

HABITAT FOR HUMANITY
OF COLLIER COUNTY, INC.
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT THEREON
YEARS ENDED JUNE 30, 2020 AND 2019

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 and State Financial Assistance

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, 2020 and 2019, 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, 2020 and 2019, 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 and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Florida Single Audit Act (Florida Statute 215.97) and Chapter 10.650, Rules of the Auditor General, 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, 2020, 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, 2020

Naples, Florida

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

ASSETS

	2020	2019
Cash and cash equivalents	\$ 2,898,589	\$ 4,302,731
Investments	4,010,955	10,510,613
Grants receivable	91,008	362,387
Promises to give	961,537	1,480,000
Pledges receivable, net	-	250,000
Beneficial interest in assets held by Community Foundation	1,468,470	2,863,897
Other assets	444,239	793,076
Mortgage notes receivable, net	54,514,157	50,191,252
Houses under construction	4,645,700	2,244,462
Houses held or available for sale	1,401,267	852,000
Land held for development	27,185,867	21,980,433
Property and equipment, net	3,774,120	3,823,114
Total assets	<u>\$ 101,395,909</u>	<u>\$ 99,653,965</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 1,859,659	\$ 1,904,324
Deferred grant income	1,000,000	207,100
Escrow deposits from homeowners	1,928,713	2,165,909
Due to homeowner associations	72,399	225,546
Notes payable	4,185,547	3,619,533
Total liabilities	<u>9,046,318</u>	<u>8,122,412</u>
Net assets:		
<u>Without Donor Restrictions</u>		
Undesignated	83,636,795	82,158,372
Designated by the Board of Directors for future use	1,426,088	525,812
Investment in property and equipment	3,774,120	3,823,114
	<u>88,837,003</u>	<u>86,507,298</u>
<u>With Donor Restrictions</u>		
Purpose Restrictions	<u>3,512,588</u>	<u>5,024,255</u>
Total net assets	<u>92,349,591</u>	<u>91,531,553</u>
Total liabilities and net assets	<u>\$ 101,395,909</u>	<u>\$ 99,653,965</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING REVENUES AND SUPPORT:			
Contributions	\$ 9,669,634	\$ 1,700,000	\$ 11,369,634
In-kind contributions	462,325	-	462,325
Sales of completed homes (net of mortgage and sales discounts on homes sold totaling approximately \$9,539,000)	6,696,057	-	6,696,057
Amortization of mortgage discounts	3,958,045	-	3,958,045
Grants recognized, net of deferred funds of \$1,000,000	726,249	-	726,249
Thrift shop revenue	1,549,683	-	1,549,683
Other revenue	114,126	-	114,126
Investment return, net	250,765	-	250,765
Total operating revenue and support - before releases from restrictions	23,426,884	1,700,000	25,126,884
Net assets released from donor restrictions	3,211,667	(3,211,667)	-
Total operating revenues and support	26,638,551	(1,511,667)	25,126,884
OPERATING EXPENSES:			
Program services	22,955,607	-	22,955,607
Management and general	432,420	-	432,420
Fundraising	625,910	-	625,910
Thrift shop	1,192,157	-	1,192,157
Total expenses	25,206,094	-	25,206,094
OPERATING INCREASE (DECREASE) IN NET ASSETS	1,432,457	(1,511,667)	(79,210)
NON-OPERATING ACTIVITIES:			
Gain on sale of mortgages	897,248	-	897,248
NON-OPERATING INCREASE IN NET ASSETS	897,248	-	897,248
CHANGE IN NET ASSETS	2,329,705	(1,511,667)	818,038
NET ASSETS - BEGINNING OF YEAR	86,507,298	5,024,255	91,531,553
NET ASSETS - END OF YEAR	<u>\$ 88,837,003</u>	<u>\$ 3,512,588</u>	<u>\$ 92,349,591</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY**CONSOLIDATED STATEMENT OF ACTIVITIES****YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES AND SUPPORT:			
Contributions	\$ 10,225,134	\$ 1,154,636	\$ 11,379,770
In-kind contributions	350,121	-	350,121
Sales of completed homes (net of mortgage and sales discounts on homes sold totaling approximately \$8,500,500)	4,999,082	-	4,999,082
Amortization of mortgage discounts	3,741,383	-	3,741,383
Grants recognized, net of deferred funds of \$207,100	2,730,586	12,726	2,743,312
Thrift shop revenue	1,685,953	-	1,685,953
Other revenue	548,657	-	548,657
Investment return, net	321,665	-	321,665
Total operating revenue and support - before releases from restrictions	24,602,581	1,167,362	25,769,943
Net assets released from donor restrictions	895,833	(895,833)	-
Total operating revenues and support	25,498,414	271,529	25,769,943
OPERATING EXPENSES:			
Program services	20,284,834	-	20,284,834
Management and general	363,839	-	363,839
Fundraising	624,734	-	624,734
Thrift shop	1,210,816	-	1,210,816
Total expenses	22,484,223	-	22,484,223
OPERATING INCREASE IN NET ASSETS	3,014,191	271,529	3,285,720
NON-OPERATING ACTIVITIES:			
Gain on sale of land	89,923	-	89,923
Gain on sale of mortgages	1,629,039	-	1,629,039
NON-OPERATING INCREASE IN NET ASSETS	1,718,962	-	1,718,962
CHANGE IN NET ASSETS	4,733,153	271,529	5,004,682
NET ASSETS - BEGINNING OF YEAR	81,774,145	4,752,726	86,526,871
NET ASSETS - END OF YEAR	\$ 86,507,298	\$ 5,024,255	\$ 91,531,553

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020
(With Comparative Totals for 2019)

	Year Ended June 30, 2020					
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Thrift Shop</u>	<u>Total Expenses</u>	<u>Total 2019 Expenses</u>
Cost of homes sold	\$ 18,220,551	\$ -	\$ -	\$ -	\$ 18,220,551	\$ 15,920,517
Salaries and wages	2,671,389	168,280	345,205	517,842	3,702,716	3,551,451
Payroll taxes	195,119	11,660	25,757	38,532	271,068	255,211
Employee benefits	406,966	54,708	36,131	74,040	571,845	473,038
Office expenses	365,650	72,496	72,801	87,808	598,755	500,832
Auto	108,449	2,653	2,061	140,840	254,003	212,369
Habitat International	294,000	-	-	-	294,000	288,000
Occupancy	169,158	21,454	3,603	117,121	311,336	288,495
Insurance	187,331	59,500	9,971	17,549	274,351	274,371
Depreciation	130,133	15,681	13,721	64,217	223,752	201,419
Professional fees	109,352	10,044	(1,581)	34,539	152,354	142,119
Printing and postage	37,709	7,387	60,782	3,593	109,471	121,227
Advertising and events	6,446	-	54,503	51,682	112,631	140,911
Telephone	42,039	4,963	2,354	3,239	52,595	54,208
Purchased products for resale	-	-	-	40,095	40,095	38,390
Taxes, real estate	11,315	3,594	602	1,060	16,571	21,665
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 22,955,607</u>	<u>\$ 432,420</u>	<u>\$ 625,910</u>	<u>\$ 1,192,157</u>	<u>\$ 25,206,094</u>	<u>\$ 22,484,223</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total 2019 by Function	<u>\$ 20,284,834</u>	<u>\$ 363,839</u>	<u>\$ 624,734</u>	<u>\$ 1,210,816</u>	<u>\$ 22,484,223</u>	

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Thrift Shop</u>	<u>Total Expenses</u>
Cost of homes sold	\$ 15,920,517	\$ -	\$ -	\$ -	\$ 15,920,517
Salaries and wages	2,490,758	152,830	354,755	553,108	3,551,451
Payroll taxes	180,154	10,575	25,171	39,311	255,211
Employee benefits	337,880	40,560	29,193	65,405	473,038
Office expenses	296,841	48,447	55,026	100,518	500,832
Auto	143,198	3,294	2,199	139,804	288,495
Habitat International	288,000	-	-	-	288,000
Occupancy	143,203	17,521	2,902	110,745	274,371
Insurance	145,042	46,044	7,626	13,657	212,369
Depreciation	114,036	13,009	11,383	62,991	201,419
Professional fees	111,752	11,056	7,624	11,687	142,119
Printing and postage	48,308	11,347	69,800	11,456	140,911
Advertising and events	6,951	3	55,053	59,220	121,227
Telephone	43,397	4,456	3,224	3,131	54,208
Purchased products for resale	-	-	-	38,390	38,390
Taxes, real estate	14,797	4,697	778	1,393	21,665
	<u>\$ 20,284,834</u>	<u>\$ 363,839</u>	<u>\$ 624,734</u>	<u>\$ 1,210,816</u>	<u>\$ 22,484,223</u>
Total expenses	<u>\$ 20,284,834</u>	<u>\$ 363,839</u>	<u>\$ 624,734</u>	<u>\$ 1,210,816</u>	<u>\$ 22,484,223</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY**CONSOLIDATED STATEMENTS OF CASH FLOWS****YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 818,038	\$ 5,004,682
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	223,752	201,419
Gain on sale of mortgages	(550,005)	(1,322,762)
Gain on paid-off and foreclosed mortgages	(308,215)	(293,991)
Amortization of mortgage discount	(3,937,614)	(3,741,383)
Face value of mortgages issued	(14,537,636)	(12,664,086)
Discounts on mortgages issued	8,479,783	7,311,949
Mortgage loan collections	4,917,277	4,798,757
Reposessed homes	633,315	589,328
(Increase)/decrease in:		
Grants receivable	271,379	286,889
Promises to give	768,463	(299,636)
Other assets	348,837	(332,331)
Houses available for sale	(549,267)	279,689
Houses under construction	(2,401,238)	582,517
Land and improvements	(5,205,434)	(2,469,705)
Increase/(decrease) in:		
Accounts payable and accrued expenses	(44,666)	581,233
Deferred grant income	792,900	(438,974)
Due to homeowner associations	(153,147)	83,991
Escrow deposits from homeowners	(237,196)	(267,560)
Net cash used by operating activities	<u>(10,670,674)</u>	<u>(2,109,974)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(11,726,464)	(2,654,620)
Proceeds from sale of investments	18,226,122	-
Decrease (increase) from Beneficial interest in assets held by Community	1,395,427	(124,701)
Purchases of property and equipment	(174,758)	(175,467)
Proceeds from sales of mortgage loans, net	980,191	4,113,045
Net cash provided by investing activities	<u>8,700,518</u>	<u>1,158,257</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from payment protection plan (CARES Act) note payable	780,695	-
Principal payments on notes payable	(214,681)	(251,328)
Net cash provided (used) by financing activities	<u>566,014</u>	<u>(251,328)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,404,142)	(1,203,045)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>4,302,731</u>	<u>5,505,776</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,898,589</u>	<u>\$ 4,302,731</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS, continued
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</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>\$ 510,155</u>	<u>\$ 430,524</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2020 AND 2019

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. It is part of a global, nonprofit housing entity 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 maintaining 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 both purchased and donated properties. The contributions of supplies, labor, cash and properties enable the Organization to provide these families with no-interest financing. The Organization then sells these homes to pre-selected, qualified low income families who also provide 500 volunteer hours of time, as part of their investment in the home for which they have been chosen. During 2020 as a result of the COVID-19 Pandemic, some or all of the volunteer hour requirement may have been modified.

In providing housing to certain qualified income families, some 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 exceeds the funds received from outside the Organization, the Organization will provide its own funds to fulfill the Organization's mission and to make the homes affordable for those in need.

Monthly principal payments received from families who purchased a home from the Organization are added to the pool of resources used to fund the building of more homes to serve those families in need.

During 2020, the Organization, like many others, was impacted by the global pandemic related to COVID-19. The pandemic impacted the Organization at both the employee level and the families served. Employees had to adapt to working remotely and working in ways never planned for. Families were impacted in how they worked with the Organization through the approval process, while maintaining the social distancing set forth by the Center for Disease Control ("CDC"). Some families were also deferred or delayed as a result of the impact the pandemic played on their own personal income as it relates to the requirements of home ownership.

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:

Without Donor Restrictions

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

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

With Donor Restrictions - Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time, or that must be maintained permanently by the Organization.

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, 2020 AND 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES - continued

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 net assets without restriction, unless restricted by the donor, in which case the amounts are reflected as with donor restrictions, until expended according to the donors' stipulations.

Contributions and Grants

Contributions and grants received are recorded with or without donor restrictions, depending on the existence and/or nature of any donor imposed restrictions. Contributions and grants are reported as with donor restriction and are then reclassified to without donor restrictions upon expiration of the time or use restriction. However, donor-restricted contributions or grants whose restrictions are met in the same reporting period, are shown as donor funds without restriction. 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 donor restrictions or net assets without donor restrictions.

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 has more than 2,200 volunteers who have provided approximately 30,000 hours a year. During 2020, as a result of the COVID-19 pandemic, volunteers and their related hours, have been substantially reduced from prior year levels. 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. The Organization 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 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 all the home mortgages it holds and those sold to banks. Included in cash are amounts received from homeowners for insurance, property taxes and other items on their behalf (escrow funds). This cash will be used to pay amounts as they become due for the escrowed items. The Organization maintains a corresponding liability in accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

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 the Organization builds are transferred at a price lower than market for mortgages. Therefore, the donated labor is considered 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 without donor restriction 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 with donor restrictions.

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 with donor restriction net assets to without donor restriction net assets at that time. Property and equipment is depreciated using the straight-line method calculated over

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2020 AND 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES - continued

Property and Equipment, continued

the estimated useful lives of five to thirty years. All acquisitions of property and equipment in excess of \$2,500, and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of the assets are capitalized.

Land Held for Development and Houses under Construction

Land held for development, which includes land improvements, and houses under construction are carried at cost. They represent land and homes available for current and future development in fulfillment of the Organization's mission. Real estate assets are periodically evaluated for impairment. If impairment indicators are present, a 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 are mortgage notes entered into at rates substantially below market rates. These notes are then discounted to net present value using implied year market interest rates. 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 the 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 if required, for homogeneous portfolio segments. (See Note 7)

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, 2020, its 2017 through 2019 fiscal year tax returns are open for examination by the IRS.

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.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2020 AND 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES - continued

Functional Allocation of Expenses

The costs of providing the program services and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one activity, therefore, certain expenses required allocation on a reasonable basis that is consistently applied. Material expenses that are allocated include certain depreciation, which is allocated on a square foot basis, as well as certain occupancy, professional services, office expenses, which are allocated based on headcount. Certain management salaries and wages and benefits are allocated based on estimates of time and effort.

Program Services

Program services include expenses related to home construction, home repairs, support of families, and education of homeowners and the general public. Program services also include the actual cost of homes sold to homeowners.

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. (see Note 2)

NOTE 2 - LIQUIDITY AND AVAILABILITY

The Organization manages liquidity during its normal operating cycle with funds received from current year donations, grants and amounts received from homeowner remittances. The Organization expects these funds will provide the substantial majority of funds needed to pay its obligations as they become due. The current restrictions imposed by donors with time or purpose restrictions are, in all material respects, for normal annual operating purposes such as the acquisition/building/remodeling of homes in certain neighborhoods and/or acquisition of properties from certain owners – therefore those restricted funds are effectively expected to be used for normal operating purposes in the Organization's annual operating cycle.

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations.

Cash & cash equivalents	\$ 2,898,589
Operating investments	4,010,955
Current portion of mortgage loans	5,190,743
Current portion of repair loans	103,207
Grants receivable	91,008
Promises to give	961,537
Total financial assets	<u>13,256,039</u>

Less those unavailable for general expenditures within one year, due to:

Cash restricted by contract, escrow deposits from homeowners	(1,928,713)
Donor purpose restrictions	<u>(3,512,588)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 7,814,738</u>

Although the Organization does not intend to spend funds from board-designated cash or investments which at June 30, 2020 total \$1,426,088, these amounts could be made available to fund operations, if necessary.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2020 AND 2019

NOTE 3 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land, excludes land held for development	\$ 1,803,546	\$ 1,803,546
Buildings	2,960,700	2,899,551
Vehicles	663,434	658,234
Equipment	<u>363,561</u>	<u>255,152</u>
	5,791,241	5,616,483
Less: accumulated depreciation	<u>(2,017,121)</u>	<u>(1,793,369)</u>
Total property and equipment, net	<u>\$ 3,774,120</u>	<u>\$ 3,823,114</u>

For the years ended June 30, 2020 and 2019, depreciation expense was \$223,752 and \$201,419, respectively.

NOTE 4 - LAND HELD FOR DEVELOPMENT

Land held for development consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Land acquisition and initial ownership costs	\$ 14,506,975	\$ 11,402,499
Land improvements	16,386,892	11,890,434
Less: Land held for development, allocated to cost of homes	<u>(3,708,000)</u>	<u>(1,312,500)</u>
Total land held for development	<u>\$ 27,185,867</u>	<u>\$ 21,980,433</u>

NOTE 5 - PROMISES TO GIVE

Promises to give are comprised of contributions receivable in fiscal year 2020 and 2019 from Collier County, Florida businesses in connection with the State of Florida Community Contribution Tax Credit Program. Payments are typically 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.

NOTE 6 - PLEDGES RECEIVABLE, NET

Pledges receivable, net consist of unconditional promises to give received as a result of the 2016 land campaign. The final balance as of June 30, 2019 was received during the year ending June 30, 2020.

NOTE 7 - MORTGAGE NOTES RECEIVABLE, NET

Mortgage notes receivable, secured by houses sold, are non-interest bearing with generally original terms of eighteen to thirty six 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:

	<u>2020</u>	<u>2019</u>
Mortgage notes receivable	\$ 113,769,467	\$ 105,872,176
Less: unamortized discounts	<u>(59,255,310)</u>	<u>(55,680,924)</u>
	<u>\$ 54,514,157</u>	<u>\$ 50,191,252</u>

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.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2020 AND 2019

NOTE 7 - MORTGAGE NOTES RECEIVABLE, NET, continued

All mortgage notes can be categorized into segments by their risk characteristics and 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, 2020 or 2019.

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 is recognized as the cash is collected. Due to the uncertainty of some of these mortgages, they may represent a greater risk than first mortgage loans and in that case they are fully reserved upon the initial recording of the note with the exception of the following:

Additional Mortgages - Additional mortgage receivables are for the deferral of certain fees due and payable between 2040 and 2041. These notes were adjusted to their respective net present values consistent with the Mortgage Note Receivable policy and the discount rates of their corresponding first mortgages.

Repair Loans - Certain homeowners have secured short term notes, typically less than 5 years, for repairs to their homes resulting from the 2017 Hurricane Irma damages. These notes are payable in monthly installments and have been adjusted to their respective net present values consistent with the Mortgage Note Receivable policy.

Loans are deemed performing if they are less than 90 days delinquent, or if on an approved payment plan are current with the terms of the plan. At June 30, 2020, all outstanding loans were deemed performing.

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

	June 30, 2020			
	Current	30-89 Days Past Due	90 Days or More Past Due	Total
Performing mortgages	\$ 111,997,368	\$ 1,651,578	\$ 120,521	\$ 113,769,467

Maturities of mortgage notes receivable are summarized as follows:

Amounts due in :	2020	2019
Less than one year	\$ 1,569	\$ -
One to five years	675,081	168,341
Thereafter	113,092,817	105,703,835
Total	<u>\$ 113,769,467</u>	<u>\$ 105,872,176</u>

As of June 30, 2020, there were 17 loans totaling \$1,419,341 that were in a deferment program for those impacted by the COVID-19 pandemic. This deferment allowed qualified homeowners to make escrow-only payments and defer principal payments for a period of up to 3 months. Since these were approved deferrals, these loans are shown as performing and included above as current.

At June 30, 2020 and 2019, in addition to servicing Organization held loans the Organization also was servicing approximately 585 and 636 loans, respectively, that it has sold or pledged to various banks. The outstanding balance of these mortgages was approximately \$28,134,000 and \$30,203,000, respectively. 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. As of June 30, 2020 and 2019 all sold or pledged loans were deemed performing.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30:

	2020	2019
2016 Land Acquisition Campaign	\$ 3,512,588	\$ 4,853,592
Hurricane Irma Restricted Use Grants	-	170,663
	<u>\$ 3,512,588</u>	<u>\$ 5,024,255</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2020 AND 2019

NOTE 9 - INVESTMENTS

Investments consist of the following at June 30:	2020		2019	
	Cost	Fair Market Value	Cost	Fair Market Value
Money market accounts	\$ 14,794	\$ 14,794	\$ 1,874,775	\$ 1,874,775
US Treasury Bills	3,996,052	3,996,161	8,599,612	8,635,838
Total investments	<u>\$ 4,010,846</u>	<u>\$ 4,010,955</u>	<u>\$ 10,474,387</u>	<u>\$ 10,510,613</u>

NOTE 10 - NOTES PAYABLE

Notes payable consist of the following at June 30, 2020 and 2019:

Secured note payable to The Northern Trust Company; loan is collateralized by 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 below "Securitization Agreements" for additional information.

	2020	2019
	\$ 1,635,483	\$ 1,707,007

Secured note payable to The Northern Trust Company; loan is collateralized by first mortgage receivables owned by the Organization's subsidiary, bearing interest at 0% per annum, payable in monthly installments of \$5,714. Maturity at January 1, 2046. See below "Securitization Agreements" for additional information.

1,715,183 1,783,749

Securitization Agreements

The Organization's subsidiary securitized 19 mortgages aggregating \$1,990,000 on April 24, 2015 and 17 mortgages aggregating \$1,977,000 on August 29, 2016. These securitizations collateralize the above mentioned secured notes payable.

In the event a securitized mortgage is delinquent by more than 90 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 through July 1, 2024.

54,186 128,777

Habitat for Humanity International, Inc. notes are typically tied to completion of homes and accordingly the start of the repayment terms may be delayed until such time of construction completion. During 2020, the notes were included in a forbearance program that deferred payments on all loans until September 2020.

Unsecured note payable to Finemark National Bank & Trust, under the Paycheck Protection Program as authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, bearing interest at 1.00% per annum. Initial payment of \$43,400 is due October 2020. Maturity April 2022. All or a portion of this note may be forgiven under the CARES Act. No determination has been made regarding any loan forgiveness as of the report date.

	780,695	-
	<u>\$ 4,185,547</u>	<u>\$ 3,619,533</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2020 AND 2019

NOTE 10 - NOTES PAYABLE, continued

Future maturities of principal amounts on the notes payable as of June 30, 2020, are anticipated to be as follows. The payments exclude any reduction from the potential forgiveness related to the note payable under the CARES Act:

<u>Year Ending June 30,</u>	
2021	\$ 618,069
2022	489,308
2023	142,332
2024	138,276
2025	138,276
Thereafter	2,659,286
	<u>\$ 4,185,547</u>

NOTE 11 - LINE OF CREDIT

During 2020, the Organization entered into two separate lines of credit, in the amounts of \$10,000,000 and \$2,500,000. The \$10,000,000 line is for the acquisition and development of land parcels, the \$2,500,000 line is available for working capital requirements. The working capital line replaced a previous line in the same amount from another bank during 2020. Both lines bear interest at the Prime Rate less .5%. As of June 30, 2020 and 2019, there were no borrowings against any line.

NOTE 12 - GRANT REVENUE

For the years ended June 30, 2020 and 2019, the funds earned were as follows:

	<u>2020</u>	<u>2019</u>
Neighborhood Stabilization Program	\$ 207,100	\$ 392,900
CDBG - Faith Landing Phase IV Infrastructure	-	244,565
IRMA Relief Grants Received (*)	45,860	1,913,058
State Housing Initiatives Partnership	<u>473,289</u>	<u>192,789</u>
Total	<u>\$ 726,249</u>	<u>\$ 2,743,312</u>

The Organization recognizes the awarded grant revenues as the expenditures stipulated in the grant agreement are incurred. Grants awarded during 2020 related to projects not yet completed, are shown as deferred and will be recognized upon completion of their related projects. In 2020, revenues of \$207,100 were recognized as a result of grant projects completed during 2020, but which funds had been awarded before June 30, 2019. During 2020, a \$1,000,000 grant related to land acquisition and development, was awarded to the Organization, as this is a future development project. The grant is entirely deferred as of June 30, 2020 until the grant requirements are met.

(*) On September 10, 2017, Hurricane IRMA hit Southwest Florida where all of the Organization's homes are located. The Organization continues to work with all homeowners and others with 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. In this regard, during 2019 the Organization invoiced homeowners \$477,304 for reimbursement of repair work completed.

NOTE 13 - INVESTMENT RETURN, NET

Investment return, net of investment expense consists of the following for the year ended June 30, 2020 and 2019, as follows:

	<u>2020</u>	<u>2019</u>
Interest & Dividends	\$ 247,800	\$ 281,061
Net Realized Gains	110,678	5,331
Net Unrealized Gains/(Losses)	(51,177)	85,173
Investment Expenses	<u>(56,536)</u>	<u>(49,900)</u>
	<u>\$ 250,765</u>	<u>\$ 321,665</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2020 AND 2019

NOTE 14 - EMPLOYEE BENEFIT PLAN

The Organization has a tax-deferred annuity plan 403(b), which covers full time employees of the Organization. Employees are allowed to contribute up to 20% of their salary, subject to IRS regulations. The Organization matches contributions to the plan up to 5% of the employee's salary, based on a fixed matching schedule. Employer contributions to the plan were approximately \$97,000 and \$76,000 for the years ended June 30, 2020 and 2019, respectively.

NOTE 15 - 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 1) and the lowest priority to unobservable inputs (Level 3). 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.

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.

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. No such adjustments were required during the years ended June 30, 2020 and 2019. The following table presents the fair value hierarchy for the balances of the assets the Organization measured at fair value as of June 30, 2020 and 2019.

	2020			
	Fair Value	Level 1	Level 2	Level 3
Investments	\$ 4,010,955	\$ 4,010,955	\$ -	\$ -
Houses under construction	\$ 4,645,700	\$ -	\$ 4,645,700	\$ -
Beneficial interest in assets held by the Community Foundation	\$ 1,468,470	\$ -	\$ -	\$ 1,468,470
	2019			
	Fair Value	Level 1	Level 2	Level 3
Investments	\$ 10,510,613	\$ 10,510,613	\$ -	\$ -
Houses under construction	\$ 2,244,462	\$ -	\$ 2,244,462	\$ -
Beneficial interest in assets held by the Community Foundation	\$ 2,863,897	\$ -	\$ -	\$ 2,863,897

NOTE 16 - BENEFICIAL INTEREST IN ASSETS HELD BY THE 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. As of June 30, 2020 and 2019, the funds were invested in indexed equity funds (100%).

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2020 AND 2019

NOTE 16 - BENEFICIAL INTEREST IN ASSETS HELD BY THE COMMUNITY FOUNDATION, continued

The changes in the agency endowment fund for the years ended June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Community Foundation endowment , beginning balance	\$ 2,863,897	\$ 2,739,196
Contributions received	800,000	4,960
Distribution grants	(2,300,000)	-
Realized gains and losses	110,937	5,659
Unrealized gains and losses	(21,072)	63,954
Interest and dividends	25,853	64,535
Investment management fees	(615)	(1,387)
Administrative fees	(10,530)	(13,020)
Community Foundation endowment, ending balance	<u>\$ 1,468,470</u>	<u>\$ 2,863,897</u>

NOTE 17 - RELATED PARTY TRANSACTIONS

The Organization received \$991,850 and \$1,062,483 in contributions from Board members during the years ended June 30, 2020 and 2019, respectively.

The contributions consisted of \$208,646 in contributed securities and \$783,204 in cash contributions for the year ended June 30, 2020. For the year ended June 30, 2019, contributions consisted of \$44,986 in contributed securities and \$1,017,497 in cash contributions. The total of these contributions was approximately 8.7% and 9.5% of total contributions received for the years ended June 30, 2020 and 2019, respectively.

The Organization remits a portion of its revenues as a tithe to Habitat for Humanity International, Inc. The practice of international tithing has the primary goal of ensuring that Habitat for Humanity affiliates worldwide, regardless of their national poverty or wealth, can keep working toward the goal of eliminating poverty housing. For the years ended June 30, 2020 and 2019, the Organization remitted \$294,000 and \$288,000, respectively.

NOTE 18 - 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 19 - 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 20 - LEASE OBLIGATION

The Organization leases retail and office space to house a thrift store and supporting offices. The leases were five year leases that will terminate on October 31, 2020. On October 7, 2020, the Organization entered into a new lease agreement for its new North Restore location. The term of the lease is five years, with the right to renew for another 5 years. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 159,263
2022	234,640
2023	241,679
2024	248,929
2025	256,397
2026	108,145
	<u>\$ 1,249,053</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2020 AND 2019

NOTE 21 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 9, 2020, the date the financial statements were available to be issued, and concluded no subsequent events are likely to have a material impact on the financial statements for the years ended June 30, 2020 and 2019.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

and

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2020

	Federal CFDA Number	Pass-through Entity and Award Identification Number	Expenditures
United States Department of Housing and Urban Development:			
Community Development Block Grant Cluster			
Acquisition of Real Property	14.218	Collier County, FL B-18-UC-12-0016	\$ 1,000,000
Total Community Development Block Grant Cluster Passed-through Collier County, Florida			<u>1,000,000</u>
Capacity Building for Community Development and Affordable Housing Grant			
Capacity Building 2015 Subgrant	14.252	Habitat for Humanity International, Inc.	\$ 37,633
Total Capacity Building for Community Development and Affordable Housing Grant Passed-through Habitat for Humanity International, Inc.			<u>37,633</u>
Total Expenditures of Federal Awards			<u>\$ 1,037,633</u>
Florida Housing Finance Corporation:	State CSFA Number		
State Housing Initiative Program Passed-through Collier County, FL			
Owner Occupied Rehabilitation Program FY 16-17	40.901	Collier County, FL	\$ 476,009
New Construction Project	52.901	Collier County, FL	400,000
Total State Housing Initiative Program Passed-through Collier County, Florida			<u>876,009</u>
Total Expenditures of State Financial Assistance			<u>\$ 876,009</u>
Total Expenditures of Federal Awards and State Financial Assistance			<u><u>\$ 1,913,642</u></u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE - JUNE 30, 2020

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance 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, Section 215.97, Florida Statutes (Florida Single Audit Act), and Chapter 10.650, Rules of the Auditor General. 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. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Habitat for Humanity of Collier County, Inc. has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - CONTINGENCIES

Expenditures incurred by Habitat are subject to audit and possible disallowance by the grantor agency. Management believes that if audited, any adjustments for disallowed expenses would be immaterial in amount.

PART II

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

ROGERS WOOD HILL STARMAN & GUSTASON

PROFESSIONAL ASSOCIATION

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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

INDEPENDENT AUDITOR'S REPORT

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, 2020, 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, 2020.

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 or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

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

INDEPENDENT AUDITOR'S REPORT, continued

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.

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 Starmann & Gustason, P.A.

ROGERS WOOD HILL STARMAN & GUSTASON, P.A.
Certified Public Accountants & Advisors
October 9, 2020
Naples, Florida

ROGERS WOOD HILL STARMAN & GUSTASON

PROFESSIONAL ASSOCIATION

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE; SECTION 215.97, FLORIDA STATUTES; AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

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, and the requirements described in the State of Florida Department of Financial Services' State Projects Compliance Supplement, that could have a direct and material effect on each of Habitat for Humanity of Collier County Inc.'s major Federal programs and State projects for the year ended June 30, 2020. Habitat for Humanity of Collier County, Inc.'s major Federal programs and State projects 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 and State statutes, regulations, and the terms and conditions of its Federal awards and State projects applicable to its Federal programs and State projects.

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 and State projects 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; 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); Section 215.97, Florida Statutes; and Chapter 10.650, Rules of the Auditor General. Those standards, the Uniform Guidance, Section 215.97, and Chapter 10.650, Rules of the Auditor General, 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 or State project 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 and State project. However, our audit does not provide a legal determination of Habitat for Humanity of Collier County, Inc.'s compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE; SECTION 215.97, FLORIDA STATUTES; AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT, continued

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 and State projects for the year ended June 30, 2020.

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 and State project 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 State project and to test and report on internal control over compliance in accordance with Uniform Guidance, Section 215.97, and Chapter 10.650, Rules of the Auditor General, 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 or State project 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 or State project 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 or State project 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 or significant deficiencies. However, material weaknesses or significant deficiencies 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, Section 215.97, and Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Rogers Wood Hill Starmann & Gustason, P.A.

ROGERS WOOD HILL STARMAN & GUSTASON, P.A.
Certified Public Accountants & Advisors
October 9, 2020
Naples, Florida

PART III
FINDINGS

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS AND STATE PROJECTS
YEAR ENDED JUNE 30, 2020

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 and State Projects

Internal control over major federal programs and state projects:

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 or State projects:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with CFR 200.516(a) or Chapter 10.656, Rules of the Auditor General?	No
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Identification of major Federal programs or State projects:

Major Federal Program or Cluster	<u>CFDA No.</u>
Community Development Block Grant Cluster	14.218

Major State Project	<u>CFSA No.</u>
Owner Occupied Rehabilitation Program	40.901
New Construction Project	52.901

Dollar threshold used to distinguish between Type A and Type B programs/projects:	
Major Federal Program	\$750,000
Major State Project	\$300,000

Auditee qualified as low-risk auditee?	Yes
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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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS AND STATE PROJECTS
YEAR ENDED JUNE 30, 2020

SECTION IV - FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECTS

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, 2019

There were no findings required to be reported.