Habitat for Humanity of Pinellas County, Inc.
And Subsidiaries

Consolidated Financial Statements

June 30, 2019 and 2018

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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 statement of financial position as of June 30, 2019; the related consolidated statements of activities, functional expenses, and cash flows for the year then ended; 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Organization'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 Organization'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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Habitat for Humanity of Pinellas County, Inc. and subsidiaries as of June 30, 2019, and the consolidated changes in their net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The consolidated financial statements of the Organization, as of and for the year ended June 30, 2018, were audited by other auditors, whose report, dated October 8, 2018, expressed an unmodified opinion on those statements.

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Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance and related notes, 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; Section 215.97, Florida Statutes; and Chapter 10.650, Rules of the Auditor General, is presented for purposes of additional analysis and is not a required part of the combined 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 14, 2019 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Gregory, Sharer & Stuart, P.A.

Gregory, Sharer & Stuart, P.A.

St. Petersburg, Florida
October 14, 2019

	June 30, 2019	June 30, 2018
Assets		
Cash and cash equivalents	$ 5,127,943	$ 4,279,945
Assets held in escrow	737,511	652,272
Accounts receivable	53,898	36,444
Unconditional promises to give, net	110,329	130,262
Habitat ReStore inventory	155,711	208,030
Homes under construction	1,268,090	1,244,545
Land held for development	2,620,711	1,253,743
Land held for investment or resale	-	156,665
Property and equipment, net	1,241,251	586,457
Mortgages receivable, net	835,119	336,042
Other mortgages receivable	805,226	839,342
Other receivables	147,399	114,163
Beneficial interest in assets held by foundations	20,000	20,000
Investment in joint venture	1,580,128	3,248,602
Deferred affordable housing note receivable	350,000	350,000
Other assets	111,496	81,427
Total assets	$ 15,164,812	$ 13,537,939
Liabilities and net assets		
Liabilities		
Accounts payable and accrued expenses	$ 462,703	$ 398,267
Deferred revenue - joint venture	12,323	41,024
Escrow deposits	664,096	641,911
Down payments and advance payments	55,053	29,600
Capital lease payable	66,594	20,034
Notes payable, net	4,703,203	5,136,940
Deferred affordable housing note payable	350,000	350,000
Total liabilities	6,313,972	6,617,776
Net assets		
Net assets without donor restrictions	8,412,482	6,317,745
Net assets with donor restrictions	438,358	602,418
Total net assets	8,850,840	6,920,163
Total liabilities and net assets	$ 15,164,812	$ 13,537,939

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries

Consolidated Statement of Activities and Change in Net Assets for the Year Ended June 30, 2019
With Summarized Comparative Totals for the Year Ended June 30, 2018

	Year ended June 30, 2019			Summarized Comparative Totals
	Without Donor Restrictions	With Donor Restrictions	Total	Year Ended June 30, 2018
Support and revenue				
Contributions				
Building materials and services	$ 1,060,639	$ 56,000	$ 1,116,639	$ 988,755
Donated land	-	16,912	16,912	554,182
Cash	1,851,933	159,350	2,011,283	3,018,115
Habitat ReStore merchandise	841,231	-	841,231	1,036,709
In-kind other	1,563	-	1,563	-
Transfers to homeowners	11,614,388	-	11,614,388	9,675,960
Gain on sale of mortgages	-	-	-	398,477
Mortgage discount amortization	35,096	-	35,096	50,517
Sales - Habitat ReStore	1,134,545	-	1,134,545	1,069,769
Fundraising events, net of direct costs of $270,219	379,253	-	379,253	411,972
Foundations and grants	538,715	10,000	548,715	835,848
Other	207,956	-	207,956	64,310
Investment income from joint venture	39,811	-	39,811	81,073
Net assets released from restrictions	406,322	(406,322)	-	-
Total support and revenue	18,111,452	(164,060)	17,947,392	18,185,687
Expenses				
Program				
Construction	14,817,687	-	14,817,687	13,114,638
Mortgage discounts	98,566	-	98,566	86,612
Habitat ReStore	1,892,262	-	1,892,262	2,062,379
Supporting services				
General and administrative	294,380	-	294,380	278,144
Fundraising	524,762	-	524,762	322,391
Total expenses	17,627,657	-	17,627,657	15,864,164
Change in net assets before other changes	483,795	(164,060)	319,735	2,321,523
Other changes				
Interest expense	(17,841)	-	(17,841)	(34,081)
Loss on sale of land and property and equipment	(20,207)	-	(20,207)	(4,363)
Forgiveness of debt	338,647		338,647	-
Impairment on land and property	-	-	-	(149,861)
Contribution from West Pasco Habitat for Humanity, Inc.	1,281,642		1,281,642	-
Amortization of joint venture deferred revenue	28,701	-	28,701	36,758
Total other changes	1,610,942	-	1,610,942	(151,547)
Change in net assets	2,094,737	(164,060)	1,930,677	2,169,976
Net assets at beginning of year	6,317,745	602,418	6,920,163	4,750,187
Net assets at end of year	$ 8,412,482	$ 438,358	$ 8,850,840	$ 6,920,163

See accompanying notes to consolidated financial statements.

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Contributions			
Building materials and services	$ 911,755	$ 77,000	$ 988,755
Donated land	-	554,182	554,182
Cash	1,199,567	1,818,548	3,018,115
Habitat ReStore merchandise	1,036,709	-	1,036,709
In-kind other	-	-	-
Transfers to homeowners	9,675,960	-	9,675,960
Gain on sale of mortgages	398,477	-	398,477
Mortgage discount amortization	50,517	-	50,517
Sales - Habitat ReStore	1,069,769	-	1,069,769
Fundraising events, net of direct costs of $213,222	411,972	-	411,972
Foundations and grants	274,048	561,800	835,848
Other	64,310	-	64,310
Investment income from joint venture	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
Expenses			
Program			
Construction	13,114,638	-	13,114,638
Mortgage discounts	86,612	-	86,612
Habitat ReStore	2,062,379	-	2,062,379
Supporting services			
General and administrative	278,144	-	278,144
Fundraising	322,391	-	322,391
Total expenses	15,864,164	-	15,864,164
Change in net assets before other changes	2,074,405	247,118	2,321,523
Other changes			
Interest expense	(34,081)	-	(34,081)
Loss on sale of land	(4,363)	-	(4,363)
Impairment on land and property	(149,861)	-	(149,861)
Amortization of joint venture deferred revenue	36,758	-	36,758
Total other changes	(151,547)	-	(151,547)
Change in net assets	1,922,858	247,118	2,169,976
Net assets at beginning of year	4,394,887	355,300	4,750,187
Net assets at end of year	$ 6,317,745	$ 602,418	$ 6,920,163

	Year Ended June 30, 2019								Summarized Comparative Totals
	Program Services				Supporting Services				
	Construction	Mortgage Discounts	Habitat ReStore	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total	Year Ended June 30, 2018
Salaries	$ 1,742,808	$ -	$ 414,923	$ 2,157,731	$ 124,725	$ 396,659	$ 521,384	$ 2,679,115	$ 2,348,521
Employee benefits	182,412	-	71,522	253,934	28,828	37,413	66,241	320,175	258,177
Retirement plan	24,208	-	4,613	28,821	3,852	1,246	5,098	33,919	24,719
Building materials and supplies	11,611,820	-	-	11,611,820	-	-	-	11,611,820	10,274,575
Insurance and taxes	114,870	-	19,594	134,464	3,946	-	3,946	138,410	103,673
Repairs and maintenance	14,725	-	-	14,725	1,050	35	1,085	15,810	22,554
Depreciation and amortization	149,928	-	8,127	158,055	30,226	-	30,226	188,281	171,997
Mortgage discounts	-	98,566	-	98,566	-	-	-	98,566	86,612
Office supplies, equipment, and utilities	199,180	-	45,902	245,082	6,342	11,499	17,841	262,923	248,335
Printing and advertising	67,893	-	7,637	75,530	-	14,600	14,600	90,130	74,153
Travel	102,758	-	35,931	138,689	241	9,770	10,011	148,700	124,876
Professional services	168,614	-	940	169,554	72,057	2,835	74,892	244,446	261,849
Other	87,681	-	37,125	124,806	10,093	37,685	47,778	172,584	149,886
Donated merchandise sold	-	-	904,670	904,670	-	-	-	904,670	1,039,218
Purchased merchandise sold	-	-	64,381	64,381	-	-	-	64,381	30,551
Rent	103,390	-	276,897	380,287	13,020	13,020	26,040	406,327	386,028
Bad debt expense	15,900	-	-	15,900	-	-	-	15,900	44,440
Support of Habitat for Humanity International	231,500	-	-	231,500	-	-	-	231,500	214,000
	$ 14,817,687	$ 98,566	$ 1,892,262	$ 16,808,515	$ 294,380	$ 524,762	$ 819,142	$ 17,627,657	$ 15,864,164

Habitat for Humanity of Pinellas County, Inc. and Subsidiaries
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2018

	Construction	Mortgage Discounts	Habitat ReStore	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
Salaries	$ 1,551,183	$ -	$ 472,845	$ 2,024,028	$ 98,159	$ 226,334	$ 324,493	$ 2,348,521
Employee benefits	150,531	-	73,067	223,598	18,468	16,111	34,579	258,177
Retirement plan	14,229	-	3,759	17,988	4,752	1,979	6,731	24,719
Building materials and supplies	10,274,575	-	-	10,274,575	-	-	-	10,274,575
Insurance and taxes	74,153	-	29,520	103,673	-	-	-	103,673
Repairs and maintenance	22,554	-	-	22,554	-	-	-	22,554
Depreciation and amortization	146,977	-	5,340	152,317	19,680	-	19,680	171,997
Mortgage discounts	-	86,612	-	86,612	-	-	-	86,612
Office supplies, equipment, and utilities	175,714	-	57,997	233,711	5,184	9,440	14,624	248,335
Printing and advertising	61,610	-	8,880	70,490	-	3,663	3,663	74,153
Travel	88,941	-	31,319	120,260	-	4,616	4,616	124,876
Professional services	120,276	-	14,255	134,531	93,954	33,364	127,318	261,849
Other	76,524	-	33,701	110,225	25,362	14,299	39,661	149,886
Donated merchandise sold	-	-	1,039,218	1,039,218	-	-	-	1,039,218
Purchased merchandise sold	-	-	30,551	30,551	-	-	-	30,551
Rent	98,931	-	261,927	360,858	12,585	12,585	25,170	386,028
Bad debt expense	44,440	-	-	44,440	-	-	-	44,440
Support of Habitat for Humanity International	214,000	-	-	214,000	-	-	-	214,000
	$ 13,114,638	$ 86,612	$ 2,062,379	$ 15,263,629	$ 278,144	$ 322,391	$ 600,535	$ 15,864,164

See accompanying notes to consolidated financial statements.

	Year ended June 30, 2019	2018
Cash flows from operating activities		
Change in net assets	$ 1,930,677	$ 2,169,976
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	127,628	111,367
Amortization of intangibles	60,653	60,628
Amortization of loan costs	24,373	4,314
Bad debt expense	15,900	44,440
Investment income from joint venture	(39,811)	(81,073)
Mortgage discount amortization	(35,096)	(50,517)
Net donated materials and labor	(77,000)	(77,000)
Gain on sale of mortgages	-	(398,477)
Mortgage discounts	98,566	86,612
Gain on sale of land held for investment or sale	(43,335)	-
Loss on sale of property and equipment	20,207	4,363
Donated land for development	-	(554,182)
Impairment on land and property	-	149,861
Forgiveness of debt	(338,647)	-
Contribution from West Pasco Habitat for Humanity, Inc.	(1,281,642)	-
Decrease (increase) in:		
Assets held in escrow	(74,232)	653,786
Accounts receivable	(6,702)	(18,033)
Other receivables	(33,236)	59,480
Unconditional promises to give	4,033	(21,208)
Land held for development	(2,107,194)	(826,467)
Habitat ReStore inventory	52,319	2,509
Homes under construction	1,568,210	1,394,723
Other assets	(82,729)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	33,157	43,751
Deferred revenue in joint venture	(28,701)	(36,758)
Escrow deposits	11,178	82,839
Down payments and advance payments	25,453	500
Net cash (used) provided by operating activities	(175,971)	2,805,434
Cash flows from investing activities		
Cash received from acquisition of West Pasco Habitat for Humanity, Inc.	254,618	-
Purchases on property held for investment	-	(300,324)
Proceeds from sale of land held for development	79,326	-
Purchases of equipment	(105,262)	(258,533)
Distributions from investment in joint venture	23,276	29,587
Purchases of mortgages	-	(146,819)
Proceeds from sale and payments received on mortgages	130,367	818,099
Net cash provided by investing activities	382,325	142,010

	Year ended June 30, 2019	2018
Cash flows from financing activities		
Payments on notes payable	(1,231,375)	(1,648,674)
Proceeds from notes payable	1,826,459	16,250
Payments on capital lease obligations	46,560	(9,373)
Payments on line-of-credit	-	(32,170)
Net cash provided (used) by financing activities	641,644	(1,673,967)
Net increase in cash	847,998	1,273,477
Cash and cash equivalents at beginning of year	4,279,945	3,006,468
Cash and cash equivalents at end of year	$ 5,127,943	$ 4,279,945
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 16,144	$ 29,767
Noncash investing transactions		
Transfers of property to homeowners through issuance of mortgage receivable	$ 11,614,388	$ 9,675,960
Repayment of debt through distributions from joint venture	$ -	$ -

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 for 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 purchased mortgages from Habitat and subsequently sold these mortgages to PNC Bank.

On August 31, 2010, 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. 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 based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Net assets without donor restrictions include 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.
- Net assets with donor restrictions include resources subject to donor-imposed stipulations. Some donor-imposed restrictions are temporary in nature, such as those that will be met by actions of the Organization or by the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates resources be maintained in perpetuity.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. 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 Organization measures beneficial interest in assets held by foundation at fair value on a recurring basis (at least annually). The Organization follows accounting guidance, which defines fair value and specifies a hierarchy of valuation techniques used to measure fair value. The disclosure of fair value estimates is based on whether th significant inputs into the valuation are observable. In determining the level of hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs.

The following in a brief description of the type of valuation information (inputs) that qualifies a financial asset for each level:

Level 1 - Unadjusted quoted market prices for identical assets or liabilities in active markets which are accessible by the Organization.

Level 2 - Observable prices in active markets for similar assets or liabilities. Prices for identical or similar assets or liabilities in markets that are not active. Market inputs that are not directly observable but are derived from or corroborated by observable market data.

Level 3 - Unobservable inputs based on the Organization's own judgment as to assumptions a market participant would use, including inputs derived from extrapolation and interpolation that are not corroborated by observable 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 the Organization's cash balances may have exceeded the federally insured limit. However, the Organization has not experienced, and does not expect, to incur any losses in such accounts.

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, 2019 and 2018.

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 net assets without donor restrictions, if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, or when a pledge becomes due, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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 stated at its estimated fair market value, which is determined based on its future economic benefit. During the years ended June 30, 2019 and 2018, the Organization estimated the fair market value of donated merchandise to be approximately $840,000 and $1 million, respectively. Purchased merchandise is stated at lower of cost or net realizable value, with cost being determined by the first-in, first-out method.

Homes Under Construction

Homes under construction consist of labor, material, and lot costs using the specific identification method, and include indirect construction costs incurred during the construction period. Habitat transferred 62 and 55 homes to homeowners during the years ended June 30, 2019 and 2018, respectively.

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, less accumulated depreciation. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the assets ranging from three to 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 determined there was no impairment on long-lived assets as of June 30, 2019. The Organization recognized an impairment loss on land held for development and land held for investment or resale during the year ended June 30, 2018 (see Note O).

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 five 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 to 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 nonpayment of mortgage notes receivable, given its collateral value, are not likely. Accordingly, the Organization has not recorded an allowance for mortgages receivable.

Beneficial Interest in Assets Held by Foundations

The beneficial interest in assets held by foundations is recorded at fair value in the consolidated statements of financial position.

Other Assets

Other assets consist mainly of prepaid expenses, refundable deposits, and intangible assets. In accordance with U.S. 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.

Revenue Recognition

Contributions received are recorded as increases in net assets with donor restrictions unless use of related asset is limited by donor imposed 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 statements 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. This discount will be recognized as mortgage discount amortization income over the term of the mortgage.

Sales form the Habitat ReStore are reported net of sales tax collected.

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

Donated Services, Materials, and Land

Donated services, materials, and land are recorded as increases in net assets without donor restrictions unless the use of the related assets is limited by donor imposed restrictions. Donated services, materials, and land are reflected in the accompanying consolidated statements of activities, at their estimated fair market values at the date of receipt. Habitat reports revenues for the fair value of donated services received when the services require specialized skills, are provided by individuals possessing those skills, and represent services that would have been purchased had they not been donated.

During the years ended June 30, 2019 and 2018, Habitat recorded donation revenue of approximately $1,117,000 and $989,000, respectively, related to donations of building materials and services. During the years ended June 30, 2019 and 2018, Habitat received approximately $17,000 and $554,000, respectively, 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 $90,000 and $74,000 for the years ended June 30, 2019 and 2018, 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.

Functional Expense Allocation

The costs of providing the programs and supporting services have been reported on a functional basis in the consolidated 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. Expenses allocated using management’s estimate of time spent include payroll, employee benefits, and retirement plan expenses. Expenses allocated using management’s estimate of usage include professional services, certain insurance, and depreciation. Lastly, expenses allocated using square footage include rent and utilities.

Reclassification

Certain amounts in the 2018 consolidated financial statements have been reclassified to conform to the 2019 presentation. Net assets and changes in net assets were unchanged due to these reclassifications.

New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update address the complexity and understandability of net assets classification, deficiencies in information about liquidity and available of resources, and lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Recent Accounting Pronouncements

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, to clarify the principles used to recognize revenue for all entities. Subsequently, in August 2015, FASB issued ASU 2015-14, which delayed the effective date for nonpublic companies to annual periods beginning after December 15, 2018 (the Organization's June 30, 2020 consolidated financial statements). The Organization is currently evaluating the impact adopting this guidance will have on its consolidated financial statements.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, to clarify the definition of an exchange transaction and contribution and to clarify accounting for the same. The standard is effective for nonpublic entities for fiscal years beginning after December 15, 2018 (the Organization's June 30, 2020 consolidated financial statements); early adoption is permitted. The Organization is currently evaluating the impact of this accounting standard on its consolidated financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about the leasing arrangements. The amendments are effective for nonpublic companies for fiscal years beginning after December 15, 2019 (the Organization's June 30, 2021 consolidated financial statements). The Organization is currently evaluating the impact adopting this guidance will have on its consolidated financial statements.

Note C - Business Combination

Effective March 1, 2019, West Pasco Habitat for Humanity (West Pasco), a not-for-profit organization whose mission was to build and repair affordable houses in Pasco County, Florida, merged with Habitat. Habitat was the surviving corporation and upon completion of the transaction, West Pasco was dissolved. As a result, Habitat will better utilize staffing, increase opportunities to engage more people in the community, and serve more families locally and abroad.

Habitat has accounted for this acquisition of West Pasco as a business combination, in accordance with Account Standards Codification (ASC) 958, by recording the assets acquired and liabilities assumed of West Pasco as of March 1, 2019 at estimated fair value. No consideration was transferred. The net value of assets and liabilities received is recorded as an inherent contribution in the consolidated statements of activities. Acquired equipment was recorded at net book value. Land and buildings were valued using appraised values and other observable inputs. Mortgages and notes receivable, net of discount were recorded using the face value of the loan, net of discount. All other assets acquired were recorded at their net realizable value at the date of acquisition, which approximates fair value. Assumed liabilities were recorded at amounts due at the acquisition date.

The following table summarizes the estimated fair values of assets and liabilities at March 1, 2019 (acquisition date):

Cash and cash equivalents	$ 254,618
Property and equipment	681,281
Mortgage and notes receivable, net of discount	496,798
Land held for development and homes under construction	830,866
Other assets	30,828
Total assets	2,294,391
Accounts payable and accrued expenses	31,279
Other liabilities	11,007
Notes payable, net	970,463
Total liabilities	1,012,749
Total net assets transferred to Habitat	$ 1,281,642

The following is a summarized statement of activities for West Pasco for the eight months ended February 28, 2019 and the year ended June 30, 2018:

	Eight months ended February 28, 2019	Year ended June 30, 2018
Revenues	$ 606,571	$ 998,742
Expenses	(702,926)	(1,154,295)
Change in net assets	$ (96,355)	$ (155,553)

Note D - Availability and Liquidity

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. Generally, the Organization strives to maintain a minimum amount of cash on hand equal to 90 days of operating expense. The following represents the Organization's financial assets available to meet general expenditures over the next 12 months at June 30:

	2019	2018
Cash and cash equivalents, less use restrictions of $97,500 and $54,786 at June 30, 2019 and 2018, respectively	$ 5,030,443	$ 4,225,159
Accounts receivable, net	53,898	36,444
Unconditional promises to give (due in less than one year)	92,967	69,750
Mortgages receivable (due in less than one year)	121,089	54,642
	$ 5,298,397	$ 4,385,995

Note E - Unconditional Promises To Give

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

	2019	2018
Gross unconditional promises to give	$ 136,094	$ 164,160
Less: Allowance for uncollectible promises	(20,000)	(23,000)
Less: Unamortized discount	(5,765)	(10,898)
Unconditional promises to give, net	$ 110,329	$ 130,262
Amounts due in:		
Less than one year	$ 92,967	69,750
One to four years	43,127	94,410
	$ 136,094	$ 164,160

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, 2019 and 2018, approximately $16,000 and $45,000 respectively, of unconditional promises to give was deemed uncollectible and written off.

Note F - Property And Equipment

Property and equipment consists of the following at June 30:

	2019	2018
Vehicles	$ 215,061	$ 178,058
Furniture and fixtures	96,423	96,423
Land	255,787	-
Buildings	595,845	185,473
Leasehold improvements	373,030	361,855
Signage	54,880	54,880
Construction equipment	52,690	81,837
Office equipment	256,647	211,983
	1,900,363	1,170,509
Less accumulated depreciation	(659,112)	(584,052)
	$ 1,241,251	$ 586,457

Depreciation expense was approximately $128,000 and $111,000 for the years ended June 30, 2019 and 2018, respectively.

Note G - Mortgages Receivable

Mortgages receivable consist of the following at June 30:

	2019	2018
Non-interest bearing loans at par value	$ 1,588,855	$ 770,173
Less: unamortized discount based on imputed interest	(753,736)	(434,131)
	$ 835,119	$ 336,042

All loans were deemed performing as of June 30, 2019 and 2018. Loans are deemed performing if they are less than 90 days delinquent, or if on an approved payment plan and current with the terms of the plan. No amounts were past due as of June 30, 2019 and 2018.

As of June 30, 2019, the balances due on the mortgages that are scheduled to be received for the next five years and thereafter are as follows:

Year ending June 30,	
2020	$ 121,089
2021	110,210
2022	105,453
2023	103,944
2024	101,327
Thereafter	1,046,832
	$ 1,588,855

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 3.0% to 10.0% and are based on prevailing market rates, as provided by either Habitat International or applicable federal rates, in the year the mortgage originated. The discount rate used for the years ended June 30, 2019 and 2018 was 7.66% and 7.57%, 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 years ended June 30, 2019 and 2018, the Organization sold mortgages receivable with a face value of $11.4 million and $10.5 million, respectively. No gains or losses on the sale of mortgages were recognized during the year ended June 30, 2019. During the year ended June 30, 2018, gains totaling $398,477 were recognized on the sale of mortgages.

The Organization services loans which it had sold to various banks. Under the agreements with the banks, the Organization agrees to service all loans in accordance with all applicable federal and state laws and regulations, and customary practices, policies and procedures for servicing residential mortgage loans. Additionally, in the event a loan becomes in default, the loan is subject to certain recourse by the bank.

Note H - Beneficial Interest in Assets Held By Foundations

The Organization established funds within the Pinellas Community Foundation (PCF) in the amount of $10,000 and Community Foundation of Tampa Bay (CFTB) in the amount of $10,000. The Fund agreements grant variance power to the respective Community Foundations and has named the Organization the 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 each of the years ended June 30, 2019 and 2018. 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. As of June 30, 2019 and 2018, the Organization's investment in beneficial interest in assets held by foundations totaled $20,000 and is reflected as an asset and net assets with donor restrictions in perpetuity.

Note I - 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 assets held by foundations - the investments are managed by a third party unrelated to the 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, 2019 and 2018 is as follows:

		Fair Value Measurements Using		
	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2019				
Beneficial interest in assets held by foundations	$ 20,000	$ -	$ -	$ 20,000
2018				
Beneficial interest in assets held by foundations	$ 20,000	$ -	$ -	$ 20,000

Note J - 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 accrued interest only for years one through seven at a reduced rate of .755%. During the year ended June 30, 2019, the loan was forgiven and HFHI-SA Leverage IX, LLC was dissolved. All remaining income was distributed to the Organization. The Organization recognized $338,600 of forgiveness of debt income during the year ended June 30, 2019.

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 loan accrues interest only for years one through seven at a reduced rate of .7608%. Beginning in years eight through 15, the principal balance of the loan is reduced by an eight-year amortization at the same rate of .7608% (see Note M). Subsequent to year-end, the loan was forgiven and CCM was dissolved.

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 investment income from joint venture. During each of the years ended June 30, 2019 and 2018, investment income from joint ventures was approximately $40,000 and $81,000, respectively.

Deferred revenue was recorded as a result of the investment in joint ventures. Deferred revenue recorded on the consolidated statements of financial position totaled $12,323 and $41,024 for the years ended June 30, 2019 and 2018, respectively. These amount are being amortized over the life of the underlying agreement and are reflected in the consolidated statements of activities as amortization of joint venture deferred revenue. Revenue of $28,701 and $36,758 was recognized for the years ended June 30, 2019 and 2018, respectively, and is recorded in other changes on the consolidated statements of activities.

Note K - Capital Lease Payable

Equipment under capital leases consist of certain office equipment with a combined capitalized cost of $31,659 at June 30, 2018 with corresponding accumulated depreciation of $12,363. In June 2019, the Organization modified its lease agreements which effectively terminated the previous lease and created a new lease. Equipment under the new capital lease totaled $77,259 at June 30, 2019. No depreciation expense was recorded on the new capital lease as of June 30, 2019. Depreciation expense reported in the consolidated statements of activities for each of the years ended June 30, 2019 and 2018 was $6,243.

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

2020	$ 13,930
2021	13,930
2022	13,930
2022	13,930
2023	13,930
Thereafter	2,490
Total minimum lease payments	72,140
Less interest portions included in payments	(5,546)
Present value of lease obligations	$ 66,594

Note L - Notes Payable

	2019	2018
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 during the year ended June 30, 2019.	$ -	$ 31,340
Loans payable to Habitat International as part of the SHOP 2010 grant, with total monthly payments ranging from $545 to $951 at 0% interest; maturing between January 2018 and January 2021.	7,346	14,669
Loans payable to Habitat International as part of the SHOP 2011 grant with total monthly payments ranging from $456 to $971 at 0% interest; maturing between January 2019 and January 2021.	9,315	20,523
Loans payable to Habitat International as part of the SHOP 2012 grant with total monthly payments ranging from $290 to $362 at 0% interest; maturing between July 2019 and January 2022.	3,474	8,674
Loans payable to Habitat International as part of the SHOP 2013 grant with total monthly payments ranging from $74 to $444 at 0% interest; maturing between July 2020 and January 2023.	34,828	47,926
Loans payable to Habitat International as part of the SHOP 2014 grant with monthly payments of $520 beginning January 2018 at 0% interest; maturing January 2022.	15,640	22,400
Loans payable to Habitat International as part of the SHOP 2015 grant with monthly payments of $677 beginning July 2019 at 0% interest; maturing July 2023.	32,500	32,500
Loans payable to Habitat International as part of the SHOP 2016 grant with total monthly payments ranging from $70 to $282 beginning January 2020 at 0% interest; maturing January 2024.	23,750	16,250
Note payable from Pinellas Funding to PNC Community Development Company, LLC for $1,004,236 with monthly payments of $2,843 at 0% interest until maturity at June 2043; collateralized by assignment of notes (see Note T).	805,226	839,342
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 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 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 the borrowers' sale of the property or October 2020, collateralized by Oak Street property	-	32,500

	2019	2018
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 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. Approximately $508,000 forgiven at June 30, 2017 with the remaining forgiven during the year ended June 30, 2019.	-	35,679
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
Note payable to CCM (see Note J), debt requires interest only payments until November 2019 at .7608%. Beginning November 2019, semiannual payments to fully amortize the remaining balance through maturity in July 2028	1,880,000	1,880,000
Note payable to HFHI-SA Leverage IX, LLC (see Note J), debt required semiannual interest only payments through November 2018 at .755%. The note was forgiven in November 2018.	-	2,023,656
Note payable of $56,000 to the City of Clearwater for the purchase of N. Garden Avenue property with 0% interest, and collateralized by real property. No principle payments required until home is sold and then $8,000 of unpaid principle shall be repaid. The remaining amount will be forgiven by the city when the home is sold.	28,000	-
Note Payable to the City of Clearwater for the construction of N. Garden Avenue with 0% interest and a maturity date on April 2021, collateralized by the property. Principle is due at maturity date less a 12% developer fee.	98,334	-
Note payable to Pinellas County for the purchase of Habitat Pinellas Park Sub property with 0% interest. Principle is due at the earlier of the borrowers' sale of the property or September 2021.	840,000	-
Note payable of $500,363 to a bank for the purchase of Madison Street building. Monthly payments of $3,309 with 4.95% interest until maturity at June 2023, collateralized by the building. Subsequent to year end, this note was refinanced with a bank bearing interest at a fixed rate of 4.75%, requiring monthly payments of principal and interest of $4,312, and matures in 2030.	395,895	-
Note payable of $166,884 to Pasco County for the purchase of property with 0% interest and a maturity date at the earlier of the borrowers' sale of the property or September 2021.	146,024	-
Note payable of $244,000 to Pasco County for the purchase of property with 0% interest and a maturity date at the earlier of the borrowers' sale of the property or September 2021, collateralized by the property.	244,000	-
Note payable of $26,295 to Pasco County for the purchase of Leisure Lane and Van Doren properties with 0% interest and a maturity date at the earlier of the borrowers' sale of the property or September 2021, collateralized by the property.	26,295	-

	2019	2018
Note payable of $12,900 to Pasco County for the purchase of Leisure Lane property with 0% interest and a maturity date at the earlier of the borrowers' sale of the property or September 2021, collateralized by the property.	12,900	-
Note payable of $10,460 to Pasco County for the purchase of Van Doren Avenue property with 0% interest and a maturity date at the earlier of the borrowers' sale of the property or September 2021, collateralized by the property.	10,460	-
Note payable of $20,600 to Pasco County for the purchase of property with 0% interest and a maturity date at the earlier of the borrowers' sale of the property or September 2021, collateralized by the property.	20,600	-
Note payable of $50,000 to Pasco County for the purchase of Lake Drive property with 0% interest and matures upon sale of the property.	50,000	-
Note payable of $16,301 to Pasco County for the purchase of Terra Ceia Avenue property with 0% interest and matures upon sale of the property.	16,301	-
	4,719,749	5,177,859
Debt issuance costs, net of accumulated amortization	(16,546)	(40,919)
	$ 4,703,203	$ 5,136,940

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

2020	$ 225,497
2021	324,702
2022	1,697,002
2023	303,142
2024	580,485
Thereafter	1,588,921
	$ 4,719,749

During the years ended June 30, 2019 and 2018, the Organization incurred no additional debt issuance costs in connection with the issuance of notes payable above. Debt issuance costs are presented as a reduction of notes payable to be amortized over the term of the loan. The components of debt issuance costs are as follows:

	2019	2018
Loan costs	$ 28,227	$ 69,031
Less accumulated amortization	(11,681)	(28,112)
Total direct debt costs, net	$ 16,546	$ 40,919

Interest expense related to the direct debt costs for each of the years ended June 30, 2019 and 2018 was $6,316.

Note M - Net Assets with Donor Restrictions

Net assets with donor restrictions were as follows at June 30:

	2019	2018
Subject to expenditure for specified purpose or time restriction:		
Unconditional promises to give, net of unamortized discount	$ 130,329	$ 153,262
Use restriction	97,500	54,786
Donated labor and materials	56,000	77,000
Donated land	134,529	297,370
	418,358	582,418
Subject to spending policy:		
Beneficial interest in assets held by foundations	20,000	20,000
	$ 438,358	$ 602,418

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time as follows for the years ended June 30:

	2019	2018
Unconditional promises to give, net of unamortized discount	$ 94,783	$ 168,240
Use restriction	54,786	2,202,755
Donated labor and materials	77,000	73,125
Donated land	179,753	320,292
	$ 406,322	$2,764,412

Note N - Leases

The Organization leases its office and two ReStore locations under non-cancelable operating lease agreements with expiration dates through June 2022. In addition to monthly base rent, the Organization is required to pay 5% of ReStore sales to the landlord. Total rent expense was approximately $406,000 and $386,000 for the years ended June 30, 2019 and 2018, 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:

2020	$ 388,497
2021	378,240
2022	63,002
	$ 829,739

Note O - Impairment on land

During the year ended June 30, 2018, the Organization recognized an impairment loss in the amount of $149,861 on land held for development. The impairment loss is recorded as a separate line item in the accompanying consolidated statement of activities, and was determined based on appraisal and comparable sales values for the land held for development. During 2019, the property was sold for $25,000 and the loan balance of $31,340 at June 30, 2018 was satisfied upon time of sale. There was no impairment loss recognized during the year ended June 30, 2019.

Note P - 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 Q - Transactions with Habitat International

The Organization remits a portion of its contributions without donor restrictions to Habitat International as tithe to support its operations. The Organization contributed approximately $232,000 and $214,000 to Habitat International during the years ended June 30, 2019 and 2018, respectively. These amounts are included in program services expense in the consolidated statements of activities.

Note R - 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 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 acquired 2.5 acres of land in Dunedin, Florida and constructed 18 affordable home ownership housing units. If the homebuyer sells the property between years six and 20, the Organization is required to return a prorated portion of the funds back to Pinellas County. The Organization has recorded a second mortgage on the properties to secure its interest in the properties. Both an asset for the second mortgage and a corresponding liability of $350,000 due to Pinellas County, are recorded as a deferred affordable housing note, and are reflected in the June 30, 2019 and 2018 consolidated statements of financial position. The amounts will be forgiven in 2026 if the homebuyers do not sell the property.

Note T - Sale of Mortgages with PNC Bank

In August 2013, Pinellas Funding Company I, LLC (Pinellas Funding) was formed as a single member LLC with Habitat as the member. During 2014, Pinellas Funding acquired seven mortgages from Habitat with a carrying value of $666,422. Pinellas Funding then entered into a note purchase agreement with PNC Bank. Pinellas Funding authorized the issuance and sale of the mortgages with a face value of $1,004,236 to PNC Bank for $666,422 on August 29, 2013. This transaction did not meet the requirements under Accounting Standard Codification 860 to be treated as a sale due to the Organization maintaining effective control and involvement with the mortgage receivables. Accordingly, the mortgages receivable were not derecognized and are recorded in other mortgages receivable in the accompanying consolidated statements of financial position in the amount of $ 805,226 and $839,342 at June 30, 2019 and 2018, respectively. Additionally, the Organization recorded a note payable due to PNC Bank. See Note L for the terms and outstanding balance of the offsetting PNC note payable at June 30, 2019 and 2018.

Note U - Retirement Plan

The Organization has a 401(k) profit sharing plan that provides for a discretionary matching contribution. For the years ended June 30, 2019 and 2018, the Organization made contributions of approximately $34,000 and $25,000 respectively.

Note V - Subsequent Events

The Organization evaluated subsequent events through October 14, 2019, the date the consolidated financial statements were available to be issued. The Organization is not aware of any subsequent events, other than as disclosed in Notes J and L, which would require recognition or disclosure in the accompanying consolidated financial statements.

Supplementary Information

Federal Agency *Pass-Through Entity* Federal Program	CFDA Number	Contract #	Federal Expenditures	
U.S. Department of Housing and Urban Development (HUD)				
Passed through Pinellas County, Florida				
Community Development Block Grant/Entitlement Grants - Shady Grove	14.218	Not Applicable	$ 350,000	*
Community Development Block Grant/Entitlement Grants - 119th Avenue	14.218	Not Applicable	23,000	*
Community Development Block Grant/Entitlement Grants - Palm Avenue	14.218	Not Applicable	38,000	*
Community Development Block Grant/Entitlement Grants - Roosevelt Groves/Largo	14.218	Not Applicable	61,400	*
Community Development Block Grant/Entitlement Grants - Oak Street	14.218	Not Applicable	32,500	*
Passed through City of Clearwater, Florida				
Community Development Block Grant - 1121 South St	14.218	Not Applicable	15,000	
Passed through City of St. Petersburg, Florida				
Community Development Block Grant - NPP Repair Program Riggins	14.218	Not Applicable	3,900	
Community Development Block Grant - NPP Repair Program Riggins	14.218	Not Applicable	750	
Total CFDA 14.218			524,550	
Passed through Pinellas County, Florida				
HOME Investment Partnerships Program - Garden Ave Lots	14.239	Not Applicable	8,920	*
HOME Investment Partnerships Program - Garden Ave Construction	14.239	Not Applicable	37,500	*
HOME Investment Partnerships Program Loan - 1209 N Garden	14.239	Not Applicable	28,000	
HOME Investment Partnerships Program Loan - 1211 N Garden	14.239	Not Applicable	28,000	
Passed through City of St. Petersburg, Florida				
HOME Investment Partnerships Program - 755 19thSt S	14.239	Not Applicable	15,000	
HOME Investment Partnerships Program - 4113 9th Ave S	14.239	Not Applicable	10,000	
HOME Investment Partnerships Program - 1330 29th St S	14.239	Not Applicable	15,000	
Passed through City of Clearwater, Florida				
HOME Investment Partnerships Program - 1209 Garden Construction	14.239	Not Applicable	98,334	
HOME Investment Partnerships Program - 1211 Garden Construction	14.239	Not Applicable	126,506	
Total CFDA 14.239			367,260	
Passed through Habitat for Humanity International, Inc.				
Self-Help Homeownership Opportunity Program	14.247	Not Applicable	162,942	*
Self-Help Homeownership Opportunity Program	14.247	Not Applicable	7,500	
Self-Help Homeownership Opportunity Program	14.247	Not Applicable	22,500	
			192,942	
Subtotal - U.S. Department of Housing and Urban Development (HUD)			1,084,752	
Total Federal Awards			$ 1,084,752	

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

State Agency *Pass-Through Entity* State Project	CSFA Number	Contract #	State Expenditures	
State of Florida Funding				
Direct Funding				
State Housing Initiatives Partnership Program (SHIP)-Garden Ave Lots	40.901	Not Applicable	$ 26,759	*
State Housing Initiatives Partnership Program (SHIP)-Garden Ave Construction	40.901	Not Applicable	12,500	*
Passed through Pinellas County, Florida				
State Housing Initiatives Partnership Program (SHIP)-533 Cypress	40.901	Not Applicable	37,222	
State Housing Initiatives Partnership Program (SHIP)-67th Way N	40.901	Not Applicable	240,000	
State Housing Initiatives Partnership Program (SHIP)-5 Property Mortgage	40.901	Not Applicable	459,044	
Passed through St. Petersburg, Florida				
State Housing Initiatives Partnership Program (SHIP)-1921 Fairfield Ave S	40.901	Not Applicable	10,000	
State Housing Initiatives Partnership Program (SHIP)-1819 48th St S	40.901	Not Applicable	2,510	
State Housing Initiatives Partnership Program (SHIP)-2217 26th St S	40.901	Not Applicable	5,740	
State Housing Initiatives Partnership Program (SHIP)-959 22nd Ave S	40.901	Not Applicable	10,000	
State Housing Initiatives Partnership Program (SHIP)-975 22nd Ave S	40.901	Not Applicable	650	
Passed through Clearwater, Florida				
State Housing Initiatives Partnership Program (SHIP)-903 Beckett	40.901	Not Applicable	150,620	
State Housing Initiatives Partnership Program (SHIP)-404 BBL	40.901	Not Applicable	150,435	
Passed through Largo, Florida				
State Housing Initiatives Partnership Program (SHIP)-1122 Auburn St.	40.901	Not Applicable	4,058	
Subtotal - State of Florida Funding			1,109,538	
Total State Financial Assistance			$ 1,109,538	

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

Note A- Basis Of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance (Schedule) includes the federal and state contract and 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 Subpart F of Title 2 U.S. Code of Federal Regulations (CFR), Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Section 215.97, Florida Statutes (Florida Single Audit Act), and Chapter 10.650, Rules of the Auditor General. 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, 2019:

Pass-Through Grantor	Identifying Number	Federal Expenditures
Habitat International	SHOP 2010 - Existing Loans	$ 14,669*
Habitat International	SHOP 2011 - Existing Loans	20,523*
Habitat International	SHOP 2012 - Existing Loans	8,674*
Habitat International	SHOP 2013 - Existing Loans	47,926*
Habitat International	SHOP 2014 - Existing Loans	22,400*
Habitat International	SHOP 2015 - Existing Loans	32,500*
Habitat International	SHOP 2016 - Existing Loans	16,250*
Habitat International	SHOP 2016 - New Loans (25%)	7,500
		170,442
Habitat International	SHOP 2016 - New Grant (75%)	22,500
		$ 192,942

**Represents the balance of a loan from a previous year that the federal government imposes the continuing compliance requirements equaling $162,942.*

Note E - Loans

Habitat has the following loan balances at June 30, 2019:

CFDA Number	Description	Original Loan Amount	Balance at July 1, 2018	New Loans	Payments	Balance at June 30, 2019
14.218	Shady Grove	$ 350,000	$ 350,000	$ -	$ -	$ 350,000
14.218	119th Avenue	23,000	23,000	-	23,000	-
14.218	Palm Avenue	38,000	38,000	-	38,000	-
14.218	Roosevelt Groves/Largo	61,400	61,400	-	61,400	-
14.218	Oak Street	32,500	32,500	-	32,500	-
14.239	Garden Ave Lots	572,759	35,679	-	35,679	-
14.239	Garden Ave Construction	450,000	50,000	-	50,000	-
14.239	1209 N. Garden	28,000	-	28,000	28,000	-
14.239	1211 N Garden	28,000	-	28,000	-	28,000
14.239	1209 Garden Construction	98,334	-	98,334	-	98,334
14.239	1211 Garden Construction	126,506	-	126,506	126,506	-
14.247	SHOP 2010 - Loans	45,778	14,669	-	7,323	7,346
14.247	SHOP 2011 - Loans	46,665	20,523	-	11,208	9,315
14.247	SHOP 2012 - Loans	20,881	8,674	-	5,200	3,474
14.247	SHOP 2013 - Loans	57,416	47,926	-	13,098	34,828
14.247	SHOP 2014 - Loans	25,000	22,400	-	6,760	15,640
14.247	SHOP 2015 - Loans	32,500	32,500	-	-	32,500
14.247	SHOP 2016 - Loans	23,750	16,250	7,500	-	23,750

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 Trustees
Habitat for Humanity of Pinellas County, Inc. and Subsidiaries
St. Petersburg, Florida

We have audited, 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, the consolidated financial statements of Habitat for Humanity of Pinellas County, Inc. and subsidiaries (the Organization) as of and for the year ended June 30, 2019, and the related notes to the consolidated financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated October 14, 2019.

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 combination of deficiencies, in internal control, such that there is a reasonable probability that a material misstatement of the Organization'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.

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 or other matters that are required to be reported under *Government Auditing Standards.*

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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.

Gregory, Sharer & Stuart, P.A.

Gregory, Sharer & Stuart, P.A.

St. Petersburg, Florida
October 14, 2019

Gregory, Sharer & Stuart, P.A.
Certified Public Accountants and Business Consultants

Independent Auditor's Report on Compliance for Each Major Program and Major State Project And Report on Internal Control over Compliance Required by the Uniform Guidance; Section 215.97, Florida Statutes; and Chapter 10.650, Rules of the Auditor General

Board of Trustees
Habitat for Humanity of Pinellas County, Inc. and Subsidiaries
St. Petersburg, Florida

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

We have audited Humanity of Pinellas County, Inc. and subsidiaries (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the State of Florida Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on each of the Organization's major federal programs and major state projects for the year ended June 30, 2019. The Organization's major federal programs and major state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs and major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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); Section 215.97, Florida Statutes; and Chapter 10.650, Rules of the Auditor General. Those standards, the Uniform Guidance, Section 215.97, and Chapter 10.650 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or major state project occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and major state project. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program and Major State Project

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and major state projects for the year ended June 30, 2019.

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Report on Internal Control over Compliance

Management of the Organization 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 the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and major state project, and to test and report on internal control over compliance in accordance with the Uniform Guidance, Section 215.97, and Chapter 10.650, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance, Section 215.97, and Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

Gregory, Sharer & Stuart, P.A.

Gregory, Sharer & Stuart, P.A.

St. Petersburg, Florida
October 14, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified?	____ Yes	X None reported
Noncompliance material to financial statements noted?	____ Yes	X No

Federal Awards

Internal control over major federal programs:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified?	____ Yes	X None reported
Type of auditor's report issued on compliance for major federal awards:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	____ Yes	X No

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grant/Entitlement Grants

Dollar threshold used to distinguish between type A and type B programs	$750,000	
Auditee qualified as low-risk auditee?	X Yes	____ No

State Financial Assistance Projects

Internal control over major projects:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified?	____ Yes	X None reported
Type of auditor's report issued on compliance for state financial assistance projects:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Chapter 10.650, Rules of the Auditor General?	____ Yes	X No

Identification of major state projects:

CFSA Number	Name of Project
40.901	State Housing Initiatives Partnership Program (SHIP)

Dollar threshold used to distinguish between type A and type B programs $300,000

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.

Section IV - State Financial Assistance Findings and Questioned Costs

None reported.

Section V - Other Matters

No summary schedule of prior audit findings is required because there were no prior audit findings related to federal programs.

No Corrective Action Plan is required because there were no findings required to be reported related to federal programs.

There were no items related to state financial assistance that were required to be reported in the management letter as mandated by the Auditor General of the State of Florida.