



Date: July 8, 2003  
 To: Ed Kitchen, City Manager  
 From: Internal Audit  
 Subject: Habitat for Humanity of Greater Greensboro, Incorporated

The Internal Audit Division has performed a program and compliance audit of Habitat for Humanity of Greater Greensboro, Incorporated for the fiscal years ended June 1997 thru June 2001. The purpose of this audit was to verify if any Program Income was generated with City of Greensboro funding and the use of those funds.

*Program Income* is defined as "gross income received by the recipient or a subrecipient directly generated from the use of CDBG, HOME, Bond, Housing Partnership Funds and any other funds used to generate program income." *Gross Income* is defined as "income from the use or rental of real property, owned by the recipient or by a subrecipient, that was constructed or improved with CDBG, HOME, Bond, Housing Partnership and any other funds, less costs incidental to generation of the income."

During the time periods of 1997-2001, the City of Greensboro has funded two development contracts with Habitat to pay only for the infrastructure costs associated with development of the lots where Habitat subsequently built homes for qualified families in the Greensboro area. The table below gives a breakdown of these projects:

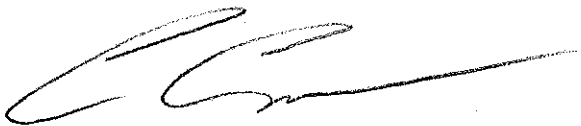
	POPLAR RIDGE	FOX TRAIL
City of Greensboro Funding	\$636,715	\$440,900
# of Lots	67	41
Infrastructure Cost per Lot	\$9,503	\$10,753
Average Cost to Construct	\$67,916	\$74,071
Average Sales Price	\$45,750	\$73,167 (*) \$48,333
Average Tax Value / Appraisal	\$71,239	\$73,167
Average Equity to Homeowners	\$25,489	\$24,834
Average Overhead	\$32,688	\$34,000
Average Attorney Fees	\$0	\$0
Average Loan Interest	\$0	\$0

(\*) Note: Fox Trail properties have a 1<sup>st</sup> and 3<sup>rd</sup> Mortgage with Habitat and a 2<sup>nd</sup> with the City of Greensboro. The 2<sup>nd</sup> and 3<sup>rd</sup> Mortgages are forgiven over the life of the loans, if the owners maintain as their primary residence, which translates as more equity going to the homeowners.

We examined documentation on 15% of the houses constructed during this period to support our audit sample. These documents included: closing statements; deeds of trusts; incomes of clients; credit reports; building permits; construction costs; invoices; land costs; overhead schedules; payroll schedules; purchase money notes; mortgage receivables and homeownership counseling documents. Habitat's Homeownership Program requires clients that apply to complete counseling; contribute sweat equity to building a home and be employed. These homeowners then are able to purchase a home and sign a purchase money note directly with Habitat with no interest charges or loan origination fees. Additionally they are not charged any attorney fees as this is done pro bono.

Attached you will find a spreadsheet that sets out the details of the transactions sampled as part of this audit. As you will note, the net costs to the buyers of Habitat homes is less than \$50,000. Funding sources from the City of Greensboro were a combination of federal Section 108 and HOME funds and Local Single Family Bond Funds. Based on our review, it appears that the cost of construction, land and overhead expenses exceeds the income generated from the sales of the homes sampled; consequently, no program income was generated. It also appears that the contracts with funding from the City were properly spent on infrastructure with no exceptions noted.

We would like to thank Ms. Sheryl Wall, Accountant and the staff of Habitat for Humanity for their courtesy and cooperation shown us during this audit. If there are any questions or comments concerning the details of this audit, we can be reached at 373-2821.



Len Lucas  
Acting Internal Audit Director

Cc: Mitchell Johnson, Assistant City Manager  
Ben Brown, Assistant City Manager for Economic Development  
Bob Morgan, Assistant City Manager  
Andy Scott, Director of Housing & Community Development  
Linda Miles, City Attorney  
Bob Kelly, President and Executive Director of Habitat for Humanity of Greater Greensboro, Inc.

### Habitat for Humanity Program Income Audit Spreadsheet

Job #	Address	Year Built	# of BR	Hard Costs	Land Costs	Overhead	Total Costs	Forgivable Loans	Sales Price	Purchase Money Notes	Profit / (Loss)**	Infrastructure Paid by City	Appraised/ Tax Value
88	4204 McKee-Huger Dr.	97	3	\$32,966.27	\$ 2,151.00	\$ 31,500.00	\$ 66,617.27	\$ -	\$ 43,000.00	\$ 42,815.00	\$ (23,617.27)	\$ 9,370.00	\$70,900.00
114	706 Sharing Terrace	98	3	\$33,488.88	\$ 2,151.00	\$ 32,000.00	\$ 67,639.88	\$ -	\$ 43,000.00	\$ 42,905.00	\$ (24,639.88)	\$ 9,370.00	\$70,200.00
116	3 Dan Hughes Court	98	3	\$27,680.54	\$ 2,151.00	\$ 32,000.00	\$ 61,831.54	\$ -	\$ 43,000.00	\$ 42,905.00	\$ (18,831.54)	\$ 9,370.00	\$70,400.00
124	712 Sharing Terrace	98	3	\$27,012.27	\$ 2,151.00	\$ 32,000.00	\$ 61,163.27	\$ -	\$ 45,000.00	\$ 44,907.00	\$ (16,163.27)	\$ 9,370.00	\$78,200.00
125	714 Sharing Drive	99	3	\$31,741.84	\$ 2,151.00	\$ 33,000.00	\$ 66,892.84	\$ -	\$ 47,000.00	\$ 46,898.00	\$ (19,892.84)	\$ 9,370.00	\$68,300.00
137	606 Sharing Trace	99	3	\$33,699.87	\$ 2,151.00	\$ 33,000.00	\$ 68,850.87	\$ -	\$ 47,000.00	\$ 46,870.00	\$ (21,850.87)	\$ 9,370.00	\$70,400.00
141	614 Sharing Terrace	00	3	\$29,480.41	\$ 2,151.00	\$ 34,000.00	\$ 65,631.41	\$ -	\$ 49,000.00	\$ 48,933.00	\$ (16,631.41)	\$ 9,370.00	\$71,400.00
154	4201 Joy Ann Terrace	00	3	\$36,104.52	\$ 2,151.00	\$ 34,000.00	\$ 72,255.52	\$ -	\$ 49,000.00	\$ 48,907.00	\$ (23,255.52)	\$ 9,370.00	\$70,100.00
161	8 St. James Court *	00	2	\$29,775.50	\$ 6,239.00	\$ 34,000.00	\$ 70,014.50	\$24,999.65	\$ 74,000.00	\$ 73,999.65	\$ (21,014.15)	\$ 10,753.65	\$74,000.00
167	1 St. John Court *	01	3	\$33,987.76	\$ 6,239.00	\$ 34,000.00	\$ 74,226.76	\$24,483.65	\$ 71,500.00	\$ 71,483.65	\$ (27,210.41)	\$ 10,753.65	\$71,500.00
196	4002 Holts Chapel Rd. *	01	3	\$37,005.20	\$ 6,239.00	\$ 34,000.00	\$ 77,244.20	\$24,999.65	\$ 74,000.00	\$ 73,999.65	\$ (28,243.85)	\$ 10,753.65	\$74,000.00
<p><b>* Note: These three properties have three (3) Purchase Money Notes/Mortgages signed by the homeowners. The 1st and 3rd Mortgages are with Habitat and the 2nd is with the City of Greensboro.</b></p> <p><b>Both the 2nd and 3rd Mortgages will be forgiven over the life of the loans if the owners maintain as their primary residence.</b></p> <p><b>** Profit/(Loss) equals (sales price - forgivable loans) - total costs. The sales price cannot exceed the sum of all the mortgages on the property.</b></p>													