

HABITAT FOR HUMANITY
OF COLLIER COUNTY, INC.

FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT THEREON

YEARS ENDED JUNE 30, 2014 AND 2013

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.

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PART I

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 Board of Directors of
Habitat for Humanity of Collier County, Inc.
Naples, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity of Collier County, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related 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 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 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Collier County, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

ROGERS WOOD HILL STARMAN & GUSTASON

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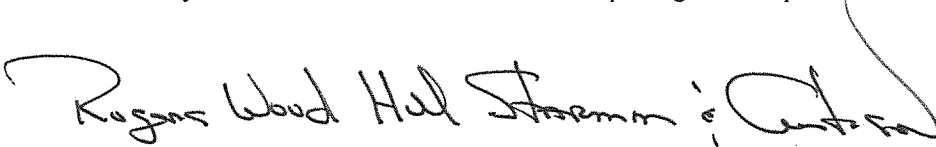
INDEPENDENT AUDITOR'S REPORT, continued

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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 November 20, 2014 on our consideration of Habitat for Humanity of Collier County Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Habitat for Humanity of Collier County Inc.'s internal control over financial reporting and compliance.



ROGERS WOOD HILL STARMAN & GUSTASON, P.A.
Certified Public Accountants
November 20, 2014

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 3,519,147	\$ 2,319,905
Investments	10,000	-
Grants receivable	708,240	20,000
Other receivables and other assets	2,643,459	1,679,727
Prepaid insurance	87,770	52,127
First mortgage notes receivable, net	36,496,493	33,499,312
Second mortgage notes receivable	30,000	30,000
Houses under construction	4,756,611	7,360,152
Houses available for sale	1,378,112	1,333,025
Land and land improvements	22,486,368	24,199,767
Property and equipment, net	<u>3,872,793</u>	<u>3,755,804</u>
Total assets	<u>\$ 75,988,993</u>	<u>\$ 74,249,819</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 680,893	\$ 679,149
Deposits on houses	14,500	21,500
Escrow deposits from homeowners	1,276,920	980,457
Due to homeowner associations	166,838	100,878
Notes payable	<u>2,707,583</u>	<u>3,512,932</u>
Total liabilities	<u>4,846,734</u>	<u>5,294,916</u>
Net assets:		
Unrestricted	67,259,466	65,099,099
Investment in property and equipment	<u>3,872,793</u>	<u>3,755,804</u>
Total unrestricted net assets	71,132,259	68,854,903
Temporarily restricted	-	100,000
Permanently restricted	<u>10,000</u>	<u>-</u>
Total net assets	<u>71,142,259</u>	<u>68,954,903</u>
Total liabilities and net assets	<u>\$ 75,988,993</u>	<u>\$ 74,249,819</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.**STATEMENT OF ACTIVITIES****YEAR ENDED JUNE 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATING REVENUES AND SUPPORT:				
Contributions	\$ 7,365,490	\$ -	\$ 10,000	\$ 7,375,490
In-kind contributions	567,389	-	-	567,389
Sales of completed homes	12,384,800	-	-	12,384,800
Grants	2,668,073	-	-	2,668,073
Investment return	(355)	-	-	(355)
Thrift shop revenue	1,281,932	-	-	1,281,932
Other revenue	216,117	-	-	216,117
Total operating revenue and support - before releases from restrictions	<u>24,483,446</u>	<u>-</u>	<u>10,000</u>	<u>24,493,446</u>
Net assets released from restrictions	<u>100,000</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>
Total operating revenues and support	<u>24,583,446</u>	<u>(100,000)</u>	<u>10,000</u>	<u>24,493,446</u>
OPERATING EXPENSES:				
Program services	17,431,122	-	-	17,431,122
Management and general	722,275	-	-	722,275
Fundraising	444,927	-	-	444,927
Thrift shop	386,925	-	-	386,925
Total expenses	<u>18,985,249</u>	<u>-</u>	<u>-</u>	<u>18,985,249</u>
OPERATING INCREASE (DECREASE) IN NET ASSETS	<u>5,598,197</u>	<u>(100,000)</u>	<u>10,000</u>	<u>5,508,197</u>
NON-OPERATING ACTIVITIES:				
Mortgage discounts on homes sold	(6,879,998)	-	-	(6,879,998)
Loss on impairment of asset	(260,717)	-	-	(260,717)
Gain on sale of mortgages	1,033,631	-	-	1,033,631
Amortization of mortgage discounts	2,786,243	-	-	2,786,243
NON-OPERATING DECREASE IN NET ASSETS	<u>(3,320,841)</u>	<u>-</u>	<u>-</u>	<u>(3,320,841)</u>
CHANGE IN NET ASSETS	<u>2,277,356</u>	<u>(100,000)</u>	<u>10,000</u>	<u>2,187,356</u>
NET ASSETS - BEGINNING OF YEAR	<u>68,854,903</u>	<u>100,000</u>	<u>-</u>	<u>68,954,903</u>
NET ASSETS - END OF YEAR	<u>\$ 71,132,259</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 71,142,259</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATING REVENUES AND SUPPORT:				
Contributions	\$ 5,913,655	\$ 100,000	\$ -	\$ 6,013,655
In-kind contributions	1,575,536	-	-	1,575,536
Sales of completed homes	12,620,000	-	-	12,620,000
Grants	4,302,496	-	-	4,302,496
Investment return	346	-	-	346
Thrift shop revenue	1,168,160	-	-	1,168,160
Other revenue	116,391	-	-	116,391
Total operating revenue and support - before releases from restrictions	<u>25,696,584</u>	<u>100,000</u>	<u>-</u>	<u>25,796,584</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating revenues and support	<u>25,696,584</u>	<u>100,000</u>	<u>-</u>	<u>25,796,584</u>
OPERATING EXPENSES:				
Program services	17,532,052	-	-	17,532,052
Management and general	633,361	-	-	633,361
Fundraising	385,577	-	-	385,577
Thrift shop	382,373	-	-	382,373
Total expenses	<u>18,933,363</u>	<u>-</u>	<u>-</u>	<u>18,933,363</u>
OPERATING INCREASE IN NET ASSETS	<u>6,763,221</u>	<u>100,000</u>	<u>-</u>	<u>6,863,221</u>
NON-OPERATING ACTIVITIES:				
Mortgage discounts on homes sold	(6,671,626)	-	-	(6,671,626)
Loss on impairment of asset	(932,000)	-	-	(932,000)
Gain on sale of mortgages	784,008	-	-	784,008
Gain on paid-off mortgages	28,978	-	-	28,978
Amortization of mortgage discounts	2,660,094	-	-	2,660,094
NON-OPERATING DECREASE IN NET ASSETS	<u>(4,130,546)</u>	<u>-</u>	<u>-</u>	<u>(4,130,546)</u>
CHANGE IN NET ASSETS	<u>2,632,675</u>	<u>100,000</u>	<u>-</u>	<u>2,732,675</u>
NET ASSETS - BEGINNING OF YEAR	<u>66,222,228</u>	<u>-</u>	<u>-</u>	<u>66,222,228</u>
NET ASSETS - END OF YEAR	<u>\$ 68,854,903</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 68,954,903</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Thrift Shop</u>	<u>Total Expenses</u>
Advertising	\$ -	\$ -	\$ 86,444	\$ 15,288	\$ 101,732
Auto	68,579	7,620	-	27,503	103,702
Construction costs	14,414,446	-	-	-	14,414,446
Depreciation	42,654	17,772	8,294	49,763	118,483
Family services	20,789	-	-	-	20,789
Insurance	104,784	50,702	3,380	10,140	169,006
Interest	-	132,373	-	-	132,373
Merchandise	-	-	-	2,966	2,966
Occupancy	41,256	18,002	15,752	30,446	105,456
Office expenses	614,814	108,497	64,111	58,068	845,490
Printing and postage	16,190	1,799	74,205	-	92,194
Professional fees	36,307	64,316	1,037	2,075	103,735
Salaries and benefits	1,706,974	301,231	174,005	189,530	2,371,740
Telephone	33,959	6,792	4,528	1,146	46,425
Habitat International	225,000	-	-	-	225,000
Taxes, real estate	105,370	13,171	13,171	-	131,712
	<u>\$ 17,431,122</u>	<u>\$ 722,275</u>	<u>\$ 444,927</u>	<u>\$ 386,925</u>	<u>\$ 18,985,249</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Thrift Shop</u>	<u>Total Expenses</u>
Advertising	\$ -	\$ -	\$ 72,030	\$ 13,846	\$ 85,876
Auto	88,057	9,784	-	25,648	123,489
Construction costs	14,491,884	-	-	-	14,491,884
Depreciation	40,785	16,994	7,931	47,583	113,293
Family services	19,574	-	-	-	19,574
Insurance	108,462	52,482	3,499	10,496	174,939
Interest	-	150,262	-	-	150,262
Merchandise	-	-	-	4,658	4,658
Occupancy	37,624	16,417	14,365	22,948	91,354
Office expenses	278,823	49,204	50,094	60,117	438,238
Printing and postage	14,028	1,559	61,804	-	77,391
Professional fees	22,626	40,081	646	1,294	64,647
Salaries and benefits	1,567,879	276,684	158,210	191,322	2,194,095
Telephone	43,441	8,688	5,792	4,461	62,382
Habitat International	225,000	-	-	-	225,000
Taxes, real estate	89,650	11,206	11,206	-	112,062
Refunded grant	504,219	-	-	-	504,219
Total expenses	<u>\$ 17,532,052</u>	<u>\$ 633,361</u>	<u>\$ 385,577</u>	<u>\$ 382,373</u>	<u>\$ 18,933,363</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,187,356	\$ 2,732,675
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	118,483	113,293
Gain on sale of mortgages	(1,033,631)	(784,008)
Gain on paid-off mortgages	-	(28,978)
Loss on impairment of asset	260,717	932,000
Amortization of mortgage discount	(2,786,243)	(2,660,094)
Discounts on sales	6,879,998	6,671,626
Face value of mortgages issued	(12,024,050)	(11,869,298)
Permanently restricted contribution	(10,000)	-
Repossessed homes	261,655	705,982
(Increase)/decrease in:		
Grants receivable	(688,240)	110,000
Other receivables and other assets	(963,732)	(722,453)
Prepaid insurance	(35,643)	22,622
Houses available for sale	(45,087)	(897,028)
Houses under construction	2,342,824	57,317
Land and improvements	1,713,399	(691,920)
(Increase)/decrease in:		
Accounts payable and accrued expenses	1,744	169,898
Due from homeowner associations	65,960	55,015
Deposits on houses	(7,000)	10,000
Escrow deposits from homeowners	296,463	238,827
Net cash used by operating activities	<u>(3,465,027)</u>	<u>(5,834,524)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investment	(10,000)	-
Purchases of property and equipment	(235,472)	(48,870)
Mortgage loan collections	3,138,185	3,063,726
Proceeds from sales of mortgage loans	2,566,905	993,075
Net cash provided by investing activities	<u>5,459,618</u>	<u>4,007,931</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for permanent endowment	10,000	-
Payments on line of credit, net	-	-
Proceeds from notes payable	434,371	121,070
Principal payments on notes payable	(1,239,720)	(466,444)
Net cash used by financing activities	<u>(795,349)</u>	<u>(345,374)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,199,242	(2,171,967)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,319,905</u>	<u>4,491,872</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,519,147</u>	<u>\$ 2,319,905</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.

STATEMENTS OF CASH FLOWS, continued

JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u>\$ 132,373</u>	<u>\$ 150,262</u>
NON-CASH INVESTING AND FINANCING TRANSACTIONS		
Contributions of securities at fair market value	<u>\$ 489,770</u>	<u>\$ 404,349</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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

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

Basis of Accounting

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

Financial Statement Presentation

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

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

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

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

Non-operating activities include all non-cash activities relating to discounting contracts for deed and mortgages receivable and debt.

Liquidity

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

Cash and Cash Equivalents

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

Contributions

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

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014 AND 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES - continued

Contributed Goods and Services

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

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

Federal Grants

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

Revenue Recognition and Sales

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

Escrow Reserves

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

Investments

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

Construction Costs

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

Property and Equipment

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

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014 AND 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES - continued

Property and Equipment, continued

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

Land and Land Improvements and Houses under Construction

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

Mortgages Receivable

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

Allowance for Credit Losses

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

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

First mortgages - The degree of risk on residential mortgage lending is minimal due to the fact that all first mortgages are secured by property with fair values that exceed the uncollected balances. As such, no allowance has been established for first mortgages as of June 30, 2014.

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

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014 AND 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES - continued

Income Taxes

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

The Organization follows the policy that clarifies the accounting for uncertainty in income taxes recognized in an organization's 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, 2014, its 2011 through 2013 fiscal year tax returns are open for examination by the IRS.

Functional Allocation of Expenses

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

Estimates

The preparation of 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 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 financial statements.

NOTE 2 - PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Land	\$ 1,803,546	\$ 1,763,546
Buildings	2,610,859	2,560,897
Vehicles	334,579	279,367
Office equipment	<u>152,943</u>	<u>95,416</u>
	4,901,927	4,699,226
Less: accumulated depreciation	<u>(1,029,134)</u>	<u>(943,422)</u>
Total property and equipment, net	<u>\$ 3,872,793</u>	<u>\$ 3,755,804</u>

For the year ended June 30, 2014 and 2013 depreciation expense was \$118,483 and \$113,293, respectively.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014 AND 2013

NOTE 3 - HOUSES UNDER CONSTRUCTION

Houses under construction consist of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Houses under construction	\$ 5,042,328	\$ 8,442,152
Less: impairment from houses under construction - 2013	(25,000)	(1,082,000)
Less: impairment from houses under construction - 2014	(260,717)	-
Less: impairment from land transferred and unsold	(120,000)	-
	<u>\$ 4,756,611</u>	<u>\$ 7,360,152</u>

Based on the results of its evaluations, the Company recognized the following impairment charges for the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Houses under construction - impairment	\$ 260,717	\$ 932,000

NOTE 4 - LAND AND LAND IMPROVEMENTS

Land and land improvements consist of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Land and land improvements	\$ 23,186,368	\$ 25,199,767
Less: impairment	(700,000)	(1,000,000)
	<u>\$ 22,486,368</u>	<u>\$ 24,199,767</u>

Based on the results of its evaluations, the Company recognized the following impairment charges for the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Land and land improvements - impairment	\$ -	\$ 1,000,000

NOTE 5 - FIRST MORTGAGE NOTES RECEIVABLE, NET

Mortgage notes secured by houses sold are non-interest bearing and have original terms of eighteen to thirty years. Interest is imputed at market rates at the date of the note and amortized over the term of the note using the interest method. The mortgage discount rates utilized for calculating the mortgage discounts range from 6% to 9%. The receivable and discounts are as follows at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Mortgage notes receivable	\$ 79,213,145	\$ 73,735,707
Less: unamortized discounts	(42,716,652)	(40,236,395)
	<u>\$ 36,496,493</u>	<u>\$ 33,499,312</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014 AND 2013

NOTE 5 - FIRST MORTGAGE NOTES RECEIVABLE, NET, continued

The following table shows the homogeneous loan portfolio segments allocated by payment activity. Loans are deemed performing if they are less than 90 days delinquent, or if on an approved payment plan and current with the terms of the plan, at June 30, 2014:

Payment Activity	<u>Consumer Credit Risk Profile by Payment Activity</u>		
	<u>First Mortgages</u>	<u>All Other Real Estate</u>	<u>Total</u>
Performing	\$ 79,213,145	\$ -	\$ 79,213,145
Non-performing	-	-	-
Total	<u>\$ 79,213,145</u>	<u>\$ -</u>	<u>\$ 79,213,145</u>

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

	<u>June 30, 2014</u>			<u>Total</u>
	<u>Current</u>	<u>30-89 Days Past Due</u>	<u>90 Days or More Past Due</u>	
First mortgages	\$ 79,072,585	\$ 83,046	\$ 57,514	\$ 79,213,145
All other real estate	\$ -	\$ -	\$ -	\$ -

Maturities of first mortgage notes receivable are summarized as follows:

Amounts due in :	<u>2014</u>	<u>2013</u>
Less than one year	\$ 27,473	\$ 24,088
One to five years	1,487,315	920,091
Thereafter	<u>77,698,357</u>	<u>72,791,528</u>
Total	<u>\$ 79,213,145</u>	<u>\$ 73,735,707</u>

At June 30, 2014 and 2013, the Organization was servicing 561 and 528 loans, respectively, which it had sold to various banks. Under the sales agreements with the banks, the Organization agrees to service all loans in accordance with all applicable federal and state laws and regulations, and customary practices, policies and procedures for servicing residential mortgage loans. Additionally, in the event a loan is delinquent more than 90 days, the Organization is required to replace the loan with a similar loan (amount and terms) or repurchase the non-performing loan.

The balance of the sold mortgages as of June 30, 2014 and 2013 was approximately \$22,840,000 and \$21,170,000, respectively. The Organization obtains a second mortgage from each homeowner for the appropriate difference between the estimated fair value of the house and the purchase price. The second mortgage, which is forgiven over the term of the first mortgage, is assumed to have no economic value and, accordingly, is not recognized in the Organization's financial statements.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014 AND 2013

NOTE 6 - NOTES PAYABLE

Notes payable consist of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Secured note payable to Habitat for Humanity International, Inc.; loan is collateralized by the first mortgage receivables owned by the Organization, bearing interest at 4.75% per annum, payable in quarterly installments of \$44,614; matures at June 30, 2022.	\$ 1,182,413	\$ 1,300,713
Secured note payable to Habitat for Humanity International, Inc.; loan is collateralized by the first mortgage receivables owned by the Organization, bearing interest at 4.5% per annum, payable in quarterly installments of \$99,312; matures at December 31, 2018.	959,886	1,925,939
Unsecured note payable to Habitat for Humanity International, Inc., bearing interest at 2% , payable in monthly installments of \$8,593. Maturity at August 1, 2016.	210,234	-
Unsecured note payable to Habitat for Humanity International, Inc., bearing no interest, payable in monthly installments of \$2,743. Initial payment date of July, 2015. Maturity at July 1, 2019.	121,121	121,070
Secured note payable to Shamrock Bank; loan is collateralized by the first mortgage receivable owned by the Organization, bearing interest at 2.5% per annum, payable in monthly installments of \$4,481; matures at September 30, 2016.	115,170	165,210
Unsecured note payable to Habitat for Humanity International, Inc., bearing no interest, payable in monthly installments of \$5,625. Initial payment date of July, 2014. Maturity at July 1, 2018.	63,646	-
Unsecured note payable to Habitat for Humanity International, Inc., bearing no interest, payable in monthly installments of \$1,171. Initial payment date of July, 2015. Maturity at July 1, 2019.	41,216	-
Unsecured note payable to Habitat for Humanity International, Inc., bearing no interest, payable in monthly installments of \$289. Initial payment date of July, 2016. Maturity at July 1, 2020.	13,897	-
	<u>\$ 2,707,583</u>	<u>\$ 3,512,932</u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014 AND 2013

NOTE 6 - NOTES PAYABLE, continued

Future maturities of principal amounts on the notes payable as of June 30, 2014, are anticipated to be as follows:

<u>Year Ending June 30,</u>		
2015	\$	502,294
2016		544,052
2017		427,883
2018		424,752
2019		316,152
Thereafter		492,450
	<u>\$</u>	<u>2,707,583</u>

NOTE 7 - LINE OF CREDIT

The Organization has a line of credit with a financial institution in the amount of \$2,850,000. As of June 30, 2014 and 2013, there were no amounts outstanding. The interest rate on the line of credit at June 30, 2014 and 2013, was 3.00%.

NOTE 8 - GRANT REVENUE

For the years ended June 30, 2014 and 2013, the funds earned were as follows:

	<u>2014</u>	<u>2013</u>
Neighborhood Stabilization Program - NSP3	\$ 874,524	\$ 3,089,646
Self-Help Homeownership Opportunity Program	788,088	113,312
CDBG - Re-roof grant	205,461	-
Habitat for Humanity International - grant	-	54,000
Community Planning - Grant	600,000	-
Collier County Housing Finance - grant	200,000	-
Habitat for Humanity International - NSP2	-	1,045,538
Total	<u>\$ 2,668,073</u>	<u>\$ 4,302,496</u>

NOTE 9 - EMPLOYEE BENEFIT PLAN

The Organization has a tax-deferred annuity plan, which covers full time employees of the Organization. Employees are allowed to contribute up to 20% of their salary. The Organization matches contributions to the plan up to 3% of the employee's salary. Employer contributions to the plan were \$39,864 and \$34,447 for the years ended June 30, 2014 and 2013, respectively.

NOTE 10 - FAIR VALUE MEASUREMENTS

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

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014 AND 2013

NOTE 10 - FAIR VALUE MEASUREMENTS, continued

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

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

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

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

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

The Organization's assets measured at fair value on a non-recurring basis are those assets for which the Organization has recorded valuation adjustments and write-offs prior to and during the year ended June 30, 2014. The following table presents the fair value hierarchy for the balances of the assets the Company measured at fair value as of June 30, 2014.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Houses under construction	\$ -	\$ 4,756,611	\$ -

NOTE 11 - RELATED PARTY TRANSACTIONS

The Organization received \$776,269 and \$656,757 in contributions from several Board members during the years ended June 30, 2014 and 2013, respectively. The contributions consisted of \$207,224 in contributed securities and \$569,045 in cash contributions for the year ended June 30, 2014. For the year ended June 30, 2013, contributions consisted of \$157,450 in contributed securities and \$499,307 in cash contributions.

The total of these contributions was approximately 11% of total unrestricted contributions for both years ended June 30, 2014 and 2013.

The Organization remits a portion of its revenues as a tithe to Habitat for Humanity International, Inc. For both the years ended June 30, 2014 and 2013, the Organization remitted \$225,000.

NOTE 12 - PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2014, it was discovered that certain properties, received in-kind, in the prior year had not been properly recorded at the fair-market value at the date of receipt. In addition, a separate error led to an understatement of notes payable and and overstatement of income. As a result, the related accounts have been restated in the prior period comparative information.

The effect of the restatement at June 30, 2013, was an increase in houses under construction of \$670,389, and an increase in construction costs of \$713,969, along with a corresponding increase in in-kind contributions of \$1,384,358, in addition to an increase in notes payable of \$121,070, with a corresponding decrease in grant income of \$121,070. Total net assets increased by \$549,319, at June 30, 2013, as a result of these adjustments.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2014 AND 2013

NOTE 13 - CONCENTRATION OF CREDIT RISK - CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Company maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2014, the Company's uninsured cash balances totaled approximately \$1,470,000.

NOTE 14 - COMMITMENTS

During the course of business, the Organization enters into grant agreements for federal funds and agreements with other donors for funds to be used to help accomplish the mission of the organization. To the extent that actual costs exceed the planned costs, the Organization may need to provide additional resources to meet the terms of the contracts.

NOTE 15 - CONTINGENCIES

Litigation

The Organization is a defendant in a civil action filed on May 7, 2012, resulting from an incident that occurred in 2010. The litigation is in the discovery phase and no damage claim has yet been asserted. Management believes the Organization has a meritorious defense and is vigorously defending the claim. The Organization has insurance coverage and believes that the policy limits are sufficient to cover any potential settlement or verdict in the litigation.

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 16 - SUBSEQUENT EVENTS

Subsequent events were evaluated through November 20, 2014, which is the date the financial statements were available to be issued.

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.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Federal CFDA Number</u>	<u>Pass-through Entity and Award Identification Number</u>	<u>Expenditures</u>
United States Department of Housing and Urban Development:			
Community Development Block Grant Cluster			
Re-roofing Project	14.218	Collier County, FL/ B-10-UC-12-0016/B-11-UC-12-0016 /B-12-UC-12-0016	\$ 205,461
Neighborhood Stabilization Program 3	14.218	Collier County, FL	852,806
Total Community Development Block Grant Cluster			<u>1,058,267</u>
Self-Help Homeownership Opportunity Program			
SHOP10	14.247	Habitat for Humanity International, Inc.	554,889
SHOP11			208,588
SHOP12			94,396
Total Self-Help Homeownership Opportunity Program			<u>857,873</u>
Total Expenditures of Federal Awards			<u>\$ 1,916,140</u>
Florida Department of Economic Opportunity:			
	<u>State CSFA Number</u>		
Community Planning	40.031	Habitat for Humanity of Florida	\$ 600,000
Total Expenditures of State Financial Assistance			<u>\$ 600,000</u>
Total Expenditures of Federal Awards and State Financial Assistance			<u><u>\$ 2,516,140</u></u>

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE - JUNE 30, 2014

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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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.

PART II
REPORTS ON COMPLIANCE AND INTERNAL CONTROL

ROGERS WOOD HILL STARMAN & GUSTASON

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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 Board of Directors of
Habitat for Humanity of Collier County, Inc.
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., which comprise the statement of financial position as of June 30, 2014, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 20, 2014.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. [2014-001]

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. [2014-002, 2014-003, 2014-004, 2014-005]

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, 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items [2014-006, 2014-007].

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

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity'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

November 20, 2014

ROGERS WOOD HILL STARMAN & GUSTASON

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT

Board of Directors
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 Circular A-133 Compliance Supplement, and the requirements described in the 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, 2014. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs 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; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and Chapter 10.650, Rules of the Auditor General. Those standards, OMB Circular A-133, 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.

Basis for Qualified Opinion on State Project

As described in the accompanying schedule of findings and questioned costs, Habitat for Humanity of Collier County, Inc. did not comply with requirements regarding CSFA 40.031 Community Planning as described in finding number 2014-007 for period of availability. Compliance with such requirements is necessary, in our opinion, for Habitat for Humanity of Collier County, Inc. to comply with the requirements applicable to that program.

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND
CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT, continued

Qualified Opinion on State Project

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 CSFA 40.031 Community Planning for the year ended June 30, 2014.

Unmodified Opinion on Each of the Major Federal Programs

In our opinion, Habitat for Humanity of Collier County, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General, and which are described in the accompanying schedule of findings and questioned costs [2014-006, 2014-007, 2014-008]. Our opinion on each major federal program and state project is not modified with respect to these matters.

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

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 OMB Circular A-133 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.

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND
CHAPTER 10.650, RULES OF THE AUDITOR GENERAL

INDEPENDENT AUDITOR'S REPORT, continued

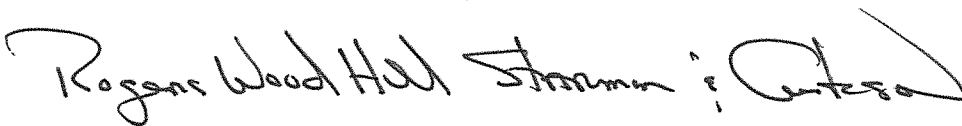
Report on Internal Control over Compliance, continued

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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-008 to be a material weakness.

Habitat for Humanity of Collier County, Inc.'s responses to the internal control over compliance findings identified in our audit are described in the accompanying corrective action plan. Habitat for Humanity of Collier County, Inc.'s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.



ROGERS WOOD HILL STARMAN & GUSTASON, P.A.
Certified Public Accountants
November 20, 2014

PART III
FINDINGS

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS AND STATE PROJECTS
YEAR ENDED JUNE 30, 2014

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards and State Financial Assistance

Internal control over major federal programs and state projects:

Material weakness identified	Yes
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 and state projects:	Qualified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 section .510(a) of OMB Circular A-133 or Chapter 10.654 (1)(h)4, Rules of the Auditor General?	Yes

Identification of Major Programs/ Projects:

Major Federal Program or Cluster	<u>CFDA No.</u>
Community Development Block Grant Cluster	14.218
Self-Help Homeownership Opportunity Program	14.247

Major State Project	<u>CFSA No.</u>
Community Planning	40.031

Dollar threshold used to distinguish between Type A and Type B programs/projects:

Major Federal Program	\$300,000
Major State Project	\$300,000

Auditee qualified as low-risk auditee?	No
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SECTION II - FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

2014-001 DONATED PROPERTY

In accordance with ASC 958, Accounting for Not-for-Profit Entities, gifts in-kind that can be used or sold should be measured at fair value. During the audit, we became aware of certain properties, donated during the prior year, which were not recorded at fair value. We recommend that management develop a policy to ensure that the accounting for all such donations are subject to a formal review process to ensure that such donations are recorded correctly in the period in which received.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS, continued

SIGNIFICANT DEFICIENCIES

2014-002 MORTGAGE DISCOUNT AMORTIZATION

As part of the year-end close process, the Organization records the mortgage discounts on homes sold during the year and the amortization income of mortgage discounts. During the audit, we noted that the related accounts were materially misstated. Although the journal entry was prepared by an outside accountant, management is responsible for ensuring such entries are correct.

2014-003 ACCRUAL BASIS OF ACCOUNTING

The accrual basis of accounting requires that revenues are recognized when earned and expenses are recorded in the period in which they are incurred. During the performance of the audit, we noted that an unconditional promise to give was not recorded at the point at which it became earned. We also noted that certain expenses were not being recorded until paid. Accounting personnel should be properly trained to account for these items on the proper basis of accounting. As part of the year-end close process, the related asset and liability accounts should be reviewed for completeness to ensure that all revenues and expenses are recorded in the proper period.

2014-004 NET ASSETS

During the performance of the audit, we noted that certain prior year audit adjustments had not been posted correctly. As a result, certain internal financial reports, including monthly statements may be inaccurate when presented to the Board of Directors. Following the approval of audit adjustments, the related journal entries should be recorded, and the updated internal financial statements should be compared to the audited statements to ensure the accuracy of information.

2014-005 HOUSES UNDER CONSTRUCTION

As a result of the audit procedures performed, we noted that certain supporting schedules included inaccurate information. As a result information included on certain schedules did not agree with the related accounting. We recommend that the Organization establish procedures to ensure that such information is reconciled, reviewed, and approved as part of the year-end close process.

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

2014-006 ACTIVITIES ALLOWED OR UNALLOWED

CFDA	14.247
Federal Agency	United States Department of Housing and Urban Development
Program	SHOP2011
CRITERIA	Grant funds are to be used for infrastructure improvements incurred in support of developing SHOP units.
STATEMENT OF CONDITION	The Organization submitted draw requests based on progress billings. The first four draw requests included retainage. Upon completion of the project the Organization submitted a final draw request which included retainage for the whole project. The retainage requested in the first four draw requests was, therefore, double counted as an expense.
QUESTIONED COSTS	\$16,486
PERSPECTIVE INFORMATION	The audit finding appears to represent an isolated incident.
CAUSE AND EFFECT	There was a change in personnel responsible for completing the draw requests during the year. The progress billings included two separate amounts, one including retainage, and one excluding retainage. The methodology for determining the expense to be requested for reimbursement was not consistent between the different personnel, resulting in a portion of the retainage being requested for reimbursement twice.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

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

2014-006 ACTIVITIES ALLOWED OR UNALLOWED, continued

RECOMMENDATIONS	Retainage should not be requested for reimbursement until actually paid, and all draw requests should be subject to a formal review by a designated member of management to ensure that draw requests are prepared on an accurate and consistent basis.
VIEWS OF RESPONSIBLE OFFICIALS	See page 31 for the corrective action plan.

SECTION IV - FINDINGS AND QUESTIONED COSTS - MAJOR STATE PROJECTS

2014-007 PERIOD OF AVAILABILITY OF FUNDS

CFSA	40.031
State Agency	Florida Department of Economic Opportunity
Program	Community Planning
CRITERIA	Expenses incurred prior to September 4, 2013 are ineligible.
STATEMENT OF CONDITION	Expenses were not reviewed for period eligibility prior to submission for reimbursement.
QUESTIONED COSTS	\$86,655
CONTEXT	\$86,655 of the total the total population of \$600,000 were deemed to be ineligible.
CAUSE	There were not proper procedures in place to ensure expenses were for eligible period.
EFFECT	Ineligible expenses were submitted for reimbursement.
RECOMMENDATIONS	The Organization should establish review procedures to ensure the date on which expenditures are incurred is within the eligible period.
VIEWS OF RESPONSIBLE OFFICIALS	See page 31 for the corrective action plan.

2014-008 PERIOD OF AVAILABILITY OF FUNDS

CFSA	40.031
State Agency	Florida Department of Economic Opportunity
Program	Community Planning

MATERIAL WEAKNESS

As discussed at Finding 2014-007, proper review and approval of the eligibility of expenses as related to the period of availability of funds was not required. Because of the failure to require approval from the proper level of management, ineligible expenses may be submitted for grant reimbursement without proper review and approval. Procedure should be implemented requiring written approval by an appropriate member of management prior to submitting reimbursement requests.

HABITAT FOR HUMANITY OF COLLIER COUNTY, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2014

FINDING	2013-5	United States Department of Housing and Urban Development
CONDITION		The finding was that a required inspection of a home sold was completed subsequent to the sale of the home.
RECOMMENDATIONS		The entity should set up a system to track failed inspections to ensure that final inspections are completed prior to the sale of the home.
CURRENT STATUS		No similar findings were noted in the audit of the year ended June 30, 2014.

MANAGEMENT RESPONSE AND
CORRECTIVE ACTION PLAN

November 20, 2014

Habitat for Humanity of Collier County, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2014.

Name and address of independent public accounting firm:

Roger Wood Hill Starman & Gustason, PA
2375 Tamiami Trail North, Suite 110
Naples, FL 34103

Audit Period:

Fiscal Year end June 30, 2014

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENTS AUDIT

2014-001 MATERIAL WEAKNESS:

Recommendation: Management should develop a policy to the accounting for all gift in kind donations are subject to a formal review process to ensure that such donations are recorded correctly in the period in which they are received.

Action Taken: The organization has amended the policy to properly accounting for unique gift in kind donations.

2014-002 SIGNIFICANT DEFICIENCIES:

Recommendation: As part of the year-end close process, the Organization records the mortgage discounts on homes sold during the year and the amortization income of mortgage discounts.

Action Taken: The organization will continue to work with an outside accounting firm to prepare the journal entry for these accounts, but the entries and underlying support will be reviewed by management.

2014-003 SIGNIFICANT DEFICIENCIES:

Recommendation: As part of the year-end process, the related asset and liability accounts should be reviewed for completeness to ensure that all revenues and expenses are recorded in the proper period

Action Taken: The organization will put into place a monthly reporting process to properly accrue for income and payables, particularly with emphasis at the end of the fiscal year.

2014-004 SIGNIFICANT DEFICIENCIES:

Recommendation: Following the approval of the audit adjustments, the related journal entries should be recorded, and the updated internal financial statements should be compared to the audited statements to ensure accuracy of information.

Action Taken: The organization will immediately post all recommended journal entries once they are approved by the Audit Committee. Once the journal entries are approved and entered, the internal financial statements will be updated to match audited numbers.

2014-005 SIGNIFICANT DEFICIENCIES:

Recommendation: We recommend that the Organization establish a procedure to ensure that such information is reconciled, reviewed and approved as part of the year end closing process.

Action Taken: The Organization will adapt procedures to update schedules appropriately, review them monthly with the outside accounting firm, and approve them as part of the year end closing process.

2014-006 ACTIVITES ALLOWED OR UNALLOWED

Recommendation: Retainage should not be requested for reimbursement until actually paid, and all draw requests should be subject to a formal review by a designated member of management to ensure that draw requests are prepared on an accurate and consistent basis.

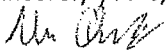
Action Taken: Going forward, the Organization will adjust draw procedures to reserve all retainage for final draw and have a manager review draws to ensure that the items being requested for reimbursement are allowable activities.

2014-007 & 2014-008 PERIOD OF AVAILABILITY OF FUNDS

Recommendation: The Organization should establish review procedures to ensure the date on which expenditures are incurred is within the eligible period.

Action Taken: The adjusted procedure will require management to review of all draw requests to ensure that they meet grant requirements.

If there are questions regarding this plan, please call Uri Ormsby at (239)775-0036

Sincerely yours,

Uri Ormsby

ROGERS WOOD HILL STARMAN & GUSTASON

PROFESSIONAL ASSOCIATION

CERTIFIED PUBLIC ACCOUNTANTS

2375 TAMiami TRAIL NORTH, SUITE 110
NAPLES, FLORIDA 34103

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SHARON A. BELCHER, C.P.A.
SCOT A. SHEPARD, C.P.A.
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MEMBERS
AMERICAN INSTITUTE OF CERTIFIED
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FLORIDA INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS

OFFICES:
NAPLES 262-1040
MARCO ISLAND 394-7502

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity of Collier County, Inc., as of and for the fiscal year ended June 30, 2014, and have issued our report thereon dated November 20, 2014.

Auditor's Responsibility

We conducted our audit 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; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and Chapter 10.650, Rules of the Auditor General.

Other Reports and Schedule

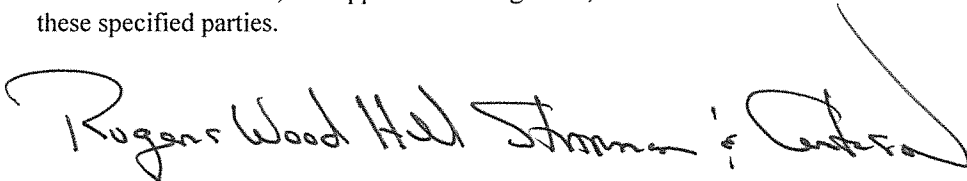
We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards, Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance in accordance with OMB Circular A-133, and Chapter 10.650, Rules of the Florida Auditor General; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated November 20, 2014, should be considered in conjunction with this management letter.

Other Matter

Section 10.654(1)(e), Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or State project amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



ROGERS WOOD HILL STARMAN & GUSTASON, P.A.
Certified Public Accountants
November 20, 2014