Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Consolidated Financial Statements

June 30, 2017 and 2016

and

Reports of Independent Certified Public Accountants

PDR
CPAs + ADVISORS

TABLE OF CONTENTS

PDR CPAs + ADVISORS

Oldsmar / Tampa / St. Petersburg

727-785-4447
813-498-1294
727-784-5491 Fax

www.pdr-cpa.com

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, 2017 and 2016, 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, 2017, 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

INDEPENDENT AUDITOR'S REPORT - CONTINUED

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Pinellas County, Inc. and Subsidiaries as of June 30, 2017 and 2016, 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, 2017, 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 2016 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 10, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 9, 2017, on our consideration of the 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 Habitat for Humanity of Pinellas County, Inc. and Subsidiaries internal control over financial reporting and compliance.

PDR CPAs + Advisors, Inc

Oldsmar, Florida
October 9, 2017

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS

	2017	2016
Cash and cash equivalents	$ 3,006,468	$ 2,413,188
Assets held in escrow	1,306,058	437,356
Accounts receivable	18,411	14,360
Unconditional promises to give, net	153,494	18,428
Habitat ReStore inventory	210,539	182,137
Homes under construction	1,206,830	1,581,885
Land held for development	1,022,334	1,338,357
Land held for investment or resale	-	352,691
Property and equipment, net	443,654	400,539
Mortgages receivable, net	644,940	718,260
Other receivables	1,012,985	1,064,891
Beneficial interest in assets held by others	20,000	20,000
Investment in joint venture	3,197,116	3,145,631
Deferred affordable housing note receivable	350,000	350,000
Other assets and intangibles, net	142,055	177,361
Total Assets	$ 12,734,884	$ 12,215,084

LIABILITIES AND NET ASSETS

	2017	2016
Liabilities		
Accounts payable and accrued expenses	$ 354,516	$ 387,041
Deferred revenue - joint venture	77,782	114,540
Escrow deposits	559,072	422,019
Down payments and advance payments	29,100	25,600
Capital lease payable	29,407	16,454
Line-of-credit and notes payable, net	6,584,820	6,463,189
Deferred affordable housing note payable	350,000	350,000
Total liabilities	7,984,697	7,778,843
Net Assets		
Unrestricted	4,394,887	3,939,429
Temporarily restricted	335,300	476,812
Permanently restricted	20,000	20,000
Total net assets	4,750,187	4,436,241
Total Liabilities and Net Assets	$ 12,734,884	$ 12,215,084

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, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

		Temporarily	Permanently	Total	
Support and Revenue	**Unrestricted**	**Restricted**	**Restricted**	**2017**	**2016**
Contributions					
Building materials and services	$ 1,028,304	$ 73,125	$ -	$ 1,101,429	$ 662,203
Donated land	-	92,799	-	92,799	198,142
Cash	521,060	1,154,126	-	1,675,186	1,663,222
Habitat ReStore merchandise	1,077,572	-	-	1,077,572	953,627
In-kind	3,089	-	-	3,089	54,900
Transfers to homeowners	9,893,411	-	-	9,893,411	6,161,484
Mortgage discount amortization	55,594	-	-	55,594	54,759
Sales - Habitat ReStore	1,079,853	-	-	1,079,853	901,296
Fundraising events, net of					-
direct costs of $193,031	273,677	-	-	273,677	231,758
Foundations and grants	393,742	227,993	-	621,735	494,530
Other	444,726	-	-	444,726	49,428
Investment income from joint venture	81,073	-	-	81,073	81,132
Net assets released from restrictions	1,689,555	(1,689,555)	-	-	-
Total support and revenue	16,541,656	(141,512)	-	16,400,144	11,506,481
Expenses					
Program					
Construction	13,442,161	-	-	13,442,161	8,784,747
Mortgage discounts	(55,452)	-	-	(55,452)	292,579
Habitat ReStore	2,066,450	-	-	2,066,450	1,893,161
Supporting services					
General and administrative	241,536	-	-	241,536	204,305
Fundraising	394,157	-	-	394,157	401,128
Total expenses	16,088,852	-	-	16,088,852	11,575,920
Change in Net Assets Before Other Changes	452,804	(141,512)	-	311,292	(69,439)
Other Changes - Revenue (Expense)					
Interest expense	(34,104)	-	-	(34,104)	(34,099)
Loss on sale of land	-	-	-	-	(46,024)
Debt forgiveness income	508,000			508,000	-
Impairment on land and property	(508,000)	-	-	(508,000)	(22,412)
Amortization of joint venture deferred revenue	36,758	-	-	36,758	36,758
Total other changes	2,654	-	-	2,654	(65,777)
Change in Net Assets	455,458	(141,512)	-	313,946	(135,216)
Net Assets at Beginning of Year	3,939,429	476,812	20,000	4,436,241	4,571,457
Net Assets at End of Year	$ 4,394,887	$ 335,300	$ 20,000	$ 4,750,187	$ 4,436,241

See accompanying notes to the consolidated financial statements

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES - CONTINUED
YEAR ENDED JUNE 30, 2016

Support and Revenue	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributions				
Building materials and services	$ 576,750	$ 85,453	$ -	$ 662,203
Donated land	-	198,142	-	198,142
Cash	1,563,714	99,508	-	1,663,222
Habitat ReStore merchandise	953,627	-	-	953,627
In-kind	54,900	-	-	54,900
Transfers to homeowners	6,161,484	-	-	6,161,484
Mortgage discount amortization	54,759	-	-	54,759
Sales - Habitat ReStore	901,296	-	-	901,296
Fundraising events, net of				-
direct costs of $167,576	231,758	-	-	231,758
Foundations and grants	479,530	15,000	-	494,530
Other	49,428	-	-	49,428
Investment income from joint venture	81,132	-	-	81,132
Net assets released from restrictions	484,735	(484,735)	-	-
Total support and revenue	11,593,113	(86,632)	-	11,506,481
Expenses				
Program				
Construction	8,784,747	-	-	8,784,747
Mortgage discounts	292,579	-	-	292,579
Habitat ReStore	1,893,161	-	-	1,893,161
Supporting services				
General and administrative	204,305	-	-	204,305
Fundraising	401,128	-	-	401,128
Total expenses	11,575,920	-	-	11,575,920
Change in Net Assets Before Other Changes	17,193	(86,632)	-	(69,439)
Other Changes - (Expense) Revenue				
Interest expense	(34,099)	-	-	(34,099)
Loss on sale of land	(46,024)	-	-	(46,024)
Impairment on land and property	(22,412)	-	-	(22,412)
Amortization of joint venture deferred revenue	36,758	-	-	36,758
Total other changes	(65,777)	-	-	(65,777)
Change in Net Assets	(48,584)	(86,632)	-	(135,216)
Net Assets at Beginning of Year	3,988,013	563,444	20,000	4,571,457
Net Assets at End of Year	$ 3,939,429	$ 476,812	$ 20,000	$ 4,436,241

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, 2017
(WITH COMPARATIVE TOTALS FOR 2016)

	Program Services				Supporting Services			Total Expenses	
	Construction	Mortgage Discounts	Habitat ReStore	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	2017	2016
Salaries	$ 1,386,895	$ -	$ 448,525	$ 1,835,420	$ 118,443	$ 258,811	$377,254	$ 2,212,674	$ 1,989,494
Employee benefits	146,413	-	85,071	231,484	15,050	28,147	43,197	274,681	228,191
Retirement plan	9,776	-	8,312	18,088	2,704	674	3,378	21,466	20,765
Building materials and supplies	10,825,065	-	-	10,825,065	-	-	-	10,825,065	6,601,943
Insurance and taxes	43,686	-	29,164	72,850	-	-	-	72,850	81,285
Repairs and maintenance	14,730	-	-	14,730	-	-	-	14,730	34,307
Depreciation and amortization	129,241	-	5,340	134,581	19,680	-	19,680	154,261	144,302
Mortgage discounts	-	(55,452)	-	(55,452)	-	-	-	(55,452)	292,579
Office supplies, equipment, and utilities	149,714	-	47,839	197,553	4,347	11,309	15,656	213,209	225,611
Printing and advertising	58,916	-	18,880	77,796	210	19,959	20,169	97,965	118,119
Travel	105,090	-	32,490	137,580	-	5,263	5,263	142,843	112,906
Professional services	116,913	-	14,812	131,725	59,913	39,616	99,529	231,254	118,735
Other	88,566	-	68,106	156,672	8,868	18,056	26,924	183,596	187,834
Donated merchandise sold	-	-	1,049,170	1,049,170	-	-	-	1,049,170	893,701
Rent	98,256	-	258,741	356,997	12,321	12,322	24,643	381,640	356,785
Bad debt expense	16,900	-	-	16,900	-	-	-	16,900	7,363
Support of Habitat for Humanity International	252,000	-	-	252,000	-	-	-	252,000	162,000
	$ 13,442,161	$ (55,452)	$2,066,450	$ 15,453,159	$ 241,536	$ 394,157	$635,693	$16,088,852	$11,575,920

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, 2017 AND 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	$ 313,946	$ (135,216)
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation	99,259	88,844
Amortization of intangibles	55,002	55,459
Interest expense	4,314	4,314
Bad debt expense	16,900	7,363
Investment income	(81,073)	(81,132)
Amortization of mortgage discounts	(55,594)	(54,759)
Net gain on sale of propety held for investment	-	(25,689)
Net donated materials and labor	(73,125)	(77,100)
Discount on new mortgages obtained	(55,452)	292,579
Loss on sale of land	-	46,024
Donated land for development	(92,799)	(198,142)
Impairment on land and property	508,000	22,412
Debt forgiveness income	(508,000)	-
Decrease (Increase) in:		
Assets held in escrow	(138,919)	(97,550)
Accounts receivable	(4,051)	368,058
Other receivables	51,906	3,997
Unconditional promises to give	(151,966)	23,341
Land held for development	(174,141)	(708,620)
Habitat ReStore inventory	(28,402)	(59,925)
Homes under construction	1,858,256	713,658
Other assets	303	(15,001)
Increase (Decrease) in:		
Accounts payable and accrued expenses	(32,525)	98,291
Deferred revenue in joint venture	(36,758)	(50,437)
Escrow deposits	137,053	84,284
Down payments and advance payments	3,500	9,600
Net cash provided by operating activities	1,615,634	314,653

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, 2017 AND 2016

	2017	2016
Cash Flows from Investing Activities		
Purchases on property held for investment	125,992	(130,694)
Sales of property held for investment	-	100,000
Purchases of equipment	(123,807)	(128,307)
Purchases of intangibles	(20,000)	-
Distributions from new market tax credit	29,587	29,587
Purchases of mortgages	(147,890)	(490,030)
Payments received on mortgages	332,256	100,325
Net cash provided by (used in) investing activities	196,138	(519,119)
Cash Flows from Financing Activities		
Payments on line-of-credit and notes payable	(1,260,264)	(608,383)
Proceeds from notes payable	47,385	249,468
Payments on capital lease obligations	(5,613)	(3,963)
Net cash used in financing activities	(1,218,492)	(362,878)
Net Increase (Decrease) in Cash	593,280	(567,344)
Cash and Cash Equivalents at Beginning of Year	2,413,188	2,980,532
Cash and Cash Equivalents at End of Year	$ 3,006,468	$ 2,413,188
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Transfers of Property to Homeowners	$ 9,893,411	$ 6,161,484
Cash Paid During the Year for Interest	$ 34,104	$ 29,784

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 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

Basis of Consolidation and Presentation

The consolidated financial statements include the accounts of Habitat, Pinellas Funding, and Pinellas CHDO (collectively, 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

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.

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.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit with financial institutions. 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 ended June 30, 2017 and 2016, 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

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.

Also included in assets held in escrow are cash amounts received for the construction of new properties. These cash amounts are recorded as an asset and offset by notes payable.

Accounts Receivable

Accounts receivable consist of amounts due from homeowners and mortgages receivable that are pending funding for transfer to 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.

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.

Habitat ReStore Inventory

Habitat ReStore inventory includes donated and purchased household building materials, appliances, and furniture that are sold at the Habitat ReStores. Donated merchandise is recorded at its estimated fair market value, which is determined based on its future economic benefit. Purchased merchandise is recorded at lower of cost or market, with cost being determined by the first-in, first-out method.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 59 homes to homeowners in 2017 and 37 homes in 2016.

Land Held for Development

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

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 $1,000 are capitalized.

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. The Organization recognized an impairment loss on land held for development and land held for investment or resale during the years ended June 30, 2017 and 2016 (see **NOTE N**).

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 5 to 35 years. 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

Beneficial Interest in Assets Held by Others

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

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.

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

Donated Services, Materials, and Land

Donated services, materials, and land 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. During the years ended June 30, 2017 and 2016, Habitat recorded donation revenue of approximately $1,101,000 and $662,000 related to donations of building materials and services. During the years ended June 30, 2017 and 2016, Habitat received approximately $93,000 and $198,000 in donated lots from various financial institutions and donors recorded at their tax assessed just market value which approximates fair value.

Advertising Costs

Advertising costs are expensed as incurred and were approximately $98,000 and $118,000 for the years ended June 30, 2017 and 2016, respectively.

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.

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

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.

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, 2016, from which the summarized information was derived.

Reclassification

Certain amounts in the 2016 financial statement presentation have been reclassified to conform to the 2017 presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

Adoption of New Accounting Standard

During 2017, the Company adopted a new accounting standard, Accounting Standards Update (ASU) 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, which requires that debt issuance costs be reported in the statement of financial position as a direct reduction from the face amount of the related liability. Prior to the amendment, debt issuance costs were presented as an asset on the statement of financial position. Additionally, amortization of debt issuance costs are now charged to interest expense instead of amortization expense. Management has applied this update retrospectively to 2016. This change did not affect net assets for the years ended June 30, 2017 and 2016.

NOTE C - UNCONDITIONAL PROMISES TO GIVE

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

	2017	2016
Gross unconditional promises to give	$ 179,950	$ 25,395
Less: Allowance for uncollectible promises	(18,000)	(5,395)
Less: Unamortized discount	(8,456)	(1,572)
Unconditional promises to give, net	$ 153,494	$ 18,428
Amounts due in:		
Less than one year	$ 96,700	$ 10,395
One to three years	83,250	15,000
	$ 179,950	$ 25,395

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 for amounts due in more than one year was approximately 3%.

At June 30, 2017 and 2016, approximately $4,300 and $9,700 respectively, was deemed uncollectible and written off.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2017	2016
Vehicles	$ 180,838	$ 119,486
Furniture and fixtures	82,354	66,368
Leasehold improvements	361,855	352,407
Signage	39,101	39,101
Construction equipment	87,921	87,921
Office equipment	185,659	130,071
	937,728	795,354
Less accumulated depreciation	(494,074)	(394,815)
	$ 443,654	$ 400,539

NOTE E - MORTGAGES RECEIVABLE

Mortgages receivable consist of the following:

	2017	2016
Non-interest bearing loans at par value	$ 1,535,474	$ 1,719,840
Less: Unamortized discount based on imputed interest	(890,534)	(1,001,580)
	$ 644,940	$ 718,260

As of June 30, 2017, 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
2018	$ 87,330
2019	84,042
2020	84,042
2021	84,042
2022	82,497
Thereafter	1,113,521
	$ 1,535,474

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 for the years ended June 30, 2017 and 2016 was 7.51% and 7.47%, 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 at face value. During the year ended June 30, 2017, the Organization sold mortgages receivable with a face value of $9,695,911. During the year ended June 30, 2016, the Organization sold mortgages receivable with a face value of $6,061,484.

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, 2017 and 2016 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, 2017 and 2016. 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. Following is a description of the valuation methodologies used for investments that are 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, 2017 and 2016 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, 2017 and 2016 are as follows:

	2017	2016
Website/Software Costs	$ 41,958	$ 21,958
Costs associated with HFHI-SA Leverage IX, LLC (see **Note I**)	204,756	204,756
Costs associated with CCM (see **Note I**)	172,981	172,981
	419,695	399,695
Less accumulated amortization	(311,617)	(256,614)
	$ 108,078	$ 143,081

Future annual amortization expense is estimated as follows:

Year Ending June 30,	Amount
2018	$ 60,629
2019	36,947
2020	10,502
	$ 108,078

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**).

NOTE I - INVESTMENT IN JOINT VENTURE - CONTINUED

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, 2017 and 2016, 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 $77,782 and $114,540 for the years ended June 30, 2017 and 2016, 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 ended June 30, 2017 and 2016.

NOTE J - CAPITAL LEASE PAYABLE

Equipment under capital leases consist of certain office equipment with a combined capitalized cost of $59,594 and $41,305 at June 30, 2017 and 2016, respectively. Accumulated depreciation at June 30, 2017 and 2016 was $31,497 and $25,143, respectively. Depreciation expense reported in the consolidated statements of activities for each of the years ended June 30, 2017 and 2016 was $6,355 and $7,783, respectively. Minimum payments required under the capital lease during the following fiscal years ending June 30, are as follows:

Years Ending June 30,	Amount
2018	$ 8,732
2019	8,003
2020	6,584
2021	4,944
2022	2,985
Total minimum lease payments	31,248
Less interest portion included in payments	(1,841)
Present value of lease obligation	$ 29,407

NOTE K - LINES-OF-CREDIT AND NOTES PAYABLE

	2017	2016
Lines-of-Credit		
Line-of-credit from the City of Clearwater as part of the Neighborhood Stabilization Program (NSP3) secured in January 2013, due in September 2017, interest is 0%. Credit is limited to $327,500. The amount of unused line-of-credit at June 30, 2017 and 2016, was $295,330 and $74,643, respectively (see **Note R**)	$ 32,170	$ 252,857
Total lines-of-credit	32,170	252,857
Notes Payable		
Mortgage payable of $273,000 to a bank with monthly payments of $4,045 at 5.54% interest until maturity of March 2019, collateralized by unimproved real estate for the Lake Butler property	76,728	119,639
Loans payable to Habitat International as part of the SHOP 2010 grant, total monthly payments ranging from $545 to $951 at 0% interest, maturing between July 2018 and January 2021	26,104	35,080
Loans payable to Habitat International as part of the SHOP 2011 grant, total monthly payments ranging from $456 to $971 at 0% interest, maturing between January 2019 and January 2021	32,175	40,737
Loans payable to Habitat International as part of the SHOP 2012 grant, total monthly payments ranging from $290 to $362 at 0% interest, maturing between July 2019 and January 2022	13,426	17,770
Loans payable to Habitat International as part of the SHOP 2013 grant, total monthly payments ranging from $74 to $444 at 0% interest, maturing between July 2020 and January 2023	56,530	47,626

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

Notes Payable - Continued

	2017	2016
Loans payable to Habitat International as part of the SHOP 2014 grant, monthly payments of $520 beginning January 2018 at 0% interest, maturing December 2021	25,000	19,906
Loans payable to Habitat International as part of the SHOP 2015 grant, monthly payments of $677 beginning July 2019 at 0% interest, maturing June 2023	32,500	-
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	25,223	248,751
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	10,132	104,377
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. Loan was satisfied in the current year.	-	192,608

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

Notes Payable - Continued

	2017	2016
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 June 4, 2018, 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	288,329	411,908
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	-	4,881
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**)	873,458	907,574
Note payable to Pinellas County Board of Commissioners for the purchase of Martins Glen Subdivision with 0% interest and a maturity date at the earlier of the borrowers' sale of property or December 2017, collateralized by Martins Glen property	69,000	205,000
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	-	367
Note payable of $763,679 to City of Clearwater for the purchase of Garden Avenue property with 0% interest and a maturity date at the earlier of the borrowers' sale of the property or March 2019, collateralized by Garden Avenue property, $508,000 forgiven at June 30, 2017 (see **Note N**)	255,679	-

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

Notes Payable - Continued

	2017	2016
Note payable of $18,080 to City of Clearwater for the purchase of Washington Avenue property with 0% interest and a maturity date at the earlier of the borrowers' sale of the property or January 2019, collateralized by Washington Avenue property	18,080	-
Note payable of $18,080 to City of Clearwater for the purchase of Beckett Street property with 0% interest and a maturity date at the earlier of the borrowers' sale of the property or January 2019, collateralized by Beckett Street property	18,080	-
Note payable to the City of Clearwater for the construction of Washington Avenue property with 0% interest and a maturity date at the earlier of the borrowers' sale of the property or December 2018, collateralized by Washington Avenue property	129,783	-
Note payable of $144,000 to City of Largo for the purchase of three properties with 0% interest and a maturity date at the earlier of the borrowers' sale of the properties or February 2019, collateralized by those Largo properties	144,000	-
Note payable to the City of Clearwater for the improvements of the property with 0% interest and a maturity date at the earlier of the borrowers' sale of the property or June 2019, collateralized by Garden Avenue property	600,000	-
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
Debt issuance costs	(27,152)	(27,152)
Accumulated amortization	8,202	6,505
Note payable, net	1,861,050	1,859,353

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

Notes Payable - Continued

	2017	2016
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
Debt issuance costs	(41,879)	(41,879)
Accumulated amortization	15,596	12,978
Note payable, net	1,997,373	1,994,755
Total notes payable, net	6,552,650	6,210,332
Total lines-of-credit and notes payable, net	$ 6,584,820	$ 6,463,189

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.

The following is a summary of future debt maturities and future amortization of loan costs during each of the following years ending June 30:

June 30,	Debt Service	Amortization
2018	$ 529,742	$ 4,314
2019	1,240,091	4,314
2020	76,505	4,314
2021	71,057	4,314
2022	54,430	4,314
Thereafter	4,626,058	23,663
	$ 6,597,883	$ 45,233

NOTE L - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2017 and 2016 were as follows:

	2017	2016
Unconditional promises to give, net of unamortized discount	$ 171,494	$ 23,823
Use restriction	27,201	185,000
Donated labor and materials	73,125	77,100
Donated land	63,480	190,889
	$ 335,300	$ 476,812

Net assets released from restrictions were comprised of the following:

	2017	2016
Unconditional promises to give, net of unamortized discount	$ 59,345	$ 44,154
Use restriction	1,332,903	95,428
Donated labor and materials	77,100	49,051
Donated land	220,207	296,102
	$ 1,689,555	$ 484,735

NOTE M - LEASES

The Organization leases its office and two ReStore locations under non-cancelable operating lease agreements with expiration dates through June 2022. Total rent expense was approximately $382,000 and $357,000 for the years ended June 30, 2017 and 2016, 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
2018	$ 311,207
2019	298,628
2020	315,339
2021	322,070
2022	156,380
	$ 1,403,624

NOTE N - IMPAIRMENT ON LAND AND DEBT FORGIVENESS

During the years ended June 30, 2017 and 2016, the Organization recorded $508,000 and $22,412 respectively, for impairment on multiple parcels of land held for development and land held for investment. These properties were donated and purchased 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. The impairment at June 30, 2017 of $508,000 also included corresponding debt forgiveness to the City of Clearwater for the loan related to acquisition of the Garden Avenue property (see **NOTE K**). The income is reported as a separate line item in the consolidated statement of activities for the year ended June 30, 2017.

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 $252,000 and $162,000 to Habitat International during the years ended June 30, 2017 and 2016, 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. For the years ended June 30, 2017 and 2016, there were no transactions with Pinellas CHDO.

NOTE R - NEIGHBORHOOD STABILIZATION PROGRAM

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. The NSP3 loan balance at June 30, 2017 and 2016 was $32,170 and $252,857, respectively (see **NOTE K**).

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 a deferred affordable housing note, are reflected in the June 30, 2017 and 2016 consolidated statements of financial position.

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, 2017 and 2016, 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 – OTHER SUPPORT AND REVENUE

The Organization received a settlement from BP (British Petroleum) of approximately $402,000 in the current year which is reflected as a component of other support and revenue on the statement of activities.

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, 2017 and 2016, the Organization made contributions of $21,466 and $20,765, respectively.

NOTE W - SUBSEQUENT EVENTS

The Organization evaluated subsequent events through October 9, 2017, 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
YEAR ENDED JUNE 30, 2017

Federal Agency Pass-through Entity Federal Program	CFDA Number	Contract Number	Expenditures	
U.S. Department of Housing and Urban Development (HUD)				
Passed through Pinellas County, Florida				
Community Development Block Grant - Shady Grove	14.218	N/A	$ 350,000	*
Community Development Block Grant - Martins Glen	14.218	N/A	205,000	*
Passed through the City of St. Petersburg, Florida				
Community Development Block Grant - NPP Repair Program	14.218	N/A	40,535	
Passed through the City of Clearwater, Florida				
Community Development Block Grant - Kings Hwy	14.218	N/A	22,431	
Community Development Block Grant - Washington Ave.	14.218	N/A	18,080	
Community Development Block Grant - Beckett St.	14.218	N/A	18,080	
Neighborhood Stabilization Program 3 (NSP3)	14.218	N/A	252,857	*
			906,983	
Passed through Pinellas County, Florida				
HOME Investment Partnerships Program - Shady Grove	14.239	N/A	192,608	*
HOME Investment Partnerships Program - Stevens Creek	14.239	N/A	248,751	*
Passed through the City of Clearwater, Florida				
HOME Investment Partnerships Program - Washington Ave.	14.239	N/A	129,783	
HOME Investment Partnerships Program - Kings Hwy	14.239	N/A	142,133	
HOME Investment Partnerships Program - Garden Ave. Lots	14.239	N/A	572,759	
HOME Investment Partnerships Program - Garden Ave. Construction	14.239	N/A	450,000	
Passed through the City of St. Petersburg, Florida				
HOME Investment Partnerships Program	14.239	M-15-MC-12-0220	33,000	
			1,769,034	
Capacity Building for Community Development and Affordable Housing	14.252	N/A	20,532	
Passed through Habitat for Humanity International, Inc. (see **NOTE D**)				
Self-Help Homeownership Opportunity Program	14.247	N/A	161,119	*
Self-Help Homeownership Opportunity Program	14.247	N/A	47,386	
Self-Help Homeownership Opportunity Program	14.247	N/A	142,157	
			350,662	
Total Expenditures of Federal Awards			$ 3,047,211	

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

Federal Loan Programs Program Name	CFDA Number	Outstanding Balance at June 30, 2017
Community Development Block Grant - Shady Grove	14.218	$ 350,000
Community Development Block Grant - Martins Glen	14.218	69,000
Community Development Block Grant - Kings Hwy	14.218	-
Community Development Block Grant - Washington Ave.	14.218	18,080
Community Development Block Grant - Beckett St.	14.218	18,080
Community Development Block Grant - NSP3	14.218	32,170
HOME Investment Partnerships Program - Shady Grove	14.239	-
HOME Investment Partnerships Program - Stevens Creek	14.239	25,223
HOME Investment Partnerships Program - Washington Ave.	14.239	129,783
HOME Investment Partnerships Program - Kings Hwy	14.239	-
HOME Investment Partnerships Program - Garden Ave. Lots	14.239	191,759
HOME Investment Partnerships Program - Garden Ave. Construction	14.239	450,000
Self-Help Homeownership Opportunity Program	14.247	185,734

See notes to schedule of expenditures of federal awards

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal 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 the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Habitat, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Habitat.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Habitat for Humanity of Pinellas County, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C - 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 D - 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, 2017:

Pass-Through Grantor	Identifying Number	Federal Expenditures	
Habitat International	SHOP 2010 - Existing Loans	$ 35,080	*
Habitat International	SHOP 2011 - Existing Loans	40,737	*
Habitat International	SHOP 2012 - Existing Loans	17,770	*
Habitat International	SHOP 2013 - Existing Loans	47,626	*
Habitat International	SHOP 2013 - New Loans (25%)	9,792	
Habitat International	SHOP 2014 - Existing Loans	19,906	*
Habitat International	SHOP 2014 - New Loans (25%)	5,094	
Habitat International	SHOP 2015 - New Loans (25%)	32,500	
		208,505	
Habitat International	SHOP 2013 - New Grant (75%)	29,375	
Habitat International	SHOP 2014 - New Grant (75%)	15,282	
Habitat International	SHOP 2015 - New Grant (75%)	97,500	
		142,157	
		$ 350,662	

** This represents the balance of a loan from a previous year which the federal government imposes the continuing compliance requirements = $161,119.*

Oldsmar / Tampa / St. Petersburg

727-785-4447
813-498-1294
727-784-5491 Fax

www.pdr-cpa.com

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 (the Organization), which comprise the consolidated statement of financial position as of June 30, 2017, 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 9, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 the Organization'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 the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PDR CPAs + Advisors, Inc

Oldsmar, Florida
October 9, 2017

Oldsmar / Tampa / St. Petersburg

727-785-4447
813-498-1294
727-784-5491 Fax

www.pdr-cpa.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Habitat for Humanity of Pinellas County, Inc. (Habitat) compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Habitat's major federal programs for the year ended June 30, 2017. Habitat's major federal programs 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 federal statutes, regulations, contracts, and grants applicable to its federal programs.

Auditor's 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 for Humanity of Pinellas County, Inc. 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, 2017.

CONTINUED

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE - 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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PDR CPAs + Advisors, Inc

Oldsmar, Florida
October 9, 2017

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 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:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR part 200.516(a) of the Uniform Guidance?	___ yes _X_ no

Identification of major federal programs:

Federal Programs:

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

Dollar threshold used to determine Type A programs and projects: Federal programs	$ 750,000
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 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, as required to be reported by the Uniform Guidance.

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.