Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Consolidated Financial Statements

June 30, 2018 and 2017

and

Reports of Independent Certified Public Accountants

PDR
CPAs + ADVISORS

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INDEPENDENT AUDITOR'S REPORT

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

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, 2018 and 2017, 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, 2018, 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 Habitat for Humanity of Pinellas County, Inc. and Subsidiaries as of June 30, 2018 and 2017, 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, 2018, 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 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 9, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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 DATE, 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

Oldsmar, Florida
October 8, 2018

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS

	2018	2017
Cash and cash equivalents	$ 4,279,945	$ 3,006,468
Assets held in escrow	652,272	1,306,058
Accounts receivable	36,444	18,411
Unconditional promises to give, net	130,262	153,494
Habitat ReStore inventory	208,030	210,539
Homes under construction	1,244,545	1,206,830
Land held for development	1,253,743	1,022,334
Land held for investment or resale	156,665	-
Property and equipment, net	586,457	443,654
Mortgages receivable, net	336,042	644,940
Other receivables	953,505	1,012,985
Beneficial interest in assets held by others	20,000	20,000
Investment in joint venture	3,248,602	3,197,116
Deferred affordable housing note receivable	350,000	350,000
Other assets and intangibles, net	81,427	142,055
Total Assets	$ 13,537,939	$ 12,734,884

LIABILITIES AND NET ASSETS

	2018	2017
Liabilities		
Accounts payable and accrued expenses	$ 398,267	$ 354,516
Deferred revenue - joint venture	41,024	77,782
Escrow deposits	641,911	559,072
Down payments and advance payments	29,600	29,100
Capital lease payable	20,034	29,407
Line-of-credit and notes payable, net	5,136,940	6,584,820
Deferred affordable housing note payable	350,000	350,000
Total liabilities	6,617,776	7,984,697
Net Assets		
Unrestricted	6,317,745	4,394,887
Temporarily restricted	582,418	335,300
Permanently restricted	20,000	20,000
Total net assets	6,920,163	4,750,187
Total Liabilities and Net Assets	$ 13,537,939	$ 12,734,884

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, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

		Temporarily	Permanently	Total	
Support and Revenue	**Unrestricted**	**Restricted**	**Restricted**	**2018**	**2017**
Contributions					
Building materials and services	$ 911,755	$ 77,000	$ -	$ 988,755	$ 1,101,429
Donated land	-	554,182	-	554,182	92,799
Cash	1,199,567	1,818,548	-	3,018,115	1,675,186
Habitat ReStore merchandise	1,036,709	-	-	1,036,709	1,077,572
In-kind other	-	-	-	-	3,089
Transfers to homeowners	9,675,960	-	-	9,675,960	9,893,411
Gain on sale of mortgages	398,477	-	-	398,477	138,892
Mortgage discount amortization	50,517	-	-	50,517	55,594
Sales - Habitat ReStore	1,069,769	-	-	1,069,769	1,079,853
Fundraising events, net of direct costs of $213,222	411,972	-	-	411,972	273,677
Foundations and grants	274,048	561,800	-	835,848	621,735
Other	64,310	-	-	64,310	444,726
Investment income from joint venture	81,073	-	-	81,073	81,073
Net assets released from restrictions	2,764,412	(2,764,412)	-	-	-
Total support and revenue	17,938,569	247,118	-	18,185,687	16,539,036
Expenses					
Program					
Construction	13,114,638	-	-	13,114,638	13,442,161
Mortgage discounts	86,612	-	-	86,612	83,440
Habitat ReStore	2,062,379	-	-	2,062,379	2,066,450
Supporting services					
General and administrative	278,144	-	-	278,144	241,536
Fundraising	322,391	-	-	322,391	394,157
Total expenses	15,864,164	-	-	15,864,164	16,227,744
Change in Net Assets Before Other Changes	2,074,405	247,118	-	2,321,523	311,292
Other Changes - Revenue (Expense)					
Interest expense	(34,081)	-	-	(34,081)	(34,104)
Loss on sale of land	(4,363)	-	-	(4,363)	-
Debt forgiveness income	-			-	508,000
Impairment on land and property	(149,861)	-	-	(149,861)	(508,000)
Amortization of joint venture deferred revenue	36,758	-	-	36,758	36,758
Total other changes	(151,547)	-	-	(151,547)	2,654
Change in Net Assets	1,922,858	247,118	-	2,169,976	313,946
Net Assets at Beginning of Year	4,394,887	335,300	20,000	4,750,187	4,436,241
Net Assets at End of Year	$ 6,317,745	$ 582,418	$ 20,000	$ 6,920,163	$ 4,750,187

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, 2017

Support and Revenue	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributions				
Building materials and services	$ 1,028,304	$ 73,125	$ -	$ 1,101,429
Donated land	-	92,799	-	92,799
Cash	521,060	1,154,126	-	1,675,186
Habitat ReStore merchandise	1,077,572	-	-	1,077,572
In-kind other	3,089	-	-	3,089
Transfers to homeowners	9,893,411	-	-	9,893,411
Gain on sale of mortgages	138,892	-	-	138,892
Mortgage discount amortization	55,594	-	-	55,594
Sales - Habitat ReStore	1,079,853	-	-	1,079,853
Fundraising events, net of				-
direct costs of $193,031	273,677	-	-	273,677
Foundations and grants	393,742	227,993	-	621,735
Other	444,726	-	-	444,726
Investment income from joint venture	81,073	-	-	81,073
Net assets released from restrictions	1,689,555	(1,689,555)	-	-
Total support and revenue	16,680,548	(141,512)	-	16,539,036
Expenses				
Program				
Construction	13,442,161	-	-	13,442,161
Mortgage discounts	83,440	-	-	83,440
Habitat ReStore	2,066,450	-	-	2,066,450
Supporting services				
General and administrative	241,536	-	-	241,536
Fundraising	394,157	-	-	394,157
Total expenses	16,227,744	-	-	16,227,744
Change in Net Assets Before Other Changes	452,804	(141,512)	-	311,292
Other Changes - (Expense) Revenue				
Interest expense	(34,104)	-	-	(34,104)
Debt forgiveness income	508,000	-	-	508,000
Impairment on land and property	(508,000)	-	-	(508,000)
Amortization of joint venture deferred revenue	36,758	-	-	36,758
Total other changes	2,654	-	-	2,654
Change in Net Assets	455,458	(141,512)	-	313,946
Net Assets at Beginning of Year	3,939,429	476,812	20,000	4,436,241
Net Assets at End of Year	$ 4,394,887	$ 335,300	$ 20,000	$ 4,750,187

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, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	Construction	Mortgage Discounts	Habitat ReStore	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	2018	2017
Salaries	$ 1,551,183	$ -	$ 472,845	$ 2,024,028	$ 98,159	$ 226,334	$ 324,493	$ 2,348,521	$ 2,212,674
Employee benefits	150,531	-	73,067	223,598	18,468	16,111	34,579	258,177	274,681
Retirement plan	14,229	-	3,759	17,988	4,752	1,979	6,731	24,719	21,466
Building materials and supplies	10,274,575	-	-	10,274,575	-	-	-	10,274,575	10,825,065
Insurance and taxes	74,153	-	29,520	103,673	-	-	-	103,673	72,850
Repairs and maintenance	22,554	-	-	22,554	-	-	-	22,554	14,730
Depreciation and amortization	146,975	-	5,340	152,315	19,680	-	19,680	171,995	154,261
Mortgage discounts	-	86,612	-	86,612	-	-	-	86,612	83,440
Office supplies, equipment, and utilities	175,714	-	57,997	233,711	5,184	9,440	14,624	248,335	213,209
Printing and advertising	61,610	-	8,880	70,490	-	3,663	3,663	74,153	97,965
Travel	88,941	-	31,319	120,260	-	4,616	4,616	124,876	142,843
Professional services	120,276	-	14,255	134,531	93,954	33,364	127,318	261,849	231,254
Other	76,526	-	33,701	110,227	25,362	14,299	39,661	149,888	152,963
Donated merchandise sold	-	-	1,039,218	1,039,218	-	-	-	1,039,218	1,049,170
Purchased merchandise sold	-	-	30,551	30,551			-	30,551	30,633
Rent	98,931	-	261,927	360,858	12,585	12,585	25,170	386,028	381,640
Bad debt expense	44,440	-	-	44,440	-	-	-	44,440	16,900
Support of Habitat for Humanity International	214,000	-	-	214,000	-	-	-	214,000	252,000
	$ 13,114,638	$ 86,612	$ 2,062,379	$ 15,263,629	$ 278,144	$ 322,391	$ 600,535	$ 15,864,164	$ 16,227,744

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, 2018 AND 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	$ 2,169,976	$ 313,946
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation	111,367	99,259
Amortization of intangibles	60,628	55,002
Amortization of loan costs	4,314	4,314
Bad debt expense	44,440	16,900
Investment income	(81,073)	(81,073)
Amortization of mortgage discounts	(50,517)	(55,594)
Net donated materials and labor	(77,000)	(73,125)
Gain on sale of mortgages	(398,477)	(138,892)
Mortgage discounts	86,612	83,440
Loss on sale of property and equipment	4,363	-
Donated land for development	(554,182)	(92,799)
Impairment on land and property	149,861	508,000
Debt forgiveness income	-	(508,000)
Decrease (Increase) in:		
Assets held in escrow	653,786	(138,919)
Accounts receivable	(18,033)	(4,051)
Other receivables	59,480	51,906
Unconditional promises to give	(21,208)	(151,966)
Land held for development	(826,467)	(174,141)
Habitat ReStore inventory	2,509	(28,402)
Homes under construction	1,394,723	1,858,256
Other assets	-	303
Increase (Decrease) in:		
Accounts payable and accrued expenses	43,751	(32,525)
Deferred revenue in joint venture	(36,758)	(36,758)
Escrow deposits	82,839	137,053
Down payments and advance payments	500	3,500
Net cash provided by operating activities	2,805,434	1,615,634

See accompanying notes to the consolidated financial statements

	2018	2017
Cash Flows from Investing Activities		
Purchases on property held for investment	(300,324)	125,992
Purchases of equipment	(258,533)	(123,807)
Purchases of intangibles	-	(20,000)
Distributions from new market tax credit	29,587	29,587
Purchases of mortgages	(146,819)	(147,890)
Payments received on mortgages	818,099	332,256
Net cash provided by investing activities	142,010	196,138
Cash Flows from Financing Activities		
Payments on line-of-credit and notes payable	(1,648,674)	(1,260,264)
Proceeds from notes payable	16,250	47,385
Payments on capital lease obligations	(9,373)	(5,613)
Payments on line-of-credit	(32,170)	-
Net cash used in financing activities	(1,673,967)	(1,218,492)
Net Increase in Cash	1,273,477	593,280
Cash and Cash Equivalents at Beginning of Year	3,006,468	2,413,188
Cash and Cash Equivalents at End of Year	$ 4,279,945	$ 3,006,468
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Transfers of Property to Homeowners	$ 9,675,960	$ 9,893,411
Cash Paid During the Year for Interest	29,767	$ 29,790

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, 2018 and 2017, 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 various amounts due from homeowners and homeowner candidates. The Organization has determined that all amounts are collectible; accordingly no allowance for potentially uncollectible accounts has been recorded at June 30, 2018 and 2017.

Other Receivables

Other receivables consist primarily of mortgage receivables from transactions with PNC Bank (see **NOTE T**).

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 55 homes to homeowners in 2018 and 59 homes in 2017.

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, 2018 and 2017 (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, 2018 and 2017, Habitat recorded donation revenue of approximately $989,000 and $1,101,000 related to donations of building materials and services. During the years ended June 30, 2018 and 2017, Habitat received approximately $554,000 and $93,000 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 $74,000 and $98,000 for the years ended June 30, 2018 and 2017, 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, 2017, from which the summarized information was derived.

Reclassification

Certain amounts in the 2017 financial statement presentation have been reclassified to conform to the 2018 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.

NOTE C - UNCONDITIONAL PROMISES TO GIVE

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

	2018	2017
Gross unconditional promises to give	$ 164,160	$ 179,950
Less: Allowance for uncollectible promises	(23,000)	(18,000)
Less: Unamortized discount	(10,898)	(8,456)
Unconditional promises to give, net	$ 130,262	$ 153,494
Amounts due in:		
Less than one year	$ 69,750	$ 96,700
One to three years	94,410	83,250
	$ 164,160	$ 179,950

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, 2018 and 2017, approximately $39,400 and $4,300 respectively, of unconditional promises to give was deemed uncollectible and written off.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2018	2017
Vehicles	$ 178,058	$ 180,838
Furniture and fixtures	96,423	82,354
Buildings	185,473	-
Leasehold improvements	361,855	361,855
Signage	54,880	39,101
Construction equipment	81,837	87,921
Office equipment	211,983	185,659
	1,170,509	937,728
Less accumulated depreciation	(584,052)	(494,074)
	$ 586,457	$ 443,654

Depreciation expense was $111,367 and $99,259 for the years ended June 30, 2018 and 2017, respectively.

NOTE E - MORTGAGES RECEIVABLE

Mortgages receivable consist of the following:

	2018	2017
Non-interest bearing loans at par value	$ 770,173	$ 1,535,474
Less: Unamortized discount based on imputed interest	(434,131)	(890,534)
	$ 336,042	$ 644,940

As of June 30, 2018, 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
2019	$ 54,642
2020	53,208
2021	53,208
2022	51,826
2023	51,252
Thereafter	506,037
	$ 770,173

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 6.0% - 10.0% and are based on prevailing market rates, as provided by Habitat International, in the year the mortgage originated. The discount rate used for the years ended June 30, 2018 and 2017 was 7.57% and 7.51%, 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 typically sells mortgages receivable to various financial institutions at face value. During the year ended June 30, 2018, the Organization sold mortgages receivable with a face value of $10,506,850. During the year ended June 30, 2017, the Organization sold mortgages receivable with a face value of $9,695,911. Sales of discounted mortgages resulted in a gains totaling $398,477 and 138,892 for the years ended June 30, 2018 and 2017, respectively.

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, 2018 and 2017 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, 2018 and 2017. 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 with oversight by PCF and CFTB.

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, 2018 and 2017 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, 2018 and 2017 are as follows:

	2018	2017
Website/Software Costs	$ 41,958	$ 41,958
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	419,695
Less accumulated amortization	(372,245)	(311,617)
	$ 47,450	$ 108,078

Amortization expense was $60,628 and $55,002 for the years ended June 30, 2018 and 2017, respectively.

Future annual amortization expense is estimated as follows:

Year Ending June 30,	Amount
2019	$ 36,947
2020	10,503
	$ 47,450

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 loan accrues interest only for years one through seven at a reduced rate of .768%. 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 .768% (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, 2018 and 2017, 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 $41,024 and $77,782 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017.

NOTE J - CAPITAL LEASE PAYABLE

Equipment under capital leases consist of certain office equipment with a combined capitalized cost of $31,659 and $59,594 at June 30, 2018 and 2017, respectively. Accumulated depreciation at June 30, 2018 and 2017 was $12,363 and $31,497, respectively. Depreciation expense reported in the consolidated statements of activities for each of the years ended June 30, 2018 and 2017 was $6,243 and $6,355, respectively. Minimum payments required under the capital lease during the following fiscal years ending June 30, are as follows:

Years Ending June 30,	Amount
2019	$ 6,584
2020	6,584
2021	4,944
2022	3,060
Total minimum lease payments	21,172
Less interest portion included in payments	(1,138)
Present value of lease obligation	$ 20,034

NOTE K - LINE-OF-CREDIT AND NOTES PAYABLE

	2018	2017
Line-of-Credit		
Line-of-credit from the City of Clearwater as part of the Neighborhood Stabilization Program (NSP3) secured in January 2013, which matured in September 2017, interest is 0%. Credit is limited to $327,500. The amount of unused line-of-credit at June 30, 2017 was $295,330 (see **Note R**)	$ -	$ 32,170
Total line-of-credit	-	32,170
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. This note was satisfied subsequent to year-end (see **Note W**)	31,340	76,728
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 January 2018 and January 2021	14,669	26,104
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	20,523	32,175
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	8,674	13,426
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	47,926	56,530

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

Notes Payable - Continued

	2018	2017
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	22,400	25,000
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	32,500
Loans payable to Habitat International as part of the SHOP 2016 grant, total monthly payments ranging from $70 to $282 beginning January 2020 at 0% interest, maturing January 2024	16,250	-
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. Loan was satisfied in the current year	-	25,223
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. Loan was satisfied in the current year	-	10,132

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

Notes Payable - Continued

	2018	2017
Note payable to Pinellas County Board of Commissioners for the land purchase of Haven Ridge with 0% interest and a balloon payment of remaining balance upon extended maturity at June 4, 2018, collateralized by Havens Ridge property.	-	288,329
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***)*	839,342	873,458
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
Note payable of $38,000 to Pinellas County for the purchase of Palm Avenue property with 0% interest. Principle is due at the earlier of of the borrowers' sale of the property or February 2021, collateralized by Palm Avenue property	38,000	-
Note payable of $23,000 to Pinellas County for the purchase of 119th Street property with 0% interest. Principle is due at the earlier of of the borrowers' sale of the property or February 2021, collateralized by 119th Street property	23,000	-
Note payable of $90,000 to Pinellas County for the purchase of Oak Street property with 0% interest. Principle is due at the earlier of of the borrowers' sale of the property or October 2020, collateralized by Oak Street property	32,500	-

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

Notes Payable - Continued

	2018	2017
Note payable of $61,400 to Pinellas County for the purchase of Roosevelt Groves property with 0% interest. Principle is due at the earlier of of the borrowers' sale of the property or June 2020, collateralized by Roosevelt Groves property	61,400	-
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**)	35,679	255,679
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. Loan was satisfied in the current year	-	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. Loan was satisfied in the current year	-	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. Loan was satisfied in the current year	-	144,000

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

Notes Payable - Continued

	2018	2017
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	50,000	600,000
Note payable to CCM (see **Note I**), debt requires interest only payments until November 2019 at .7608%. Beginning November 2019, semi annual payments to fully amortize the remaining balance through maturity in July 2028	1,880,000	1,880,000
Debt issuance costs	(27,152)	(27,152)
Accumulated amortization	9,899	8,202
Note payable, net	1,862,747	1,861,050
Note payable to HFHI-SA Leverage IX, LLC (see **Note I**), debt requires semi annual interest only payments through November 2018 at .755%. Beginning November 2018, semi annual payments to fully amortize the remaining balance through maturity in July 2027	2,023,656	2,023,656
Debt issuance costs	(41,879)	(41,879)
Accumulated amortization	18,213	15,596
Note payable, net	1,999,990	1,997,373
Total notes payable, net	5,136,940	6,552,650
Total lines-of-credit and notes payable, net	$ 5,136,940	$ 6,584,820

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 - LINE-OF-CREDIT AND NOTES PAYABLE - CONTINUED

Notes Payable - Continued

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

Years Ending June 30,	Debt Service	Amortization
2019	$ 314,421	$ 4,314
2020	501,463	4,314
2021	647,644	4,314
2022	539,606	4,314
2023	532,574	4,314
Thereafter	2,642,151	19,349
	$ 5,177,859	$ 40,919

NOTE L - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2018 and 2017 were as follows:

	2018	2017
Unconditional promises to give, net of unamortized discount	$ 153,262	$ 171,494
Use restriction	54,786	27,201
Donated labor and materials	77,000	73,125
Donated land	297,370	63,480
	$ 582,418	$ 335,300

Net assets released from restrictions were comprised of the following:

	2018	2017
Unconditional promises to give, net of unamortized discount	$ 168,240	$ 59,345
Use restriction	2,202,755	1,332,903
Donated labor and materials	73,125	77,100
Donated land	320,292	220,207
	$ 2,764,412	$ 1,689,555

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 $386,000 and $382,000 for the years ended June 30, 2018 and 2017, 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
2019	$ 298,628
2020	315,339
2021	322,070
2022	156,379
	$ 1,092,416

NOTE N - IMPAIRMENT ON LAND AND DEBT FORGIVENESS

During the years ended June 30, 2018 and 2017, the Organization recorded $149,861 and $508,000 respectively, for impairment on land held for development. These properties were originally donated or 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, 2018 of $149,861 was to impair the Lake Butler property (see **NOTE W**). 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 $214,000 and $252,000 to Habitat International during the years ended June 30, 2018 and 2017, 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.

NOTE R - NEIGHBORHOOD STABILIZATION PROGRAM

In January 2013, the Organization entered into a 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, 2018 and 2017 was $-0- and $32,170, 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, 2018 and 2017 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, 2018 and 2017, 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 2017 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, 2018 and 2017, the Organization made contributions of $24,719 and $21,466, respectively.

NOTE W - SUBSEQUENT EVENTS

The Organization evaluated subsequent events through October 8, 2018, the date the consolidated financial statements were available and issued.

The Organization sold the Lake Butler property on August 17, 2018 for $25,000. The property was impaired at June 30, 2018 for $149,861 (see **NOTE N**). The loan balance of $31,340 at June 30, 2018 was satisfied when the property sold.

Other than as disclosed above, the Organization is not aware of any subsequent events which would require recognition or disclosure 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, 2018

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	69,000	*
Community Development Block Grant - 119th Avenue	14.218	N/A	23,000	
Community Development Block Grant - Palm Avenue	14.218	N/A	38,000	
Community Development Block Grant - Roosevelt Groves	14.218	N/A	61,400	
Community Development Block Grant - Oak Street	14.218	N/A	90,000	
Passed through the City of St. Petersburg, Florida				
Community Development Block Grant - NPP Repair Program	14.218	2016-338	70,141	
Community Development Block Grant - NPP Repair Program	14.218	2017-449	9,820	
Passed through the City of Clearwater, Florida				
Community Development Block Grant - Vista Way	14.218	N/A	42,000	
Community Development Block Grant - MLK Jr. Avenue	14.218	N/A	21,840	
Community Development Block Grant - Washington Avenue	14.218	N/A	18,080	*
Community Development Block Grant - Beckett Street	14.218	N/A	18,080	*
Neighborhood Stabilization Program 3 (NSP3)	14.218	N/A	32,170	*
			843,531	
Passed through Pinellas County, Florida				
HOME Investment Partnerships Program - Stevens Creek	14.239	N/A	25,223	*
Passed through the City of Clearwater, Florida				
HOME Investment Partnerships Program - Washington Avenue	14.239	N/A	129,783	*
HOME Investment Partnerships Program - Washington Avenue	14.239	N/A	11,772	
HOME Investment Partnerships Program - Garden Ave. Lots	14.239	N/A	191,759	*
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-16-MC-12-0220	35,000	
HOME Investment Partnerships Program	14.239	M-15-MC-12-0220	12,000	
			855,537	
Capacity Building for Community Development and Affordable Housing	14.252	N/A	10,297	
Passed through Habitat for Humanity International, Inc. (see **NOTE D**)				
Self-Help Homeownership Opportunity Program	14.247	N/A	185,735	*
Self-Help Homeownership Opportunity Program	14.247	N/A	16,250	
Self-Help Homeownership Opportunity Program	14.247	N/A	48,750	
			250,735	
Total Expenditures of Federal Awards			$ 1,960,100	

** 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, 2018
Community Development Block Grant - Shady Grove	14.218	$ 350,000
Community Development Block Grant - Martins Glen	14.218	-
Community Development Block Grant - 119th Avenue	14.218	23,000
Community Development Block Grant - Palm Avenue	14.218	38,000
Community Development Block Grant - Roosevelt Groves	14.218	61,400
Community Development Block Grant - Oak Street	14.218	32,500
Community Development Block Grant - Washington Avenue	14.218	-
Community Development Block Grant - Beckett Street	14.218	-
Community Development Block Grant - NSP3	14.218	-
HOME Investment Partnerships Program - Stevens Creek	14.239	-
HOME Investment Partnerships Program - Washington Avenue	14.239	-
HOME Investment Partnerships Program - Garden Ave. Lots	14.239	8,920
HOME Investment Partnerships Program - Garden Ave. Construction	14.239	37,500
Self-Help Homeownership Opportunity Program	14.247	162,942

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, 2018:

Pass-Through Grantor	Identifying Number	Federal Expenditures	
Habitat International	SHOP 2010 - Existing Loans	$ 26,104	*
Habitat International	SHOP 2011 - Existing Loans	32,175	*
Habitat International	SHOP 2012 - Existing Loans	13,426	*
Habitat International	SHOP 2013 - Existing Loans	56,530	*
Habitat International	SHOP 2014 - Existing Loans	25,000	*
Habitat International	SHOP 2015 - Existing Loans	32,500	*
Habitat International	SHOP 2016 - New Loans (25%)	16,250	
		201,985	
Habitat International	SHOP 2016 - New Grant (75%)	48,750	
		48,750	
		$ 250,735	

** This represents the balance of a loan from a previous year which the federal government imposes the continuing compliance requirements = $185,735.*

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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, 2018, 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 8, 2018.

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

Oldsmar, Florida
October 8, 2018

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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, 2018. 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, 2018.

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

Oldsmar, Florida
October 8, 2018

HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC. AND SUBSIDIARIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS
JUNE 30, 2018

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
14.218	U.S. Department of Housing and Urban Development Community Development Block Grant

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.