



# Habitat for Humanity of Pinellas County, Inc. 2009 Financial Highlights

*Prepared by:*

PDR Certified Public Accountants

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**Report of Independent  
Certified Public Accountant**

**Auditors' Report – Unqualified Opinion**

**Report on Internal Control Over Financial Reporting – Unqualified in current year; current year - one significant deficiency**

**Report on Compliance with Requirements Applicable to Each Major Program – Unqualified opinion with no findings**

## Summary Statements of Financial Position June 30, 2009 and 2008



	<u>2009</u>	<u>2008</u>	<u>% Change</u>
<b>Assets</b>			
Cash	\$ 745,980	\$ 646,238	
Cash – temporarily restricted	101,088	130,436	
Assets held in escrow	170,980	136,556	
Residential mortgages, net	468,422	494,849	
Accounts receivable	38,454	12,667	
Unconditional promises to give	92,634	112,466	
Habitat Outlet inventory	63,397	60,343	
Homes under construction	852,038	1,371,622	
Homes awaiting closing	106,862	106,862	
Land for future construction	2,869,471	2,876,047	
Real estate held for investment or resale	311,138	44,950	
Property and equipment, net	93,916	116,653	
Beneficial interest in assets held by others – permanently restricted	20,000	20,000	
Deferred affordable housing note receivable	350,000	350,000	
Other	17,454	19,773	
	<u>\$ 6,301,834</u>	<u>\$ 6,499,462</u>	<u>(3%)</u>
<b>Liabilities</b>			
Accounts payable	\$ 34,896	\$ 108,138	
Accrued liabilities	40,163	33,030	
Other	12,277	13,662	
Escrow deposits	181,679	148,779	
Line-of-credit	147,500	-	
Notes payable	2,354,418	1,722,597	
Deferred	350,000	350,000	
Total liabilities	<u>3,120,933</u>	<u>2,376,206</u>	<u>31%</u>
<b>Net Assets</b>			
Unrestricted	2,944,377	3,838,145	
Temporarily restricted	216,524	265,111	
Permanently restricted	20,000	20,000	
Total net assets	<u>3,180,901</u>	<u>4,123,256</u>	<u>( 23%)</u>
	<u>\$ 6,301,834</u>	<u>\$ 6,499,462</u>	<u>(3%)</u>

## Summary Statements of Activities June 30, 2009 and 2008



	<u>2009</u>	<u>2008</u>	<u>% Change</u>
<b>Revenues</b>			
Contributions	\$ 1,278,793	\$ 1,419,043	
Transfers to homeowners	2,892,989	1,191,233	
Mortgage discount amortization	36,022	38,415	
Sales – Habitat Outlet	385,544	331,245	
Fundraising events – net of direct costs of \$21,857 and \$27,451, respectively	96,301	74,576	
Grants	370,050	417,357	
Other revenue	<u>57,641</u>	<u>66,127</u>	
<b>Total revenues</b>	<u><u>5,117,340</u></u>	<u><u>3,537,996</u></u>	<u>45%</u>
<b>Expenditures:</b>			
Program services:			
Construction and mortgage discounts	5,002,864	3,072,049	
Habitat Outlet	664,733	576,421	
General and administrative	137,291	142,543	
Fundraising	<u>254,807</u>	<u>228,799</u>	
<b>Total expenditures</b>	<u><u>6,059,695</u></u>	<u><u>4,019,812</u></u>	<u>51%</u>
<b>Other changes</b>			
Gain on disposal of assets	-	8,867	
Gain on sale of mortgages	<u>-</u>	<u>129,561</u>	
<b>Decrease in net assets</b>	(942,355)	(343,388)	
<b>Net assets at beginning of year</b>	<u>4,123,256</u>	<u>4,466,644</u>	
<b>Net assets at end of year</b>	<u><u>\$ 3,180,901</u></u>	<u><u>\$ 4,123,256</u></u>	



## Habitat for Humanity of Pinellas County, Inc. 2009 Financial Highlights

### Revenues:

- ◆ Total revenues increased by approximately \$1,600,000 or 45 % from prior year.
- ◆ Cash contributions of approximately \$542,000 decreased \$133,000 or 20% from the prior year. Most of the decline is due to a significant decrease in Corporate contributions compared to prior year. Management has a focused strategy to increase contributions.
- ◆ Total contributions of approximately \$1,279,000 decreased \$140,000 or 10%.
- ◆ Transfers to homeowners of \$2,892,989 increased by approximately \$1,702,000 or 142% from prior year, noting an increase in the total number of homes transferred from 10 in 2008 to 22 in 2009.
- ◆ Fundraising income (net of direct costs) of \$96,301 increased approximately \$22,000 or 29%.
- ◆ Grant revenue of \$370,050 decreased 11% from the prior year.

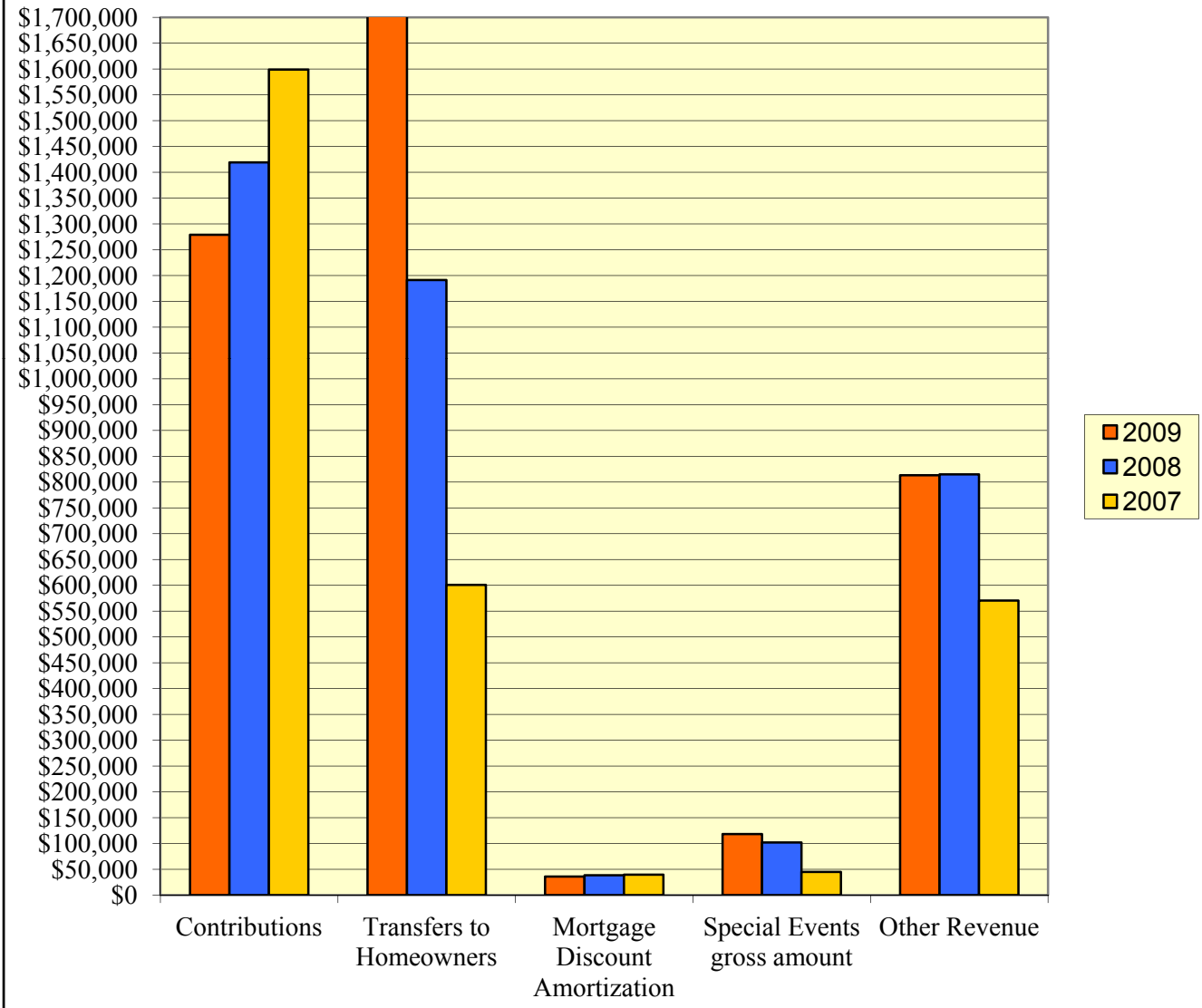
### Expenses:

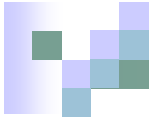
- ◆ Total expenditures of \$6,059,695 increased in comparison to prior year by approximately \$2,000,000 or 50%.
- ◆ Program service costs of \$5,667,597 increased by approximately \$2,000,000, due to an increase in cost of transfers to homeowners.
- ◆ Total salaries of approximately \$1,000,000 increased by \$140,000 or 16 % over prior year.

### Cash Flow:

- ◆ Increase/(decrease) in cash balances of approximately \$70,000 for 2009 vs. (\$520,000) in 2008 – mostly due to an increase in the number of homes transferred in 2009 and a decrease in cash used to purchase land for future construction. The two large land purchases in prior years contain multiple lots that will be developed within the next 3-5 years.
- ◆ Net cash (used in)/provided by operating activities was approximately \$20,000 for 2009 vs. (\$700,000) in 2008, due to an increase in the number of homes transferred in 2009.
- ◆ Net cash used in investing activities was approximately (\$97,000) for 2009 vs. net cash provided by investing activities of approximately \$180,000 in 2008 – due to a change in the sale of mortgages agreement with Northern Trust.

## REVENUE





## Summary of Functional Expenses

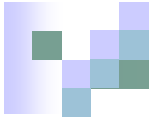


	<u>6/30/2009</u>		<u>6/30/2008</u>		<u>6/30/2007</u>	
Program Services:						
Construction	\$ 5,002,864	83%	\$ 3,072,049	76%	\$ 1,776,955	68%
Habitat Outlet	664,733	11%	576,421	14%	498,668	19%
Total program	5,667,597	94%	3,648,470	90%	2,275,623	87%
Supporting Services:						
General and Administrative	137,291	2%	142,543	4%	139,819	5%
Fundraising	254,807	4%	228,799	6%	210,400	8%
Total supporting services	392,098	6%	371,342	10%	350,219	13%
Total	<u>\$ 6,059,695</u>	<u>100%</u>	<u>\$ 4,019,812</u>	<u>100%</u>	<u>\$ 2,625,842</u>	<u>100%</u>

## Average Cost per Home



	<u>6/30/2009</u>	<u>6/30/2008</u>	<u>6/30/2007</u>
Homes transferred during the year:			
Cost	\$ 3,795,260	\$ 1,676,165	\$ 688,360
Number	<u>23</u>	<u>10</u>	<u>5</u>
Average	<u>\$ 165,011</u>	<u>\$ 167,617</u>	<u>\$ 137,672</u>
Total construction costs during the year	\$ 3,292,473	\$ 2,576,416	\$ 771,842
Cost of homes transferred as % of total construction costs	115%	65%	89%
Total program service costs, net of discounts	\$ 5,086,336	\$ 2,850,130	\$ 1,541,119
Less homes transferred during the year	<u>(3,795,260)</u>	<u>(1,676,165)</u>	<u>(688,360)</u>
Net program costs	<u>\$ 1,291,076</u>	<u>\$ 1,173,965</u>	<u>\$ 852,759</u>
% of net program costs related to homes transferred	\$ 1,488,234	\$ 763,758	\$ 760,525
Cost of homes transferred during the year	<u>3,795,260</u>	<u>1,676,165</u>	<u>688,360</u>
Total estimated cost of homes transferred during the year	<u>\$ 5,283,494</u>	<u>\$ 2,439,923</u>	<u>\$ 1,448,885</u>
Average cost per home transferred	<u>\$ 229,717</u>	<u>\$ 243,992</u>	<u>\$ 289,777</u>

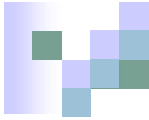


## Average Subsidy Cost per Home



	<u>06/30/09</u>	<u>06/30/08</u>	<u>06/30/07</u>
Subsidy Home Costs	\$ <u>995,330</u>	\$ <u>618,822</u>	\$ <u>175,972</u>
# of Homes Transferred	23	10	5
Subsidy Cost per Home *	\$ <u>43,275</u>	\$ <u>61,882</u>	\$ <u>35,194</u>
Construction costs of homes transferred during the year	\$ 3,795,260	\$ 1,676,165	\$ 88,360
Subsidy of home costs as % of construction costs	26%	37%	26%

**\* Subsidy cost includes in-kind labor and appliances of \$16,155 per home – the subsidy per home net of this is \$27,120 for 2009**



## Management Letter Comments



### Current Year – (Financial Statement Audit)

- **Significant Deficiency**

**No reconciliation of pledge activity between Development and Accounting**

It was noted during our audit that no reconciliation of pledge activity is being done between the general ledger and E-Tapestry.

**Recommendation:**

It is recommended that Habitat reconcile the E-Tapestry reports with accounting records on a monthly basis to ensure all pledge activity is being properly recorded.

***Management Response:***

*Monthly reconciliations are now being done between development and accounting.*

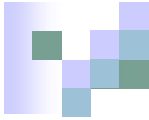
### Prior Year

No issues noted

## Required Communications



- Responsibility Under Auditing Standards
- Planned Scope and Timing of the Audit – performed as communicated
- Significant Accounting Policies – Summarized in Note A
- Accounting Estimates – allocation of expenses by function and asset lives
- Sensitive Disclosures – promises to give and related discount, sale of mortgages, and grants and contract funding
- Passed Audit Adjustments – none
- Audit Adjustments – see attached
- Disagreements with Management – none
- Management Representations – see Management Representation letter
- Consultations with Other Accountants – none
- Issues Discussed Prior to Our Engagement as the Independent Auditors – none
- Difficulties Encountered During Audit – none



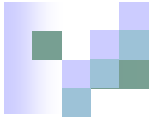
## Summary of Audit Adjustments



### Increase (Decrease)

	Assets	Liabilities/Net Assets	Revenues	Expenses
Net Adjustments	\$ 160,656	\$ (6,184)	\$ (133,155)	\$ (21,317)

We proposed 14 adjusting entries related to reclassifications and accruals and 5 of the 14 were provided by the client. The client has agreed to post all of our proposed entries.



## Next Year



### **Steps for Habitat for Humanity of Pinellas County, Inc.**

- Single Audit (OMB A-133) - Testwork will be more comprehensive since the Organization will be building houses and transferring to homeowners
- Document all procedures and processes
- Compliance Officer should be knowledgeable of all aspects of the process. (i.e. homeowner eligibility, calculation of cost of home, Fair Housing Act, reporting requirements)



## Form 990 – Major Changes

*(for 2008 calendar year, or a fiscal year that begins in 2008 and ends in 2009)*

- Form 990 is now primarily an activities report, rather than an accounting report-3/4 of information is non-financial
  - Provides more opportunity for organizations to tell their story
  - Input needed from program staff and management
- New Schedule O for narrative purposes
- New “snapshot” summary page
- Revised governance and compensation sections
- Addresses privacy and security concerns of reporting of officer and director compensation
- Schedules replace unstructured attachments
- Modified schedules for tax-exempt bonds, non-cash contributions, and supplemental financial statements