

**HABITAT FOR HUMANITY OF BROWARD, INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

# HABITAT FOR HUMANITY OF BROWARD, INC.

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**Habitat for Humanity of Broward, Inc.**

### Report on the Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity of Broward, Inc., which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year 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 the 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 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 *Governmental 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 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 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.

### ***Basis of Qualified Opinion***

As explained in Note 2 (within the inventories and donated goods and services headings) to the financial statements, inventory at the ReStore acquired by contribution is recorded at \$150,000 as of June 30, 2015. This amount is not adjusted for contributions of inventory or subsequent sales. Accounting principles generally accepted in the United States of America (“GAAP”) require contributions to be recorded at fair value at the date of receipt. GAAP also requires the Organization to record a cost of goods sold when the corresponding inventory is sold. The effects on the accompanying financial statements of the failure to record donated goods in accordance with GAAP have not been determined.

As explained in Note 2 (within the impairment of long lived assets heading) to the financial statements, the Organization does not have a mechanism in place to timely identify circumstances requiring an impairment analysis of real estate assets under development or held for sale. In addition, when the Organization determines that there is impairment, they write the asset down to the tax assessed value as determined by the Broward County Property Appraiser. At times the Organization reacquires property due to owner delinquency. Management of the Organization uses Broward County Property Appraiser’s tax assessed values to record the reacquisition in the accounts. GAAP requires these values be measured at fair value as defined, which may not equal Broward County Property Appraiser’s tax assessed value.

### ***Qualified Opinion***

In our opinion, except for the effects of the matters described in the Basis of Qualification Opinion paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Broward, Inc. as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of functional expenses and schedule of expenditures of state financial assistance, as required by Florida Statute 215.97, *Florida Single Audit Act*, and Chapter 10.650, Rules of the Auditor General (or other supplementary information) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2016, on our consideration of the Organization'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 the Organization's internal control over financial reporting and compliance.

***Report on Summarized Comparative Information***

We have previously audited Habitat for Humanity of Broward, Inc.'s 2014 financial statements, and we expressed a qualified audit opinion on those audited financial statements in our report dated January 28, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Marcum LLP*

Fort Lauderdale, FL  
October 6, 2016

# HABITAT FOR HUMANITY OF BROWARD, INC.

## STATEMENT OF FINANCIAL POSITION

JUNE 30, 2015

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)

	2015	2014
<b>Assets</b>		
Cash and cash equivalents	\$ 3,380,286	\$ 5,543,658
Restricted cash	419,225	461,552
Receivables:		
Mortgages receivable, net	7,728,383	7,722,209
Promises to give and grants	456,991	122,746
Inventory-Re-Store	150,000	150,000
Property and equipment, net	1,870,708	1,856,925
Single family homes	6,558,071	4,090,040
Other assets	96,452	72,594
<b>Total Assets</b>	<u>\$ 20,660,116</u>	<u>\$ 20,019,724</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 205,427	\$ 62,441
Accrued and other liabilities	505,984	472,807
Deferred revenue	--	50,000
Mortgage payable, net	45,439	71,107
<b>Total Liabilities</b>	756,850	656,355
<b>Net Assets</b>		
Unrestricted	19,207,266	18,921,203
Temporarily restricted	696,000	442,166
<b>Total Net Assets</b>	<u>19,903,266</u>	<u>19,363,369</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 20,660,116</u>	<u>\$ 20,019,724</u>

*The accompanying notes are an integral part of these financial statements.*

# HABITAT FOR HUMANITY OF BROWARD, INC.

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2015

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)

	Unrestricted	Temporarily Restricted	2015 Total	2014 Total
<b>Public Support and Revenue</b>				
Home sales	\$ 857,496	\$ --	\$ 857,496	\$ 691,188
Contributions and grants	1,126,219	1,335,896	2,462,115	1,532,147
Rent income	9,151	--	9,151	58,968
Special events	57,400	--	57,400	119,029
In-kind revenue	87,840	--	87,840	83,777
ReStore, net	1,074,187	--	1,074,187	988,700
<b>Total Public Support and Revenue</b>	<u>3,212,293</u>	<u>1,335,896</u>	<u>4,548,189</u>	<u>3,473,809</u>
<b>Net Assets Released from Temporary Restrictions</b>				
Due to satisfaction of program restrictions	1,082,062	(1,082,062)	--	--
<b>Expenses</b>				
Program services	3,188,191	--	3,188,191	3,049,541
Supporting services:				
Management and general	469,143	--	469,143	469,185
Fund raising	312,291	--	312,291	259,463
Total supporting services	781,434	--	781,434	728,648
<b>Total Expenses</b>	<u>3,969,625</u>	<u>--</u>	<u>3,969,625</u>	<u>3,778,189</u>
<b>Revenue (Expenses) in Excess of Public Support</b>	<u>324,730</u>	<u>253,834</u>	<u>578,564</u>	<u>(304,380)</u>
<b>Other</b>				
Investment income	3,753	--	3,753	4,892
Impairment loss on single family homes	(651,168)	--	(651,168)	--
Amortization of discount of zero-interest mortgages receivable	589,737	--	589,737	583,467
Amortization of discount of zero-interest mortgages payable	(6,101)	--	(6,101)	(12,000)
Other	25,112	--	25,112	46,780
<b>Total Other</b>	<u>(38,667)</u>	<u>--</u>	<u>(38,667)</u>	<u>623,139</u>
<b>Changes in Net Assets</b>	286,063	253,834	539,897	318,759
<b>Net Assets - Beginning</b>	<u>18,921,203</u>	<u>442,166</u>	<u>19,363,369</u>	<u>19,044,610</u>
<b>Net Assets - Ending</b>	<u>\$ 19,207,266</u>	<u>\$ 696,000</u>	<u>\$ 19,903,266</u>	<u>\$ 19,363,369</u>

*The accompanying notes are an integral part of these financial statements.*

# HABITAT FOR HUMANITY OF BROWARD, INC.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2015

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)

	2015	2014
<b>Cash Flows from Operating Activities</b>		
Activities to reconcile change in net assets to net cash (used in) provided by operating activities:		
Change in net assets	\$ 539,897	\$ 318,759
Home sales	(857,496)	(691,188)
Amortization of discount of zero-interest mortgages receivable	(589,737)	(583,467)
Note payable discount amortization of zero-interest mortgages payable	6,101	12,000
Impairment loss on single family homes	(651,168)	--
Bad debt expense	129,317	
Depreciation	75,146	70,769
(Increase) decrease in assets:		
Restricted cash	42,327	(61,772)
Single family homes	(1,816,863)	150,826
Promises to give and grants	(404,245)	242,465
Other assets	(23,858)	(9,963)
Increase (decrease) in liabilities:		
Account payable	142,986	51,167
Accrued and other liabilities	33,177	45,239
Deferred revenue	(50,000)	50,000
<b>Net Cash Used in Operating Activities</b>	(3,424,416)	(405,165)
<b>Cash Flows Provided by (Used in) Investing Activities</b>		
Purchases of property and equipment	(88,929)	(8,672)
Collection of mortgages receivable, net	1,381,745	1,011,897
<b>Net Cash Provided by Investing Activities</b>	1,292,816	1,003,225
<b>Cash Flows Used in Financing Activity</b>		
Repayment of mortgages payable	(31,772)	(86,213)
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(2,163,372)	511,847
<b>Cash and Cash Equivalents - Beginning</b>	5,543,658	5,031,811
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 3,380,286</u>	<u>\$ 5,543,658</u>

*The accompanying notes are an integral part of these financial statements.*

# HABITAT FOR HUMANITY OF BROWARD, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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### NOTE 1 – THE ORGANIZATION

Habitat for Humanity of Broward, Inc. (the "Organization") was incorporated in June of 1983 and is an affiliate of Habitat for Humanity International, Inc., ("HFHI"). HFHI and its affiliates are tax-exempt, not-for-profit ecumenical ministries whose mission is to provide low-income families with decent, affordable housing.

In fulfilling its mission, the Organization builds single family homes in Broward County, Florida, sells them to low-income families (homeowners) and holds non-interest bearing mortgage receivables with payments commensurate with the family's ability to pay. The Organization also provides prospective homeowners in its program with counseling and training to prepare them for home ownership and its responsibilities. Homeowners are required to pledge a minimum of four hundred hours of service to the building of their home or the homes of other Habitat homeowners.

The Organization receives support from the local community by enlisting volunteer labor when practical and soliciting donations of land, building materials, and cash necessary in its building efforts. These donations and the cash from the collection of mortgages receivable are used to continue building houses for those in need.

The Organization operates a resale store ("ReStore") as a supporting service to raise funds. The resale store primarily sells construction related materials and household furnishings and receives substantially all its merchandise from donations.

### NOTE 2 – SUMMARY-OF SIGNIFICANT ACCOUNTING POLICIES

#### *FINANCIAL STATEMENT PRESENTATION*

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Net assets, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions as follows:

#### *Unrestricted*

Net assets which are free of donor-imposed restrictions; all revenues and expenses that are not changes in permanently or temporarily restricted net assets are considered to be unrestricted net assets. In addition, restricted net assets whose restrictions are met in the same reporting period are also considered to be unrestricted net assets.

# HABITAT FOR HUMANITY OF BROWARD, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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### NOTE 2 – SUMMARY-OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *FINANCIAL STATEMENT PRESENTATION (CONTINUED)*

##### *Temporarily Restricted*

Net assets used by the Organization which are limited by donor-imposed stipulations that either expire with the passage of time or that can be fulfilled or removed by actions of the Organization pursuant to those stipulations. The Organization had \$696,000 in temporarily restricted net assets as of June 30, 2015.

##### *Permanently Restricted*

Net assets used by the Organization which are limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization had no permanently restricted net assets as of June 30, 2015.

#### *CASH AND CASH EQUIVALENTS*

All highly liquid cash investments with original maturities of three months or less are considered to be cash equivalents.

#### *RESTRICTED CASH*

Restricted cash represents deposits made by future homeowners for the purchase of homes and escrow payments made by current homeowners for property taxes and insurance.

#### *CONCENTRATIONS OF CREDIT RISK*

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents (deposit and money market accounts). The Organization maintains these balances in what it believes to be high quality financial institutions, which it believes limits its risk. As of June 30, 2015, the Organization had approximately \$2,748,000 of balances in excess of insurance limits covered by the Federal Deposit Insurance Corporation (“FDIC”).

#### *PROPERTY AND EQUIPMENT*

Property and equipment are capitalized when the cost is in excess of \$500 with a useful life over one year. Property and equipment is recorded at cost or, if donated, at fair value at the date of donation. Major renewals and improvements are capitalized, while repairs and maintenance expenditures are expensed as incurred. When items are retired or otherwise disposed of, the related costs and accumulated depreciation or amortization are removed

# HABITAT FOR HUMANITY OF BROWARD, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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### NOTE 2 – SUMMARY-OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *PROPERTY AND EQUIPMENT (CONTINUED)*

from the accounts and any resulting gains or losses are recognized. Depreciation is computed on the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the lesser of the useful life of the asset or the term of the lease.

The estimated useful lives of each asset group are as follows:

Asset Group	Years
Buildings	50
Leasehold improvements	10
Office furniture and equipment	3
Computer equipment and software	3
Automobiles	5

#### *INVENTORIES*

Substantially all inventories at the resale store are donated. Inventory is recorded at \$150,000 as of June 30, 2015. These amounts are not adjusted for contributions of inventory or subsequent sales. At the time inventory is sold, the items are recorded as revenue without a corresponding cost of goods sold. Accounting principles generally accepted in the United States of America require contributions to be recorded at fair value at the date of receipt in the statement of financial position. At the time of sale, items sold should be reflected in the statement of activities when the revenue is recorded.

#### *IMPAIRMENT OF LONG-LIVED ASSETS*

Accounting principles generally accepted in the United States of America require long lived assets (single family homes) to be recorded at the lower of carrying amount or fair value less selling costs (if held for sale), and carrying amount of a property exceeds its fair value (if not held for sale). If the carrying amount of the property exceeds its fair value, an impairment loss should be recognized for the excess and the carrying amount reduced accordingly. The Organization does not have a mechanism in place to timely identify circumstances requiring an impairment analysis. In addition, when the Organization determines that there is impairment, we write down the asset to the Broward County Property Appraiser's tax assessed value.

# HABITAT FOR HUMANITY OF BROWARD, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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### NOTE 2 – SUMMARY-OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *IMPAIRMENT OF LONG-LIVED ASSETS (CONTINUED)*

Also, at times the Organization reacquires property due to owner delinquency. Management of the Organization uses the Broward County Property Appraiser's tax assessed value to record the reacquisition. Tax assessed values may not represent fair value as required by accounting principles generally accepted in the United States of America.

#### *SINGLE FAMILY HOMES*

##### *Vacant Land and Construction in Progress*

Vacant land and construction in progress are stated at cost and include direct and indirect costs of housing construction, property taxes, and overhead incurred during the development period. Donated land and construction materials are required to be recorded at fair value at the time received. Land and offsite development costs associated with homes under construction are also included in construction in progress. Vacant land and construction in progress are evaluated for impairment if impairment indicators are present. Accounting principles generally accepted in the United States of America require vacant land and construction in progress to be recorded at the lower of its carrying amount or fair value. Determination of fair value when considering impairment may not be in accordance with GAAP. There were no impairment losses recorded during the year ended June 30, 2015 on the vacant land portion or construction in progress.

##### *Completed Homes Pending Sale*

Completed homes represent homes available for sale and are evaluated for impairment if impairment indicators are present. An impairment charge to write-down the carrying value to fair value less costs to sell occurs only if the estimated future undiscounted net cash flows from the homes are less than the carrying amount. In the Organization's case, determination of fair value when considering impairment may not be in accordance with GAAP. Impairment losses of approximately \$651,000 were recorded during the year ended June 30, 2015 and are presented in the statement of activities and changes in net assets.

#### *HOMEOWNERS SALES*

Homes are sold to qualified buyers at appraised value and the mortgage term is based on the amount the purchaser is able to pay. Consideration received is mortgages receivable which are non-interest bearing. Home sales are recorded at the discounted value of payments to be received over the lives of the mortgages. Non-interest bearing mortgages have been discounted at 7.51% for the year ended June 30, 2015, based upon prevailing market rates for low-income housing at inception of the mortgages. Discounts are amortized using the effective interest method over the lives of the mortgages. During the year ended June 30, 2015, fifteen homes were sold.

# HABITAT FOR HUMANITY OF BROWARD, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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### NOTE 2 – SUMMARY-OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *MORTGAGES RECEIVABLE*

The Organization's non-interest bearing mortgages consist of amounts due from homeowners. The Organization performs extensive credit and work history evaluations before the sale of a home. The Organization also has a perfected security interest in all homes they sell. Mortgage receivable balances are stated net of discount and net of an allowance for uncollectible amounts based on management's judgment and analysis of the credit-worthiness of the homeowners, past payment experience, and other relevant factors.

At June 30, 2015, management believes no allowance is necessary since the value of each home is generally greater than the respective carrying value of the remaining mortgage receivable.

#### *CONTRIBUTIONS*

Contributions received with no restrictions or specified uses identified by the donor are included in unrestricted revenue in the statement of activities when received. Contributions received with donor stipulations that limit the use of donated assets are reported as either temporarily or permanently restricted revenue in the statement of activities when received.

When donor restrictions expire or are fulfilled by actions of the Organization, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restriction. Donor restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted revenue in the accompanying statement of activities.

#### *PROMISES TO GIVE*

Promises to give represent unconditional promises to give and are recorded at their estimated fair value. As of June 30, 2015, all promises to give (pledges) are recorded and are expected to be collected during the year ended June 30, 2016.

#### *GRANTS FROM GOVERNMENT AGENCIES*

Grants from governmental agencies are recognized as revenue when the grant funds have been expended in accordance with the provisions of the respective agreements.

# HABITAT FOR HUMANITY OF BROWARD, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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### NOTE 2 – SUMMARY-OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *DEFERRED REVENUE*

Deferred revenue represents advances to be earned based on future expenses. Deferred revenue is recognized as revenue when the related expenses are incurred.

#### *DONATED GOODS AND SERVICES*

Donated services (in kind donations) are recognized as contributions in accordance with FASB ASC No. 958, if the services create or enhance non-financial assets, or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. A number of unpaid volunteers have made contributions of their time by providing construction, administrative and fund-raising services to the Organization. Donations of building materials are received and used in the construction of homes. Accounting principles generally accepted in the United States of America (“GAAP”) require contributions (including donated materials) to be recorded at fair value at the date of receipt. During the year ended June 30, 2015, the Organization recognized in kind donations for accounting services and rent of approximately \$16,000 and \$24,000 respectively.

#### *FUND-RAISING ACTIVITIES*

The Organization’s financial statements are presented in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958 “Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Government Entities that Included Fund Raising”. FASB ASC 958 establishes criteria for accounting and reporting for any entity that solicits contributions.

Directly identifiable fund-raising expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

# HABITAT FOR HUMANITY OF BROWARD, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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### NOTE 2 – SUMMARY-OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *FUNCTIONAL ALLOCATION OF EXPENSES*

The cost of providing the various programs and other activities of the Organization has been summarized on a functional basis. Salaries and other expenses, which are associated with a specific program, are charged directly to that program. Salaries and other expenses, which benefit more than one program, are allocated to the various programs based on the time spent.

#### *INCOME TAXES*

The Organization received a determination (via Habitat for Humanity International Inc.) from the Internal Revenue Service indicating that it is exempt from Federal income tax on all income except unrelated business income under Internal Revenue Code Section 501(c) (3); accordingly, no provision for income taxes has been recorded in the accompanying financial statements. For the year ended June 30, 2015, the Organization had no unrelated business income tax resulting from unrelated business income.

The Organization accounts for uncertainty in income taxes in accordance with GAAP, which requires recognition in the accompanying financial statements of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Organization had no material unrecognized tax benefits and no adjustments to its financial position, activities or cash flows were required. The Organization does not expect that unrecognized tax benefits will increase within the next twelve months.

The Organization did not record any interest or penalties on uncertain tax positions in the statement of financial position as of June 30, 2015 or the statement of activities for the year then ended. If the Organization were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes.

# HABITAT FOR HUMANITY OF BROWARD, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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### NOTE 2 – SUMMARY-OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *USE OF ESTIMATES*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

### NOTE 3 – MORTGAGES RECEIVABLE, NET

A home is considered sold when a formal closing transaction has been finalized. At that time, a first non-interest bearing mortgage is given to the homeowner based on the amount the homeowner is able to pay. The Organization records the revenue for the sale at the amount equal to the first mortgage net of imputed interest. If the fair value of the property is greater than the first mortgage, the Organization obtains a second mortgage for the difference of the sales price and the fair value. The second mortgage is to protect the value of the collateral and is not recorded in the books and records of the Organization. At the time the first mortgage is paid in full, the Organization cancels the second mortgage.

As of June 30, 2015, the estimated annual repayment amounts on these mortgage receivable balances along with the unamortized discount were as follows:

For the Year Ending June 30,	Amount
2016	\$ 922,403
2017	914,162
2018	901,367
2019	886,898
2020	858,720
Thereafter	<u>10,740,719</u>
	15,224,269
Less: unamortized discount	<u>7,495,886</u>
<b>Mortgage Receivable, Net</b>	<u><u>\$ 7,728,383</u></u>

# HABITAT FOR HUMANITY OF BROWARD, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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### NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2015 consist of the following:

Land, building, and improvements	\$ 2,493,853
Office furniture and equipment	71,834
Computer equipment and software	27,826
Vehicles	<u>114,680</u>
	2,708,193
Less: accumulated depreciation	<u>837,485</u>
<b>Property and Equipment, Net</b>	<b><u>\$ 1,870,708</u></b>

Depreciation expense was approximately \$75,000 for the year ended June 30, 2015.

### NOTE 5 – SINGLE FAMILY HOMES

Single family homes at June 30, 2015 consist of the following:

Single family homes consist of:	
Vacant land	\$ 2,510,115
Construction in progress	4,587,474
Completed homes pending sale	<u>111,650</u>
	7,209,239
Less allowance for impairment	<u>651,168</u>
<b>Total</b>	<b><u>\$ 6,558,071</u></b>

Potential homeowners must meet certain requirements before they can close on a home. If the home is completed before these requirements are met, then the family is allowed to rent the home while working to meet the requirements. Rental income from unsold homes was approximately \$9,000 for the year ended June 30, 2015. Before closing on a home, potential homeowners must prepay a certain amount of closing costs which are recorded as accrued and other liabilities and was approximately \$62,000 at June 30, 2015.

# HABITAT FOR HUMANITY OF BROWARD, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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### NOTE 6 – MORTGAGE PAYABLE, NET

Mortgages payable at June 30, 2015 consist of the following:

Non-interest bearing bank loans due in monthly installments commencing in April 1993, secured by single family homes and	\$ 81,248
Less: unamortized discount	<u>35,809</u>
<b>Total Mortgages Payable</b>	<b><u>\$ 45,439</u></b>

Non-interest bearing mortgages payable have been discounted at 7.51% for the year ended June 30, 2015. Future maturities of mortgages payable are as follows:

For the Year Ending June 30,	Amount
2016	\$ 26,429
2017	18,691
2018	16,188
2019	13,253
2020	4,278
Thereafter	<u>2,409</u>
	81,248
Less: unamortized discount	<u>35,809</u>
<b>Mortgages Payable, Net</b>	<b><u>\$ 45,439</u></b>

# HABITAT FOR HUMANITY OF BROWARD, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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### NOTE 7 – CONTRIBUTIONS AND GRANTS

Contributions and grants, which are included in the statement of activities and changes in net assets, for the year ended June 30, 2015 consist of the following:

	Unrestricted	Temporarily Restricted	Total
<b>Contributions</b>			
Faith community	\$ 625	\$ 38,542	\$ 39,167
Commerce and industry	460,960	903,731	1,364,691
Individuals	<u>158,638</u>	<u>5,194</u>	<u>163,832</u>
<b>Total Contributions</b>	<u>620,223</u>	<u>947,467</u>	<u>1,567,690</u>
<b>Grants</b>			
NSP Grant - City of Hallandale	\$ 273,738	\$ --	\$ 273,738
Wells Fargo	156,865	20,000	176,865
Mortgage Settlement Grant	20,000	--	20,000
City of Fort Lauderdale Purchase Assistance	--	150,000	150,000
Publix Super Markets Charities, Inc.	--	63,000	63,000
EverBank	--	50,000	50,000
Bank of America	--	35,000	35,000
City of Sunrise Purchase Assistance	--	34,429	34,429
Homeownership for All	--	20,000	20,000
William R Watts Foundation	--	10,000	10,000
FHLBA/Mackinac Savings	--	6,000	6,000
Other Grants	<u>55,393</u>	<u>--</u>	<u>55,393</u>
<b>Total Grants</b>	<u>505,996</u>	<u>388,429</u>	<u>894,425</u>
<b>Total Contributions and Grants</b>	<u>\$ 1,126,219</u>	<u>\$ 1,335,896</u>	<u>\$ 2,462,115</u>

# HABITAT FOR HUMANITY OF BROWARD, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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### NOTE 8 – RESTORE, NET

Resale store revenue and expenses, which is recorded as ReStore, net in the accompanying statement of activities and changes in net assets, for the year ended June 30, 2015 consist of the following:

<b>Sales and Other Receipts</b>	<u>\$ 1,733,751</u>
<b>Expenses</b>	
Salaries and payroll taxes	303,427
Benefits	<u>37,694</u>
<b>Total Personnel Costs</b>	341,121
Office supplies and expense	19,323
Telephone	9,659
Taxes and insurance (escrow refund)	18,854
Truck expense	47,892
Advertising	74,982
Repairs and maintenance	15,218
Bank and credit card fees	19,605
Sanitation	6,480
Utilities	28,634
Other	<u>10,405</u>
<b>Expenses Before Depreciation</b>	<u>592,173</u>
Income before depreciation expense	1,141,578
Depreciation	<u>67,391</u>
<b>Net Resale Store Income</b>	<u><u>\$ 1,074,187</u></u>

### NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of funds restricted for the construction of specific homes and are included in cash and cash equivalents and promises to give on the statement of financial position as of June 30, 2015.

# HABITAT FOR HUMANITY OF BROWARD, INC.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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### NOTE 10 – EMPLOYEE BENEFIT PLANS

The Organization sponsors a defined contribution retirement plan (the “Plan”) covering substantially all of its full-time employees. Employees become eligible for Plan participation after completing 6 months of service. The Organization contributes 3% of eligible employees’ gross compensation to the Plan. All contributions made on behalf of employees become fully vested upon completing 6 months of service. For the year ended June 30, 2015, the Organization contributed approximately \$17,000 to the Plan.

### NOTE 11 – COMMITMENTS AND CONTINGENCIES

#### *LEASE COMMITMENT*

In September 2010, the Organization entered into a three year lease for warehouse space. The lease requires monthly payments between \$1,000 and \$1,167. In July 2013, the Organization amended the existing lease for warehouse space. The amendment extends the term of the lease for an additional two years beginning on October 1, 2013 and requires monthly payments of \$1,083.

Rent expense for the year ended June 30, 2015 was approximately \$37,000 (including \$24,000 of in kind contributions, respectively).

The future estimated minimum rental payments under the lease are as follows:

For the Year Ending June 30,	Amount
2016	\$ 3,250
<b>Total</b>	<b>\$ 3,250</b>

#### *GRANTS CONTINGENCY*

Amounts received or receivable from grant agencies are subject to audit and adjustments. Any disallowed claims, including amounts already collected, may constitute a liability of applicable funds.

### NOTE 12 – SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through October 6, 2016, which is the date these financial statements were available to be issued.

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## **SUPPLEMENTARY INFORMATION**

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# HABITAT FOR HUMANITY OF BROWARD, INC.

## SCHEDULE OF FUNCTIONAL EXPENSES

**FOR THE YEAR ENDED JUNE 30, 2015  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)**

	Program Services	Management and General	Fundraising	2015 Total	2014 Total
<b>Personnel Costs</b>					
Salaries	\$ 290,773	\$ 333,108	\$ 177,425	\$ 801,306	\$ 812,215
Benefits and taxes	<u>50,203</u>	<u>62,400</u>	<u>34,487</u>	<u>147,090</u>	<u>134,915</u>
<b>Total Personnel Costs</b>	340,976	395,508	211,912	948,396	947,130
<b>Expenses Before Depreciation</b>					
Building materials and supplies	2,229,251	--	--	2,229,251	2,236,197
Bad debt expense	129,317	--	--	129,317	--
Repairs and maintenance	86,016	--	--	86,016	2,969
Office supplies	67,878	19,000	9,500	96,378	172,390
Other	27,384	3,755	65,440	96,579	--
Insurance and taxes	100,990	10,485	5,242	116,717	81,029
Relocation and project	550	--	--	550	--
Rent	16,792	4,798	2,398	23,988	36,597
Professional fees	116,311	33,232	16,616	166,159	230,806
Telephone	8,279	2,365	1,183	11,827	16,574
Volunteer programs	25,983	--	--	25,983	23,382
Family nurturing	14,009	--	--	14,009	14,576
HFHI contribution	<u>16,700</u>	<u>--</u>	<u>--</u>	<u>16,700</u>	<u>11,000</u>
<b>Total Expenses Before Depreciation</b>	3,180,436	469,143	312,291	3,961,870	3,772,650
Depreciation	<u>7,755</u>	<u>--</u>	<u>--</u>	<u>7,755</u>	<u>5,539</u>
<b>Total Expenses</b>	<u>\$ 3,188,191</u>	<u>\$ 469,143</u>	<u>\$ 312,291</u>	<u>\$ 3,969,625</u>	<u>\$ 3,778,189</u>

*See accompanying independent auditors' report.*

**HABITAT FOR HUMANITY OF BROWARD, INC.**

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

**FOR THE YEAR ENDED JUNE 30, 2015**

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<b>State Grantor/Pass-through Grantor/Program Title</b>	<b>CSFA Number</b>	<b>Grant Contract Number</b>	<b>Expenditures</b>
<b>Florida Dept. of Economic Opportunity</b> Pass Through from Habitat for Humanity of Florida, Inc.	40.031	N/A	<u>\$ 543,854</u>
<b>Total Expenditures of State Financial Assistance</b>			<u><u>\$ 543,854</u></u>

*See accompanying notes to the schedule of expenditures of state financial assistance.*

# **HABITAT FOR HUMANITY OF BROWARD, INC.**

## **NOTES TO SCHEDULE OF STATE FINANCIAL ASSISTANCE**

**FOR THE YEAR ENDED JUNE 30, 2015**

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### **NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of state financial assistance includes the State of Florida project activity of Habitat for Humanity of Broward, Inc. (Habitat) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations and the requirements of Chapter 10.650, Rules of the Auditor General, State of Florida.

### **NOTE 2 – CONTINGENCIES**

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

**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 of  
**Habitat for Humanity of Broward, 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 Habitat for Humanity of Broward, Inc. (Habitat) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, 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 October 6, 2016.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Habitat'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's internal control. Accordingly, we do not express an opinion on the effectiveness of Habitat'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 preceding paragraph 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. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002 and 2015-003 that we consider to be material weaknesses.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Habitat'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*.

### ***Organization's Response to Findings***

Habitat's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Habitat'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 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.

*Marcum LLP*

Fort Lauderdale, Florida  
October 6, 2016

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

To the Board of Directors of  
**Habitat for Humanity of Broward, Inc.**

***Report on Compliance for Each Major State Project***

We have audited Habitat for Humanity of Broward, Inc.'s (Habitat) compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of Habitat's major State projects for the year ended June 30, 2015. Habitat's major 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 the requirements of laws, regulations, contracts, and grants applicable to its State projects.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Habitat's major 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 Chapter 10.650, Rules of the Auditor General. Those standards 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 state project occurred. An audit includes examining, on a test basis, evidence about Habitat'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 State project. However, our audit does not provide a legal determination of Habitat's compliance.

### ***Opinion on Each Major State Project***

In our opinion, Habitat 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 state projects for the years ended June 30, 2015.

### ***Report on Internal Control Over Compliance***

Management of Habitat 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, we considered Habitat's internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State project and to test and report on internal control over compliance in accordance with 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'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 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 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 as combination of deficiencies, in internal control over compliance with the type of compliance requirement of 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 Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

*Marcum LLP*

Fort Lauderdale, FL  
October 6, 2016

**HABITAT FOR HUMANITY OF BROWARD, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

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**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

***FINANCIAL STATEMENTS***

***Financial Statements***

Type of auditors’ report issued: ***Unmodified Opinion***  
Internal control over financial reporting:  
Material weakness(es) identified?   X   Yes      No  
Significant deficiency(ies) identified that are  
not considered to be material weakness(es)?      Yes   X   None reported  
Noncompliance material to financial statement noted?      Yes   X   No

**State Projects**

Internal control over major state projects:  
Material weakness(es) identified?      Yes   X   No  
Significant deficiency(ies) identified that are not  
considered to be material weakness(es)?      Yes   X   None reported

Type of auditor’s report issued on compliance for  
major state project: ***Unmodified Opinion***

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

Identification of major state project:

**State Project**

Florida Department of Economic Opportunity **CSFA No.**  
Mortgage Settlement Funds Program 40.031

Dollar threshold used to distinguish between  
Type A and Type B programs: State: **\$300,000**

# HABITAT FOR HUMANITY OF BROWARD, INC.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

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### SECTION II – FINANCIAL STATEMENT FINDINGS

#### *MATERIAL WEAKNESSES*

##### *2015-001 Review and Recording of Financial Transactions*

#### *Criteria*

Prudent policies include a formal review and reconciliation during the year and during the closing process with supervisory finance department personnel being responsible for the review of transactions and balances recorded. Timeliness of closing procedures is crucial to proving accurate accounting data and financial information including interim and year-end financial statements.

#### *Condition*

During the course of our audit procedures, there were numerous auditor adjusting journal entries proposed to correct account balances such as home sales, program services, impairment, and single family homes. In addition, some schedules requested in our initial planning letter were not readily available at the commencement of our audit engagement.

#### *Cause*

There is a lack of internal review over the reconciliation and closing process.

#### *Effect*

The general ledger, which are the books and records used to prepare the financial statements, needed to be adjusted throughout the audit process.

#### *Recommendation*

We recommend a detailed general ledger account analysis of all accounts be performed on a monthly or quarterly basis in a timely manner to ensure accuracy and completeness of account balances. These analyses should be reviewed by supervisory finance department staff to ensure accurate recording of transactions.

#### *Managements' Response*

We agree with the findings related to detailed general ledger analysis and timely general ledger review and reconciliation. The Organization will implement quarterly general ledger account analysis to ensure accurate input and reconciliation which will be reviewed and overseen by Finance Management.

# HABITAT FOR HUMANITY OF BROWARD, INC.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

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### SECTION I – FINANCIAL STATEMENT FINDINGS (CONTINUED)

#### *2015-002 Did Not Record Inventory Contributions and Donated Materials*

##### *Criteria*

Contributed goods should be recorded by the Organization at their estimated fair value. This item was reported in 2014 as 2014-2.

##### *Condition*

Donations of inventory and building materials to the resale store and cost of donated merchandise sold are not recorded by the Organization.

##### *Cause*

The Organization does not have a process in place for the recording of contributed goods.

##### *Effect*

The non-recording of contributed goods may lead to financial statements that are not prepared in accordance with GAAP and possible undetected theft.

##### *Recommendation*

The Organization should establish a formalized process for the valuing and recording of significant contributed goods.

##### *Management's Response*

We acknowledge that the recording of contributed goods is not in accordance with GAAP procedures. The Organization records ReStore inventory and donations to what we believe in is accordance with Habitat of Humanity International's policy. That said, Habitat for Humanity of Broward has purchased a point of sale inventory system that should be fully implemented by fiscal year 2018 which will allow for the tracking of donated goods in accordance with GAAP.

# HABITAT FOR HUMANITY OF BROWARD, INC.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

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### SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

#### *2015-003 Untimely and Improper Impairment Analysis*

##### *Criteria*

An impairment analysis should occur when there are indications of impairment of assets. This item was reported in 2014 as 2014-3.

##### *Condition*

During our analysis of the Organization's single family homes, we noted that there were instances when no impairment analysis was conducted even though there were indications of possible impairment. In addition, when an impairment analysis was conducted, the Organization used the Broward County Property Appraiser's tax assessed value to write down the asset to its fair value. The Organization's also used Broward County Property Appraiser's tax assessed value when determining the amount at which to record reacquisitions of properties due to owner delinquency.

##### *Cause*

Untimely impairment analysis and improper method of determining fair value.

##### *Effect*

The non-recording of impairment results in certain assets and the changes in net assets being overstated. Furthermore, when using the Broward County Property Appraiser's tax assessed value, the asset may not be properly written down to fair value.

##### *Recommendation*

The Organization should create a mechanism to determine when impairment has occurred and use another valuation method in determining the fair value of the underlying asset, such as a broker price opinion. This valuation method should also be applied in determining the fair value when taking over a property due to owner delinquency.

##### *Management's Response*

We acknowledge the findings related to potential impairment of values. The Organization uses both independent appraisals and Broward County Property appraiser's tax values. Habitat of Broward will put into place a procedure to ensure a broker price opinion is obtained when we believe an impairment has occurred.

**HABITAT FOR HUMANITY OF BROWARD, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

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**SECTION III – STATE PROJECTS FINDINGS AND QUESTIONED COSTS**

None noted.

# HABITAT FOR HUMANITY OF BROWARD, INC.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2015

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### I. PRIOR YEAR FINANCIAL STATEMENT FINDINGS

The following addresses the status of financial statement findings reported in the year ended September 30, 2014.

#### *MATTERS THAT ARE REPEATED IN THE ACCOMPANYING SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

- *2014-002 Recording of Inventory Contributions and Donated Materials*
- *2014-003 Untimely and Improper Impairment Analysis*

#### *MATTERS THAT ARE NOT REPEATED IN THE ACCOMPANYING SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

- *2014-001 Recording of All Audit Entries*

### II. PRIOR YEAR STATE PROJECTS FINDINGS AND QUESTIONED COSTS

None, no state project awards tested in 2014.

**MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR  
GENERAL OF THE STATE OF FLORIDA**

To the Board of Directors  
**Habitat for Humanity of Broward, Inc.**

***Report on the Financial Statements***

We have audited the financial statements of Habitat for Humanity of Broward, Inc. for the year ended June 30, 2015, and issued our reports thereon dated October 6, 2016.

***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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.650, Rules of the Florida Auditor General.

***Other Reports and Schedule***

We have issued our 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*, Independent Auditors' Report on Compliance for Each Major State Project and on Internal Control over Compliance Required by Chapter 10.650, Rules of the Auditor General, and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated October 6, 2016, 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 are 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 Florida Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, and other granting agencies, Board of Directors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Marcum LLP*

Fort Lauderdale, FL  
October 6, 2016