

REBUILD NORTHWEST FLORIDA, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

REBUILD NORTHWEST FLORIDA, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Rebuild Northwest Florida, Inc.

We have audited the accompanying financial statements of Rebuild Northwest Florida, Inc. (a not-for-profit organization), which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities and change in net assets, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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 auditors' 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 auditors consider 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 Rebuild Northwest Florida, Inc. as of September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 March 4, 2019, on our consideration of Rebuild Northwest Florida, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the effectiveness of Rebuild Northwest Florida, 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 Rebuild Northwest Florida, Inc.'s internal control over financial reporting and compliance.

Warren Averett, LLC
Fort Walton Beach, Florida
March 4, 2019

**REBUILD NORTHWEST FLORIDA, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,293,144	\$ 2,586,519
Grants receivable	108,420	231,401
Prepaid expenses	10,149	17,710
Deposits	118	118
Total current assets	<u>1,411,831</u>	<u>2,835,748</u>
NON-CURRENT ASSETS		
Grants receivable	21,063	21,063
Property and equipment, net	43,804	48,625
Total non-current assets	<u>64,867</u>	<u>69,688</u>
OTHER ASSETS		
Land held for investment	-	100,000
TOTAL ASSETS	<u><u>\$ 1,476,698</u></u>	<u><u>\$ 3,005,436</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 23,103	\$ 99,164
Accrued payroll and other liabilities	27,200	34,527
Homeowner deposits on uncompleted projects	25,200	55,600
Deferred revenue	100,384	110,271
Refundable advances	1,021,662	2,253,262
Total current liabilities	<u>1,197,549</u>	<u>2,552,824</u>
NET ASSETS		
Without donor restrictions	<u>279,149</u>	<u>452,612</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,476,698</u></u>	<u><u>\$ 3,005,436</u></u>

See notes to the financial statements.

REBUILD NORTHWEST FLORIDA, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
REVENUES AND SUPPORT		
Grants and contracts	\$ 2,523,263	\$ 4,540,015
In-kind contributions	50,196	50,393
Homeowner and other fees	887,535	1,703,972
Refund of homeowner fee overpayments	(58,980)	(67,978)
Other income (expense)	1	(1,114)
	<u>3,402,015</u>	<u>6,225,288</u>
EXPENSES		
Direct program services		
Mitigation – federal	1,576,928	4,315,193
Mitigation – state	988,649	203,901
Mitigation – private	883,770	1,705,387
Other program services	50,327	45,503
	<u>3,499,674</u>	<u>6,269,984</u>
Total direct program expenses		
Support services		
Management and general	50,197	50,394
	<u>50,197</u>	<u>50,394</u>
Total expenses	<u>3,549,871</u>	<u>6,320,378</u>
Loss on sale of land	(25,607)	-
	<u>(25,607)</u>	<u>-</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(173,463)	(95,090)
NET ASSETS AT BEGINNING OF YEAR	452,612	547,702
	<u>452,612</u>	<u>547,702</u>
NET ASSETS AT END OF YEAR	\$ 279,149	\$ 452,612
	<u>\$ 279,149</u>	<u>\$ 452,612</u>

See notes to the financial statements.

REBUILD NORTHWEST FLORIDA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	PROGRAM SERVICES				Total Program Services	SUPPORT	2018
	Federal	State	Private	Other		Management and General	
PERSONNEL SERVICES							
Salaries	\$ 285,377	\$ 129,362	\$ 138,245	\$ -	\$ 552,984	\$ 10,226	\$ 563,210
Fringes	73,675	16,720	30,132	-	120,527	2,228	122,755
Total personnel services	359,052	146,082	168,377	-	673,511	12,454	685,965
NON-PERSONNEL SERVICES							
Construction Materials	491,950	372,017	289,989	-	1,153,956	-	1,153,956
Contract Labor – Other	539,403	357,512	300,972	-	1,197,887	-	1,197,887
Equipment Maintenance	-	-	-	-	-	3,957	3,957
Insurance	8,959	2,033	3,664	-	14,656	18,964	33,620
Building Maintenance	-	-	-	-	-	5,474	5,474
Postage & Shipping	-	-	-	-	-	4,353	4,353
License, Permits, Inspections	20,199	17,625	12,608	-	50,432	-	50,432
Rent expense	-	-	-	-	-	50,196	50,196
Legal Fees	-	-	14,907	44,722	59,629	14,064	73,693
Telephone Expense	458	104	187	-	749	13,296	14,045
Utilities	-	-	-	-	-	7,628	7,628
Fuel	2,109	479	862	-	3,450	25	3,475
Auto – Repairs and Maintenance	1,232	280	504	-	2,016	1,125	3,141
Travel, Meetings, and Per Diem	-	-	-	107	107	639	746
Education and Training	244	55	100	-	399	-	399
Depreciation Expense	1,528	347	625	-	2,500	2,321	4,821
Computer Expense	-	-	-	-	-	26,266	26,266
Office Supplies	-	-	-	-	-	2,136	2,136
Contract Construction Management	85,695	50,940	45,545	-	182,180	-	182,180
Inspections - Mitigation	-	-	-	200	200	-	200
Inspection Equipment	352	80	144	-	576	-	576
Irma Pre Award Costs	-	-	-	775	775	-	775
Accounting Expense	-	-	-	-	-	9,663	9,663
Bank Service Charges	-	-	8,484	712	9,196	-	9,196
Other	309	69	128	691	1,197	1,569	2,766
Audit Cost	-	-	-	-	-	18,000	18,000
Outreach	-	-	-	-	-	4,325	4,325
Total Non-Personnel Expenses	1,152,438	801,541	678,719	47,207	2,679,905	184,001	2,863,906
TOTAL DIRECT EXPENSES	1,511,490	947,623	847,096	47,207	3,353,416	196,455	3,549,871
TOTAL MANAGEMENT AND GENERAL EXPENSES	65,438	41,026	36,674	3,120	146,258	(146,258)	-
TOTAL EXPENSES	<u>\$ 1,576,928</u>	<u>\$ 988,649</u>	<u>\$ 883,770</u>	<u>\$ 50,327</u>	<u>\$ 3,499,674</u>	<u>\$ 50,197</u>	<u>\$ 3,549,871</u>

See notes to the financial statements.

REBUILD NORTHWEST FLORIDA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES – CONTINUED
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	PROGRAM SERVICES				Total Program Services	SUPPORT	2017
	Federal	State	Private	Other		Management and General	
PERSONNEL SERVICES							
Salaries	\$ 410,888	\$ 27,317	\$ 169,904	\$ 2,086	\$ 610,195	\$ 69,472	\$ 679,667
Fringes	86,617	5,715	35,825	440	128,597	14,641	143,238
Total personnel services	497,505	33,032	205,729	2,526	738,792	84,113	822,905
NON-PERSONNEL SERVICES							
Construction Materials	1,563,946	86,066	614,550	351	2,264,913	-	2,264,913
Contract Labor – Other	1,754,248	68,095	666,585		2,488,928	-	2,488,928
Equipment Maintenance	323	49	135	8	515	5,103	5,618
Insurance	5,407	737	2,273	-	8,417	13,533	21,950
Leased Equipment	-	-	-	-	-	448	448
Equipment (Expensed)	-	-	-	-	-	2,156	2,156
Building Maintenance	-	-	-	-	-	5,028	5,028
Postage & Shipping	-	-	4	(31)	(27)	4,898	4,871
License, Permits, Inspections	69,988	5,202	27,740	84	103,014	-	103,014
Rent Expense	-	-	-	-	-	37,652	37,652
Legal Fees	-	-	12,933	38,311	51,244	65	51,309
Telephone Expense	688	57	296	35	1,076	10,387	11,463
Utilities	-	-	-	-	-	20,816	20,816
Fuel	2,049	117	892	-	3,058	-	3,058
Auto – Repairs and Maintenance	699	53	302	15	1,069	6	1,075
Depreciation Expense	1,911	288	800	-	2,999	2,321	5,320
Computer Expense	118	18	48	38	222	20,523	20,745
Office Supplies	-	-	-	-	-	2,313	2,313
Contract Construction Management	281,880	3,900	106,280	-	392,060	-	392,060
Accounting Expense	-	-	1,961	-	1,961	9,953	11,914
Bank Service Charges	-	-	40	60	100	-	100
Pay Pal Charges	-	-	11,141	-	11,141	-	11,141
Taxes & Licenses	116	4	52	63	235	335	570
Professional Membership	-	-	-	-	-	535	535
Other	1,016	103	434	1,233	2,786	3,250	6,036
Shred Service	-	-	-	-	-	210	210
Audit Cost	4,500	-	1,500	-	6,000	15,710	21,710
Printing and Reproduction	-	-	-	143	143	785	928
Outreach	-	-	-	-	-	264	264
FYE Offset Expense	-	-	-	1,328	1,328	-	1,328
Total Non-Personnel Expenses	3,686,889	164,689	1,447,966	41,638	5,341,182	156,291	5,497,473
TOTAL DIRECT EXPENSES	4,184,394	197,721	1,653,695	44,164	6,079,974	240,404	6,320,378
TOTAL MANAGEMENT AND GENERAL EXPENSES	130,799	6,180	51,692	1,339	190,010	(190,010)	-
TOTAL EXPENSES	<u>\$ 4,315,193</u>	<u>\$ 203,901</u>	<u>\$ 1,705,387</u>	<u>\$ 45,503</u>	<u>\$ 6,269,984</u>	<u>\$ 50,394</u>	<u>\$ 6,320,378</u>

See notes to the financial statements.

REBUILD NORTHWEST FLORIDA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (173,463)	\$ (95,090)
Adjustments to reconcile change in net assets to cash flows provided by (used in) operating activities:		
Depreciation	4,821	5,320
Loss on sale of land	25,607	-
Effects of changes in operating assets and liabilities:		
Grants receivable	122,981	637,550
Prepaid expenses	7,561	(9,596)
Accounts payable	(76,061)	65,766
Accrued payroll and related liabilities	(7,327)	(14,562)
Homeowner deposits on uncompleted projects	(30,400)	(24,400)
Accrued refund of homeowner fee overpayments	-	(21,070)
Deferred revenue	(9,887)	(406,538)
Refundable advances	(1,231,600)	1,126,059
Net cash provided by (used in) operating activities	<u>(1,367,768)</u>	<u>1,263,439</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of land held for investment	<u>74,393</u>	<u>-</u>
INCREASE (DECREASE) IN CASH	(1,293,375)	1,263,439
CASH AT BEGINNING OF YEAR	<u>2,586,519</u>	<u>1,323,080</u>
CASH AT END OF YEAR	<u>\$ 1,293,144</u>	<u>\$ 2,586,519</u>

See notes to the financial statements.

REBUILD NORTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Rebuild Northwest Florida, Inc. (Rebuild) was formed as a not-for-profit corporation November 24, 2004, under the provisions of Chapter 617, Florida Statutes, to develop and implement a comprehensive plan that addresses the needs of the residents of Escambia and Santa Rosa counties, Florida, resulting from the national disaster commonly known as Hurricane Ivan.

The residential mitigation program is Rebuild's predominant program, and it strives to provide homeowners in Escambia and Santa Rosa Counties with assistance to fortify their homes against hurricane force winds. This program is funded by Hazard Mitigation Program grants received from the Department of Homeland Security through the Federal Emergency Management Agency. To carry out the Residential Mitigation Program, Rebuild provides assistance to homeowners based on its approved inspectors' reports and professional engineers' recommendations to make the following home hardening improvements in accordance with Florida Statutes 215.5586(2)(e):

- Roof deck attachment
- Secondary roof water barrier
- Roof covering
- Gable end bracing
- Reinforce roof-to-wall connections
- Opening protection
- Exterior doors, including garage doors

Basis of Accounting

The financial statements of Rebuild have been prepared using the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred and may involve the use of management estimates. Federal, state, and public grants are recorded as support when performance occurs under the terms of the contract or grant agreement. Grant monies received for which performance has not yet occurred are recorded as refundable advances.

Financial Statement Presentation

Rebuild reports information regarding financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Net assets are classified based on externally imposed restrictions, if any, that may or may not be met by actions of management or by the passage of time.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, Rebuild considers all highly liquid investments with original maturities of three months or less as cash equivalents.

REBUILD NORTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contributions

Rebuild records contributions depending on the existence or absence of and/or nature of donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with restrictions are reclassified to net assets without restrictions. There were net assets with donor restrictions as of September 30, 2018 or 2017.

In-Kind Donations

Significant services and facilities are donated to Rebuild by various individuals and organizations. Donated services and occupancy were recorded at fair value at the date of the donation, and have been included in revenue and expenses or capitalized, where applicable, in the period received.

Grants Receivable

Grants receivable consist primarily of amounts due from federal and state agencies and other grantors for services performed under unit of service and reimbursement contracts. Historically, differences between amounts invoiced and collected have been insignificant. Accordingly, no provision is made for uncollectible accounts.

Property and Equipment

Property and equipment is recorded at cost. Donated property and equipment is recorded at the estimated fair value at the date received. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Rebuild's capitalization policy requires applicable costs to be recorded as property and equipment when amounts equal or exceed \$1,000. Depreciation expense is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Office equipment, fixtures, and furniture	3-7 years
Vehicles	5 years

Land Held for Investment

Land held for investment is reported at the lower of cost or estimated fair market value and is evaluated for impairment annually. At September 30, 2017, the value of the land was \$100,000. In 2018, the land was sold for approximately \$75,000 and a loss recognized of \$25,000.

Deferred Revenue

Deferred revenue consists of deposits made by homeowners for services to be rendered by Rebuild in a future period. Each homeowner must submit a \$200 deposit and 25% of the estimated project cost to be performed by Rebuild (less the \$200 deposit previously paid). The deposit is non-refundable. Deferred revenue is recognized when the project is completed.

REBUILD NORTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income Taxes

Rebuild has been granted an exemption from income taxes under Internal Revenue Code, Section 501(c)(3) as a not-for-profit corporation. Rebuild is not aware of any uncertain tax positions that would require disclosure or accrual in accordance with generally accepted accounting principles.

New Accounting Pronouncements

During the year ended September 30, 2018, Rebuild adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14—Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). This Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 10). The accompanying 2017 financial statements have been restated to conform to the 2018 presentation and disclosure requirements of ASU 2016-14.

Subsequent Events

Management has evaluated events and transactions that occurred between September 30, 2018, and March 4, 2019, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

2. GRANTS RECEIVABLE

Current grants receivable at September 30, 2018 and 2017, consist of amounts due under federal and state government grants totaling \$108,420 and \$231,401, respectively.

Non-current grants receivable at September 30, 2018 and 2017, consist of amounts sought in excess of allowable grant costs and relate to the close out of grants totaling \$21,063. Management and the Board of Directors believe the amounts are collectible at September 30, 2018.

**REBUILD NORTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

3. PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2018 and 2017, are summarized as follows:

	<u>2018</u>	<u>2017</u>
Office equipment, fixtures, and furniture	\$ 140,858	\$ 140,858
Vehicles	<u>72,765</u>	<u>72,765</u>
	213,623	213,623
Less accumulated depreciation	<u>(169,819)</u>	<u>(164,998)</u>
Property and equipment, net	<u>\$ 43,804</u>	<u>\$ 48,625</u>

Depreciation expense for the years ended September 30, 2018 and 2017 was \$4,821 and \$5,320, respectively.

The value of land, buildings, and equipment occupied or used by Rebuild for its offices is not included in the accompanying statements of financial position. Title to such property is held by independent third parties who have agreed to provide such space in-kind as needed. Rebuild records in-kind contributions and rent expense each month in an amount estimated to be the fair value of the use of this property. Total rent expense recorded under these agreements for the years ended September 30, 2018 and 2017, was \$50,196 and \$37,652, respectively.

4. LINE OF CREDIT

Rebuild had a revolving credit facility with a local bank with maximum funds available for borrowing of \$1,500,000, which expired in August 2017. This line of credit was secured by accounts receivable. The line of credit was renewed in 2018 for a maximum borrowing amount of \$1,000,000 and will expire in April 2019. The renewed line of credit is unsecured. Borrowings under the line of credit bear a variable interest rate at the Wall Street Journal U.S. Prime Rate (4.25% and 3.50%, respectively as of September 30, 2018 and 2017) plus one percent. At September 30, 2018 and 2017, Rebuild had no outstanding borrowings under the lines of credit.

5. REFUNDABLE ADVANCES

At September 30, 2018 and 2017, Rebuild had cash advances totaling \$1,021,662 and \$2,253,262, respectively, under its Hazard Mitigation Grant Program from the two participating grantors. Subsequent to the advance receipt, Rebuild submits invoices (billings) to the grantors based on actual costs incurred pursuant to the program. The billings will be reimbursed to Rebuild provided the cumulative billings do not exceed the contract amount less the advances described above.

REBUILD NORTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

6. COMMITMENTS

Revenue Sources

For the years ended September 30, 2018 and 2017, 74% and 73%, respectively, of Rebuild's revenues came through the Hazard Mitigation Grant Program (federal funds passed through the State of Florida) and Hurricane Loss Mitigation Program (State of Florida funds), and 25% matching funds came from either homeowners or the State of Florida's Residential Construction Mitigation Program. As of September 30, 2018 and 2017, 100% of Rebuild's grants receivable was due under these funding sources. The disbursement of funds under these programs are subject to review and audit by grantor agencies. Any disbursements disallowed by these agencies could become a liability to Rebuild.

Major Vendor/Contractor

Rebuild contracts its direct program costs for the mitigation program through two independent contractors. The direct program costs totaled \$2,584,455 and \$5,248,915 for the years ended September 30, 2018 and 2017, respectively. These amounts represent 100% of the direct costs for the mitigation program for each of the years ended September 30, 2018 and 2017.

7. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

8. CONCENTRATIONS

Rebuild maintains cash accounts with a local financial institution, the balances of which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At September 30, 2018 and 2017, Rebuild exceeded the FDIC insured limits at financial institutions by a total of \$361,650 and \$442,698, respectively, which is the amount of Rebuild's exposure to credit loss. Rebuild has not experienced any losses in such accounts and believes there is little or no exposure to any significant credit risk. In addition, Rebuild utilizes certain sweep accounts for both the Special and the Mitigation accounts to mitigate the exposure for amounts in excess of the FDIC insured limit at Rebuild's primary financial institution.

**REBUILD NORTHWEST FLORIDA, INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

9. REFUND OF HOMEOWNER FEE OVERPAYMENTS

Management periodically reviews the costs of operating the residential mitigation program to determine when adjustments to homeowner fees may be necessary for savings achieved from cost efficiencies and enhanced program production. Rebuild Management has determined that the savings and efficiencies represent amounts to be refunded to the homeowners who paid fees on completed projects. There were no homeowner fees overpayments remaining to be refunded as of September 30, 2018 and 2017. Refunds paid to homeowners for projects completed during the years ended September 30, 2018 and 2017, were \$58,980 and \$67,978, respectively.

10. LIQUIDITY

The schedule below reflects Rebuild's financial assets of September 30:

	<u>2018</u>	<u>2017</u>
Financial assets, at year end	\$ 1,401,564	\$ 2,817,920
Less: Assets unavailable for general expenditures within one year: <i>none</i>	-	-
Grantor refundable advances	<u>(1,021,662)</u>	<u>(2,253,262)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 379,902</u>	 <u>\$ 564,658</u>
 Financial assets consist of:		
Cash	\$ 1,293,144	\$ 2,586,519
Grants receivable, due within one year	<u>108,420</u>	<u>231,401</u>
Financial assets, at year end	<u>\$ 1,401,564</u>	<u>\$ 2,817,920</u>

Grantor refundable advances cannot be spent on any expense other than specific program and limited G&A expenses.

To manage liquidity, Rebuild maintains a line-of-credit with a bank that is drawn upon as needed during the year to manage cash flow. There were no draws on the line during 2018 or 2017. See Note 4 for further description of this line.

COMPLIANCE SECTION

**REBUILD NORTHWEST FLORIDA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Federal/State Agency Pass-Through Entity Federal Program/State Project	CFDA CSFA Number	Contract/ Grant Number	Expenditures
U.S. Department of Homeland Security			
Indirect Programs			
Passed through the Florida Division of Emergency Management			
Hazard Mitigation Grant - Wilma 1609-108-R	97.039	08HM-6G-01-27-08-057	\$ 994,987
Hazard Mitigation Grant - Severe Weather - 1831-24-A	97.039	17HM-3G-01-27-08-233	<u>581,941</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,576,928</u></u>
State of Florida, Division of Emergency Management			
Hurricane Loss Mitigation Program (HLMP18-005)	31.066	18HL-AG-01-27-04-004	<u>988,649</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u><u>\$ 988,649</u></u>

See Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

REBUILD NORTHWEST FLORIDA, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) includes the federal and state award activity of Rebuild Northwest Florida, Inc. (Rebuild) under program and projects of the federal and state governments for the year ended September 30, 2018. The information in this schedule is presented in accordance with the 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) and Chapter 10.650, *Rules of the Auditor General*. Because the Schedule presents only a selected portion of the operations of Rebuild, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Rebuild.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

3. INDIRECT COST RATE

Rebuild elected to use the 10% de minimis indirect cost rate allowed under Uniform Guidance for all new federal awards made on or after December 26, 2014.

**INDEPENDENT AUDITORS' 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 Board of Directors
Rebuild Northwest Florida, Inc.

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 Rebuild Northwest Florida, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018, and the related statements 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 March 4, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rebuild Northwest Florida, 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 Rebuild Northwest Florida, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rebuild Northwest Florida, 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the 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.

Warren Averett, LLC

Fort Walton Beach, Florida

March 4, 2019

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER
10.650, RULES OF THE AUDITOR GENERAL**

To the Board of Directors
Rebuild Northwest Florida, Inc.

Report on Compliance for Each Major Federal Program and State Project

We have audited Rebuild Northwest Florida, Inc.'s (Rebuild) compliance with the types of compliance requirements described in the *OMB 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 Rebuild's major federal programs and state projects for the year ended September 30, 2018. Rebuild's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Rebuild'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 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); and Chapter 10.650, *Rules of the Auditor General*. Those standards, the Uniform Guidance, 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 Rebuild'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 Rebuild's compliance.

Opinion on Each Major Federal Program

In our opinion, Rebuild 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 September 30, 2018.

Report on Internal Control over Compliance

The management of Rebuild 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 Rebuild's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with Uniform Guidance 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 Rebuild's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or a 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 a 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 a state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Warren Averett, LLC

Fort Walton Beach, Florida

March 4, 2019

**REBUILD NORTHWEST FLORIDA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that is/are not considered to be material weakness(es)? _____ Yes X None Reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards and State Projects

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that is/are not considered to be material weakness(es)? _____ Yes X None Reported

Type of auditors' report issued on compliance for major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*? _____ Yes X No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
CFDA No. 97.039	Division of Emergency Management

CSFA Number	Name of State Project
CSFA No. 31.066	State of Florida, Division of Emergency Management

**REBUILD NORTHWEST FLORIDA, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
 FOR THE YEAR ENDED SEPTEMBER 30, 2018**

I. SUMMARY OF AUDITORS' RESULTS – CONTINUED

Dollar threshold used to distinguish between type A and type B programs for federal awards:	_____	\$750,000
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Dollar threshold used to distinguish between type A and type B programs for state awards:	_____	\$296,594
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Auditee qualified as a federal low-risk auditee?	_____ X _____	Yes	_____	No
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Auditee qualified as a state low-risk auditee?	_____ X _____	Yes	_____	No
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II. FINANCIAL STATEMENT FINDINGS

The results of our audit of Rebuild did not disclose any findings required to be reported under GAGAS.

III. FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE FINDINGS

The results of our audit of Rebuild did not disclose any findings required to be reported under Uniform Guidance or Chapter 10.650, *Rules of the Auditor General*.

MANAGEMENT LETTER

To the Board of Directors
Rebuild Northwest Florida, Inc.

Report on the Financial Statements

We have audited the financial statements of Rebuild Northwest Florida, Inc., as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated March 4, 2019.

Auditors' 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance)*; and Chapter 10.650, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and on Internal Control over Compliance Required by the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*.


Additional Matters

Section 10.654(1)(e), *Rules of the Auditor General*, requires that we communicate 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 are less than material, but which warrant the attention of those charged with governance. In connection with our audit, we did not note 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 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.

We greatly appreciate the assistance and cooperation extended to us during our audit.


Fort Walton Beach, Florida
March 4, 2019