through Neighborhood Lending Partners of West Florida in the amount of \$500,000. Interest accrues at the rate 6% on any outstanding balance. The outstanding balance as of June 30, 2012 was \$65,000.

In July 2011, Habitat secured a line-of-credit through the City of Clearwater in the amount of \$730,000 as part of the Housing and Economic Recovery Act. This line-of-credit expires in July 2027. Interest is deferred for a period of three years starting July 20, 2011. The outstanding balance as of June 30, 2012 was \$97,500. There was no line-of-credit as of June 30, 2011. See **NOTE V** for further information.

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

**NOTE K - CAPITAL LEASE PAYABLE**

In 2012, Habitat entered into a lease for telephone equipment which is treated as a capital lease for financial reporting purposes due to certain provisions in the lease agreement. Included in property and equipment, the cost of assets under capital lease is \$17,513 at June 30, 2012, with depreciated costs totaling \$14,594. Depreciation expense of this asset for the year ended June 30, 2012 was \$2,919 and is included in depreciation expense.

Capital lease obligation payable to a financing institution, principal and interest payable in monthly installments totaling \$314, bearing interest at an imputed rate of 3.0%, maturing August 2016, collateralized by telephone equipment	\$ 17,513
Less current portion	<u>(2,764)</u>
Present value of lease obligation	<u>\$ 14,749</u>

Minimum payments required under the capital lease during the following fiscal years ending June 30, 2012, are as follows:

<b><i>Years Ended</i></b> <b><u>June 30,</u></b>	<b><u>Amount</u></b>
2013	\$ 3,770
2014	3,770
2015	3,770
2016	3,770
2017	<u>628</u>
Total minimum lease payments	15,708
Less interest portion included in payments	<u>(959)</u>
Present value of lease obligation	<u>\$ 14,749</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

**NOTE L - NOTES PAYABLE**

Notes payable consists of the following:

	<u>2012</u>	<u>2011</u>
Mortgage payable to a bank, balloon payment due March of 2014, including interest paid quarterly beginning May 28, 2008 at 5.75% until maturity, collateralized by a first mortgage on land and improvements for the Lake Butler property	\$ 246,195	\$ 268,381
Loan payable to Habitat International, as part of the SHOP 2004 grant, payments are \$181 paid monthly beginning July 1, 2007 at 0% interest until maturity at July 1, 2011	-	1,120
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, paid subsequent to year-end	3,792	11,280
Mortgage payable of \$1,425,000 for the land purchase on the Stevens Creek property to Pinellas County Board of Commissioners with 0% interest and payment deferred until October 1, 2013, with interest thereon at 3% per year for the remainder of the thirty (30) year term, interest and principal payments of \$6,008 per month beginning October 1, 2013 continuing until maturity at October 1, 2043. Outstanding balance is the amount of draw downs to date	1,059,040	1,248,271
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	446,945	564,705

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

**NOTE L - NOTES PAYABLE - CONTINUED**

	<u>2012</u>	<u>2011</u>
Mortgage payable to the Pinellas County Board of Commissioners of \$640,000 was modified on September 24, 2009 increasing the original principal balance of \$277,000 by \$363,000 for a total loan amount of \$640,000. This loan is for 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	408,142	437,942
Note payable to Pinellas County Board of Commissioners for the land purchase of Havens Ridge with 0% interest and a balloon payment of remaining balance upon maturity at December 1, 2012. Upon the sale of units a portion of the loan is paid down resulting in a partial release of the lien on the sold property	411,908	411,908
Note payable due to Northern Trust for the mortgaged property on 2226 Court St and 3460 19 <sup>th</sup> Ave. These properties were defaulted on by two separate homeowners and are currently being paid by Habitat until they find new homeowners	210,116	217,880
Note payable of \$175,000 due to JTG Enterprises, Inc. for tenant improvements of both office area and warehouse retail space with interest thereon at 6% over the life of the initial five-year lease term	144,881	62,400



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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

**NOTE L - NOTES PAYABLE - CONTINUED**

	<u>2012</u>	<u>2011</u>
Loan payable to Habitat International as part of the SHOP 2010 grant, payments are \$816 paid monthly beginning March 2012 at 10% interest until maturity at February 2014	10,824	-
Note payable of \$19,750 due to Northern Trust for a company vehicle, principal and interest payments of \$369 paid monthly at 4.5% interest until maturity at July 2016	16,458	-
Note payable of \$2,023,656 to HFHI-SA NMTC, LLC (see <i>NOTE I</i> ), debt requires interest only payments until November 2015 at .755% until maturity in November 2027, secured by substantially all the assets acquired by Habitat from the project loan proceeds, put option feature that is exercisable July 2028	2,023,656	-
	<u>\$ 4,981,957</u>	<u>\$ 3,223,887</u>

Debt maturities for the following fiscal years are as follows:

<i>Years Ended</i> <u>June 30,</u>	<u>Amount</u>
2013	\$ 664,578
2014	329,191
2015	104,912
2016	116,943
2017	73,081
Thereafter	<u>3,693,252</u>
	<u>\$ 4,981,957</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

**NOTE M - 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><b>2012</b></u>
<b>Promises to Give</b>	
Unconditional promises to give, net	\$ 33,455
<b>Donated Labor and Materials</b>	
559 Shady Grove	16,705
1838 Fuller	16,705
4234 37 <sup>th</sup> Ave	13,482
1435 26 <sup>th</sup> St	6,741
1846 Fuller	6,741
1849 Fuller	13,482
Dryer Ave	<u>13,482</u>
	<u>87,338</u>
	<u>\$ 120,793</u>
<u><b>2011</b></u>	
<b>Cash</b>	
J.P Morgan	\$ 50,000
Chapman Foundation	10,000
Bank of America	30,000
City of Largo	<u>11,412</u>
	101,412
<b>Promises to Give</b>	
Unconditional promises to give, net	92,524

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

**NOTE M - TEMPORARILY RESTRICTED NET ASSETS - CONTINUED**

	<u><b>2011</b></u>
<b><i>Donated Labor and Materials</i></b>	
2935 5th Avenue South	7,700
559 Shady Grove	16,705
1838 Fuller	16,705
1844 Fuller	7,975
1860 Betty Lane	15,950
Lot 2 St Petersburg Drive	7,975
558 Shady Grove	16,705
414 4 <sup>th</sup> Street	7,975
421 4 <sup>th</sup> Street	7,975
610 4 <sup>th</sup> Avenue	16,705
227 2 <sup>nd</sup> Avenue	16,705
9071 52 <sup>nd</sup> Way	16,705
	<u>155,780</u>
	<u>\$ 349,716</u>

**NOTE N - NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets released from restrictions were comprised of the following:

	<u><b>2012</b></u>
Donated labor and materials	\$ 437,849
Purpose restricted cash gifts	101,412
Unconditional promises to give, net	<u>62,619</u>
	<u>\$ 601,880</u>
	<u><b>2011</b></u>
Donated labor and materials	\$ 300,118
Purpose restricted cash gifts	459,805
Unconditional promises to give, net	<u>42,186</u>
	<u>\$ 802,109</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

**NOTE O - LEASES**

Habitat entered into a 60-month lease agreement for office and warehouse space in April 2011 and began operations at the new location on August 22, 2011. Monthly rent is approximately \$13,000 with future annual increases. Total rent expense was approximately \$176,000 and \$180,000 for the years ended June 30, 2012 and 2011, respectively.

Based on the terms of the agreements, the minimum payments, excluding the percentage of ReStore's gross sales, due on all leases are as follows:

<i><u>Years Ended</u></i> <i><u>June 30,</u></i>	<i><u>Amount</u></i>
2013	\$ 157,149
2014	161,884
2015	166,852
2016	171,865
2017	<u>28,783</u>
	<u>\$ 686,533</u>

**NOTE P - SALE OF MORTGAGES**

For the year ended June 30, 2012, Habitat transferred and assigned rights of twenty-six non-interest bearing residential mortgage loans, the total proceeds on the transactions were \$3,566,258. Proceeds of \$150,000 were received subsequent to year-end and are reflected as a component of accounts receivable at June 30, 2012.

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

**NOTE Q - LOSS ON SALE OF PROPERTY**

During the year ended June 30, 2012, three properties originally held as inventory were sold at a loss. The proceeds were \$42,486 and accumulated costs totaled \$98,336 resulting in a loss of \$55,850. This amount is included as a component of loss on sale of land and property in the statements of activities.

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

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

**NOTE R - IMPAIRMENT LOSS ON LAND HELD FOR DEVELOPMENT**

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

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

	<u>Amount</u>
Carrying value	\$ 416,832
Impairment loss	<u>(266,832)</u>
Fair value of land held for development (Lake Butler), June 30, 2012	<u>\$ 150,000</u>

In addition to the above parcels of land, Habitat recorded \$15,516 at June 30, 2012 for the impairment of one of its other properties which will not be developed and therefore the entire carrying value was charged to impairment loss expense in the statements of activities.

**NOTE S - COMMITMENTS AND CONTINGENCIES**

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

**NOTE T - TRANSACTIONS WITH HABITAT INTERNATIONAL**

Habitat remits a portion of its unrestricted contributions to Habitat International as title to support its operations. Habitat contributed \$108,000 and \$88,200 to Habitat International during the years ended June 30, 2012 and 2011, respectively. These amounts are included in program services expense in the statements of activities. At June 30, 2012 and 2011, Habitat owed Habitat International \$28,200 and \$29,400, respectively, and is reflected as a component of accrued expenses in the statements of financial position.

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

**NOTE U - RELATED PARTY**

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

As such, Pinellas Habitat CHDO will be eligible to participate in government programs that provide special set-aside funds that can be used to provide affordable housing to low income families within Pinellas County. As of June 30, 2012 and 2011, approximately \$-0- and \$132,000 was awarded to and expended by Pinellas Habitat CHDO. As of June 30, 2012, approximately \$38,620 is due from CHDO for land costs and is reported as due from affiliate on the statements of financial position.

**NOTE V - NEIGHBORHOOD STABILIZATION PROGRAM**

In 2012, Habitat entered into a loan agreement with the City of Clearwater to build new affordable homes on its Stevens Creek lots. The City of Clearwater received funding for this agreement from the Federal government under the Neighborhood Stabilization Program 2 (NSP2) of the Housing and Economic Recovery Act of 2008. Under this agreement, Habitat is to receive reimbursement of its costs up to \$32,500 per property from the City of Clearwater. Habitat received \$325,000 from the City of Clearwater in 2012 and is reported as a component of foundation and grants on the statement of activities.

Seven of the NSP2 properties were sold and closed to homebuyers in 2012. The homebuyers were Very Low Income Qualified Homebuyers (defined by HUD as households whose annual income does not exceed 50% of the median household income in the area of the project). The properties closed under this program have land use restrictive covenants, which require that properties continue to be the principal residence of an owner whose family qualifies as a Very Low Income Qualified Family (as determined by HUD regulations) for a period of 20 consecutive years.

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

**NOTE W – COMMUNITY DEVELOPMENT BLOCK GRANT**

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, 2012 and 2011 statements of financial position for this associated promissory note.

**NOTE X – INTANGIBLE ASSETS**

Intangible assets subject to amortization at June 30, 2012 are as follows:

	<u>2012</u>
Costs associated with investment in joint venture (see <i>NOTE I</i> )	\$ 224,554
Less accumulated amortization	<u>(30,460)</u>
	<u>\$ 194,094</u>

Annual amortization expense is estimated as follows:

<u>Years ended June 30,</u>	
2013	\$ 30,128
2014	28,829
2015	28,454
2016	27,329
2017	27,329
Thereafter	<u>52,025</u>
	<u>\$ 194,094</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2012 AND 2011**

**NOTE Y - SUBSEQUENT EVENTS**

In August 2012, Habitat invested, along with other Habitat affiliates, in a joint venture to take advantage of New Market Tax Credit (NMTC) financing. NMTC financing allows an entity to receive a loan or investment capital from outside investors, who will receive new markets tax credits to be applied against their federal tax liability. As a result, Habitat has invested \$100,000 of cash plus a leverage amount of construction in process value of \$1,330,132. With this initial investment, Habitat was able to secure a 16-year loan in the amount of \$1,880,000 payable to CCM Community Development XXVII (CCM), an affiliate of the joint venture.

The loan proceeds are to be used solely for the purpose of constructing and selling qualified housing properties to low income residents. The entire loan amount must be spent within the 12 months of the closing of the NMTC transaction. The debt requires interest only payments until November 10, 2020 at 0.7608%. Habitat makes semi-annual interest only payments to CCM. The loan is secured by substantially all the assets acquired by the affiliate from the project loan proceeds.

In August 2012, Habitat obtained an unsecured line-of-credit through a financial institution in the amount of \$150,000. Interest accrues at a variable annual rate that is equal to the Libor Rate plus two and one-half percent on any outstanding balance.

Habitat has evaluated all subsequent events through October 8, 2012, the date the financial statements were available and issued. Habitat is not aware of any other subsequent events for which it has not disclosed in the financial statements, except as otherwise disclosed above.



***SUPPLEMENTARY INFORMATION***

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**JUNE 30, 2012**

<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, Florida</i>		
Community Development Block Grant	14.218	\$ 350,000 *
HOME Investment Partnerships Program	14.239	1,497,182 *
Self-Help Homeownership Opportunity Program	14.247	47,092
<i>Passed through the City of Clearwater, Florida</i>		
Neighborhood Stabilization Program 2 (NSP2)		
<i>American Recovery and Reinvestment Act (ARRA Funds)</i>	14.256	<u>326,500</u>
<b><i>Total Expenditures of Federal Awards</i></b>		<b><u>\$ 2,220,774</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, 2012***

***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 not-for-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, 2012, and have issued our report thereon dated October 8, 2012. 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 or other matters that are required to be reported under *Government Auditing Standards*.

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

PDR Certified Public Accountants

Clearwater, Florida  
October 8, 2012



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

***INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH THE REQUIREMENTS THAT COULD HAVE  
A DIRECT AND MATERIAL EFFECT ON 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 Habitat for Humanity of Pinellas County, Inc.'s (Habitat) compliance with the types of compliance requirements described in the (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Habitat's major federal programs for the year ended June 30, 2012. Habitat's major federal program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Habitat's management. Our responsibility is to express an opinion on Habitat's compliance with those requirements based on our audit.

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

In our opinion, Habitat complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of Habitat's major federal programs for the year ended June 30, 2012.

**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, in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Habitat's internal control over compliance.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH THE REQUIREMENTS THAT COULD HAVE  
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133 - CONTINUED**

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

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

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

*PDR Certified Public Accountants*

Clearwater, Florida  
October 8, 2012

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2012**

**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:

<b><u>Federal Program</u></b>	<b><u>CFDA No.</u></b>
U.S. Department of Housing and Urban Development -	
Community Development Block Grant	14.218
HOME Investment Partnerships Program	14.239
Neighborhood Stabilization Program 2 (NSP2) (ARRA Funds)	14.256

8. The threshold used for distinguishing between Type A and Type B programs was \$300,000.
9. The auditee did 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 - CONTINUED*

*JUNE 30, 2012*

***B. Findings – Financial Statements Audit***

None

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

None

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

None

***E. Other Issues***

None