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

FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

AND

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



CLEARWATER, FLORIDA

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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), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, the related statement of functional expenses for the year ended June 30, 2013, and the related notes to the financial statements. The prior year summarized comparative information included in the statement of functional expenses has been derived from the 2012 financial statements and, in our report dated October 8, 2012, we expressed an unqualified opinion on those financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors' consider internal control relevant to Habitat's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Habitat's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

CONTINUED

INDEPENDENT AUDITORS' REPORT - CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Habitat as of June 30, 2013 and 2012, 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, 2013 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2013, on our consideration of the Habitat's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Habitat's internal control over financial reporting and compliance.

Clearwater, Florida
October 14, 2013

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 634,088	\$ 796,322
Cash and cash equivalents - temporarily restricted	269,667	391,379
Assets held in escrow	270,683	406,825
Accounts receivable	36,873	273,663
Unconditional promises to give	25,987	33,455
Due from affiliate	16,431	38,620
Habitat ReStore inventory	106,952	94,341
Homes under construction	1,639,034	1,798,085
Homes awaiting closing	349,537	147,181
Land for future construction	2,464,472	1,994,224
Real estate held for investment or resale	169,152	379,152
Property and equipment, net	271,029	279,004
Non-interest bearing residential mortgage loans, net of unamortized discounts of \$1,468,943 and \$655,512, respectively	1,154,426	572,502
Beneficial interest in assets held by others	20,000	20,000
Investment in joint venture	2,991,174	1,533,249
Deferred affordable housing note receivable	350,000	350,000
Other assets	397,022	214,559
<i>Total Assets</i>	<u><u>\$ 11,166,527</u></u>	<u><u>\$ 9,322,561</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 325,939	\$ 262,575
Deferred revenue - joint venture	238,494	96,689
Escrow deposits	268,207	416,560
Down payments and advance payments	22,000	15,500
Capital lease payable	11,368	14,749
Lines-of-credit and notes payable	6,653,388	5,144,457
Deferred affordable housing note payable	350,000	350,000
<i>Total liabilities</i>	<u><u>7,869,396</u></u>	<u><u>6,300,530</u></u>

Net Assets

Unrestricted	2,324,418	2,881,238
Temporarily restricted	952,713	120,793
Permanently restricted	20,000	20,000
<i>Total net assets</i>	<u><u>3,297,131</u></u>	<u><u>3,022,031</u></u>
<i>Total Liabilities and Net Assets</i>	<u><u>\$ 11,166,527</u></u>	<u><u>\$ 9,322,561</u></u>

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

STATEMENT OF ACTIVITIES

**YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR 2012)**

<i>Support and Revenue</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>	
				<i>2013</i>	<i>2012</i>
Contributions					
Building materials and services	\$ -	\$ 465,949	\$ -	\$ 465,949	\$ 369,407
Donated lots	-	1,136,542	-	1,136,542	85,746
Cash	759,388	5,000	-	764,388	812,125
Habitat ReStore merchandise	614,479	-	-	614,479	481,806
In-kind	8,464	-	-	8,464	16,195
Transfers to homeowners	4,076,250	-	-	4,076,250	3,866,258
Mortgage discount amortization	52,601	-	-	52,601	50,761
Sales - Habitat ReStore	601,868	-	-	601,868	461,731
Fundraising events, net of direct costs of \$25,741	48,222	-	-	48,222	125,999
Foundations and grants	456,708	-	-	456,708	482,583
Other	43,844	-	-	43,844	40,011
Interest income	54,396	-	-	54,396	10,550
Net assets released from restrictions	775,571	(775,571)	-	-	-
Total support and revenue	7,491,791	831,920	-	8,323,711	6,803,172
<i>Expenses</i>					
Program					
Construction and mortgage discounts	6,675,800	-	-	6,675,800	5,483,401
Habitat ReStore	1,120,130	-	-	1,120,130	958,022
Supporting services					
General and administrative	166,117	-	-	166,117	160,647
Fundraising	210,298	-	-	210,298	208,161
Total expenses	8,172,345	-	-	8,172,345	6,810,231
Change in Net Assets Before Other Changes	(680,554)	831,920	-	151,366	(7,059)
<i>Other Changes - Expense (Revenue)</i>					
Interest expense	27,883	-	-	27,883	-
Loss on sale of property	5,106	-	-	5,106	44,492
Loss on sale of land	-	-	-	-	19,458
Impairment on land	54,448	-	-	54,448	15,516
Income related to joint venture	(46,171)	-	-	(46,171)	-
Debt forgiveness income	(165,000)	-	-	(165,000)	(117,000)
Total other changes	(123,734)	-	-	(123,734)	(37,534)
Change in Net Assets	(556,820)	831,920	-	275,100	30,475
Net Assets at Beginning of Year	2,881,238	120,793	20,000	3,022,031	2,991,556
Net Assets at End of Year	\$ 2,324,418	\$ 952,713	\$ 20,000	\$ 3,297,131	\$ 3,022,031

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

Support and Revenue	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributions				
Building materials and services	\$ -	\$ 369,407	\$ -	\$ 369,407
Donated lots	85,746			85,746
Cash	808,575	3,550	-	812,125
Habitat ReStore merchandise	481,806	-	-	481,806
In-kind	16,195	-	-	16,195
Transfers to homeowners	3,866,258	-	-	3,866,258
Mortgage discount amortization	50,761	-	-	50,761
Sales - Habitat ReStore	461,731	-	-	461,731
Fundraising events, net of direct costs of \$22,251	125,999	-	-	125,999
Grants	482,583	-	-	482,583
Other	40,011	-	-	40,011
Interest income	10,550	-	-	10,550
Net assets released from restrictions	601,880	(601,880)	-	-
Total support and revenue	7,032,095	(228,923)	-	6,803,172
Expenses				
Program				
Construction and mortgage discounts	5,483,401	-	-	5,483,401
Habitat ReStore	958,022	-	-	958,022
Supporting services				
General and administrative	160,647	-	-	160,647
Fundraising	208,161	-	-	208,161
Total expenses	6,810,231	-	-	6,810,231
Change in Net Assets Before Other Changes	221,864	(228,923)	-	(7,059)
Other Changes - Expense (Revenue)				
Loss on sale of property	44,492	-	-	44,492
Loss on sale of land	19,458	-	-	19,458
Impairment on land held for development	15,516	-	-	15,516
Debt forgiveness income	(117,000)	-	-	(117,000)
Total other changes	(37,534)	-	-	(37,534)
Change in Net Assets	259,398	(228,923)	-	30,475
Net Assets at Beginning of Year	2,621,840	349,716	20,000	2,991,556
Net Assets at End of Year	\$ 2,881,238	\$ 120,793	\$ 20,000	\$ 3,022,031

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

**YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE TOTALS FOR 2012)**

	<i>Program Services</i>			<i>Supporting Services</i>			<i>Total Expenses</i>		
	<i>Construction</i>	<i>Mortgage Discounts</i>	<i>Habitat ReStore</i>	<i>Total Program Services</i>	<i>General and Administrative</i>	<i>Fundraising</i>	<i>Total Supporting Services</i>	<i>2013</i>	<i>2012</i>
Salaries	\$ 692,235	\$ -	\$ 250,626	\$ 942,861	\$ 78,320	\$ 141,385	\$ 219,705	\$ 1,162,566	\$ 1,071,828
Employee benefits	67,301	-	44,475	111,776	7,943	14,706	22,649	134,425	101,490
Retirement plan	10,730	-	3,252	13,982	1,978	1,596	3,574	17,556	13,692
Building materials and supplies	4,482,169	-	-	4,482,169	-	-	-	4,482,169	4,110,488
Subsidy of escrow costs	-	-	-	-	-	-	-	-	32,066
Insurance and taxes	46,339	-	21,998	68,337	1,302	-	1,302	69,639	71,749
Repairs and maintenance	7,943	-	-	7,943	-	-	-	7,943	35,987
Depreciation and amortization	81,182	-	5,340	86,522	19,680	-	19,680	106,202	67,707
Mortgage discounts	-	866,032	-	866,032	-	-	-	866,032	180,723
Office supplies, equipment, and utilities	92,512	-	21,743	114,255	4,382	8,659	13,041	127,296	133,810
Printing and advertising	8,119	-	34,192	42,311	-	7,077	7,077	49,388	25,586
Travel	46,046	-	18,828	64,874	109	3,978	4,087	68,961	69,743
Professional services	44,689	-	1,282	45,971	36,132	3,860	39,992	85,963	63,992
Other	55,800	-	615,456	671,256	7,271	20,037	27,308	698,564	534,773
Rent	63,203	-	102,938	166,141	9,000	9,000	18,000	184,141	176,462
Bad debt expense	6,500	-	-	6,500	-	-	-	6,500	12,135
Support of Habitat for Humanity International	105,000	-	-	105,000	-	-	-	105,000	108,000
	<u>\$ 5,809,768</u>	<u>\$ 866,032</u>	<u>\$ 1,120,130</u>	<u>\$ 7,795,930</u>	<u>\$ 166,117</u>	<u>\$ 210,298</u>	<u>\$ 376,415</u>	<u>\$ 8,172,345</u>	<u>\$ 6,810,231</u>

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<i>Cash Flows from Operating Activities</i>		
Change in net assets	\$ 275,100	\$ 30,475
<i>Adjustments to reconcile change in net assets to cash provided by (used in) operating activities</i>		
Depreciation	47,692	39,410
Amortization of intangibles	58,510	28,297
Amortization of mortgage discounts	(52,871)	(34,282)
New mortgages transferred to owners	(581,198)	(119,277)
Loss on disposals	59,554	79,466
Donated land for development	(1,136,542)	85,746
Transfer of land for construction	805,171	653,989
Debt forgiveness income	(165,000)	(117,000)
<i>Decrease (Increase) in:</i>		
Escrow cash	136,142	1,164
Accounts receivable	236,790	176,847
Unconditional promises to give	7,468	59,069
Due from affiliate	22,189	(38,620)
Habitat ReStore inventory	(12,611)	(24,379)
Homes under construction	24,931	108,639
Due from Northern Trust	7,198	(5,126)
Second mortgage receivable	(38,380)	1,695
Other assets	(50,496)	(222,348)
<i>Increase (Decrease) in:</i>		
Accounts payable and accrued expenses	181,365	155,356
Deferred revenue in joint venture	141,805	-
Escrow deposits	(148,353)	(3,509)
Down payments and advance payments	6,500	(500)
<i>Net cash (used in) provided by operating activities</i>	<u>(175,036)</u>	<u>855,112</u>

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

STATEMENTS OF CASH FLOWS - CONTINUED

YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<i>Cash Flows from Investing Activities</i>		
Proceeds from sale of real estate held for resale	310,419	42,486
Purchases of real estate held for resale	(16,621)	(59,957)
Purchases of equipment	(39,949)	(171,634)
Net change in sale of land and homes awaiting closing	(202,356)	(147,181)
Net purchases of land for future construction	(147,877)	(231,370)
Payments received on mortgages	83,327	55,413
	(13,057)	(512,243)
<i>Cash Flows from Financing Activities</i>		
Payments on notes payable	(666,806)	(370,118)
Proceeds on capital lease obligations	-	14,749
Payments on capital lease obligations	(3,381)	-
Payments on lines-of-credit	(628,424)	(552,500)
Proceeds from notes payable	37,574	120,754
Net proceeds from New Market Tax Credit	231,597	290,613
Proceeds from lines-of-credit	933,587	715,000
	(95,853)	218,498
<i>Net (Decrease) Increase in Cash</i>	(283,946)	561,367
<i>Cash and Cash Equivalents at Beginning of Year</i>	1,187,701	626,334
<i>Cash and Cash Equivalents at End of Year</i>	\$ 903,755	\$ 1,187,701
SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES:		
<i>Transfers of Property to Homeowners</i>	\$ 2,378,700	\$ 1,485,258
<i>Donated Land</i>	\$ 1,136,542	\$ 85,746
<i>New Market Tax Credit</i>		
Debt acquired	\$ 1,880,000	\$ 2,023,656
Other start-up costs and investments	(190,478)	(199,794)
Investment in joint venture	(1,457,925)	(1,533,249)
	\$ 231,597	\$ 290,613

See accompanying notes to financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

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 unconditional promises to give, and discount on non-interest bearing mortgage loans.

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

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, 2013, 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, 2013 AND 2012

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, 2013 and 2012, 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, 2013 AND 2012

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. Habitat transferred 26 homes to homeowners in 2013 and 27 homes in 2012.

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, 2013 AND 2012

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 and property held for investment during the years ended June 30, 2013 and 2012 (see *NOTE N*).

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

Pursuant to the sale and servicing agreement with various financial institutions, 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. Website and software costs are being amortized over three years.

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

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, 2013 and 2012, Habitat recorded donation revenue of approximately \$466,000 and \$369,000 in donated services related to donations of building materials and services. During 2013, Habitat also received \$1,136,542 in donated lots from various financial institutions and donors recorded at their tax assessed just market value which approximates fair value.

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 mortgage discount amortization income over the term of the mortgage.

20. Advertising Costs

Advertising costs are expensed as incurred and were approximately \$32,900 and \$2,500 for the years ended June 30, 2013 and 2012, respectively.

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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. **Comparative Financial Information**

The accompanying financial statements include certain prior year summarized comparative total amounts. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with Habitat's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

25. **Reclassification**

Certain amounts in the 2012 financial statements have been reclassified to be comparable with the 2013 financial statements. The reclassification had no effect on the change in net assets for the years ended June 30, 2013 and 2012, respectively.

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE C - UNCONDITIONAL PROMISES TO GIVE

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

	<u>2013</u>	<u>2012</u>
Gross unconditional promises to give	\$ 27,200	\$ 35,175
Less: Unamortized discount	<u>(1,213)</u>	<u>(1,720)</u>
	<u>\$ 25,987</u>	<u>\$ 33,455</u>
Amounts due in:		
Less than one year	\$ 16,287	\$ 15,858
One to five years	<u>9,700</u>	<u>17,597</u>
	<u>\$ 25,987</u>	<u>\$ 33,455</u>

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, 2013, was approximately 1%. For the years prior to 2013, promises to give were discounted with rates ranging from 1% - 5%.

At June 30, 2013 and 2012, approximately \$6,500 and \$12,000 was deemed uncollectible and written off to bad debt expense, respectively. No allowance was recorded at June 30, 2013 or 2012.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2013</u>	<u>2012</u>
Vehicles	\$ 83,324	\$ 76,824
Furniture and fixtures	41,673	27,623
Leasehold improvements	210,185	207,297
Signage	11,717	11,717
Construction equipment	54,629	51,257
Office equipment	<u>72,031</u>	<u>81,218</u>
	473,559	455,936
Less accumulated depreciation	<u>(202,530)</u>	<u>(176,932)</u>
	<u>\$ 271,029</u>	<u>\$ 279,004</u>

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE E - NON-INTEREST BEARING RESIDENTIAL MORTGAGE LOANS

Non-residential mortgage loans consist of the following:

	<u>2013</u>	<u>2012</u>
Non-interest bearing loans at par value	\$ 2,623,369	\$ 1,228,014
Less: Unamortized discount based on imputed interest	<u>(1,468,943)</u>	<u>(655,512)</u>
	<u>\$ 1,154,426</u>	<u>\$ 572,502</u>

The initial amount of each mortgage loan approximates 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 7.0% - 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, 2013 and 2012 was 7.4% and 7.5%, respectively. The discount is calculated by computing the present value of each of the non-interest bearing notes using the applicable discount rate.

NOTE F - 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, 2013 and 2012 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, 2013 and 2012. 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.

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE G - FAIR VALUE MEASUREMENT

Fair value of assets measured on a recurring basis at June 30, 2013 is as follows:

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

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

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

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE H - INTANGIBLE ASSETS

Intangible assets subject to amortization at June 30, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Website/Software Costs	\$ 21,958	\$ 9,694
Costs associated with HFHI-SA Leverage IX, LLC (see <i>NOTE I</i>)	214,860	214,860
Costs associated with CCM (see <i>NOTE I</i>)	<u>231,908</u>	<u>-</u>
	468,726	224,554
Less accumulated amortization	<u>(88,971)</u>	<u>(30,460)</u>
	<u>\$ 379,755</u>	<u>\$ 194,094</u>

Annual amortization expense is estimated as follows:

Years ended June 30,

2014	\$ 63,865
2015	63,490
2016	59,773
2017	58,277
2018	58,277
Thereafter	<u>76,073</u>
	<u>\$ 379,755</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 K*).

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE I - INVESTMENT IN JOINT VENTURE - CONTINUED

In August 2012, Habitat invested, along with other Habitat affiliates, in a joint venture to take advantage of NMTC financing. 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 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 (see **NOTE K**).

Investments in joint ventures are accounted for under the equity method, with Habitat's share of the operating results of the joint venture reflected in investment income. During 2013 and 2012, purchases of joint ventures were approximately \$1,430,000 and \$1,533,000, respectively. During the year ended June 30, 2013, income from joint ventures was approximately \$46,200.

NOTE J - 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 the asset under capital lease at both June 30, 2013 and 2012 was \$17,513. Accumulated depreciation at June 30, 2013 and 2012 was \$6,421 and \$2,918, respectively. Depreciation expense of this asset for the years ended June 30, 2013 and 2012 was \$3,503 and \$2,918, respectively, and is included in depreciation expense.

	<u>2013</u>	<u>2012</u>
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	\$ 11,368	\$ 14,749
Less current portion	<u>(3,476)</u>	<u>(3,381)</u>
Capital lease obligation, net	<u>\$ 7,892</u>	<u>\$ 11,368</u>

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE J - CAPITAL LEASE PAYABLE - CONTINUED

Minimum payments required under the capital lease during the following fiscal years ending June 30, 2013, are as follows:

<i>Years Ended</i> <u>June 30,</u>	<u>Amount</u>
2014	\$ 3,770
2015	3,770
2016	3,770
2017	<u>628</u>
Total minimum lease payments	11,938
Less interest portion included in payments	<u>(570)</u>
Present value of lease obligation	<u><u>\$ 11,368</u></u>

NOTE K - LINES-OF-CREDIT AND NOTES PAYABLE

<i>Lines-of-credit</i>	<u>2013</u>	<u>2012</u>
Line-of-credit from a bank secured in August 2012, due August 13, 2013, with interest payable monthly at libor plus 2.5% (currently 3%), unsecured. Credit is limited to \$150,000. At June 30, 2013 the amount of unused line-of-credit was \$125,000	\$ 25,000	\$ -
Line-of-credit from Neighborhood Lending Partners of West Florida secured in July 2011, due July 2014, interest accrues at 6% on the outstanding balance. Credit is limited to \$500,000. The amount of unused line-of-credit at June 30, 2013 and 2012, was \$467,500 and \$435,000, respectively	32,500	65,000

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE K - LINES-OF-CREDIT AND NOTES PAYABLE - CONTINUED

	<u>2013</u>	<u>2012</u>
<i>Lines-of-credit - Continued</i>		
Line-of-credit from the City of Clearwater as part of the Housing and Economic Recovery Act secured in July 2011, due July 2027, interest is deferred for a 3-year period starting July 20, 2011. Credit is limited to \$730,000. The amount of unused line-of-credit at June 30, 2013 and 2012, was \$730,000 and \$632,500, respectively (see NOTE R)	-	97,500
Line-of-credit from the City of Clearwater as part of the Neighborhood Stabilization Program (NSP3) secured in January 2013, due in September 2015, interest is 0%. Credit is limited to \$327,500. The amount of unused line-of-credit at June 30, 2013, was \$114,500 (see NOTE R)	213,000	-
Line-of-credit from a related party (see NOTES Q and R) passed through the City of Clearwater as part of the Neighborhood Stabilization Program (NSP3) secured in January 2013, due in September 2015, interest is 0%. Credit is limited to \$225,808. The amount of unused line-of-credit at June 30, 2013, was \$75,646	<u>150,162</u>	<u>-</u>
<i>Total lines-of-credit</i>	420,662	162,500
 <i>Notes payable</i>		
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	224,265	246,195

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE K - LINES-OF-CREDIT AND NOTES PAYABLE - CONTINUED

	<u>2013</u>	<u>2012</u>
<i>Notes Payable - Continued</i>		
Loan payable to Habitat International as part of the SHOP 2011 grant, various payments totaling \$456 paid monthly beginning Jan 2015 at 0% interest until maturity at Jan 2019	22,150	-
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 during 2013	-	3,792
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 December 31, 2015, with interest thereon at 3% per year for the remainder of the thirty (30) year term, interest and principal payments of \$6,310 per month beginning January 2015 continuing until maturity at October 1, 2043. Outstanding balance is the amount of draw downs to date	723,747	1,059,040
Mortgage payable to City of Clearwater for the land purchase of Stevens Creek with 0% interest and payment deferred until December 31, 2015, 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	305,563	446,945

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE K - LINES-OF-CREDIT AND NOTES PAYABLE - CONTINUED

	<u>2013</u>	<u>2012</u>
<i>Notes Payable - Continued</i>		
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, 2014, with interest thereon at 3% per year for the remainder of the thirty (30) year term, interest and principal payments of \$2,760 per month beginning October 31, 2014 continuing until maturity at October 1, 2043. Outstanding balance is the amount of draw downs to date	408,142	408,142
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 extended maturity at September 30, 2015. 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 Street and 3460 19 th Avenue. These properties were defaulted on by two separate homeowners and are currently being paid by Habitat until they find new homeowners	84,456	210,116
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	109,881	144,881

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE K - LINES-OF-CREDIT AND NOTES PAYABLE - CONTINUED

	<u>2013</u>	<u>2012</u>
<i>Notes Payable - Continued</i>		
Loan payable to Habitat International as part of the SHOP 2010 grant, various payments totaling \$545 paid monthly beginning Jan 2015 at 0% interest until maturity at Jan 2019	26,250	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	12,708	16,458
Note payable to CCM (see <i>NOTE I</i>), debt requires interest only payments until November 2020 at .7608% until maturity in November 2028, secured by substantially all the assets acquired by Habitat from the project loan proceeds, put option feature that is exercisable July 2028	1,880,000	-
Note payable to HFHI-SA Leverage IX, LLC (see <i>NOTE I</i>), debt requires interest only payments until November 2020 at .755% until maturity in November 2028, secured by substantially all the assets acquired by Habitat from the project loan proceeds, put option feature that is exercisable July 2028	<u>2,023,656</u>	<u>2,023,656</u>
<i>Total Notes Payable</i>	<u>6,232,726</u>	<u>4,981,957</u>
<i>Total Lines-of-Credit and Notes Payable</i>	<u>\$ 6,653,388</u>	<u>\$ 5,144,457</u>
 <i>Years Ended</i>		
<u>June 30,</u>		<u>Amount</u>
2014		\$ 372,656
2015		507,095
2016		463,659
2017		94,745
2018		87,454
Thereafter		<u>5,127,779</u>
		<u>\$ 6,653,388</u>

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE L - 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>2013</u>
Unconditional promises to give, net	\$ 25,987
Donated labor and materials	102,969
Donated land	<u>823,757</u>
	<u>\$ 952,713</u>
	<u>2012</u>
Unconditional promises to give, net	\$ 33,455
Donated labor and materials	<u>87,338</u>
	<u>\$ 120,793</u>

Net assets released from restrictions were comprised of the following:

	<u>2013</u>
Donated labor and materials	\$ 450,318
Donated lots	312,785
Unconditional promises to give, net	<u>12,468</u>
	<u>\$ 775,571</u>
	<u>2012</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>

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE M - 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 \$184,000 and \$176,000 for the years ended June 30, 2013 and 2012, 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>Years Ended</i> <u>June 30,</u>	<u>Amount</u>
2014	\$ 161,884
2015	166,852
2016	171,865
2017	<u>28,783</u>
	<u>\$ 529,384</u>

NOTE N - IMPAIRMENT LOSS ON LAND HELD FOR DEVELOPMENT

During the year ended June 30, 2013, Habitat recorded \$54,488 for impairment on two of its properties held for investment and was charged to impairment loss expense in the statements of activities. The intent is to sell these properties to eligible candidates once the renters can meet the homeowner criteria.

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 O - 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.

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE P - TRANSACTIONS WITH HABITAT INTERNATIONAL

Habitat remits a portion of its unrestricted contributions to Habitat International as title to support its operations. Habitat contributed \$105,000 and \$108,000 to Habitat International during the years ended June 30, 2013 and 2012, respectively. These amounts are included in program services expense in the statements of activities. At June 30, 2013 and 2012, 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.

NOTE Q - 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. In 2013, Habitat paid approximately \$3,000 of legal expenses associated with incorporating the 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, 2013, approximately \$194,000 was awarded to and \$43,000 was expended by Pinellas Habitat CHDO in 2013. As of June 30, 2013 and 2012, approximately \$16,000 and \$39,000 is due from CHDO for land costs and is reported as due from affiliate in the statements of financial position.

In 2013, Habitat received a line-of-credit from Pinellas Habitat CHDO passed through the City of Clearwater as part of NSP3 (see *NOTES K* and *R*). The balance on this line-of-credit was \$150,162 at June 30, 2013.

NOTE R - 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 in the statement of activities.

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE R - NEIGHBORHOOD STABILIZATION PROGRAM - CONTINUED

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.

In January 2013, Habitat entered into another loan agreement with the City of Clearwater to build additional homes on its Stevens Creek lots. The City of Clearwater received funding for this agreement from the Federal government under the Neighborhood Stabilization Program 3 (NSP3) of the Housing and Economic Recovery Act of 2008. Habitat received \$213,000 from the City of Clearwater in 2013 and is reported as a component of foundation and grants on the statement of activities. Habitat also received a line-of-credit from Pinellas Habitat CHDO passed through the City of Clearwater as part of NSP3 (see **NOTES K** and **Q**). The balance on this line-of-credit was \$150,162 at June 30, 2013.

NOTE S - 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 in the June 30, 2013 and 2012 statements of financial position for this associated promissory note.

NOTE T - SUBSEQUENT EVENTS

In August 2013, Habitat entered into a sales agreement with Bank of Tampa. Under this agreement, Habitat transfers rights to non-interest bearing mortgages to Bank of Tampa. In exchange, Habitat signs an agreement to continue to service these mortgages. In consideration for the sale, transfer, and assignment of the mortgages by Habitat, the Bank of Tampa agrees to pay Habitat an amount equal to 75% of the sum of the outstanding principal and other fees and charges. Habitat transferred and assigned rights to two loans on August 7, 2013 and received \$193,169.

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

NOTE T - SUBSEQUENT EVENTS - CONTINUED

In August 2013, Pinellas Funding Company I, LLC (Pinellas Funding) was formed as a single member LLC with Habitat as the member. Pinellas Funding acquired seven mortgages from Habitat for a total of \$1,004,236. Pinellas Funding then entered into a note purchase agreement with PNC Bank. Pinellas Funding then authorized the issuance and sale of a secured note in the amount of \$1,004,236 to PNC Bank for \$666,422 on August 29, 2013. Pinellas Funding then transferred this full amount to Habitat.

Habitat has evaluated all subsequent events through October 14, 2013, 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, 2013

<i>Federal Agency</i>	<u>CFDA</u>	<u>Expenditures</u>
<i>Pass-through Entity</i>	<u>Number</u>	
<u>Federal Program/State Project</u>		
U.S. Department of Housing and Urban Development		
<i>Passed through Pinellas County, Florida</i>		
Community Development Block Grant	14.218	\$ 350,000 *
<i>Passed through the City of Clearwater, Florida</i>		
Neighborhood Stabilization Program 3 (NSP3)	14.218	<u>213,000</u>
		563,000
 <i>Passed through the City of Clearwater, Florida</i>		
HOME Investment Partnerships Program	14.239	1,134,390 *
Self-Help Homeownership Opportunity Program	14.247	161,125
Neighborhood Stabilization Program 2 (NSP2)		
<i>American Recovery and Reinvestment Act (ARRA Funds)</i>	14.256	<u>197,500</u>
<i>Total Expenditures of Federal Awards</i>		<u>\$ 2,056,015</u>

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

See notes to schedule of expenditures of federal awards

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2013

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

***INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
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, in accordance with the 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, the financial statements of Habitat for Humanity of Pinellas County, Inc. (Habitat), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 14, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Habitat's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Habitat's internal control.

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 the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

CONTINUED

***INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Habitat's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Habitat's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PDR Certified Public Accountants

Clearwater, Florida
October 14, 2013



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

***INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133***

Report on Compliance for Each Major Federal Program

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, 2013. Habitat's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Habitat's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Habitat's compliance.

Opinion on Each Major Federal Program

In our opinion, Habitat complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

CONTINUED

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133 - CONTINUED**

Report on Internal Control over Compliance

Management of Habitat is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Habitat's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

PDR Certified Public Accountants

Clearwater, Florida
October 14, 2013

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.

**SCHEDULE OF FINDINGS, QUESTIONED COSTS,
AND RECOMMENDATIONS**

JUNE 30, 2013

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 programs tested as major programs included:

<u>Federal Program</u>	<u>CFDA No.</u>
U.S. Department of Housing and Urban Development - HOME Investment Partnerships Program	14.239
U.S. Department of Housing and Urban Development - Community Development Block Grant	14.218
Neighborhood Stabilization Program 3 (NSP3)	14.218

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, QUESTIONED COSTS,
AND RECOMMENDATIONS**

JUNE 30, 2013

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