

**HABITAT FOR HUMANITY**  
**OF COLLIER COUNTY, INC. AND SUBSIDIARY**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**WITH INDEPENDENT AUDITOR'S REPORT THEREON**  
**YEARS ENDED JUNE 30, 2018 AND 2017**

# HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY

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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, 2018 and 2017, 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 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 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, 2018 and 2017, 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.

# ROGERS WOOD HILL STARMAN & GUSTASON

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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 9, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Habitat for Humanity of Collier County, Inc.'s 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 9, 2018

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 5,505,776	\$ 5,377,610
Investments	7,855,993	3,889,090
Grants receivable	649,276	150,636
Promises to give	935,000	3,010,000
Pledges receivable, net	495,364	1,555,055
Beneficial interest in assets held by Community Foundation	2,739,196	1,949,600
Other assets	460,745	177,650
Mortgage notes receivable, net	48,982,110	47,050,006
Houses under construction	2,826,979	4,871,727
Houses available for sale	1,131,689	968,539
Land and land improvements held for development	19,510,728	17,399,109
Property and equipment, net	3,849,065	3,839,957
	<u>\$ 94,941,920</u>	<u>\$ 90,238,979</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 1,323,091	\$ 838,990
Deferred grant income	646,074	-
Escrow deposits from homeowners	2,433,469	2,724,252
Due to homeowner associations	141,555	106,345
Notes payable	3,870,861	4,119,781
	<u>8,415,050</u>	<u>7,789,368</u>
Net assets:		
Unrestricted	77,694,909	74,062,383
Unrestricted - board designated	230,171	145,962
Investment in property and equipment	3,849,065	3,839,957
	<u>81,774,145</u>	<u>78,048,301</u>
Temporarily restricted	4,752,726	4,401,310
Permanently restricted	-	-
	<u>86,526,871</u>	<u>82,449,611</u>
	<u>\$ 94,941,920</u>	<u>\$ 90,238,979</u>

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2018**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>OPERATING REVENUES AND SUPPORT:</b>				
Contributions	\$ 9,315,358	\$ 1,442,575	\$ -	\$ 10,757,933
In-kind contributions	325,709	-	-	325,709
Sales of completed homes (net of mortgage and sales discounts on homes sold totaling approximately \$9,970,000)	5,897,760	-	-	5,897,760
Amortization of mortgage discounts	3,509,079	-	-	3,509,079
Grants	1,388,739	700,613	-	2,089,352
Thrift shop revenue	1,495,506	-	-	1,495,506
Other revenue	243,657	-	-	243,657
Investment return	101,066	-	-	101,066
Total operating revenue and support - before releases from restrictions	22,276,875	2,143,188	-	24,420,062
Net assets released from restrictions	1,791,772	(1,791,772)	-	-
Total operating revenues and support	24,068,647	351,416	-	24,420,062
<b>OPERATING EXPENSES:</b>				
Program services	20,801,845	-	-	20,801,845
Management and general	440,793	-	-	440,793
Fundraising	406,907	-	-	406,907
Thrift shop	933,449	-	-	933,449
Total expenses	22,582,994	-	-	22,582,994
OPERATING INCREASE IN NET ASSETS	1,485,652	351,416	-	1,837,068
<b>NON-OPERATING ACTIVITIES:</b>				
Gain on sale of land	34,323	-	-	34,323
Gain on sale of mortgages	2,205,869	-	-	2,205,869
NON-OPERATING INCREASE IN NET ASSETS	2,240,192	-	-	2,240,192
CHANGE IN NET ASSETS	3,725,844	351,416	-	4,077,260
NET ASSETS - BEGINNING OF YEAR	78,048,301	4,401,310	-	82,449,611
NET ASSETS - END OF YEAR	<u>\$ 81,774,145</u>	<u>\$ 4,752,726</u>	<u>\$ -</u>	<u>\$ 86,526,871</u>

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>OPERATING REVENUES AND SUPPORT:</b>				
Contributions	\$ 10,453,156	\$ 446,186	\$ -	\$ 10,899,342
In-kind contributions	344,503	-	-	344,503
Sales of completed homes (net of mortgage and sales discounts on homes sold totaling approximately \$12,726,000)	6,776,223	-	-	6,776,223
Amortization of mortgage discounts	3,293,439	-	-	3,293,439
Grants	104,157	-	-	104,157
Thrift shop revenue	1,382,836	-	-	1,382,836
Other revenue	142,289	-	-	142,289
Investment return	160,862	-	-	160,862
Total operating revenue and support - before releases from restrictions	22,657,465	446,186	-	23,103,651
Net assets released from restrictions	-	-	-	-
Total operating revenues and support	22,657,465	446,186	-	23,103,651
<b>OPERATING EXPENSES:</b>				
Program services	23,449,267	-	-	23,449,267
Management and general	746,455	-	-	746,455
Fundraising	440,269	-	-	440,269
Thrift shop	835,039	-	-	835,039
Total expenses	25,471,030	-	-	25,471,030
<b>OPERATING INCREASE/(DECREASE) IN NET ASSETS</b>	<b>(2,813,565)</b>	<b>446,186</b>	<b>-</b>	<b>(2,367,379)</b>
<b>NON-OPERATING ACTIVITIES:</b>				
Gain on sale of mortgages	1,352,375	-	-	1,352,375
<b>NON-OPERATING INCREASE IN NET ASSETS</b>	<b>1,352,375</b>	<b>-</b>	<b>-</b>	<b>1,352,375</b>
<b>CHANGE IN NET ASSETS</b>	<b>(1,461,190)</b>	<b>446,186</b>	<b>-</b>	<b>(1,015,004)</b>
<b>NET ASSETS - BEGINNING OF YEAR, AS PREVIOUSLY STATED</b>	<b>80,038,755</b>	<b>3,955,124</b>	<b>-</b>	<b>83,993,879</b>
Prior Period Adjustment	(529,264)	-	-	(529,264)
<b>NET ASSETS - BEGINNING OF YEAR, AS RESTATED</b>	<b>79,509,491</b>	<b>3,955,124</b>	<b>-</b>	<b>83,464,615</b>
<b>NET ASSETS - END OF YEAR, RESTATED</b>	<b>\$ 78,048,301</b>	<b>\$ 4,401,310</b>	<b>\$ -</b>	<b>\$ 82,449,611</b>

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2018**  
(With Comparative Totals for 2017)

	2018				Total Expenses	Total 2017 Expenses
	Program Services	Management and General	Fund Raising	Thrift Shop		
Advertising	\$ -	\$ -	\$ 84,229	\$ 74,975	\$ 159,204	\$ 147,229
Auto	112,700	12,522	-	104,875	230,097	191,933
Cost of homes sold	16,685,597	-	-	-	16,685,597	20,133,544
Depreciation	90,303	17,398	7,588	57,278	172,567	156,592
Family services	42,507	-	-	-	42,507	37,259
Habitat International	300,000	-	-	-	300,000	250,000
Insurance	131,260	63,513	4,234	12,703	211,709	178,627
Interest	-	-	-	-	-	86
Occupancy	77,035	33,615	29,413	93,856	233,919	197,395
Office expenses	305,104	53,842	17,595	72,464	449,005	482,938
Printing and postage	46,544	5,172	33,671	3,371	88,757	102,480
Professional fees	144,775	44,660	5,029	10,812	205,276	179,806
Salaries and benefits	2,781,947	196,384	214,286	500,301	3,692,918	3,276,197
Taxes, real estate	41,691	5,211	5,211	-	52,113	86,329
Telephone	42,382	8,476	5,651	2,814	59,323	50,615
<b>Total expenses</b>	<b>\$ 20,801,845</b>	<b>\$ 440,793</b>	<b>\$ 406,907</b>	<b>\$ 933,449</b>	<b>\$ 22,582,994</b>	<b>\$ 25,471,030</b>

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2017**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Thrift Shop</u>	<u>Total Expenses</u>
Advertising	\$ -	\$ -	\$ 89,778	\$ 57,451	\$ 147,229
Auto	105,404	11,712	-	74,817	191,933
Cost of homes sold	20,133,544	-	-	-	20,133,544
Depreciation	56,373	23,489	10,961	65,769	156,592
Family services	37,259	-	-	-	37,259
Habitat International	250,000	-	-	-	250,000
Insurance	110,748	53,588	3,573	10,718	178,627
Interest	-	86	-	-	86
Occupancy	54,360	23,721	20,756	98,558	197,395
Office expenses	328,092	57,899	30,051	66,896	482,938
Printing and postage	32,918	3,658	61,947	3,957	102,480
Professional fees	62,932	111,480	1,798	3,596	179,806
Salaries and benefits	2,173,226	445,119	208,059	449,793	3,276,197
Taxes, real estate	69,063	8,633	8,633	-	86,329
Telephone	35,348	7,070	4,713	3,484	50,615
	<u>\$ 23,449,267</u>	<u>\$ 746,455</u>	<u>\$ 440,269</u>	<u>\$ 835,039</u>	<u>\$ 25,471,030</u>

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 4,077,260	\$ (1,015,004)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	172,567	156,592
Gain on sale of mortgages	(1,888,626)	(891,576)
Gain on paid-off and foreclosed mortgages	(293,549)	(340,231)
Amortization of mortgage discount	(3,509,079)	(3,293,439)
Discounts on mortgages issued	8,008,599	8,557,775
Face value of mortgages issued	(13,582,839)	(14,923,833)
Repossessed homes	523,280	692,253
(Increase)/decrease in:		
Grants receivable	(498,640)	627,192
Promises to give	3,134,691	1,091,563
Other assets	(283,095)	(78,212)
Houses available for sale	(163,150)	304,589
Houses under construction	2,044,748	6,314,937
Land and improvements	(2,111,619)	(1,583,991)
Increase/(decrease) in:		
Accounts payable and accrued expenses	484,101	(1,167,959)
Deferred grant income	646,074	-
Due to homeowner associations	35,210	(272,355)
Escrow deposits from homeowners	(290,783)	746,857
Net cash used by operating activities	<u>(3,494,850)</u>	<u>(5,074,842)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(4,756,499)	(1,155,642)
Proceeds from sale of investments	-	483,104
Purchases of property and equipment	(181,676)	(62,255)
Mortgage loan collections	4,722,476	4,083,984
Proceeds from sales of mortgage loans, net	4,087,635	1,987,050
Net cash provided by investing activities	<u>3,871,936</u>	<u>5,336,241</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	-	1,994,186
Principal payments on notes payable	(248,920)	(256,188)
Net cash provided (used by) financing activities	<u>(248,920)</u>	<u>1,737,998</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	128,166	1,999,397
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>5,377,610</u>	<u>3,378,213</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,505,776</u>	<u>\$ 5,377,610</u>

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF CASH FLOWS, continued

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
NON-CASH INVESTING AND FINANCING TRANSACTIONS		
Contributions of securities at fair market value	<u>\$ 281,216</u>	<u>\$ 315,617</u>

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2018 AND 2017**

**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. Habitat for Humanity of Collier County is part of a global, nonprofit housing organization operated on Christian principles that seeks to put God's love into action by building homes, communities and hope.

The Organization is dedicated to eliminating substandard housing locally and worldwide through constructing, rehabilitating and preserving owner occupied homes; by advocating for fair and just housing policies; and by providing training and access to resources to help families improve their shelter conditions.

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 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.

In providing housing to certain low-income families, homeowners may require additional funding to cover the difference between the final cost of the home constructed and the homeowners' maximum allowed mortgage indebtedness ("Subsidies"). The Organization funds Subsidies through a variety of sources including federal, state and local grants and/or programs. Additionally, when the need determined is beyond the funds from outside the Organization, the Organization will provide its own funds as subsidies. The Subsidies are used to fulfill the Organization's mission and to make the homes affordable for those 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.

**Unrestricted-Board Designated** - Resources over which the board of directors has designated for a particular purpose.

**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, 2018 AND 2017**

**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, requests for reimbursements have been submitted and other significant conditions have been met. Funds not utilized may be 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 statements 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.

**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.

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2018 AND 2017**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES - continued

Land and Land Improvements Held for Development and Houses under Construction

Land and land improvements held for development 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 statements 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 mortgage notes are secured by property with fair values that management believes exceed the uncollected balances. As such, no allowance has been established for first mortgage notes as of June 30, 2018 or 2017.

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

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, 2018, its 2015 through 2017 fiscal year tax returns are open for examination by the IRS.

Functional Allocation of Expenses

The costs of providing various supports to the Organization's 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.

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2018 AND 2017**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES - continued**

**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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land, excludes land held for development	\$ 1,803,546	\$ 1,803,546
Buildings	2,806,243	2,806,243
Vehicles	609,695	444,068
Office equipment	<u>226,594</u>	<u>210,545</u>
	5,446,078	5,264,402
Less: accumulated depreciation	<u>(1,597,013)</u>	<u>(1,424,445)</u>
Total property and equipment, net	<u>\$ 3,849,065</u>	<u>\$ 3,839,957</u>

For the year ended June 30, 2018 and 2017 depreciation expense was \$172,567 and \$156,592, respectively.

**NOTE 3 - LAND AND LAND IMPROVEMENTS HELD FOR DEVELOPMENT**

Land and land improvements held for development consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Land and land improvements	\$ 19,880,468	\$ 17,481,789
Less: accrued mitigation credits and impairment	<u>(369,740)</u>	<u>(82,680)</u>
	<u>\$ 19,510,728</u>	<u>\$ 17,399,109</u>

**NOTE 4 - PROMISES TO GIVE**

Promises to give are comprised of contributions receivable in fiscal year 2018 and 2017 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.

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

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2018 AND 2017**

**NOTE 5 - PLEDGES RECEIVABLE, NET**

Pledges receivable, net consist of unconditional promises to give received as a result of the 2017 land campaign and are due as follows:

<u>Year ending June 30,</u>			
2019	\$	250,000	
Thereafter		250,000	
		<u>500,000</u>	
Less: unamortized discount		(4,636)	
Total	\$	<u><u>495,364</u></u>	

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

**NOTE 6 - 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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Mortgage notes receivable	\$ 103,435,052	\$ 100,041,211
Less: unamortized discounts	(54,452,942)	(52,991,205)
	<u>\$ 48,982,110</u>	<u>\$ 47,050,006</u>

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, 2018:

Payment Activity	Consumer Credit Risk Profile by Payment Activity		
	First Mortgages	All Other Real Estate	Total
	Performing	\$ 103,435,052	\$ -
Non-performing	-	-	-
Total	<u>\$ 103,435,052</u>	<u>\$ -</u>	<u>\$ 103,435,052</u>

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

	June 30, 2018			
	Current	30-89 Days Past Due	90 Days or More Past Due	Total
	Performing mortgages	\$ 102,242,885	\$ 848,074	\$ 344,093

Maturities of first mortgage notes receivable are summarized as follows:

	<u>2018</u>	<u>2017</u>
Amounts due in :		
Less than one year	\$ 2,895	\$ 1,532
One to five years	81,155	58,647
Thereafter	<u>103,351,002</u>	<u>100,031,032</u>
Total	<u>\$ 103,435,052</u>	<u>\$ 100,041,211</u>

At June 30, 2018 and 2017, the Organization was servicing approximately 611 and 620 loans, which it had sold or pledged to various banks. Under the agreements with the banks, the Organization agrees to service all loans in accordance with all applicable federal and state laws and regulations, and customary practices, policies and procedures for servicing residential mortgage loans. Additionally, in the event a loan 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.

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2018 AND 2017

NOTE 6 - MORTGAGE NOTES RECEIVABLE, NET, continued

The balance of the sold or pledged mortgages as of June 30, 2018 and 2017 was approximately \$27,727,000 and \$25,215,000, respectively. The Organization may obtain additional mortgages from a homeowner for the appropriate difference between the estimated fair value of the house and the purchase price. The additional mortgages, may be forgiven over the term of the first mortgage and those forgiven are assumed to have no economic value and, accordingly, are not recognized in the Organization's financial statements. Those additional mortgages, that are not forgiven, are recorded at their net present value.

NOTE 7 - TEMPORARILY RESTRICTED AND DESIGNATED UNRESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	2018	2017
Land Campaign	\$ 4,052,113	\$ 4,236,709
Hurricane Irma grants	700,613	-
Other temporarily restricted net assets	-	164,601
	\$ 4,752,726	\$ 4,401,310

Board designated unrestricted net assets held for a future designation by the Board	\$ 230,171	\$ 145,962
-------------------------------------------------------------------------------------	------------	------------

NOTE 8 - INVESTMENTS

	Cost 2018	Fair Market Value 2018	Cost 2017	Fair Market Value 2017
Investments consist of the following:				
Money market accounts	\$ 5,134,675	\$ 5,134,675	\$ 54,053	\$ 54,053
US Treasury Bills	2,703,769	2,721,318	3,738,720	3,749,775
Certificate of Deposit	-	-	84,985	85,262
Total investments	\$ 7,838,444	\$ 7,855,993	\$ 3,877,758	\$ 3,889,090

NOTE 9 - GRANT REVENUE

For the years ended June 30, 2018 and 2017, the funds earned were as follows:

	2018	2017
Neighborhood Stabilization Program	\$ 857,695	\$ 44,000
CDBG - Faith Landing Phase IV Infrastructure	130,435	-
CDBG - Legacy Lakes Wall	-	1,407
CDBG - Legacy Lakes Access Roadway	-	10,000
Irma Relief Grants Received, incl temp restricted of \$700,613 (*)	1,007,313	-
Self-Help Homeownership Opportunity Program	-	48,750
State Housing Initiatives Partnership	93,909	-
Total	\$ 2,089,352	\$ 104,157

The Organization recognizes the awarded grant revenues as the expenditures stipulated in the grant agreement are incurred. Grants received during 2018 related to projects not yet completed, are shown as deferred grant income on the statement of financial position and will be recognized as income upon completion of their related projects.

(\*) On September 10, 2017, Hurricane Irma hit Southwest Florida where all of the Organization's homes are located. The impact of the Hurricane, although significant to the entire state, did not create any structural damage to the over 2,000 Habitat Homes. Most damages were limited to roof shingles and non-structural items. The Organization continues to work with all homeowners and others in need, to assist with insurance claims and any required repairs. All repairs provided by the Organization will be repaid to the Organization by the individual homeowners or through the use of funds received from grants designated for Irma related repairs. As a result, no contingent liability is recorded in the consolidated financial statements as of June 30, 2018. In addition, in certain circumstances the Organization, under the terms of the grants, will recover from homeowners reimbursement of some or all the funds provided for repair. These reimbursed funds will be held by the Organization for use, during any potential future events, with its homeowners. During 2018, the Organization invoiced homeowners \$122,588 for reimbursement of funds provided for repairs.

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2018 AND 2017**

**NOTE 10 - NOTES PAYABLE**

Notes payable consist of the following at June 30, 2018 and 2017:

	2018	2017
<b><u>Secured note payable</u></b> to The Northern Trust Company; bearing interest at 0% per annum, payable in monthly installments of \$5,809. Maturity at August 1, 2044. Loan is collateralized by 19 first mortgage notes receivable aggregating \$1,990,000 when securitized on April 24, 2015 by the Organization's subsidiary.	\$ 1,776,716	\$ 1,846,423
<b><u>Secured note payable</u></b> to The Northern Trust Company; bearing interest at 0% per annum, payable in monthly installments of \$5,714. Maturity at January 1, 2046. Loan is collateralized by 17 first mortgage notes receivable aggregating \$1,977,000 when securitized on August 29, 2016 by the Organization's subsidiary.	1,852,315	1,920,882

In the event a securitized mortgage 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.

**Unsecured notes payable** to Habitat for Humanity International, Inc. All notes are non-interest bearing and are payable in monthly installments ranging from \$289 to \$8,593. The notes mature between August 1, 2016 to July 1, 2023.

	241,830	352,476
	\$ 3,870,861	\$ 4,119,781

Habitat for Humanity International, Inc.'s notes are typically tied to completion of homes and, accordingly, the start of the repayment terms may be delayed until such time of the construction completion.

Future maturities of principal amounts on the notes payable as of June 30, 2018, are anticipated to be as follows:

Year Ending June 30,	
2019	\$ 248,436
2020	241,709
2021	153,919
2022	146,789
2023	142,358
Thereafter	2,937,650
	\$ 3,870,861

**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, 2018 and 2017, there were no amounts outstanding. The interest rate on the line of credit at June 30, 2018 and 2017, was 3.00%.

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2018 AND 2017**

**NOTE 12 - INVESTMENT RETURN**

Investment return consists of the following for the year ended June 30, 2018 and 2017:

	2018	2017
Interest and dividends	\$ 133,213	\$ 60,288
Net realized gains	45,407	76,546
Net unrealized gains/(losses)	(77,554)	24,028
	\$ 101,066	\$ 160,862

**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 \$62,676 and \$43,835 for the years ended June 30, 2018 and 2017, respectively.

**NOTE 14 - FAIR VALUE MEASUREMENTS**

The Organization measures fair value as set forth in the Statement of Financial Accounting Standard FASB ASC 820, "Fair Value Measurements." FASB ASC 820 applied to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. FASB ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing that asset or liability and establishes a fair value hierarchy.

The fair value hierarchy consists of three levels of inputs that may be used to measure fair value 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, 2017. No amounts were recorded during the year ended June 30, 2018. The following table presents the fair value hierarchy for the balances of the assets the Organization measured at fair value.

	2018			
	Fair Value	Level 1	Level 2	Level 3
Houses under construction	\$ 2,826,979	\$ -	\$ 2,826,979	\$ -
Investments	\$ 7,855,993	\$ 7,855,993	\$ -	\$ -
Beneficial interest in assets held by Community Foundation	\$ 2,739,196	\$ -	\$ -	\$ 2,739,196
	2017			
	Fair Value	Level 1	Level 2	Level 3
Houses under construction	\$ 4,871,727	\$ -	\$ 4,871,727	\$ -
Certificate of deposit	\$ 85,262	\$ 85,262	\$ -	\$ -
Investments	\$ 3,803,828	\$ 3,803,828	\$ -	\$ -
Beneficial interest in assets held by Community Foundation	\$ 1,949,600	\$ -	\$ -	\$ 1,949,600

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2018 AND 2017**

**NOTE 15 - BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION**

The Community Foundation of Collier County (CFCC) maintains an agency endowment ("the Habitat for Humanity of Collier County Endowment Fund") for the benefit of the Organization. The Organization has granted CFCC's Board of Directors variance power which gives CFCC the power to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgement of CFCC's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The invested assets are subject to CFCC investment and spending policies. Invested assets are reported at fair value in the statements of financial position. Changes in the value of assets held by CFCC are reported as investment income in the statements of activities.

Assets held by CFCC for the benefit of the Organization are invested in pooled funds managed by JP Morgan. At June 30, 2018, the funds were invested in indexed equity funds (100%).

The changes of the Agency Fund for the year ended June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Community Foundation endowment , beginning balance	\$ 1,949,600	\$ 806,344
Contributions received	794,005	1,018,782
Realized gains and losses	39,117	67,988
Unrealized gains and losses	(77,554)	24,028
Interest and dividends	44,460	43,170
Investment management fees	(1,083)	(5,517)
Administrative fees	(9,349)	(5,195)
Community Foundation endowment , ending balance	<u>\$ 2,739,196</u>	<u>\$ 1,949,600</u>

**NOTE 16 - RELATED PARTY TRANSACTIONS**

The Organization received contributions of \$1,616,190 and \$2,114,932 from Board members during the years ended June 30, 2018 and 2017, respectively. The contributions consisted of \$250,028 in contributed securities and \$1,366,162 in cash contributions for the year ended June 30, 2018. For the year ended June 30, 2017, contributions consisted of \$120,735 in contributed securities and \$1,994,197 in cash contributions.

The total of these contributions was approximately 15% and 20% of total unrestricted contributions for the years ended June 30, 2018 and 2017, respectively.

The Organization remits a portion of its revenues as a tithe to Habitat for Humanity International, Inc. For the years ended June 30, 2018 and 2017, the Organization remitted \$300,000 and \$250,000 respectively.

**NOTE 17 - CONCENTRATION OF CREDIT RISK - CASH DEPOSITS IN EXCESS OF INSURED LIMITS**

The Organization maintains accounts at several financial institutions in bank deposits which, at times, may exceed federally-insured limits of \$250,000. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant risk on cash.

**NOTE 18 - CONTINGENCIES**

**Litigation**

The Organization has been informed of an incident that occurred in 2018. A suit has not yet been filed and no damage claim has yet been asserted. Management believes the Organization has a meritorious defense against the claim. The Organization has insurance coverage and believes that the policy limits are sufficient to cover any potential settlement.

**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.

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2018 AND 2017**

**NOTE 19 - LEASE OBLIGATION**

The Organization leases retail and office space at 5400 and 5430 Yahl Street to house the thrift store and supporting offices. The leases are five year leases terminating on October 31, 2020.

Future minimum lease payments required are as follows:

<u>Year</u>	<u>Lease</u>
2019	71,371
2020	<u>73,512</u>
	<u>\$ 144,883</u>

**NOTE 20 - PRIOR PERIOD ADJUSTMENT**

The net assets of the Organization as of June 30, 2016 were restated for a prior period adjustment of \$529,264. The adjustment relates to specific additional mortgage notes receivable for the deferral of certain fees due and payable between 2040 and 2041. These notes were adjusted to their respected net present values consistent with the mortgage note receivable policy and the discount rates of their corresponding first mortgages. Unrestricted net assets of the Organization as of June 30, 2016 have been restated from \$80,038,755 to \$79,509,491 along with mortgage notes receivable from \$47,579,270 to \$47,050,006. The adjustment had no effect on the change in net assets for the year ending June 30, 2017 and 2018.

**NOTE 21 - RECENT ACCOUNTING PRONOUNCEMENTS**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). This new revenue recognition standard affects all entities, including not-for-profit entities that have contracts with customers or grantors, except where there is other specific revenue recognition guidance issued by the FASB.

The new revenue recognition standard effectively eliminates the transaction-specific and industry-specific revenue guidance under current accounting principles generally accepted in the United States (U.S. GAAP) and replaces it with a principles-based approach for determining an entity's revenue recognition policies. The core principle of the new revenue recognition standard is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In the event that a contract does not contain a reciprocal exchange of good or services, revenue should be recorded consistent with existing standards for contribution revenue.

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, Not-for-Profit Entities (Topic 958). The FASB issued the update to clarify and improve the scope and the accounting guidance for contributions received and contributions made.

The contribution guidance in Subtopic 958-605 requires an entity to determine whether a transaction is conditional, which affects the timing of the revenue recognized. Contributions are recognized immediately and classified as either net assets with donor restrictions or net assets without donor restrictions. Conditional contributions received are accounted for as a liability or are unrecognized initially, that is, until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with restrictions or net assets without restrictions.

The new standard is effective for reporting periods beginning after December 15, 2018. Early adoption of the standard is allowed. Habitat for Humanity of Collier County, Inc. has elected to adopt the new standard for the period ending June 30, 2018.

Historically, Habitat has entered into contracts to receive funds in order to construct and sell homes to qualifying low income families in Collier County. Prior to June 30, 2018, Habitat recognized certain grant revenues in the year that related homes were acquired or constructed. Under the new standard, Habitat will recognize revenue for these contracts once the condition of selling the home to qualifying low income families has been met.

Two federal Community Development Block Grants received in fiscal year 2018 require that Habitat acquire and sell homes to qualifying families. Sixteen homes were acquired and sold to qualifying families in 2018 resulting in recognition of \$130,435 of grant income. The grant income for the remaining 34 homes has been deferred and will be recognized on the statement of activities in the year or years that the homes are sold. The effect of adopting this new accounting policy was to decrease the 2018 change in net assets by \$646,074 and decrease net assets at June 30, 2018 by \$646,074.

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2018 AND 2017**

**NOTE 21 - RECENT ACCOUNTING PRONOUNCEMENTS. continued**

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, Presentation of Financial Statements for Not-for-Profit Entities. The ASU will improve the current net asset classification requirements and the information presented in the financial statements and notes about liquidity, financial performance and cash flows. It is effective for annual financial statements issued for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018. Habitat has elected to not early adopt this standard.

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, Leases. It will require that lessees record nearly all leases on the statement of financial position. This will increase transparency and comparability among Organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing information about leasing arrangements. It is effective for fiscal years beginning after December 15, 2019. Habitat has elected to not early adopt this standard.

**NOTE 22 - SUBSEQUENT EVENTS**

Subsequent events were evaluated through October 9, 2018, which is the date the financial statements were available to be issued.

**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, 2018**

	<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>
<b>United States Department of Housing and Urban Development:</b>			
Community Development Block Grant Cluster Passed-through Collier County, Florida			
Acquisition Scattered Sites	14.218	Collier County, FL B-17-UC-12-0016	\$ 401,508
NSPI	14.218	Collier County, FL B-08-UN-12-0003	632,195
NSP3	14.218	Collier County, FL B-11-UN-12-0003	209,000
Faith Landing Phase IV Infrastructure	14.218	Collier County, FL B-14-UC-12-0016	375,000
Total Community Development Block Grant Cluster Passed-through Collier County			<u>1,617,703</u>
State Housing Initiative Program Passed-through Collier County, Florida			
Owner - Occupied Rehabilitation Program FY-14-15	52.901	Collier County, FL	<u>93,910</u>
Total State Housing Initiative Program Passed-through Collier County, Florida			<u>93,910</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,711,613</u></u>

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - JUNE 30, 2018**

**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

PROFESSIONAL ASSOCIATION

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NAPLES 262-1040  
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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 (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2018, 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 9, 2018.

#### 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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

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.



ROGERS WOOD HILL STARMAN & GUSTASON, P.A.  
Certified Public Accountants & Advisors  
October 9, 2018

# ROGERS WOOD HILL STARMAN & GUSTASON

PROFESSIONAL ASSOCIATION

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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, 2018. 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, 2018.

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

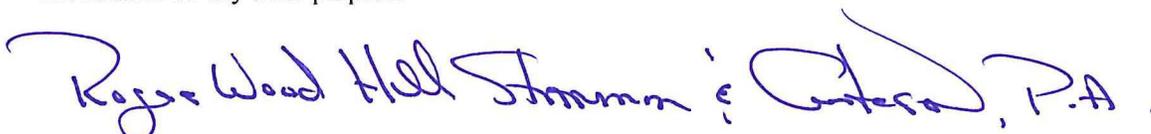
Report on Internal Control over Compliance

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 9, 2018

**PART III**  
**FINDINGS**

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL PROGRAMS**  
**YEAR ENDED JUNE 30, 2018**

**SECTION I - SUMMARY OF AUDIT RESULTS**

**Financial Statements**

Type of auditor's report issued:	Unmodified
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

**Internal control over major federal programs:**

Material weakness identified	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance of major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	No

**Identification of Major Programs:**

	CFDA No.
Community Development Block Grant Cluster	14.218
Dollar threshold used to distinguish between Type A and Type B programs/projects: Major Federal Program	\$750,000
Auditee qualified as low-risk auditee?	Yes

**SECTION II - FINANCIAL STATEMENT FINDINGS**

There were no findings required to be reported.

**SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT**

There were no findings required to be reported.

**HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2017

There were no findings required to be reported.