

HABITAT FOR HUMANITY
OF COLLIER COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT THEREON
YEARS ENDED JUNE 30, 2022 AND 2021

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY

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PART I

**Financial Statements and Schedule of Expenditures of Federal Awards
and State Financial Assistance**

ROGERS WOOD HILL STARMAN & GUSTASON

PROFESSIONAL ASSOCIATION

CERTIFIED PUBLIC ACCOUNTANTS

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NAPLES, FLORIDA 34103

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MEMBERS
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
FLORIDA INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS

OFFICES:
NAPLES 262-1040
MARCO ISLAND 394-7502

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 Audit of the Financial Statements

Opinion

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, 2022 and 2021, 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Habitat for Humanity of Collier County, Inc. and Subsidiary as of June 30, 2022 and 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Habitat for Humanity of Collier County, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity of Collier County, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT, continued

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Habitat for Humanity of Collier County, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity of Collier County, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated 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 12, 2022, 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 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 12, 2022
Naples, Florida

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****JUNE 30, 2022 AND 2021****ASSETS**

	2022	2021
Cash and cash equivalents	\$ 6,082,761	\$ 9,173,482
Investments	-	3,013,051
Grants receivable	750,000	150,000
Promises to give	1,550,000	1,222,500
Beneficial interest in assets held by Community Foundation	2,870,662	2,183,194
Inventories-ReStores	117,143	126,905
Other assets	244,226	297,558
Mortgage notes receivable, net	60,614,156	59,061,022
Houses under construction	5,728,945	2,706,751
Houses held or available for sale	1,050,429	642,345
Land held for development	37,095,607	27,532,326
Remainder interest in life estate	2,900,000	2,900,000
Property and equipment, net	3,495,208	3,696,653
Total assets	<u>\$ 122,499,137</u>	<u>\$ 112,705,787</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 2,753,990	\$ 2,820,484
Deferred income	2,550,000	1,972,500
Escrow deposits from homeowners	1,101,583	1,558,844
Due to homeowner associations	57,946	78,720
Long-term notes payable	3,084,791	3,231,573
Total liabilities	<u>9,548,310</u>	<u>9,662,121</u>
Net assets:		
<u>Without Donor Restrictions</u>		
Undesignated	100,915,565	86,220,690
Designated by the Board of Directors for future use	2,704,431	1,617,289
Investment in property and equipment	3,495,208	3,696,653
	<u>107,115,204</u>	<u>91,534,632</u>
<u>With Donor Restrictions</u>		
Time Restrictions	2,900,000	2,900,000
Purpose Restrictions	2,935,623	8,609,034
Total net assets	<u>112,950,827</u>	<u>103,043,666</u>
Total liabilities and net assets	<u>\$ 122,499,137</u>	<u>\$ 112,705,787</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
OPERATING REVENUES AND SUPPORT:			
Contributions	\$ 13,244,493	\$ 2,500,000	\$ 15,744,493
In-kind construction contributions	290,553	-	290,553
Goods contributed - ReStores	1,802,938	-	1,802,938
Sales of completed homes, net of mortgage and sales discounts on homes sold totaling approximately \$10,878,000	5,387,701	-	5,387,701
Amortization of mortgage discounts	4,595,799	-	4,595,799
Grants received	797,711	-	797,711
ReStores revenue	3,041,426	-	3,041,426
Less cost of goods sold	(1,847,206)	-	(1,847,206)
Other revenue	119,582	-	119,582
Investment activities, net	(474,519)	-	(474,519)
Total operating revenue and support - before releases from restrictions	26,958,477	2,500,000	29,458,477
Net assets released from donor restrictions	8,173,411	(8,173,411)	-
Total operating revenues and support	35,131,888	(5,673,411)	29,458,477
OPERATING EXPENSES:			
Program services	18,357,251	-	18,357,251
Management and general	508,904	-	508,904
Fundraising	834,585	-	834,585
ReStores	1,772,076	-	1,772,076
Total expenses	21,472,816	-	21,472,816
OPERATING INCREASE/(DECREASE) IN NET ASSETS	13,659,071	(5,673,411)	7,985,660
NON-OPERATING ACTIVITIES:			
Gain on sale of mortgages	1,921,500	-	1,921,500
NON-OPERATING INCREASE IN NET ASSETS	1,921,500	-	1,921,500
CHANGE IN NET ASSETS	15,580,571	(5,673,411)	9,907,161
NET ASSETS - BEGINNING OF YEAR	91,534,632	11,509,034	103,043,666
NET ASSETS - END OF YEAR	<u>\$ 107,115,204</u>	<u>\$ 5,835,623</u>	<u>\$ 112,950,827</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES AND SUPPORT:			
Contributions	\$ 9,728,773	\$ 5,096,446	\$ 14,825,218
In-kind construction contributions	340,343	-	340,343
Goods contributed - ReStores	1,581,115	-	1,581,115
Life estate contribution	-	2,900,000	2,900,000
Sales of completed homes, net of mortgage and sales discounts on homes sold totaling approximately \$11,490,000	7,166,399	-	7,166,399
Amortization of mortgage discounts	4,440,810	-	4,440,810
ReStores revenue	2,453,170	-	2,453,170
Less cost of goods sold	(1,616,565)	-	(1,616,565)
Other revenue	118,183	-	118,183
Investment activities, net	550,544	-	550,544
Total operating revenue and support - before releases from restrictions	24,762,771	7,996,446	32,759,217
Net assets released from donor restrictions	-	-	-
Total operating revenues and support	24,762,771	7,996,446	32,759,217
OPERATING EXPENSES:			
Program services	22,585,259	-	22,585,259
Management and general	472,058	-	472,058
Fundraising	626,529	-	626,529
ReStores	1,537,317	-	1,537,317
Total expenses	25,221,163	-	25,221,163
OPERATING INCREASE/(DECREASE) IN NET ASSETS	(458,391)	7,996,446	7,538,054
NON-OPERATING ACTIVITIES:			
Gain on forgiveness of payroll protection program loan	780,695	-	780,695
Gain on sale of mortgages	934,351	-	934,351
Other net losses	(9,613)	-	(9,613)
NON-OPERATING INCREASE IN NET ASSETS	1,705,433	-	1,705,433
CHANGE IN NET ASSETS	1,247,041	7,996,446	9,243,487
NET ASSETS - BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	90,160,686	3,512,588	93,673,274
PRIOR PERIOD ADJUSTMENT (Note 1 -Recently Issued Accounting Pronouncements)	126,905	-	126,905
NET ASSETS - BEGINNING OF YEAR, AS RESTATED	90,287,591	3,512,588	93,800,179
NET ASSETS - END OF YEAR	<u>\$ 91,534,632</u>	<u>\$ 11,509,034</u>	<u>\$ 103,043,666</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022
(With Comparative Totals for 2021)

	Year Ended June 30, 2022					
	Program Services	Management and General	Fund Raising	ReStores	Total Expenses	Total 2021 Expenses
Cost of homes sold	\$ 13,692,945	\$ -	\$ -	\$ -	\$ 13,692,945	\$ 18,365,273
Total salaries	2,591,253	198,986	482,278	796,927	4,069,444	3,676,361
Payroll taxes	176,979	11,664	33,710	55,794	278,147	253,420
Employee benefits	455,973	76,305	54,409	116,039	702,725	593,948
Occupancy	183,318	16,049	3,153	388,208	590,729	262,630
Office expenses	268,586	68,029	59,968	127,284	523,867	480,077
Habitat International	308,000	-	-	-	308,000	301,000
Insurance	181,854	80,678	15,852	10,568	288,951	254,573
Auto	153,213	2,538	1,908	121,207	278,866	431,708
Depreciation	123,333	14,862	13,004	60,861	212,060	232,932
Professional fees	108,522	11,691	30,607	37,978	188,798	137,062
Advertising and events	13,015	-	78,598	46,886	138,500	85,404
Printing and postage	30,513	7,557	56,904	6,814	101,787	90,491
Telephone	37,604	13,683	2,846	2,611	56,744	46,228
Taxes, real estate	15,469	6,863	1,348	899	24,579	10,054
Interest, line of credit	16,673	-	-	-	16,673	-
Total expenses	<u>\$18,357,251</u>	<u>\$508,904</u>	<u>\$834,585</u>	<u>\$1,772,076</u>	<u>\$21,472,816</u>	<u>\$25,221,163</u>
Total 2021 by Function	<u>\$22,585,259</u>	<u>\$472,058</u>	<u>\$626,529</u>	<u>\$1,537,317</u>	<u>\$25,221,163</u>	

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>ReStores</u>	<u>Total Expenses</u>
Cost of homes sold	\$18,365,273	\$ -	\$ -	\$ -	\$ 18,365,273
Salaries and wages	2,392,792	193,038	389,910	700,622	3,676,361
Payroll taxes	165,051	9,433	27,698	51,238	253,420
Employee benefits	406,339	74,160	45,335	68,114	593,948
Office expenses	226,068	51,856	48,696	105,087	431,708
Occupancy	159,096	23,307	4,579	293,095	480,077
Habitat International	301,000	-	-	-	301,000
Insurance	160,218	71,079	13,966	9,311	254,573
Auto	109,930	1,074	530	151,097	262,630
Depreciation	135,472	16,325	14,284	66,851	232,932
Professional fees	91,231	12,837	(4,549)	37,544	137,062
Advertising and events	4,741	-	34,201	46,462	85,404
Printing and postage	29,078	6,831	48,754	5,828	90,491
Telephone	32,642	9,311	2,573	1,702	46,228
Taxes, real estate	6,327	2,807	552	368	10,054
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$22,585,259</u>	<u>\$ 472,058</u>	<u>\$ 626,529</u>	<u>\$ 1,537,317</u>	<u>\$ 25,221,163</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 9,907,161	\$ 9,243,487
Adjustments to reconcile change in net assets to net cash provided/(used) by operating activities:		
Depreciation	212,060	232,932
Gain on sale of mortgages	(1,503,513)	(514,251)
Gain on paid-off and foreclosed mortgages	(394,987)	(226,227)
Gain on forgiveness of payroll protection program loan	-	(780,695)
Life estate property donation	-	(2,900,000)
Amortization of mortgage discount	(4,574,634)	(4,440,810)
Face value of mortgages issued	(14,511,087)	(16,915,804)
Discounts on mortgages issued	9,883,526	9,955,631
Mortgage loan collections	5,930,821	6,229,657
Reposessed homes	754,202	431,274
(Increase)/decrease in:		
Grants receivable	(600,000)	(58,992)
Promises to give	(327,500)	1,062,720
Other assets-inventories	63,093	146,682
Houses available for sale	(408,084)	758,922
Houses under construction	(3,022,194)	1,938,949
Land held for development	(9,563,281)	(346,459)
Increase/(decrease) in:		
Accounts payable and accrued expenses	(66,494)	960,825
Deferred income	577,500	972,500
Due to homeowner associations	(20,775)	6,321
Escrow deposits from homeowners	(457,260)	(369,869)
Net cash provided/(used) by operating activities	<u>(8,121,448)</u>	<u>5,386,792</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net, proceeds from sale of investments	3,013,051	997,904
Net, increase in beneficial interest in assets held by Community Foundation	(687,468)	(714,724)
Purchases of property and equipment, net	(10,506)	(155,465)
Proceeds from sales of mortgage loans, net	2,862,431	933,665
Net cash provided by investing activities	<u>5,177,509</u>	<u>1,061,380</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	(146,782)	(173,279)
Net cash used by financing activities	<u>(146,782)</u>	<u>(173,279)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,090,721)	6,274,893
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>9,173,482</u>	<u>2,898,589</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 6,082,761</u>	<u>\$ 9,173,482</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS, continued

JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u>\$ 16,673</u>	<u>\$ -</u>
NON-CASH INVESTING AND FINANCING TRANSACTIONS		
Forgiveness of Payroll Protection Program Loan	\$ -	\$ 780,695
Contributions of securities at fair market value	<u>1,009,681</u>	<u>336,166</u>
Total of non-cash investing and financing activities	<u>\$ 1,009,681</u>	<u>\$ 1,116,861</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2022 AND 2021

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 operating 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 contributed funds, donated supplies, volunteer labor, and both purchased and donated properties. The contributions of supplies, labor, cash and properties enable the Organization to also provide buyer families, who are income qualified, with no-interest financing of their purchased home. The families also provide volunteer hours of time as part of their investment in the home. During the years ended June 30, 2022 and 2021 due to the COVID-19 Pandemic, some or all of the volunteer hour requirements may have been modified.

In providing housing to income qualified families, some homeowners may require additional funding to cover the difference between the final value 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 the years ended June 30, 2022 and 2021, the Organization was impacted by the global pandemic related to COVID-19. The pandemic impacted both the Organization's employees and the families they serve. Employees had to adapt to working remotely and working in ways never anticipated. 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"). Certain families, in the home ownership process were deferred or delayed as a result of the pandemic's impact on personal income requirements of home ownership. In addition the global impact on the availability of building materials has adversely impacted both the cost and the timing of home construction.

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 - Those resources over which the board of directors has discretionary control.

Board Designated - Those 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.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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 Federal Deposit Insurance Corporation "FDIC" limits, however the Organization is enrolled in an Insured Cash Sweep "ICS" program, whereby all excess funds held at its main operating bank are on deposit in regulated, FDIC-insured institutions not exceeding the FDIC limits.

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. Restricted 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, ReStores, and fundraising campaigns. The Organization has more than 2,200 volunteers who have provided approximately 30,000 hours a year. During the years ended June 30, 2022 and 2021, 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. The Organization also receives donated goods for sale from the community to assist in the Organization's program services. These donated goods, contributed for resale, are recorded in the accompanying consolidated statements based on the costs associated with selling the donated material. During the years ended June 30, 2022 and 2021, the Organization received \$1,802,938 and \$1,581,115 in contributed goods that were then sold in the ReStores. (See Recently Issued Accounting Pronouncements note below).

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, land improvements 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.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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 the estimated useful lives of five to forty years. All acquisitions of significant property and equipment and all expenditures for repairs, renewals, and betterments, that materially prolong the useful lives of 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 substantially completed 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 6)

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, 2022, its 2019 through 2021 fiscal year tax returns are open for examination by the IRS.

Reclassifications

Certain accounts in the prior-year financial statements may 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, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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 may affect the reported amounts of assets and liabilities. In addition it may affect 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 and such differences could be material.

Functional Allocation of Expenses

The costs of providing 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 and 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 sold homes constructed, home repairs, support of families, and education of homeowners and the general public and other costs related to supporting the Organization's mission.

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)

Recently Issued Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, which amends ASC 958-605 to require not-for-profit entities (NFPs), to (1) "present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets" and (2) disclose contributed nonfinancial assets. The ASU is intended to address measurement of contributed nonfinancial assets and the amount of those contributed assets used in the programs and other activities. The Organization's nonfinancial assets include donations (primarily durable household items) received for resale, at its ReStores. As a result of this change, the Organization has restated the fiscal 2020 ending net assets to reflect the valuation of nonfinancial assets previously not recorded, which resulted in an increase of net assets of \$126,905 as of June 30, 2020.

Effective for the year ended June 30, 2021 the Organization adopted the Financial Accounting Board Standard Topic 606 "Revenue from Contracts with Customers". The core principal of this guidance is that an entity should recognize revenue to depict the transfer of promised 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. To achieve that core principle, an entity should apply the following steps:

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to the performance obligations in the contract.
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Since final acceptance of current year applications to Community Contribution Tax Credit Program "CCTCP" may be impacted by the total of all applications and will not be determined until after the fiscal year end, the Organization has determined that the "satisfaction of the performance obligation" remains open until the final approval of all applications. Accordingly the revenue related to CCTCP was not recognized during the year when the applications were submitted, but will be recognized in the year in which final approval is received.

In 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The ASU is effective for annual reporting periods beginning after December 15, 2021. The Organization is currently evaluating the guidance to determine the impact the standard will have on the financial statements.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2022 AND 2021

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 are, in all material respects, for normal annual operating purposes such as the acquisition, building or 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 and cash equivalents	\$ 6,082,761
Promises to give	1,550,000
Grants receivable	750,000
Current portion of mortgage loans	5,506,664
Current portion of repair loans	62,183
Total financial assets	<u>13,951,608</u>
Less those unavailable for general expenditures within one year, due to:	
Cash restricted by contract, escrow deposits from homeowners	(1,101,583)
Cash donor purpose restrictions	<u>(2,935,623)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,914,402</u>

Although the Organization does not intend to spend funds from board-designated cash or investments, which at June 30, 2022 total \$2,704,431, these amounts could be made available to fund operations, if necessary.

NOTE 3 - PROPERTY AND EQUIPMENT, NET

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

	<u>2022</u>	<u>2021</u>
Land, excludes land held for development	\$ 1,803,546	\$ 1,803,546
Buildings	3,037,488	3,026,982
Vehicles	568,144	568,144
Equipment	<u>462,107</u>	<u>462,107</u>
	5,871,285	5,860,779
Less: accumulated depreciation	<u>(2,376,077)</u>	<u>(2,164,126)</u>
Total property and equipment, net	<u>\$ 3,495,208</u>	<u>\$ 3,696,653</u>

For the years ended June 30, 2022 and 2021, depreciation expense was \$212,060 and \$232,932 respectively.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2022 AND 2021

NOTE 4 - LAND HELD FOR DEVELOPMENT

Land held for development, which includes improvements, consists of the following at June 30:

	2022	2021
Land acquisition and initial ownership costs	\$ 21,008,960	\$ 14,455,548
Land improvements	21,022,647	21,937,778
Less: Land allocated to cost of homes	(4,936,000)	(8,861,000)
Total land held for development	<u>\$ 37,095,607</u>	<u>\$ 27,532,326</u>

NOTE 5 - PROMISES TO GIVE

Promises to give are comprised of contributions receivable as of June 30, 2022 and 2021 from Collier County, Florida businesses in connection with the State of Florida Community Contribution Tax Credit Program "CCTCP". Due to the adoption of Financial Accounting Board Standard Topic 606, the Organization has determined that the "satisfaction of the performance obligation" remains open until the final approval of all applications. Accordingly, the revenue related to the CCTCP is recognized in the fiscal year it is received and the estimated future receipts are initially recorded as a liability in the year of application.

NOTE 6 - MORTGAGE NOTES RECEIVABLE, NET

Mortgage notes receivable, secured by houses sold, are non-interest bearing with variable term lengths. 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:

	2022	2021
Mortgage notes receivable	\$ 127,460,482	\$ 122,986,935
Less: unamortized discounts	(66,846,326)	(63,925,913)
	<u>\$ 60,614,156</u>	<u>\$ 59,061,022</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.

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, are due and payable between 18 to 38 years and have fair values that management believes exceed the uncollected balances. As such, no allowance has been established for first mortgage notes as of June 30, 2022 or 2021.

Other Homeowner Indebtedness - 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 may be fully reserved upon the initial recording of the note.

Additional Mortgages - Additional mortgage receivables are for the deferral of certain fees due or for initial down payment assistance. These notes are due and payable between 30 and 50 years from original closing date. All of these notes are 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.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2022 AND 2021

NOTE 6 - MORTGAGE NOTES RECEIVABLE (cont'd)

A mortgage is deemed performing if it is less than 90 days delinquent, or if it is on an approved payment plan and is current with the terms of that plan. At June 30, 2022, all outstanding loans were deemed performing.

The following table shows an aging analysis of the mortgages by days past due as of June 30, 2022:

	Current	30-89 Days Past Due	90 Days or More Past Due	Total
Performing mortgages	\$ 125,815,062	\$ 1,061,728	\$ 583,692	\$ 127,460,482

Maturities of first mortgage notes receivable as of June 30 are summarized as follows:

Amounts due in :	2022	2021
Less than one year	\$ 7,059	\$ 4,950
One to five years	480,370	621,887
Thereafter	126,973,053	126,833,645
Total	<u>\$ 127,460,482</u>	<u>\$ 122,986,935</u>

At June 30, 2022 and 2021, the Organization was servicing 518 and 553 loans respectively, that it has sold or pledged to various banks. The outstanding balance of these mortgages was approximately \$27,275,350 and \$26,667,000, 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 has the option, but not the obligation to repurchase the non-performing loan. As of June 30, 2022 and 2021, all sold or pledged loans were deemed performing.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Fund balances with donor restrictions consist of the following at June 30:

	2022	2021
Land acquisition campaign	\$ 2,935,623	\$ 8,609,034
Donor life estate property	2,900,000	2,900,000
	<u>\$ 5,835,623</u>	<u>\$ 11,509,034</u>

On September 30, 2020 a donor entered into a Life Estate for real property, that upon his death would be deeded in full to the Organization. On November 2020, an Option agreement to purchase from the Organization the property held in the Life Estate for \$2,900,000 by the surviving heirs of the life estate holder, was executed. Upon the Life Estate holder's death, the option holders have six months in which to exercise their option to purchase for property held in the Life Estate for \$2,900,000 from the Organization.

NOTE 8 - INVESTMENTS

	2022		2021	
	Cost	Fair Market Value	Cost	Fair Market Value
Investments consist of the following:				
Money market accounts	\$ -	\$ -	\$ 3,013,051	\$ 3,013,051

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2022 AND 2021

NOTE 9 - LONG-TERM NOTES PAYABLE

Long term notes payable consist of the following at June 30:

Secured Note Payable to The Northern Trust Company; loan is collateralized by the first mortgage receivables owned by the Organization's subsidiary, bearing interest at 0% per annum, payable in monthly installments of \$5,809. Maturity at August 1, 2044. See below "Securitization Agreements" for additional information.

	<u>2022</u>	<u>2021</u>
	\$ 1,496,067	\$ 1,565,775

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

1,578,050	1,646,617
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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 (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.

10,674	19,182
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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.

<u>\$ 3,084,791</u>	<u>\$ 3,231,573</u>
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Future maturities of principal amounts of the notes payable as of June 30, 2022, are as follows.

<u>Year Ending June 30,</u>	
2023	\$ 144,192
2024	142,332
2025	138,978
2026	138,276
2027	138,276
Thereafter	<u>2,382,737</u>
	<u>\$ 3,084,791</u>

NOTE 10 - LINES OF CREDIT

During 2020, the Organization entered into two separate bank lines of credit, in the amounts of \$10,000,000 and \$2,500,000. The \$10,000,000 line is available for the acquisition of new land and/or development of currently held land parcels. The line is collateralized by the acquired property or property owned by the Organization and is available for up to 50% of the appraised value of either the acquired property or the property currently held. The \$2,500,000 line is an unsecured working capital line. As part of this line of credit, the Organization has entered into an agreement to not encumber both its Main Office building and East Restore locations for any other collateral purposes. Both lines bear interest at the Prime Rate less 1/2%. As of June 30, 2022 and 2021, there were no outstanding borrowings against either line.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2022 AND 2021

NOTE 11 - GRANT REVENUE

For the years ended June 30, the grant funds earned were as follows:

	<u>2022</u>	<u>2021</u>
HOME Investment Partnerships (HOME)	<u>\$ 797,711</u>	<u>\$ -</u>

The Organization recognizes awarded grant revenues when the expenditures stipulated in the grant agreement are incurred. During 2020, a \$1,000,000 grant related to land acquired for development was awarded to the Organization. The terms of the grant require completion of a certain number of qualified homes, within a defined future time period. Accordingly, the recognition of the grant income has been deferred until all specified conditions are met. As of June 30, 2022 and 2021, the entire grant is deferred.

NOTE 12 - INVESTMENT RETURN, NET

Investment return, net of investment expense consists of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Interest & dividends	\$ 57,963	\$ 43,646
Net realized gains	48,323	6,734
Net unrealized gains/(losses)	(540,293)	537,951
Investment expenses	(40,512)	(37,787)
	<u>\$ (474,519)</u>	<u>\$ 550,544</u>

NOTE 13 - EMPLOYEE BENEFIT PLAN

The Organization has a both tax-deferred annuity plan and a 403(b) retirement plan, which covers qualified 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 plans up to 5% of the employee's salary, based on a fixed matching schedule. Employer contributions to the plan were approximately \$123,000 and \$104,000 for the years ended June 30, 2022 and 2021, respectively.

NOTE 14 - FAIR VALUE MEASUREMENTS

The Organization categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 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, 2022 and 2021.

The following table presents the fair value hierarchy for the balances of the assets the Organization measured at fair value as of June 30, 2022 and 2021:

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2022 AND 2021

NOTE 14 - FAIR VALUE MEASUREMENTS (cont'd)

	2022			
	Fair Value	Level 1	Level 2	Level 3
Houses under construction	\$ 5,728,945	\$ -	\$ 5,728,945	\$ -
Beneficial interest in assets held by the Community Foundation	\$ 2,870,662	\$ -	\$ -	\$ 2,870,662
Remainder interest in life estate	\$ 2,900,000	\$ -	\$ 2,900,000	\$ -

	2021			
	Fair Value	Level 1	Level 2	Level 3
Investments	\$ 3,013,051	\$ 3,013,051	\$ -	\$ -
Houses under construction	\$ 2,706,751	\$ -	\$ 2,706,751	\$ -
Beneficial interest in assets held by the Community Foundation	\$ 2,183,194	\$ -	\$ -	\$ 2,183,194
Remainder interest in life estate	\$ 2,900,000	\$ -	\$ 2,900,000	\$ -

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

The Community Foundation of Collier County (CFCC) maintains agency endowments ("The Habitat for Humanity of Collier County Endowment Fund and the Janet J. Allyn Habitat Collier 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, 2022 and 2021, the funds were 100% invested in indexed equity funds.

The changes of the agency endowment funds for the years ended June 30 are as follows:

	2022	2021
Community Foundation endowment funds, beginning balance	\$ 2,183,194	\$ 1,468,470
Contributions received	1,090,203	142,868
Contributions in transit	45,271	-
Realized gains and losses	48,483	6,734
Unrealized gains and losses	(540,292)	538,602
Interest and dividends	55,953	38,648
Investment management fees	(1,217)	(968)
Administrative fees	(10,933)	(11,160)
Community Foundation endowment funds, ending balance	<u>\$ 2,870,662</u>	<u>\$ 2,183,194</u>

NOTE 16 - RELATED PARTY TRANSACTIONS

The Organization received \$989,471 and \$703,890 in contributions from Board members during the years ended June 30, 2022 and 2021, respectively.

The contributions for the year ended June 30, 2022 consisted of \$57,800 in contributed securities and \$931,671 in cash contributions and for the year ended June 30, 2021, contributions consisted of \$102,560 in contributed securities and \$601,330 in cash contributions. These contributions are approximately 6.3% and 4.1% of total contributions received for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, the Organization remitted \$308,000 and \$301,000 respectively.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - JUNE 30, 2022 AND 2021

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. During 2021, the Organization entered into an Insured Cash Sweep "ICS" program, whereby all excess funds held at its main operating bank are on deposit in regulated, FDIC-insured institutions not exceeding the FDIC limits. As of June 30, 2022, and 2021 approximately \$5,170,000 and \$8,186,000, respectively, was invested through the ICS program.

NOTE 18 - CONTINGENCIES

Noncompliance

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits, as management believes they are in compliance at this date.

NOTE 19 - LEASE OBLIGATION

On October 7, 2020 the Organization entered into a lease agreement for its new North ReStore location. Lease payments began January of 2021 after taking occupancy of the premises. 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 Ended</u>	<u>LEASE</u>
2023	\$ 241,085
2024	248,318
2025	255,767
2026	129,773
	<u>\$ 874,943</u>

NOTE 20 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 12, 2022, the date the financial statements were available to be issued.

On September 28, 2022, Hurricane Ian hit Southwest Florida causing severe flooding in many communities. The Organization has constructed and sold over 2,400 homes in the region, all of which were financed by the Organization. Preliminary assessments indicate that none of the related properties suffered any significant damage because of the storm. In addition, none of the Organization's administrative offices or retail thrift stores (ReStores) were damaged.

Management anticipates that the extensive damage to homes and businesses throughout the region may have a negative economic impact the area. The affect of such impact cannot be determined at this time.

The Organization continues to construct and sell homes in accordance with its mission.

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, 2022

		<u>Pass-through Entity/Award Identification Number</u>	<u>Expenditures</u>
United States Department of Housing and Urban Development:	<u>Federal CFDA Number</u>		
<u>Community Development Block Grants</u>			
Home Investment Partnerships (HOME)	14.218	Collier County, FL/M18-UC12-0217, M19-UC12-0217	\$ 797,711
Total Community Development Block Grants Passed-through Collier County, Florida			<u>797,711</u>
Total Expenditures of Federal Awards			<u>\$ 797,711</u>
 Florida Housing Finance Corporation	 <u>State CSFA Number</u>		
<u>State Housing Initiative Program Passed-through Collier County, Florida</u>			
New Construction Assistance (21-001)	40.901	Collier County, FL SCHON21-001	\$ 350,000
New Construction Assistance (18-001)	40.901	Collier County, FL SCHON18-001	600,000
Total State Housing Initiative Program Passed-through Collier County, Florida			<u>950,000</u>
Total Expenditures of State Financial Assistance			<u>\$ 950,000</u>
 Total Expenditures of Federal Awards and State Financial Assistance			<u>\$ 1,747,711</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC. AND SUBSIDIARY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2022

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 the Organization 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
CERTIFIED PUBLIC ACCOUNTANTS

2375 TAMiami TRAIL NORTH, SUITE 110
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LAURA L. GELMAN, E.A.
THOMAS J. GANO, C.P.A.

MEMBERS
AMERICAN INSTITUTE OF CERTIFIED
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FLORIDA INSTITUTE OF CERTIFIED
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OFFICES:
NAPLES 262-1040
MARCO ISLAND 394-7502

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, 2022, and the related consolidated statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 12, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated 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 the 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 a 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Habitat for Humanity of Collier County, Inc.'s financial statements are free from 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 financial statements. 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 or other matters 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

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 organization'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 12, 2022
Naples, Florida

ROGERS WOOD HILL STARMAN & GUSTASON

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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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Habitat for Humanity of Collier County, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement and the requirements identified 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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. Our responsibilities under those standards, the Uniform Guidance, Section 215.97, Florida Statutes and Chapter 10.650, Rules of the Auditor General are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Habitat for Humanity of Collier County, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major Federal program and State project. Our audit does not provide a legal determination of Habitat for Humanity of Collier County, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Habitat for Humanity of Collier County, Inc.'s Federal programs and State projects.

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Habitat for Humanity of Collier County, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, the Uniform Guidance; Section 215.97, Florida Statutes; and Chapter 10.650, Rules of the Auditor General will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Habitat for Humanity of Collier County, Inc.'s compliance with the requirements of each major Federal program and State project as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, the Uniform Guidance; Section 215.97, Florida Statutes; and Chapter 10.650, Rules of the Auditor General, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Habitat for Humanity of Collier County, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Habitat for Humanity of Collier County, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance; Section 215.97, Florida Statutes; and Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity of Collier County, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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.

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, Florida Statutes; and Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink, reading "Rogers Wood Hill Starman & Gustason".

ROGERS WOOD HILL STARMAN & GUSTASON, P.A.
Certified Public Accountants & Advisors
October 12, 2022
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, 2022

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 Financial Assistance

Internal control over major federal programs and state projects:

Material weakness (es) identified?	No
Significant deficiency (ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance of major federal programs and state projects:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with CFR 200.516(a) or Chapter 10.650, Rules of the Auditor General?	No

Identification of major Federal programs or State projects:

<u>Major Federal Program or Cluster</u>	<u>CFDA No.</u>
Home Investment Partnerships (HOME)	14.218

<u>Major State Projects</u>	<u>CFSA No.</u>
New Construction Assistance (SCHON18-001)	40.901
New Construction Assistance (SCHON21-001)	40.901

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

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.

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, 2020

There were no findings required to be reported.