

***HABITAT FOR HUMANITY OF PINELLAS COUNTY, INC.***

***AUDIT COMMUNICATION  
MEMORANDUM***

***June 30, 2009***



29750 U.S. Hwy. 19 North, Suite 101  
Clearwater, FL 33761

September 14, 2009

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

We have audited the financial statements of Habitat for Humanity of Pinellas County, Inc. for the year ended June 30, 2009, and have issued our report thereon dated September 14, 2009. Professional standards require that we provide you with the following information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 14, 2009. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Habitat for Humanity of Pinellas County, Inc. are described in **Note B** to the financial statements. A new accounting policy became effective December 31, 2008. SFAS 157, *Fair Value Measures*, establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The application of existing policies was not changed during the years ended June 30, 2009 and 2008. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the allocation of expenses by function is based on actual expenditures by program. The majority of expenses are recorded by function at the time they are recorded in the general ledger. Other expenses are allocated utilizing percentages based on management's estimate of time spent between program and support services. We evaluated the key factors and assumptions used to develop the estimate of expenses by function in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of asset lives is based on the useful lives of those assets. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of unconditional promises to give indicates a discount for future pledges. The disclosure is adequate and neutral.
- The disclosure of the sale of mortgages agreement with Northern Trust it provides details of the agreement and proceeds received upon sale. The disclosure is adequate and neutral.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes material misstatements of the financial statements detected as a result of audit procedures. Management has corrected all such misstatements.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 14, 2009.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Board of Directors and management of Habitat for Humanity of Pinellas County, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

**PDR CERTIFIED PUBLIC ACCOUNTANTS**

Client: **54540-001 - Habitat for Humanity of Pinellas County, Inc.**  
 Engagement: **2009 Audit - Habitat for Humanity of Pinellas County, Inc.**  
 Period Ending: **6/30/2009**  
 Trial Balance: **TB**  
 Workpaper: **Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>		<b>2300.02</b>		
CLIENT ENTRY - See Draw to Dunedin				
1501	Construction in Progress		7,530.99	
2430	Mortgages Payable			7,530.99
<b>Total</b>			<b><u>7,530.99</u></b>	<b><u>7,530.99</u></b>
<b>Adjusting Journal Entries JE # 2</b>		<b>2300.02</b>		
CLIENT ENTRY				
1501	Construction in Progress		2,618.60	
2430	Mortgages Payable			2,618.60
<b>Total</b>			<b><u>2,618.60</u></b>	<b><u>2,618.60</u></b>
<b>Adjusting Journal Entries JE # 3</b>		<b>2300.02</b>		
CLIENT ENTRY - refund of fees.				
2430	Mortgages Payable		3,966.00	
4070.05	Other Income:4070.05 · Misc Income			3,966.00
<b>Total</b>			<b><u>3,966.00</u></b>	<b><u>3,966.00</u></b>
<b>Adjusting Journal Entries JE # 4</b>		<b>4700.01</b>		
To remove assets that are under the capitalization policy of \$500				
5620	Program Repairs		2,558.17	
1372	Leasehold Improvements -3071			2,558.17
<b>Total</b>			<b><u>2,558.17</u></b>	<b><u>2,558.17</u></b>
<b>Adjusting Journal Entries JE # 5</b>		<b>4700.01</b>		
To record difference in depreciation				
5260	Program Depr Expense		5,254.60	
7260	Admin Depreciation Exp		4,819.09	
8260	ReStore-Depreciation Expense		2,034.73	
1392	Accumulated Depreciation			12,108.42
<b>Total</b>			<b><u>12,108.42</u></b>	<b><u>12,108.42</u></b>
<b>Adjusting Journal Entries JE # 7</b>		<b>5300.04</b>		
To tie the escrow asset to the liability				
1210	Escrow Advances Receivable		21,411.69	
5750	Subsidy of escrow costs			21,411.69
<b>Total</b>			<b><u>21,411.69</u></b>	<b><u>21,411.69</u></b>
<b>Adjusting Journal Entries JE # 8</b>		<b>5300.04</b>		
To reclassify the credit balance in the expense account				

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 Workpaper: **Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
5750	Subsidy of escrow costs		21,411.69	
4999	Other Income			21,411.69
<b>Total</b>			<b>21,411.69</b>	<b>21,411.69</b>
<b>Adjusting Journal Entries JE # 9</b>		<b>4200.02</b>		
To record reduction of original discount due to Mortgages retired pre-term				
1602	Unamortized Disc on Mortgages		83,472.00	
5270	Program Discount on Mort Issued			83,472.00
<b>Total</b>			<b>83,472.00</b>	<b>83,472.00</b>
<b>Adjusting Journal Entries JE # 10</b>		<b>4200.02</b>		
To record Mortgage Discount Amortization for Current Period				
1602	Unamortized Disc on Mortgages		36,022.00	
4301	Mortgage Disc Amortization			36,022.00
<b>Total</b>			<b>36,022.00</b>	<b>36,022.00</b>
<b>Adjusting Journal Entries JE # 11</b>		<b>4225.01</b>		
To record CY Pledges and recognize amort income on PY				
1209A	Pledges Rec- temp restr		12,017.53	
9900	Bad Debt Expense		7,350.00	
4002	Restricted Gifts:4002 · Individuals			15,675.82
4101	Discount amortization			3,691.71
<b>Total</b>			<b>19,367.53</b>	<b>19,367.53</b>
<b>Adjusting Journal Entries JE # 12</b>		<b>6100.01</b>		
To adjust temporarily restricted cash and net assets to actual				
1151	Cash -temp restricted		29,348.65	
3200	Temp. Restricted Net Assets		48,586.91	
1150	Cash-temporarily restricted			29,348.65
3107	Net Assets - Unrestricted			48,586.91
<b>Total</b>			<b>77,935.56</b>	<b>77,935.56</b>
<b>Adjusting Journal Entries JE # 13</b>		<b>4200.05</b>		
To record 2nd mortgage receivable - Smith				
1608	2nd Mortgage Receivable		12,250.00	
4200	Transfers to Homeowners			12,250.00
<b>Total</b>			<b>12,250.00</b>	<b>12,250.00</b>
<b>Adjusting Journal Entries JE # 14</b>		<b>7360.02 &amp; 7150.02</b>		
To reclassify CIP for Super Build Pittsburgh House				
5230	Program Cost of Homes Transfer		12,250.00	
5235	Subsidy of Home Costs		27,888.00	
6215	Special Event Costs			40,138.00
<b>Total</b>			<b>40,138.00</b>	<b>40,138.00</b>



**Habitat**  
for Humanity®  
of Pinellas County

**RECEIVED**

By Denise Evangelisti at 1:15 pm, Sep 16, 2009

3071 118th Avenue North • St. Petersburg, FL 33716  
727.536.4755 • FAX 727.209.2191 • www.PHH.org

September 14, 2009

PDR Certified Public Accountants  
29750 U.S. Hwy 19 North, Suite 101  
Clearwater, FL 33761

We are providing this letter in connection with your audits of the financial statements of Habitat for Humanity of Pinellas County, Inc. as of June 30, 2009 and 2008 and for the periods then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position and the related statements of activities, functional expenses and cash flows of Habitat for Humanity of Pinellas County, Inc. in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation in the financial statements of financial position and the related statements of activities, functional expenses and cash flows in conformity with generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of September 14, 2009 the following representations made to you during your audits.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all assets and liabilities under the Organization's control.
2. We have made available to you all –
  - a) Financial records and related data and all audit or relevant monitoring reports, if any, from funding sources.
  - b) Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.
5. We have agreed to post all adjusting journal entries as proposed by you.

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6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the Organization involving-
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
8. We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others.
9. We have a process to track the status of findings and recommendations.
10. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective actions taken to implement the related recommendations.
11. We have provided our views on the reported finding, conclusion, and recommendation, as well as our planned corrective action, for the report.
12. The Organization has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances.
13. The following have been properly recorded or disclosed in the financial statements:
  - a) Related party transactions including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and related accounts receivable from or payable to related parties.
  - b) Guarantees, whether written or oral, under which the Organization is contingently liable.
  - c) All accounting estimates that could be material to the financial statements, including key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances, consistently applied and adequately disclosed.

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14. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that *near term* means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the Organization vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements. We understand that *concentrations* include individual or group concentrations of customers, suppliers, lenders, products, services, sources of labor or materials, licenses or other rights, or operating areas or markets. We further understand that *severe impact* means a significant financially disruptive effect on the normal functioning of the Organization.
15. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
16. Habitat for Humanity of Pinellas County, Inc. is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
17. There are no:
  - a) Violations or possible violations of laws or regulations and provisions of contracts and grant agreements whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
  - b) We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with generally accepted accounting principles, and we have not consulted a lawyer concerning litigation, claims, or assessments.
  - c) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by generally accepted accounting principles.
  - d) Designations of net assets disclosed by you that were not properly authorized and approved, or reclassifications of net assets that have not been properly reflected in the financial statements.
18. The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as made known to you and disclosed in the notes to the financial statements.

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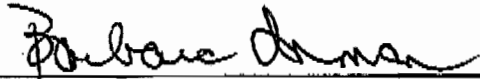
19. We have compiled with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.
20. As part of the audit, you assisted with the preparation of financial statements and related notes and schedule of expenditures of federal awards. We have provided you all current year fixed asset additions and retirements. Further, we contend that the years and methods used to depreciate all assets are appropriate under GAAP and/or tax regulations.
21. In regards to any accounting assistance performed by you, we have:
  - a) Made all management decisions and performed all management functions.
  - b) Designated an individual with suitable skills, knowledge, or experience to oversee the services.
  - c) Evaluated the adequacy and results of the services performed.
  - d) Accepted responsibility for the results of the services.
  - e) Established and maintained effective internal controls, including monitoring ongoing activities.
22. With respect to federal award programs:
  - a) We are responsible for complying and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
  - b) We have, in accordance with OMB Circular A-133, prepared the schedule of expenditures of federal awards and included in the schedule expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.

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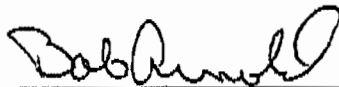
- c) We are responsible for complying with, and have complied with in all material respects, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
- d) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provide reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in internal control over compliance or other factors to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to internal control deficiencies reported in the schedule of findings and questioned costs.
- e) We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to federal programs.
- f) We have received no requests from a federal agency to audit one or more specific programs as a major program.
- g) We have complied, in all material respects, with the compliance requirements, including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards including those resulting from other audits or program reviews.
- h) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-122, *Cost Principles for Nonprofit Organizations*.
- i) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- j) We have made available to you all documentation relating to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- k) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
- l) We have charged costs to federal awards in accordance with applicable cost principles.

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- m) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
  - n) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133, and we are responsible for preparing and implementing a corrective action plan for each audit finding.
24. No events, including instances of noncompliance, have occurred subsequent to the statement of financial position date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.



Barbara Inman, Executive Director



Bob Arnold, Director of Finance