HABITAT FOR HUMANITY
OF PINELLAS COUNTY, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

AND

REPORTS OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

pdr
CERTIFIED PUBLIC
accountants

CLEARWATER, FLORIDA

TABLE OF CONTENTS

29750 U.S. Hwy. 19 North, Suite 101 • Clearwater, Florida 33761
Phone (727) 785-4447

www.pdr-cpa.com • Fax (727) 784-5491

2202 N. Westshore Blvd, Suite 200 • Tampa, Florida 33607
Phone (813) 498-1294

INDEPENDENT AUDITOR'S REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Habitat for Humanity of Pinellas County, Inc. and Subsidiaries (the Organization), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, the related consolidated statement of functional expenses for the year ended June 30, 2015, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 the entity'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 consolidated financial statements.

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

CONTINUED

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2015 and 2014, 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, 2015, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Organization's 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 9, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and Chapter 10.650, Rules of the Auditor General of the State of Florida, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 13, 2015, on our consideration of Organization'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 the Organization’s internal control over financial reporting and compliance.

PDR Certified Public Accountants

Clearwater, Florida
October 13, 2015

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2015 AND 2014

ASSETS

	2015	2014
Cash and cash equivalents	$ 2,970,984	$ 2,269,908
Assets held in escrow	349,354	371,197
Accounts receivable	382,418	194,110
Unconditional promises to give, net	51,436	11,051
Habitat ReStore inventory	122,212	107,444
Homes under construction	1,137,275	1,599,572
Homes awaiting closing	-	371,480
Land held for development	1,424,660	2,252,727
Land held for investment or resale	450,485	444,249
Property and equipment, net	361,077	268,669
Mortgages receivable, net	566,375	520,977
Other receivables	1,068,888	1,101,686
Beneficial interest in assets held by others	20,000	20,000
Investment in joint venture	3,094,145	3,042,659
Deferred affordable housing note receivable	350,000	350,000
Other assets and intangibles, net	271,680	335,356
Total Assets	$ 12,620,989	$ 13,261,085

LIABILITIES AND NET ASSETS

	2015	2014
Liabilities		
Accounts payable and accrued expenses	$ 288,751	$ 316,250
Deferred revenue - joint venture	164,977	201,735
Escrow deposits	337,735	359,861
Down payments and advance payments	16,000	19,000
Capital lease payable	20,417	16,767
Lines-of-credit and notes payable	6,871,652	7,472,237
Deferred affordable housing note payable	350,000	350,000
Total liabilities	8,049,532	8,735,850
Net Assets		
Unrestricted	3,988,013	3,255,425
Temporarily restricted	563,444	1,249,810
Permanently restricted	20,000	20,000
Total net assets	4,571,457	4,525,235
Total Liabilities and Net Assets	$ 12,620,989	$ 13,261,085

See accompanying notes to the consolidated financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR 2014)

Support and Revenue	***Unrestricted***	***Temporarily Restricted***	***Permanently Restricted***	***Total 2015***	***Total 2014***
Contributions					
Building materials and services	$ 571,303	$ 40,698	$ -	$ 612,001	$ 506,509
Donated lots	-	237,522	-	237,522	831,009
Cash	853,879	78,049	-	931,928	988,719
Habitat ReStore merchandise	807,177	-	-	807,177	735,633
In-kind	25,602	-	-	25,602	31,762
Transfers to homeowners	5,222,350	-	-	5,222,350	4,663,734
Mortgage discount amortization	46,012	-	-	46,012	42,039
Sales - Habitat ReStore	817,824	-	-	817,824	728,598
Fundraising events, net of direct costs of $88,983	113,305	-	-	113,305	110,628
Foundations and grants	1,393,541	70,000	-	1,463,541	792,087
Other	43,056	-	-	43,056	57,681
Investment income from joint venture	81,073	-	-	81,073	81,073
Net assets released from restrictions	1,112,635	(1,112,635)	-	-	-
Total support and revenue	11,087,757	(686,366)	-	10,401,391	9,569,472
Expenses					
Program					
Construction	8,017,635	-	-	8,017,635	6,667,601
Mortgage discounts	101,224	-	-	101,224	134,139
Habitat ReStore	1,505,061	-	-	1,505,061	1,379,242
Supporting services					
General and administrative	181,105	-	-	181,105	181,845
Fundraising	346,484	-	-	346,484	205,211
Total expenses	10,151,509	-	-	10,151,509	8,568,038
Change in Net Assets Before Other Changes	936,248	(686,366)	-	249,882	1,001,434
Other Changes - Revenue (Expense)					
Interest expense	(29,905)	-	-	(29,905)	(30,127)
Loss on sale of property	(8,014)	-	-	(8,014)	(7,707)
Loss on sale of land	(10,040)	-	-	(10,040)	-
Gain on sale of mortgages, net	-	-	-	-	450,290
Impairment on land and property	(192,459)	-	-	(192,459)	(222,544)
Amortization of joint venture deferred revenue	36,758	-	-	36,758	36,758
Total other changes	(203,660)	-	-	(203,660)	226,670
Change in Net Assets	732,588	(686,366)	-	46,222	1,228,104
Net Assets at Beginning of Year	3,255,425	1,249,810	20,000	4,525,235	3,297,131
Net Assets at End of Year	$ 3,988,013	$ 563,444	$ 20,000	$ 4,571,457	$ 4,525,235

See accompanying notes to the consolidated financial statements

Support and Revenue	***Unrestricted***	***Temporarily Restricted***	***Permanently Restricted***	***Total***
Contributions				
Building materials and services	$ 429,019	$ 77,490	$ -	$ 506,509
Donated lots	-	831,009	-	831,009
Cash	659,554	329,165	-	988,719
Habitat ReStore merchandise	735,633	-	-	735,633
In-kind	31,762	-	-	31,762
Transfers to homeowners	4,663,734	-	-	4,663,734
Mortgage discount amortization	42,039	-	-	42,039
Sales - Habitat ReStore	728,598	-	-	728,598
Fundraising events, net of direct costs of $106,546	110,628	-	-	110,628
Grants	792,087	-	-	792,087
Other	57,681	-	-	57,681
Investment income from joint venture	81,073	-	-	81,073
Net assets released from restrictions	940,567	(940,567)	-	-
Total support and revenue	9,272,375	297,097	-	9,569,472
Expenses				
Program				
Construction	6,667,601	-	-	6,667,601
Mortgage discounts	134,139	-	-	134,139
Habitat ReStore	1,379,242	-	-	1,379,242
Supporting services				
General and administrative	181,845	-	-	181,845
Fundraising	205,211	-	-	205,211
Total expenses	8,568,038	-	-	8,568,038
Change in Net Assets Before Other Changes	704,337	297,097	-	1,001,434
Other Changes - (Expense) Revenue				
Interest expense	(30,127)	-	-	(30,127)
Loss on sale of property	(7,707)	-	-	(7,707)
Gain on sale of mortgages, net	450,290	-	-	450,290
Impairment on land and property	(222,544)	-	-	(222,544)
Amortization of joint venture deferred revenue	36,758	-	-	36,758
Total other changes	226,670	-	-	226,670
Change in Net Assets	931,007	297,097	-	1,228,104
Net Assets at Beginning of Year	2,324,418	952,713	20,000	3,297,131
Net Assets at End of Year	$ 3,255,425	$ 1,249,810	$ 20,000	$ 4,525,235

See accompanying notes to the consolidated financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR 2014)

	Program Services				Supporting Services			Total Expenses	
	Construction	Mortgage Discounts	Habitat ReStore	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	2015	2014
Salaries	$ 930,417	$ -	$ 354,827	$ 1,285,244	$ 88,006	$ 243,369	$ 331,375	$ 1,616,619	$ 1,332,442
Employee benefits	106,191	-	52,347	158,538	9,058	22,587	31,645	190,183	154,817
Retirement plan	8,485	-	7,463	15,948	2,247	3,301	5,548	21,496	14,506
Building materials and supplies	6,274,861	-	-	6,274,861	-	-	-	6,274,861	5,156,572
Insurance and taxes	54,972	-	17,959	72,931	-	-	-	72,931	67,162
Repairs and maintenance	10,199	-	-	10,199	-	-	-	10,199	8,409
Depreciation and amortization	98,975	-	5,340	104,315	19,680	-	19,680	123,995	116,445
Mortgage discounts	-	101,224	-	101,224	-	-	-	101,224	134,139
Office supplies, equipment, and utilities	100,616	-	25,998	126,614	3,601	9,795	13,396	140,010	132,381
Printing and advertising	20,903	-	55,430	76,333	-	27,714	27,714	104,047	89,293
Travel	55,790	-	29,496	85,286	-	5,315	5,315	90,601	66,703
Professional services	28,788	-	3,664	32,452	40,444	7,873	48,317	80,769	120,238
Other	100,034	-	48,386	148,420	7,329	15,790	23,119	171,539	131,093
Merchandise sold	-	-	792,409	792,409	-	-	-	792,409	728,598
Rent	65,114	-	111,742	176,856	10,740	10,740	21,480	198,336	189,633
Bad debt expense	9,290	-	-	9,290	-	-	-	9,290	12,207
Support of Habitat for Humanity International	153,000	-	-	153,000	-	-	-	153,000	113,400
	$ 8,017,635	$ 101,224	$ 1,505,061	$ 9,623,920	$ 181,105	$ 346,484	$ 527,589	$10,151,509	$ 8,568,038

See accompanying notes to the consolidated financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Cash Flows from Operating Activities		
Change in net assets	$ 46,222	$ 1,228,104
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation	60,505	52,580
Amortization of intangibles	63,490	63,865
Investment income	(81,073)	(81,073)
Amortization of mortgage discounts	(46,012)	(42,039)
Loss on mortgages sold	-	402,204
Mortgage discount retired	-	(852,494)
New mortgages transferred to owners	1,224	(102,216)
Loss on sale of property and equipment	8,014	7,707
Loss on sale of land	10,040	-
Donated land for development	(237,522)	(831,009)
Impairment on land and property	192,459	222,544
Decrease (Increase) in:		
Escrow cash	21,843	(92,180)
Accounts receivable	(188,308)	(157,237)
Other receivables	32,798	(984,711)
Unconditional promises to give	(40,385)	14,936
Due from affiliate	-	16,431
Habitat ReStore inventory	(14,768)	(492)
Homes under construction	1,679,539	1,332,361
Other assets	186	(2,199)
Increase (Decrease) in:		
Accounts payable and accrued expenses	(27,499)	(9,689)
Deferred revenue in joint venture	(36,758)	(36,758)
Escrow deposits	(22,126)	91,654
Down payments and advance payments	(3,000)	(3,000)
Net cash provided by operating activities	1,418,869	237,289

See accompanying notes to the consolidated financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
Cash Flows from Investing Activities		
Purchases on property held for investment	(6,236)	-
Purchases of real estate held for resale	-	(300,138)
Proceeds from sale of property and equipment	4,835	14,338
Purchases of equipment	(161,463)	(50,999)
Net change in homes awaiting closing	371,480	(21,943)
Net purchases of land for future construction	(358,452)	(468,915)
Distributions from new market tax credit	29,587	29,588
Purchases of mortgages	(79,256)	-
Payments received on mortgages sold to banks	-	1,020,949
Payments received on mortgages	78,646	81,736
Net cash (used in) provided by investing activities	(120,859)	304,616
Cash Flows from Financing Activities		
Payments on notes payable	(576,203)	(426,119)
Proceeds from notes payable	42,578	1,087,064
Proceeds to purchase land for future construction	53,750	205,000
Net change in capital lease obligations	3,650	5,399
Payments on lines-of-credit	(120,709)	(442,598)
Proceeds from lines-of-credit	-	395,502
Net cash (used in) provided by financing activities	(596,934)	824,248
Net (Decrease) Increase in Cash	701,076	1,366,153
Cash and Cash Equivalents at Beginning of Year	2,269,908	903,755
Cash and Cash Equivalents at End of Year	$ 2,970,984	$ 2,269,908
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Transfers of Property to Homeowners	$ 4,681,950	$ 3,257,470
Cash Paid During the Year for Interest	$ 29,905	$ 30,127

See accompanying notes to the consolidated financial statements

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.

Pinellas Funding Company I, LLC (Pinellas Funding) was incorporated in July 2013 and is solely owned by Habitat. Pinellas Funding was formed to complete the sale of mortgages with PNC Bank (see ***NOTE T***). Pinellas Funding purchases mortgages from Habitat and subsequently sells these the mortgages to PNC Bank.

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 CHDO is wholly owned by Habitat and has been certified by Pinellas County, Florida as a Community Housing Development Organization (CHDO).

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. ***Basis of Consolidation and Presentation***

The consolidated financial statements include the accounts of Habitat, Pinellas Funding, and Pinellas CHDO (the Organization). The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP). All material intercompany transactions and balances have been eliminated in consolidation.

The Organization presents information regarding its consolidated 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 the Organization 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. ***Use of Estimates***

The preparation of consolidated 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 consolidated financial statements and the reported revenues and expenses. Accordingly, actual results could differ from those estimates. Significant estimates included in the consolidated financial statements include allocation of expenses by function, useful lives of depreciable assets, the allowance on unconditional promises to give, and impairment of land held for development.

3. ***Fair Value Measurement***

The consolidated 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 consolidated 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: Quoted 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. ***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash on deposit with financial institutions and money market mutual fund accounts. The Organization considers all highly liquid assets with an initial maturity of three months or less as cash.

Financial instruments which potentially subject the Organization 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, 2015 and 2014, the Organization's cash balance may have exceeded the federally insured limit. However, the Organization has not experienced and does not expect to incur any losses in such accounts.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. ***Assets Held in Escrow***

The Organization 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 and offset by escrow deposits, a related liability.

6. ***Accounts Receivable***

Accounts receivable consist mainly 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 consolidated statements of financial position as accounts receivable.

7. ***Unconditional Promises to Give***

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

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

The Organization 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.

8. ***Habitat ReStore Inventory***

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. ***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 32 homes to homeowners in 2015 and 27 homes in 2014. Homes under construction that are completed during the year but not transferred to a homeowner at year-end are moved to homes awaiting closing.

10. ***Land Held for Development***

Land held for development includes the cost of land and improvements to land or, if donated, the approximate fair value of the land at the date of the donation, held for future construction of homes.

11. ***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.

12. ***Impairment of Long-Lived Assets***

The Organization'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 consolidated 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 consolidated statements of financial position. The Organization recognized an impairment loss on land held for development and land held for investment or resale during the years ended June 30, 2015 and 2014 (see ***NOTE N***).

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. ***Mortgages Receivable***

Mortgages receivable consist predominantly of non-interest bearing residential first mortgages secured by real estate and payable in monthly installments over the life of the mortgage, generally ranging from 10 to 35 years. All of the mortgages are related to new construction or the rehabilitation of existing homes rehabilitated by the Organization. These mortgages receivable are shown on the consolidated statements of financial position discounted by the prevailing interest rates for low income housing at the inception of each mortgage as calculated by Habitat International.

In addition to the mortgages receivable included in the consolidated statements of financial position, the Organization also enters into equity creation agreements with certain homebuyers. These equity creation agreements known as a "silent second mortgage" originate at the same time of the first mortgage and reflect the difference between the purchase price and the fair market value of the house. This equity creation agreement is part of the mortgage document and is executed for protection against homeowners who may sell their house for a profit before the mortgage is repaid and to protect the homeowner by preventing predatory lenders from paying off the first mortgage and saddling the homeowners with an onerous new mortgage. This amount is considered forgiven by the mortgagee over the life of the mortgage and the mortgagor agrees that the remaining balance is secured by the mortgage until forgiven in full. The Organization does not record a value for the equity creation agreements as it is unlikely that the amount will ever be collected.

The Organization uses established underwriting criteria to ensure that only families who meet the Organization's financial and credit criteria are approved to be partner families and receive a non-interest bearing mortgage loan from the Organization. This includes, but is not limited to, a thorough review of each prospective homeowner's credit report, sources of income, and financial history. The Organization regularly reviews its mortgages receivable and monitors the accounts for delinquencies. The Organization has documented delinquency procedures that are followed starting with 10-15 days after the payment due date. Once a payment is 120 days or more late, the Organization will turn the file over to its attorney who will send a letter or other notice as required by law. If the homeowner does not cure the default, foreclosure proceedings are initiated.

Non-interest bearing mortgages originated are discounted based on prevailing market rates at the time of the sale, which results in the net mortgage receivable balances being generally less than 50% of the home's fair market value. Therefore, the Organization believes that losses resulting from non-payment of mortgage notes receivable, given its collateral value, are not likely. Accordingly, the Organization has not recorded an allowance for mortgages receivable.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

The beneficial interest in trust is recorded at fair value in the consolidated 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 consolidated statements of activities.

15. ***Other Assets and Intangibles***

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.

16. ***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.

The Organization 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 the Organization is not obligated to perform significant activities after the sale. Revenue from the sale of homes is recorded on the consolidated statement of activities as 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.

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

17. ***Donated Services and Materials***

Donated services and materials are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. These are reflected in the accompanying consolidate 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, 2015 and 2014, Habitat recorded donation revenue of approximately $612,000 and $507,000 related to donations of building materials and services. During the years ended June 30, 2015 and 2014, Habitat received approximately $238,000 and $831,000 in donated lots from various financial institutions and donors recorded at their tax assessed just market value which approximates fair value.

18. ***Advertising Costs***

Advertising costs are expensed as incurred and were approximately $104,000 and $89,000 for the years ended June 30, 2015 and 2014, respectively.

19. ***Income Tax Status***

Habitat and Pinellas CHDO are not-for-profit organizations that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC. Pinellas Funding is a disregarded entity and therefore revenues and expenses flow through to Habitat for federal tax purposes. Accordingly, no provision for income taxes is reflected in the accompanying consolidated financial statements.

20. ***Uncertain Tax Positions***

The Organization 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. The Organization has identified its tax status as a tax-exempt entity as its only significant tax position; however, the Organization has determined that such tax position does not result in an uncertainty requiring recognition. The Organization is not currently under examination by any taxing jurisdiction. The Organization's federal returns are generally open for examination for three years following the date filed.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

21. ***Functional Expense Allocation***

The costs of providing the programs and supporting services have been reported on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Program and supporting expenses, when specifically identifiable, are classified to the function which incurred the expense. Certain expenses are allocated to each function based on management's estimate of time spent within each category.

22. ***Comparative Financial Information***

The accompanying consolidated 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 the Organization's consolidated financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Certain reclassifications have been made to the 2014 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

NOTE C - UNCONDITIONAL PROMISES TO GIVE

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

	2015	2014
Gross unconditional promises to give	$ 61,667	$ 24,157
Less: Allowance for uncollectible promises	(7,032)	(12,207)
Less: Unamortized discount	(3,199)	(899)
	$ 51,436	$ 11,051
Amounts due in:		
Less than one year	$ 40,642	$ 18,732
One to five years	21,025	5,425
	$ 61,667	$ 24,157

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, 2015, was approximately 3%. For amounts due in more than one year, promises to give were discounted with rates ranging from 1% - 5%.

At June 30, 2015 and 2014, approximately $11,000 and $-0- respectively, was deemed uncollectible and written off.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2015	2014
Vehicles	$ 118,166	$ 109,259
Furniture and fixtures	66,368	45,563
Leasehold improvements	270,886	210,185
Signage	26,129	11,717
Construction equipment	78,436	56,288
Office equipment	107,061	88,067
	667,046	521,079
Less accumulated depreciation	(305,969)	(252,410)
	$ 361,077	$ 268,669

NOTE E - MORTGAGES RECEIVABLE

Mortgages receivable consist of the following:

	2015	2014
Non-interest bearing loans at par value	$ 1,330,136	$ 1,229,526
Less: Unamortized discount based on imputed interest	(763,761)	(708,549)
	$ 566,375	$ 520,977

As of June 30, 2015, the balances due on the mortgages that are scheduled to be received for the next five years and thereafter are as follows:

Years Ending June 30,	Amount
2016	$ 117,437
2017	77,704
2018	74,154
2019	71,694
2020	71,328
Thereafter	917,819
	$ 1,330,136

The initial amount of each mortgage loan approximates the Organization'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, 2015 and 2014 was 7.5% and 7.6%, respectively. The discount is calculated by computing the present value of each of the non-interest bearing notes using the applicable discount rate.

The Organization sells mortgages receivable to various financial institutions. During the year ended June 30, 2015, the Organization sold mortgages receivable with a book value of $4,472,950. During the year ended June 30, 2014, the Organization sold mortgages receivable with a book value of $3,896,220.

NOTE F - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

In 2006, the Organization established accounts with the Pinellas Community Foundation (PCF) in the amount of $10,000 and Community Foundation of Tampa Bay (CFTB) in the amount of $10,000. This total amount of $20,000 is considered an asset (beneficial interest in assets held by others) of the Organization and is included in the accompanying consolidated statements of financial position as of June 30, 2015 and 2014 as both an asset and a permanently restricted net asset. Although the Organization does not have the right to receive the assets per the Trust Agreements, the contribution to these funds is considered an asset of the Organization as it has been named beneficiary. Earnings on the funds, net of any service fees, will be periodically distributed to the Organization in accordance with the agreement. The Organization has received approximately $1,000 in earnings on these accounts for the years ending June 30, 2015 and 2014. 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 G - FAIR VALUE MEASUREMENT

The Organization's investments are reported at fair value in the accompanying consolidated statements of financial position. During the year ended June 30, 2014, the Organization transferred its beneficial interest in perpetual trust to Level 3 based on additional analysis performed by management. The analysis determined that these items should be reported at Level 3 because the fair values for these assets have unobservable inputs. Following is a description of valuation methodologies used for investments measured at fair value.

Beneficial interest in a perpetual trust - the investments are managed by a third party which is unrelated to this Organization. The trust assets are valued based upon the third party information without adjustment. The Organization does not develop nor are they provided with the quantitative inputs used to develop the fair market values.

Fair value of assets measured on a recurring basis at June 30, 2015 is as follows:

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

NOTE G - FAIR VALUE MEASUREMENT - CONTINUED

Fair value of assets measured on a recurring basis at June 30, 2014 is as follows:

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

NOTE H - INTANGIBLE ASSETS

Intangible assets subject to amortization at June 30, 2015 and 2014 are as follows:

	2015	2014
Website/Software Costs	$ 21,958	$ 21,958
Costs associated with HFHI-SA Leverage IX, LLC (see ***NOTE I***)	214,860	214,860
Costs associated with CCM (see ***NOTE I***)	231,908	231,908
	468,726	468,726
Less accumulated amortization	(216,326)	(152,836)
	$ 252,400	$ 315,890

Annual amortization expense is estimated as follows:

Years Ending June 30,	
2016	$ 59,772
2017	58,277
2018	58,277
2019	34,595
2020	9,189
Thereafter	32,290
	$ 252,400

NOTE I - INVESTMENT IN JOINT VENTURE

The Organization invested, along with four other Habitat affiliates, in a joint venture (HFHI-SA Leverage IX, LLC) 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, the Organization 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***).

In August 2012, the Organization invested, along with other Habitat affiliates, in a joint venture to take advantage of NMTC financing. As a result, the Organization has invested $100,000 of cash plus a leverage amount of construction in process value of $1,330,132. With this initial investment, the Organization 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%. The Organization 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 the Organization's share of the operating results of the joint venture reflected in interest income and investment income. During each of the years ended June 30, 2015 and 2014, investment income from joint ventures was approximately $81,000.

Deferred revenue was recorded as a result of the investment in joint ventures. Deferred revenue recorded on the statements of financial position totaled $164,977 and $201,735 for the years ended June 30, 2015 and 2014, respectively. This amount is being amortized over the life of the underlying agreement and is reflected in the statements of activities as amortization of joint venture deferred revenue. Revenue of $36,758 was recognized for each of the years ending June 30, 2015 and 2014.

NOTE J - CAPITAL LEASE PAYABLE

Equipment under capital leases consist of two copiers and one telephone system with a combined capitalized cost of $37,236. Accumulated depreciation at June 30, 2015 and 2014 was $17,359 and $11,890, respectively. Depreciation expense reported in the consolidated statements of activities for each of the years ended June 30, 2015 and 2014 was $5,469. Minimum payments required under the capital lease during the following fiscal years ending June 30, are as follows:

Years Ending June 30,		*Amount*
2016	$	7,677
2017		4,695
2018		4,067
2019		2,814
2020		1,919
Thereafter		640
Total minimum lease payments		21,812
Less interest portion included in payments		(1,395)
Present value of lease obligation	$	20,417

NOTE K - LINES-OF-CREDIT AND NOTES PAYABLE

Lines-of-credit		*2015*		*2014*
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, 2014, was $435,000 (see ***NOTE R***)	$	-	$	65,000
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, 2015 and 2014, was $74,643 (see ***NOTE R***)		252,857		252,857

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

	2015	2014
Lines-of-credit - Continued		
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) to the Pinellas County Habitat for Humanity Community Development Organization (Pinellas CHDO) 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, 2015 and 2014, was $225,808 and $170,099, respectively (see ***NOTE Q***)	-	55,709
Total lines-of-credit	252,857	373,566
Notes payable		
Mortgage payable of $273,000 to a bank with monthly payments of $4,045 at 5.54% interest until maturity of March of 2019, collateralized by unimproved real estate for the Lake Butler property	160,169	198,532
Loans payable to Habitat International as part of the SHOP 2010 grant, monthly payments ranging from $518 to $1,024 at 0% interest, maturing between July 2018 and Jan 2021	41,620	45,778
Loans payable to Habitat International as part of the SHOP 2011 grant, monthly payments ranging from $152 to $975 at 0% interest, maturing between Jan 2019 and Jan 2021	46,209	21,900
Loans payable to Habitat International as part of the SHOP 2012 grant, monthly payments ranging from $145 to $402 at 0% interest, maturing between July 2019 and July 2020	17,501	17,501
Loans payable to Habitat International as part of the SHOP 2013 grant, monthly payments ranging from $74 to $444 at 0% interest, maturing between July 2020 and July 2021	21,376	3,563

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

Notes payable - Continued

	2015	2014
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, collateralized by Stevens Creek property. Outstanding balance is the amount of draw downs to date	360,515	556,102
Mortgage payable of $600,000 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	151,512	234,863
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, collateralized by Shady Grove property. Outstanding balance is the amount of draw downs less payments to date	259,341	359,341

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

Notes payable - Continued

	2015	2014
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, collateralized by Havens Ridge property. 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 19th Avenue. These properties were defaulted on by two separate homeowners and paid by Habitat until new homeowners are found, paid off in 2015	-	81,060
Note payable of $175,000 due to JTG Enterprises, Inc., monthly payments of $3,383 with a maturity date of September 2016, 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	39,881	74,881
Note payable from Pinellas Funding to PNC Community Development Company, LLC monthly payments of $2,843 at 0% interest until maturity at June 2043, collateralized by assignment of notes. Imputed interest at 3% is eliminated at the consolidated level (see ***NOTE T***)	941,690	975,806
Note payable to Pinellas County Board of Commissioners for the purchase of 46th Ave Subdivision with 0% interest and a maturity date at the earlier of the borrowers' sale of property or December 2016, collateralized by land	205,000	205,000

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

	2015	2014
Notes payable - Continued		
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, collateralized by a vehicle	4,667	8,780
Note payable to City of Clearwater for the purchase of property with 0% interest and a maturity date at the earlier of the borrowers' sale of the property or September 2016, collateralized by land	53,750	-
Note payable to CCM (see ***NOTE 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	1,880,000
Note payable to HFHI-SA Leverage IX, LLC (see ***NOTE 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	2,023,656	2,023,656
Total notes payable	6,618,795	7,098,671
Total lines-of-credit and notes payable	$ 6,871,652	$ 7,472,237

Interest rate used to discount the PNC note payable was determined based on the market rates for similar type of notes on the origination dates. Management determined 3% to be reasonable.

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

The following is a summary of future debt maturities as of June 30, 2015.

Years Ending June 30,	Amount
2016	$ 702,644
2017	388,963
2018	136,662
2019	131,487
2020	126,368
Thereafter	5,132,671
	$ 6,618,795

NOTE L - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2015 and 2014 were as follows:

	2015	2014
Unconditional promises to give, net of unamortized discount	$ 58,469	$ 23,258
Use restriction	175,429	261,745
Donated labor and materials	40,698	146,235
Donated land	288,848	818,572
	$ 563,444	$ 1,249,810

Net assets released from restrictions were comprised of the following:

	2015	2014
Unconditional promises to give, net of unamortized discount	$ 17,409	$ 5,318
Use restriction	181,745	64,831
Donated labor and materials	146,235	34,224
Donated land	767,246	836,194
	$ 1,112,635	$ 940,567

NOTE M - LEASES

The Organization 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 plus 5% of ReStore gross sales, with future annual increases. Total rent expense was approximately $198,000 and $190,000 for the years ended June 30, 2015 and 2014, respectively.

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

Years Ending June 30,	Amount
2016	$ 175,865
2017	28,784
	$ 204,649

NOTE N - IMPAIRMENT ON LAND

During the years ended June 30, 2015 and 2014, the Organization recorded $192,459 and $222,544 respectively, for impairment on multiple parcels of land held for development and land held for investment. These properties were donated and purchased in prior years and recorded at the fair market value at the time of acquisition. Based on current appraisals and comparable sales it was determined these properties were impaired. The loss is reported as a separate line item in the consolidated statements of activities. This land will be used for eligible homeowners in the future.

NOTE O - COMMITMENTS AND CONTINGENCIES

The Organization 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 the Organization's consolidated financial position or the results of its operations.

NOTE P - TRANSACTIONS WITH HABITAT INTERNATIONAL

The Organization remits a portion of its unrestricted contributions to Habitat International as tithe to support its operations. The Organization contributed approximately $153,000 and $113,000 to Habitat International during the years ended June 30, 2015 and 2014, respectively. These amounts are included in program services expense in the consolidated statements of activities.

NOTE Q - TRANSACTIONS WITH CHDO

Pinellas CHDO is a wholly-owned subsidiary and has met the requirements specified by the U.S. Department of Housing and Urban Development (HUD) to act in the capacity of a CHDO. As a result, Pinellas CHDO is 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, 2015, no additional money was awarded and approximately $56,000 was expended by Pinellas CHDO in 2015. As of June 30, 2014, approximately $77,000 was awarded to and $172,000 was expended by Pinellas CHDO in 2014.

In 2013, the Organization received a line-of-credit from Pinellas CHDO passed through the City of Clearwater as part of NSP3 (see ***NOTES K*** and ***R***). The balance on this line-of-credit was $-0- and $55,709 at June 30, 2015 and 2014, respectively.

NOTE R - NEIGHBORHOOD STABILIZATION PROGRAM

In 2012, the Organization 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.

The homebuyers are required to be Very Low Income Qualified Homebuyers (defined by HUD as households whose annual income does not exceed 80% 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.

Loan proceeds and principal payments made on the NSP2 loan for June 30, 2015 were $-0- and $65,000, respectively. Loan proceeds and principal payments made on the NSP2 loan for June 30, 2014 were $227,500 and $195,000, respectively. NSP2 loan balance at June 30, 2015 and 2014 was $-0- and $65,000, respectively (see ***NOTE K***).

NOTE R - NEIGHBORHOOD STABILIZATION PROGRAM - CONTINUED

In January 2013, the Organization 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. There were no loan proceeds or principle payments made on the NSP3 loan for June 30, 2015. Loan proceeds and principal payments made on the NSP3 loan for June 30, 2014 were $65,857 and $26,000, respectively. The NSP3 loan balance at June 30, 2015 and 2014 was $252,857 (see ***NOTE K***).

The Organization 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 at June 30, 2015 and 2014 was $-0- and $55,709, respectively.

NOTE S - COMMUNITY DEVELOPMENT BLOCK GRANT

On June 15, 2006, the Organization was awarded a Community Development Block Grant (Grant) from Pinellas County, Florida in the amount of $350,000. Under the Grant, the Organization 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, as deferred affordable housing note, are reflected in the June 30, 2015 and 2014 consolidated statements of financial position for this associated promissory note.

NOTE T - SALE OF MORTGAGES WITH PNC BANK

In August 2013, Pinellas Funding Company I, LLC was formed as a single member LLC with Habitat as the member. During 2014, Pinellas Funding acquired seven mortgages from Habitat for a total of $1,004,236, resulting in Habitat recognizing a gain of $337,814 to remove the unamortized discount on each original mortgage. Pinellas Funding then entered into a note purchase agreement with PNC Bank. Pinellas Funding 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. as a result of these transactions, there is an offsetting receivable and note payable recorded on the consolidated financial statements. The receivable from this transaction is recorded within other receivables on the accompanying consolidated statements of financial position. See ***NOTE K*** for the terms and outstanding balance of the offsetting PNC note payable at June 30, 2015 and 2014, respectively.

These two entities are consolidated and all intercompany amounts are eliminated including the interest income on the unamortized discount of the mortgages receivable and the interest expense related to the imputed interest of the PNC note payable.

NOTE U - MORTGAGE LOAN SERVICE AGREEMENT

The Organization services the mortgages it holds, handling the processing of mortgage payments and the escrow accounts for the mortgages. In addition, the Organization also services mortgages sold to outside investors. These mortgages are not owned by the Organization and, therefore, are not reflected in the consolidated financial statements.

NOTE V - RETIREMENT PLAN

The Organization has a 401(k) profit sharing plan that provides for a discretionary matching contribution. For the years ended June 30, 2015 and 2014, the Organization made contributions of $21,496 and $14,506, respectively

NOTE W - SUBSEQUENT EVENTS

The Organization evaluated subsequent events through October 13, 2015, the date the consolidated financial statements were available and issued. The Organization is not aware of any subsequent events which would require recognition or disclosures in the consolidated financial statements.

SUPPLEMENTARY INFORMATION

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC. AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
JUNE 30, 2015

Federal Agency *Pass-through Entity* ***Federal Program***	***CFDA Number***	***Expenditures***
U.S. Department of Housing and Urban Development (HUD)		
Passed through Pinellas County, Florida		
Community Development Block Grant	14.218	$ 350,000 *
Passed through the City of Clearwater, Florida		
Neighborhood Stabilization Program 3 (NSP3)	14.218	252,857 *
		602,857
Passed through Pinellas County, Florida		
HOME Investment Partnerships Program – Shady Grove	14.239	259,341 *
HOME Investment Partnerships Program – Stevens Creek	14.239	360,515 *
Passed through the City of St. Petersburg, Florida		
HOME Investment Partnerships Program	14.239	15,000
		634,856
Capacity Building for Community Development and Affordable Housing	14.252	3,231
Passed through Habitat for Humanity International, Inc. (see ***NOTE C***)		
Self-Help Homeownership Opportunity Program	14.247	126,706 *
Self-Help Homeownership Opportunity Program	14.247	127,732
		254,438
Total Expenditures of Federal Awards		$ 1,495,382

Florida State Agency/ *Pass-through Entity/* ***Florida State Project Title***	***CSFA Number***	***Expenditures***
Florida Department of Economic Opportunity		
Passed through Habitat for Humanity of Florida		
Community Planning - Mortgage Settlement Funds	40.031	$ 770,000
Total Expenditures of Federal Awards and State Financial Assistance		$ 2,265,382

** 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 and state financial assistance

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of Habitat for Humanity of Pinellas County, Inc. (Habitat) 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* and the requirements of Chapter 10.650, Rules of the Auditor General of the State of Florida.

NOTE B - 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.

NOTE C - SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM

HUD's Self-Help Homeownership Opportunity Program (SHOP) grants and loans were passed through to Habitat by Habitat for Humanity International, Inc. (Habitat International). The SHOP Agreement stipulates that 75% of each sub-grant from Habitat International to the affiliate is in the form of a grant and 25% is in the form of a loan. The awards provided under CFDA 14.247 for SHOP were as follows for the year ended June 30, 2015:

Pass-Through Grantor	***Identifying Number***	***Federal Expenditures***
Habitat International	SHOP 2010 – Existing Loans	$ 41,620 *
Habitat International	SHOP 2011 – Existing Loans	21,444 *
Habitat International	SHOP 2011 – New Loans (25%)	24,765
Habitat International	SHOP 2012 – Existing Loans	17,501 *
Habitat International	SHOP 2013 – Existing Loans	3,563 *
Habitat International	SHOP 2013 – New Loans (25%)	17,813
		126,706
Habitat International	SHOP 2011 – New Grant (75%)	74,295
Habitat International	SHOP 2013 – New Grant (75%)	53,437
		127,732
		$ 254,438

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

29750 U.S. Hwy. 19 North, Suite 101 • Clearwater, Florida 33761
Phone (727) 785-4447

www.pdr-cpa.com • Fax (727) 784-5491

2202 N. Westshore Blvd, Suite 200 • Tampa, Florida 33607
Phone (813) 498-1294

INDEPENDENT AUDITOR'S 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. and Subsidiaries

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 consolidated financial statements of Habitat for Humanity of Pinellas County, Inc. and subsidiaries (Habitat), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 13, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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 consolidated 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 AUDITOR'S 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 consolidated 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 13, 2015

CERTIFIED PUBLIC accountants

29750 U.S. Hwy. 19 North, Suite 101 • Clearwater, Florida 33761
Phone (727) 785-4447

www.pdr-cpa.com • Fax (727) 784-5491

2202 N. Westshore Blvd, Suite 200 • Tampa, Florida 33607
Phone (813) 498-1294

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

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

Report on Compliance for Each Major Federal Program and State Financial Assistance Project

We have audited Habitat for Humanity of Pinellas County, Inc. and subsidiaries (Habitat's) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* and the requirements described in the Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on each of Habitat's major federal programs and state financial assistance projects for the year ended June 30, 2015. Habitat's major federal programs and state financial assistance projects are identified in the summary of auditor's 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 and state financial assistance projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Habitat's major federal programs and state financial assistance projects 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; OMB Circular A-133, *Audits of States, Local Governments, Non-Profit Organizations*, and Chapter 10.650, Rules of the Auditor General of the State of Florida. Those standards, OMB Circular A-133, and Chapter 10.650, 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 and state financial assistance project 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 and state financial assistance project. However, our audit does not provide a legal determination of Habitat's compliance.

CONTINUED

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE FINANCIAL ASSISTANCE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA - CONTINUED

Opinion on Each Major Federal Program and State Financial Assistance Project

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 and state financial assistance projects for the year ended June 30, 2015.

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 and state financial assistance project 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 state financial assistance project and to test and report on internal control over compliance in accordance with OMB Circular A-133, and Chapter 10.650, 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 or state financial assistance project 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 or state financial assistance project 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 or state financial assistance project 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, and Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

PDR Certified Public Accountants

Clearwater, Florida
October 13, 2015

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
JUNE 30, 2015

Part I - Summary of Auditor's Results

Financial Statements Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ yes _X_ no

Significant deficiency(ies) identified not considered to be material weakness(es)? ___ yes _X_ none reported

Noncompliance material to financial statements noted? ___ yes _X_ no

Federal Awards and State Projects Section

Internal control over major programs and projects:

Material weakness(es) identified? ___ yes _X_ no

Significant deficiency(ies) identified not considered to be material weakness(es)? ___ yes _X_ none reported

Type of auditor's report on compliance for major federal programs and state projects: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133 and/or Chapter 10.650? ___ yes _X_ no

Identification of major federal programs and state projects:

Federal Programs:

CFDA Numbers	Name of Program
14.239	U.S. Department of Housing and Urban Development HOME Investment Partnerships Program

State Projects:

CSFA Numbers	Name of Program
40.031	Florida Department of Economic Opportunity Passed through Habitat for Humanity of Florida Community Planning - Mortgage Settlement Funds

Dollar threshold used to determine Type A programs and projects:
Federal and state programs $ 300,000

Auditee qualified as low-risk auditee for federal and state purposes? _X_ yes ___ no

Part II - Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weakness, and instances of noncompliance related to the consolidated financial statements that are required to be reported in accordance with *Government Auditing Standards.*

There were no consolidated financial statement findings required to be reported in accordance with *Government Auditing Standards.*

Part III - Federal Award and State Project Findings and Questioned Costs

This section identifies the significant deficiencies, material weakness, and instances of noncompliance, including questioned costs, related to the audit of major federal programs or state projects, as required to be reported by OMB Circular A-133 or Chapter 10.650, Rules of the Auditor General, State of Florida.

There were no findings required to be reported.

Summary Schedule of Prior Audit Findings

A Summary Schedule of Prior Audit Findings is not necessary since there were no prior audit findings.