

HABITAT FOR HUMANITY
OF COLLIER COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT THEREON
YEARS ENDED JUNE 30, 2016 AND 2015

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
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YEARS ENDED JUNE 30, 2016 AND 2015

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PART I

Consolidated Financial Statements and Schedule of Expenditures of Federal Awards

ROGERS WOOD HILL STARMAN & GUSTASON

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INDEPENDENT AUDITOR'S REPORT

To the Audit Committee and Board of Directors of
Habitat for Humanity of Collier County, Inc. and Subsidiary
Naples, Florida

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Habitat for Humanity of Collier County, Inc. (a nonprofit organization) and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the 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 entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Collier County, Inc. and Subsidiary as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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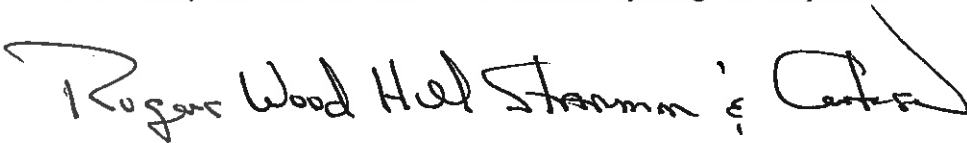
INDEPENDENT AUDITOR'S REPORT, continued

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 10, 2016 on our consideration of Habitat for Humanity of Collier County Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Habitat for Humanity of Collier County Inc.'s internal control over financial reporting and compliance.



ROGERS WOOD HILL STARMAN & GUSTASON, P.A.
Certified Public Accountants & Advisors
October 10, 2016

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 3,378,213	\$ 5,354,137
Investments	4,347,278	-
Grants receivable	777,828	288,285
Promises to give	2,808,494	2,995,994
Pledges receivable, net	2,848,124	-
Other assets	918,312	428,980
Mortgage notes receivable, net	43,451,253	40,514,997
Houses under construction	11,186,664	4,807,309
Houses available for sale	1,273,128	613,062
Land held for development	15,815,118	21,610,894
Property and equipment, net	3,934,294	3,890,297
	<u>\$ 90,738,706</u>	<u>\$ 80,503,955</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 2,006,949	\$ 941,770
Escrow deposits from homeowners	1,977,395	1,409,604
Due to homeowner associations	378,700	445,783
Notes payable	2,381,783	4,457,199
	<u>6,744,827</u>	<u>7,254,356</u>
Net assets:		
Unrestricted	75,970,358	69,285,928
Unrestricted - board designated	134,103	45,874
Investment in property and equipment	3,934,294	3,890,297
	<u>80,038,755</u>	<u>73,222,099</u>
Temporarily restricted	3,955,124	27,500
Permanently restricted	-	-
	<u>83,993,879</u>	<u>73,249,599</u>
Total net assets	<u>\$ 90,738,706</u>	<u>\$ 80,503,955</u>
Total liabilities and net assets	<u>\$ 90,738,706</u>	<u>\$ 80,503,955</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES AND SUPPORT:				
Contributions	\$ 8,970,602	\$ 3,955,124	\$ -	\$ 12,925,726
In-kind contributions	564,470	-	-	564,470
Sales of completed homes (net of mortgage discounts on homes sold totaling approximately \$8,534,000)	5,735,931	-	-	5,735,931
Amortization of mortgage discounts	3,070,081	-	-	3,070,081
Grants	1,393,489	-	-	1,393,489
Thrift shop revenue	1,420,325	-	-	1,420,325
Other revenue	182,036	-	-	182,036
Total operating revenue and support - before releases from restrictions	21,336,934	3,955,124	-	25,292,058
Net assets released from restrictions	27,500	(27,500)	-	-
Total operating revenues and support	21,364,434	3,927,624	-	25,292,058
OPERATING EXPENSES:				
Program services	16,174,484	-	-	16,174,484
Management and general	737,154	-	-	737,154
Fundraising	475,347	-	-	475,347
Thrift shop	872,248	-	-	872,248
Total expenses	18,259,233	-	-	18,259,233
OPERATING INCREASE IN NET ASSETS	3,105,201	3,927,624	-	7,032,825
NON-OPERATING ACTIVITIES:				
Gain on sale of land	2,511,099	-	-	2,511,099
Gain on sale of mortgages	1,200,356	-	-	1,200,356
NON-OPERATING INCREASE IN NET ASSETS	3,711,455	-	-	3,711,455
CHANGE IN NET ASSETS	6,816,656	3,927,624	-	10,744,280
NET ASSETS - BEGINNING OF YEAR	73,222,099	27,500	-	73,249,599
NET ASSETS - END OF YEAR	\$ 80,038,755	\$ 3,955,124	\$ -	\$ 83,993,879

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING REVENUES AND SUPPORT:				
Contributions	\$ 8,325,313	\$ 27,500	\$ -	\$ 8,352,813
In-kind contributions	341,234	-	-	341,234
Sales of completed homes (net of mortgage discounts on homes sold totaling approximately \$7,070,000)	5,245,605	-	-	5,245,605
Amortization of mortgage discounts	3,109,186	-	-	3,109,186
Grants	1,143,035	-	-	1,143,035
Thrift shop revenue	1,299,289	-	-	1,299,289
Other revenue	120,916	-	-	120,916
Total operating revenue and support - before releases from restrictions	19,584,578	27,500	-	19,612,078
Net assets released from restrictions	-	-	-	-
Total operating revenues and support	19,584,578	27,500	-	19,612,078
OPERATING EXPENSES:				
Program services	16,243,598	-	-	16,243,598
Management and general	680,007	-	-	680,007
Fundraising	464,721	-	-	464,721
Thrift shop	481,233	-	-	481,233
Total expenses	17,869,559	-	-	17,869,559
OPERATING INCREASE (DECREASE) IN NET ASSETS	1,715,019	27,500	-	1,742,519
NON-OPERATING ACTIVITIES:				
Loss on sale of asset	(74,000)	-	-	(74,000)
Gain on sale of mortgages	438,821	-	-	438,821
NON-OPERATING INCREASE IN NET ASSETS	364,821	-	-	364,821
CHANGE IN NET ASSETS	2,079,840	27,500	-	2,107,340
NET ASSETS - BEGINNING OF YEAR	71,142,259	-	-	71,142,259
NET ASSETS - END OF YEAR	\$ 73,222,099	\$ 27,500	\$ -	\$ 73,249,599

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Thrift Shop</u>	<u>Total Expenses</u>
Advertising	\$ -	\$ -	\$ 89,363	\$ 16,591	\$ 105,954
Auto	87,091	9,677	-	81,378	178,146
Cost of homes sold	13,222,571	-	-	-	13,222,571
Depreciation	54,371	22,655	10,572	63,433	151,031
Donated property improvements	27,500	-	-	-	27,500
Family services	41,622	-	-	-	41,622
Habitat International	225,000	-	-	-	225,000
Insurance	131,545	63,651	4,243	12,730	212,169
Interest	-	52,660	-	-	52,660
Merchandise	-	-	-	2,732	2,732
Occupancy	55,524	24,228	21,200	180,195	281,147
Office expenses	300,784	53,079	66,148	99,010	519,021
Printing and postage	18,194	2,022	61,173	892	82,281
Professional fees	68,123	120,675	1,946	3,893	194,637
Salaries and benefits	1,857,018	374,615	209,698	407,051	2,848,382
Taxes, real estate	41,814	5,227	5,227	-	52,268
Telephone	43,327	8,665	5,777	4,343	62,112
	<u>\$ 16,174,484</u>	<u>\$ 737,154</u>	<u>\$ 475,347</u>	<u>\$ 872,248</u>	<u>\$ 18,259,233</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Thrift Shop</u>	<u>Total Expenses</u>
Advertising	\$ -	\$ -	\$ 80,480	\$ 25,246	\$ 105,726
Auto	89,286	9,921	-	66,829	166,036
Cost of homes sold	13,708,928	-	-	-	13,708,928
Depreciation	45,176	18,823	8,784	52,705	125,488
Family services	21,964	-	-	-	21,964
Habitat International	225,755	-	-	-	225,755
Insurance	134,225	64,948	4,330	12,990	216,493
Interest	-	96,947	-	-	96,947
Merchandise	-	-	-	3,936	3,936
Occupancy	61,912	27,016	23,639	18,972	131,539
Office expenses	159,111	28,078	82,505	61,590	331,284
Printing and postage	12,861	1,429	76,185	497	90,972
Professional fees	45,275	80,202	1,294	2,587	129,358
Salaries and benefits	1,663,003	340,615	177,712	235,030	2,416,360
Taxes, real estate	42,564	5,320	5,320	-	53,204
Telephone	33,538	6,708	4,472	851	45,569
	<u>\$ 16,243,598</u>	<u>\$ 680,007</u>	<u>\$ 464,721</u>	<u>\$ 481,233</u>	<u>\$ 17,869,559</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2016

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 10,744,280	\$ 2,107,340
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	151,031	125,488
Gain on sale of mortgages	(726,693)	-
Gain on paid-off and foreclosed mortgages	(473,663)	(411,974)
Loss on sale of donated asset	-	74,000
Gain on sale of land	(2,511,099)	-
Amortization of mortgage discount	(3,070,081)	(3,109,186)
Discounts on sales	7,062,969	7,070,205
Face value of mortgages issued	(12,243,633)	(12,037,692)
Repossessed homes	821,133	775,982
(Increase)/decrease in:		
Grants receivable	(489,543)	419,955
Promises to give	(2,660,624)	(734,494)
Other assets	(489,332)	80,749
Houses available for sale	(660,066)	763,800
Houses under construction	(3,868,256)	(124,698)
Land and improvements	5,795,776	876,724
Increase/(decrease) in:		
Accounts payable and accrued expenses	1,065,179	246,377
Due to homeowner associations	(67,083)	278,945
Escrow deposits from homeowners	567,791	132,684
Net cash used by operating activities	<u>(1,051,914)</u>	<u>(3,465,795)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(4,347,278)	-
Purchases of property and equipment	(202,182)	(142,992)
Mortgage loan collections	3,824,756	3,694,161
Proceeds from sales of mortgage loans, net	1,876,110	-
Net cash provided by investing activities	<u>1,151,406</u>	<u>3,551,169</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	17,812	2,279,958
Principal payments on notes payable	(2,093,228)	(530,342)
Net cash provided (used by) financing activities	<u>(2,075,416)</u>	<u>1,749,616</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,975,924)	1,834,990
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>5,354,137</u>	<u>3,519,147</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,378,213</u>	<u>\$ 5,354,137</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS, continued
YEARS ENDED JUNE 30, 2015 AND 2016

	<u>2016</u>	<u>2015</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u>\$ 52,660</u>	<u>\$ 96,947</u>
NON-CASH INVESTING AND FINANCING TRANSACTIONS		
Contributions of securities at fair market value	<u>\$ 538,142</u>	<u>\$ 656,141</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2016 AND 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Habitat for Humanity of Collier County, Inc. (the "Organization"), was incorporated in 1978 as an interdenominational organization for the purpose of working with economically disadvantaged people, helping them create a better environment in which to live. The Organization, using contributions and volunteer labor, constructs houses and sells them to low-income persons in Collier County, Florida at a price that approximates cost.

The Organization pursues its mission by building and rehabilitating homes using donated supplies, volunteer labor, contributed funds, and properties. The Organization then sells these homes for a price that is less than market value to pre-selected, low-income families. These families provide 300-500 hours of work as their investment in the home for which they have been chosen. The contributions of supplies, labor, cash and properties enable the Organization to provide these families with no-interest financing. Monthly principal payments from families who buy homes from the Organization are added to the pool of resources used to build more homes for more families in need.

Consolidation

The consolidated financial statements include the accounts of the Organization and its wholly owned subsidiary, HFHCC Funding Company I, LLC, which was incorporated under the laws of the state of Florida on April 24, 2015, for the purpose of securitizing mortgage notes. All significant intercompany transactions and balances have been eliminated in consolidation.

Basis of Accounting

The consolidated accounts of the Organization are maintained, and the accompanying consolidated financial statements have been prepared, on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recorded when the obligation is incurred.

Financial Statement Presentation

Net assets and revenues, gains and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted - Resources over which the board of directors had discretionary control.

Temporarily Restricted - Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time.

Permanently Restricted - Those resources subject to donor imposed restrictions that they be maintained permanently by the Organization.

Liquidity

Assets are presented in the accompanying consolidated statement of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted bank and similar deposits, demand accounts, money market funds and short-term investments with an original maturity of three months or less to be cash equivalents, except those held for long-term investment. The Organization maintains bank accounts with balances, which, at times may exceed federally insured limits.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2016 AND 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES - continued

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions are reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time or use restriction. However, restricted contributions whose restrictions are met in the same reporting period are shown as unrestricted support.

Contributed Goods and Services

Many individuals volunteer their time and perform a variety of tasks that assist the Organization in its program services, thrift shop, and fundraising campaigns. The Organization received more than 50,000 volunteer hours both years. The volunteer hours are not reflected in the consolidated financial statements since the services do not meet the criteria for recognition.

Donations of investments are recorded at fair market value on the date received. Donations of inventory items held for resale are recognized when sold because the Organization does not have an objective measurement basis for determining fair value.

Federal Grants

The Organization receives funding from several federal financial assistance programs that supplement its traditional funding sources. Habitat recognizes the awards as grant revenues as the expenditures stipulated in the grant agreement have been incurred and requests for reimbursements have been submitted. Funds not utilized are required to be maintained in separate bank accounts.

Revenue Recognition and Sales

Sales of completed houses are accounted for under the deposit method because the Organization continues to have obligations with respect to the property. Under the deposit method, no gain or receivable is recognized until closing and any payments received from the potential buyers are recorded as liabilities.

Escrow Reserves

The Organization services the mortgages on homes the Organization sells. Included in cash are amounts received from homeowners for insurance and property taxes (escrow funds). These amounts will be used to pay amounts as they become due. A corresponding liability is included in accounts payable and escrow reserves in the accompanying consolidated statement of financial position.

Investments

Investments are initially recorded at cost, if purchased, or, if donated, at fair market value on the date received. Investment securities are reflected at market value and realized and unrealized gains and losses are recognized as changes in unrestricted net assets, unless restricted by the donor, in which case the amounts are reflected as temporarily restricted until expended according to the donors' stipulations.

Construction Costs

House costs consist of land and direct construction costs. The value of donated labor related to building construction is not recorded, because the houses that Habitat builds are transferred at a price lower than market for mortgages, which are financial assets that do not meet the criteria for recognition.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2016 AND 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES - continued

Property and Equipment

Property and equipment is carried at cost or, if donated, at the approximate fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire land, buildings or equipment are reported as temporarily restricted support.

Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service or purchased and reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment is depreciated using the straight-line method calculated over the estimated useful lives of five to thirty-nine years. All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of the assets are capitalized.

Land and Land Improvements and Houses under Construction

Land and land improvements and houses under construction are carried at cost and represent land available for current and future development, developed lots, direct and indirect costs of housing construction, in fulfillment of the Organization's mission. Real estate assets are evaluated for impairment if impairment indicators are present. An impairment write-down to fair value less costs to sell occurs when management believes that events or changes in circumstances indicate that its carrying amount may not be recoverable. Land and development costs associated with homes under construction are included in homes under construction in the accompanying consolidated statement of financial position.

Mortgage Notes Receivable

Mortgage notes receivable entered into at rates substantially below market rates are discounted to net present value. The discounts are recorded at the inception of the mortgage and amortized over the life of the contract. Interest accrued at stated rates and discount amortization is reported as amortization income in the period accrued or amortized.

Allowance for Credit Losses

The Organization's allowance for credit losses is that amount considered adequate to absorb probable losses in the portfolio based on management's evaluations of the size and current risk characteristics of the mortgage notes receivable portfolio. Such evaluations consider historical information and experience with clients. Specific allowances for credit losses are established for large impaired notes on an individual basis. A note is considered impaired when, based on current information and events, it is probable that the Organization will be unable to collect the scheduled payments when due according to the contractual terms of the promissory note. The specific allowances established for these loans are based on a thorough analysis of the most probable source of repayment, including the estimated fair value of the underlying collateral. General allowances are established for loans that can be grouped into pools based on similar characteristics.

The Organization maintains a separate general valuation allowance for homogeneous portfolio segments. These portfolio segments and their risk characteristics are described as follows:

First mortgages - The degree of risk on residential mortgage lending is minimal due to the fact that all first mortgages are secured by property with fair values that management believes exceed the uncollected balances. As such, no allowance has been established for first mortgages as of June 30, 2016 or 2015.

All other real estate - All other real estate loans include second mortgage notes, third mortgage notes and deed restrictions. These notes only become collectible if the houses are sold within a defined period. Income from these mortgages is recognized as the cash is collected. Due to the uncertainty of these mortgages, they represent a greater risk than first mortgage loans and are fully reserved upon the initial recording of the note.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2016 AND 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES - continued

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income (UBTI) would be taxable.

The Organization follows the policy that clarifies the accounting for uncertainty in income taxes recognized in an organization's consolidated financial statements. The policy prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized.

The Organization determined it has no uncertain tax positions. The Organization files as a tax-exempt organization. As of June 30, 2016, its 2013 through 2015 fiscal year tax returns are open for examination by the IRS.

Functional Allocation of Expenses

The costs of providing various supports to the Organization operations, as well as other management and general activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year consolidated financial statements.

NOTE 2 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 1,803,546	\$ 1,803,546
Buildings	2,799,413	2,663,343
Vehicles	393,143	353,988
Office equipment	<u>210,545</u>	<u>204,104</u>
	5,206,647	5,024,981
Less: accumulated depreciation	<u>(1,272,353)</u>	<u>(1,134,684)</u>
Total property and equipment, net	<u>\$ 3,934,294</u>	<u>\$ 3,890,297</u>

For the year ended June 30, 2016 and 2015 depreciation expense was \$151,031 and \$125,488, respectively.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2016 AND 2015

NOTE 3 - HOUSES UNDER CONSTRUCTION

Houses under construction consist of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Houses under construction	\$ 11,306,664	\$ 4,927,309
Less: impairment from land transferred and unsold	(120,000)	(120,000)
	<u>\$ 11,186,664</u>	<u>\$ 4,807,309</u>

NOTE 4 - LAND AND LAND IMPROVEMENTS

Land and land improvements consist of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land and land improvements	\$ 15,815,118	\$ 21,610,894
Less: impairment	-	-
	<u>\$ 15,815,118</u>	<u>\$ 21,610,894</u>

NOTE 5 - PROMISES TO GIVE

Promises to give are comprised of contributions receivable in fiscal year 2016 and 2015 from various Collier County, Florida businesses in connection with the State of Florida Community Contribution Tax Credit Program. Payments are generally received in the first six months of the year succeeding the year of the gift. Promises to give also contain the final distribution to be received from the Barbara W. Moore Terminating Trust.

Management believes all of the promises to give are fully collectible. Accordingly, no allowance for uncollectible promises to give have been recorded.

NOTE 6 - PLEDGES RECEIVABLE, NET

Pledges receivable, net consist of unconditional promises to give received as a result of the 2016 land campaign and are due as follows:

<u>Year ending June 30</u>	
2017	\$ 1,896,000
2018	663,000
2019	<u>334,000</u>
	2,893,000
Less: unamortized discount	(44,876)
Total	<u>\$ 2,848,124</u>

Management believes all of the pledges receivable are fully collectible. Accordingly, no allowance for uncollectible pledges receivable have been recorded.

NOTE 7 - FIRST MORTGAGE NOTES RECEIVABLE, NET

Mortgage notes secured by houses sold are non-interest bearing and have original terms of eighteen to thirty years. Interest is imputed at market rates at the date of the note and amortized over the term of the note using the interest method. The mortgage discount rates utilized for calculating the mortgage discounts range from 6% to 9%. The receivable and discounts are as follows at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Mortgage notes receivable	\$ 91,055,510	\$ 85,610,931
Less: unamortized discounts	(47,604,257)	(45,095,934)
	<u>\$ 43,451,253</u>	<u>\$ 40,514,997</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2016 AND 2015

NOTE 7 - FIRST MORTGAGE NOTES RECEIVABLE, NET, continued

The following table shows the homogeneous loan portfolio segments allocated by payment activity. 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, at June 30, 2016:

Payment Activity	Consumer Credit Risk Profile by Payment Activity		
	First Mortgages	All Other Real Estate	Total
Performing	\$ 91,055,510	\$ -	\$ 91,055,510
Non-performing	-	-	-
Total	<u>\$ 91,055,510</u>	<u>\$ -</u>	<u>\$ 91,055,510</u>

The following table shows an aging analysis of the mortgages by days past due:

	June 30, 2016			
	Current	30-89 Days Past Due	90 Days or More Past Due	Total
First mortgages	\$ 90,993,220	\$ 41,823	\$ 20,467	\$ 91,055,510

Maturities of first mortgage notes receivable are summarized as follows:

Amounts due in :	2016	2015
Less than one year	\$ 7,741	\$ 3,529
One to five years	54,867	806,057
Thereafter	90,992,902	84,801,345
Total	<u>\$ 91,055,510</u>	<u>\$ 85,610,931</u>

At June 30, 2016 and 2015, the Organization was servicing approximately 577 and 560 loans, which it had sold to various banks. Under the sales 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 is delinquent more than 90 days, the Organization is required to replace the loan with a similar loan (amount and terms) or repurchase the non-performing loan.

The balance of the sold mortgages as of June 30, 2016 and 2015 was approximately \$23,379,000 and \$20,900,000, respectively. The Organization obtains a second mortgage from each homeowner for the difference between the estimated fair value of the house and the purchase price. The second mortgage, which is forgiven over the term of the first mortgage, is assumed to have no economic value and, accordingly, is not recognized in the Organization's financial statements.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	2016	2015
Land Campaign	\$ 3,955,124	\$ -
Trail Ridge improvements	-	27,500
Total temporarily restricted assets	<u>\$ 3,955,124</u>	<u>\$ 27,500</u>

NOTE 9 - INVESTMENTS

Investments consist of the following:

	Cost 2016	Fair Market Value 2016
Money market account	\$ 18,005	\$ 18,005
US Treasury Bills	4,241,620	4,244,177
Certificate of deposit	85,096	85,096
Total investments	<u>\$ 4,344,721</u>	<u>\$ 4,347,278</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2016 AND 2015

NOTE 10 - NOTES PAYABLE

Notes payable consist of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Secured note payable to The Northern Trust Company; loan is collateralized by the first mortgage receivables owned by the Organization's subsidiary, bearing interest at 0% per annum, payable in monthly installments of \$5,809. Maturity at August 1, 2044. See Note 17 for additional information.	\$ 1,916,132	\$ 1,981,687
Secured note payable to Habitat for Humanity International, Inc.; loan is collateralized by the first mortgage receivables owned by the Organization, bearing interest at 4.75% per annum, payable in quarterly installments of \$44,614. Maturity at June 30, 2022.	-	1,057,733
Secured note payable to Habitat for Humanity International, Inc.; loan is collateralized by the first mortgage receivables owned by the Organization, bearing interest at 4.5% per annum, payable in quarterly installments of \$99,312. Maturity at December 31, 2018.	-	749,802
Secured note payable to First Florida Integrity Bank; loan is collateralized by the first mortgage receivable owned by the Organization, bearing interest at 2.5% per annum, payable in monthly installments of \$4,481; matures at September 30, 2016.	-	63,725
Unsecured note payable to Habitat for Humanity International, Inc., bearing no interest, payable in monthly installments of \$5,625. Initial payment date of July, 2016. Maturity at December 31, 2020.	318,750	318,750
Unsecured note payable to Habitat for Humanity International, Inc., bearing no interest, payable in monthly installments of \$1,171. Initial payment date of July, 2015. Maturity at July 1, 2019.	45,121	52,147
Unsecured note payable to Habitat for Humanity International, Inc., bearing no interest, payable in monthly installments of \$4,207. Initial payment date of July, 2015. Maturity at July 1, 2019.	39,546	89,052
Unsecured note payable to Habitat for Humanity International, Inc., bearing no interest, payable in monthly installments of \$464. Initial payment date of July, 2016. Maturity at July 1, 2020.	22,275	22,275
Unsecured note payable to Habitat for Humanity International, Inc., bearing no interest, payable in monthly installments of \$371. Initial payment date of July, 2016. Maturity at July 1, 2020.	17,484	-
Unsecured note payable to Habitat for Humanity International, Inc., bearing no interest, payable in monthly installments of \$289. Initial payment date of July, 2016. Maturity at July 1, 2020.	13,897	13,897
Unsecured note payable to Habitat for Humanity International, Inc., bearing interest at 2% , payable in monthly installments of \$8,593. Maturity at August 1, 2016.	8,578	108,131
	<u>\$ 2,381,783</u>	<u>\$ 4,457,199</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2016 AND 2015

NOTE 10 - NOTES PAYABLE, continued

Future maturities of principal amounts on the notes payable as of June 30, 2016, are anticipated to be as follows:

<u>Year Ending June 30,</u>	
2017	\$ 203,584
2018	187,701
2019	179,868
2020	167,210
2021	75,828
Thereafter	<u>1,567,592</u>
	<u>\$ 2,381,783</u>

NOTE 11 - LINE OF CREDIT

The Organization has a line of credit with a financial institution in the amount of \$2,500,000. As of June 30, 2016 and 2015, there were no amounts outstanding. The interest rate on the line of credit at June 30, 2016 and 2015, was 3.00%.

NOTE 12 - GRANT REVENUE

For the years ended June 30, 2016 and 2015, the funds earned were as follows:

	<u>2016</u>	<u>2015</u>
Neighborhood Stabilization Program	\$ -	\$ 82,500
Self-Help Homeownership Opportunity Program	53,766	459,440
CDBG - Re-roof grant	143,168	26,560
CDBG - Faith Landing Infrastructure Improvements - grant	-	500,000
CDBG - Legacy Lakes Access Roadway - grant	570,052	74,535
CDBG - Scattered Sites Acquisition	499,900	-
CDBG - Legacy Lakes Wall - grant	126,603	-
Total	<u>\$ 1,393,489</u>	<u>\$ 1,143,035</u>

NOTE 13 - EMPLOYEE BENEFIT PLAN

The Organization has a tax-deferred annuity plan, which covers full time employees of the Organization. Employees are allowed to contribute up to 20% of their salary. The Organization matches contributions to the plan up to 3% of the employee's salary. Employer contributions to the plan were \$46,684 and \$41,092 for the years ended June 30, 2016 and 2015, respectively.

NOTE 14 - FAIR VALUE MEASUREMENTS

The Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2016 AND 2015

NOTE 14 - FAIR VALUE MEASUREMENTS, continued

Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access. Fair values for these instruments are estimated using pricing models or quoted prices of securities with similar characteristics.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

Level 3 - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised value.

Subsequent to initial recognition, the Organization may remeasure the carrying value of assets and liabilities measured on a non-recurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

The Organization's assets measured at fair value on a non-recurring basis are those assets for which the Organization has recorded valuation adjustments and write-offs prior to the year ended June 30, 2015. No amounts were recorded during the year ended June 30, 2016.

The following table presents the fair value hierarchy for the balances of the assets the Organization measured at fair value as of June 30, 2016.

	Fair Value	Level 1	Level 2	Level 3
Houses under construction	\$ 11,186,664	\$ -	\$ 11,186,664	\$ -
Investments	\$ 4,262,182	\$ 4,262,182	\$ -	\$ -
Certificate of Deposit	\$ 85,096	\$ 85,096	\$ -	\$ -

NOTE 15 - RELATED PARTY TRANSACTIONS

The Organization received \$1,223,378 and \$1,180,026 in contributions from Board members during the years ended June 30, 2016 and 2015, respectively. The contributions consisted of \$212,659 in contributed securities and \$1,010,719 in cash contributions for the year ended June 30, 2016. For the year ended June 30, 2015, contributions consisted of \$510,626 in contributed securities and \$669,400 in cash contributions.

The total of these contributions was approximately 14% of total unrestricted contributions for the years ended June 30, 2016 and 2015, respectively.

The Organization remits a portion of its revenues as a tithe to Habitat for Humanity International, Inc. For both the years ended June 30, 2016 and 2015, the Organization remitted \$225,000.

NOTE 16 - CONCENTRATION OF CREDIT RISK - CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Organization maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2016 and 2015 the Organization's uninsured cash balances totaled approximately \$2,000,000 and \$3,500,000, respectively.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2016 AND 2015

NOTE 17 - COMMITMENTS

Securitization Agreement

During the year ended June 30, 2015, the Organization securitized nineteen mortgages representing approximately \$1,990,000 of mortgages receivable from homeowners as part of a note purchase agreement with The Northern Trust Company ("Northern Trust"). As a result of the agreement, the Organization obtained a non-interest bearing loan payable to Northern Trust, using the nineteen mortgages as collateral. The loan matures on August 1, 2044. As of June 30, 2016, the Organization had an outstanding balance due of \$1,916,132, related to this agreement, which is included in notes payable.

In the event a loan purchased or secured is delinquent by more than 60 days with respect to a required payment of principal or interest (a "nonperforming loan"), the Organization will, at Northern Trust's option, replace the nonperforming loan with a substitute loan with a principal balance equal to the repurchase price of such loan or repurchase the nonperforming loan.

NOTE 18 - CONTINGENCIES

Noncompliance

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

NOTE 19 - LEASE OBLIGATION

During the year ended June 30, 2016, the Organization entered into a commercial lease agreement with C&G Properties. The lease is a 5 year lease terminating on October 31, 2020. The contract is for a retail space at 5400 and 5430 Yahl Street to house a thrift store.

Future minimum lease payments required are as follows:

<u>Year</u>	<u>Lease</u>
2017	\$ 67,272
2018	69,292
2019	71,372
2020	73,512
	<u>\$ 281,448</u>

NOTE 20 - SUBSEQUENT EVENTS

Subsequent events were evaluated through October 10, 2016, which is the date the financial statements were available to be issued.

In August 2016, the Organization securitized seventeen mortgages representing approximately \$2,030,000 of mortgages receivable from homeowners as part of a note purchase agreement with The Northern Trust Company ("Northern Trust"). As a result of the agreement, the Organization obtained a non-interest bearing loan payable to Northern Trust, using the seventeen mortgages as collateral.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
and
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Federal</u>	<u>Pass-through Entity and Award</u>	<u>Expenditures</u>
	<u>CFDA</u>	<u>Identification Number</u>	<u></u>
	<u>Number</u>	<u></u>	<u></u>
United States Department of Housing and Urban Development:			
Community Development Block Grant Cluster Passed-through Collier County, Florida			
Re-roofing Project	14.218	Collier County, FL B-11-UC-12-0016/B-14-UC-12-0016	\$ 143,168
Scattered Site Acquisition	14.218	Collier County, FL B-15-UC-12-0016	499,900
Legacy Lakes Wall	14.218	Collier County, FL B-15-UC-12-0016	126,603
Legacy Lakes Access Roadway Infrastructure Project	14.218	Collier County, FL B-14-UC-12-0016	571,299
Total Community Development Block Grant Cluster Passed-through Collier County			<u>1,340,970</u>
Self-Help Homeownership Opportunity Program Passed-through Habitat for Humanity International, Inc. SHOP13	14.247	Habitat for Humanity International, Inc.	71,250
Total Self-Help Homeownership Opportunity Program Passed-through Habitat for Humanity International, Inc.			<u>71,250</u>
Total Expenditures of Federal Awards			<u>\$ 1,412,220</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - JUNE 30, 2016

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pass-through entity identifying numbers are presented where available.

PART II
REPORTS ON COMPLIANCE AND INTERNAL CONTROL

ROGERS WOOD HILL STARMAN & GUSTASON

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Audit Committee and Board of Directors of
Habitat for Humanity of Collier County, Inc. and Subsidiary
Naples, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Habitat for Humanity of Collier County, Inc. and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related consolidated notes to the financial statements, and have issued our report thereon dated October 10, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Habitat for Humanity of Collier County, Inc.'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity of Collier County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Habitat for Humanity of Collier County, Inc.'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 possibility that a material misstatement of the entity's 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during the 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. [2016-001]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Habitat for Humanity of Collier County, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

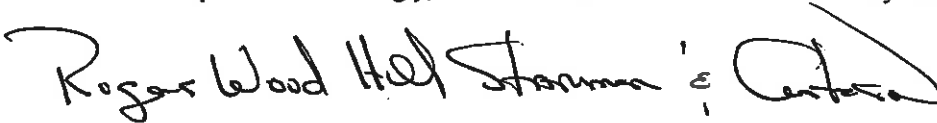
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS, continued

Habitat for Humanity of Collier County, Inc.'s Response to Findings

Habitat for Humanity of Collier County, Inc.'s response to the findings identified in our audit are described in the accompanying corrective action plan. Habitat for Humanity of Collier County, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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 entity'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.

A handwritten signature in black ink that reads "Rogers Wood Hill Starman & Gustason". The signature is written in a cursive, flowing style.

ROGERS WOOD HILL STARMAN & GUSTASON, P.A.
Certified Public Accountants & Advisors
October 10, 2016

ROGERS WOOD HILL STARMAN & GUSTASON

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Audit Committee and Board of Directors of
Habitat for Humanity of Collier County, Inc.
Naples, Florida

Report on Compliance for Each Major Federal Program

We have audited Habitat for Humanity of Collier County, Inc.'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Habitat for Humanity of Collier County Inc.'s major federal programs for the year ended June 30, 2016. Habitat for Humanity of Collier County, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Habitat for Humanity of Collier County, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Habitat for Humanity of Collier County, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Habitat for Humanity of Collier County, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Habitat for Humanity of Collier County, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, continued

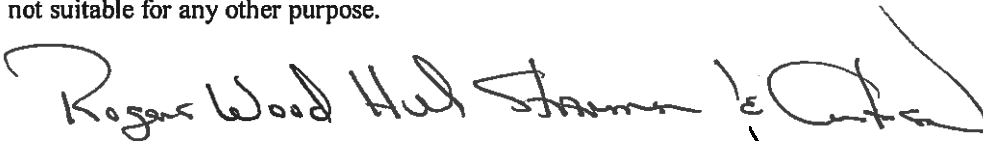
Report on Internal Control over Compliance

Management of Habitat for Humanity of Collier County, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Habitat for Humanity of Collier County, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Habitat for Humanity of Collier County, Inc.'s internal control over compliance.

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

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

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



ROGERS WOOD HILL STARMAN & GUSTASON, P.A.
Certified Public Accountants & Advisors
October 10, 2016