

**HABITAT FOR HUMANITY OF
GREATER BATON ROUGE, INC.**

BATON ROUGE, LOUISIANA

JUNE 30, 2023 AND 2022



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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Habitat for Humanity of Greater Baton Rouge, Inc.

Opinion

We have audited the accompanying financial statements of Habitat for Humanity of Greater Baton Rouge, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Greater Baton Rouge, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Habitat for Humanity of Greater Baton Rouge, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinions.

Responsibilities of Management 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, and for 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity of Greater Baton Rouge, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat for Humanity of Greater Baton Rouge, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The schedule of compensation, benefits, and other payments to agency heads on page 21 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 taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2023, on our consideration of Habitat for Humanity of Greater Baton Rouge, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Habitat for Humanity of Greater Baton Rouge, Inc.'s internal control over financial reporting and compliance.

F. A. Champagne & Co, LLP

Baton Rouge, Louisiana

December 22, 2023

HABITAT FOR HUMANITY OF GREATER BATON ROUGE, INC.
STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 1,191,825	\$ 1,219,881
Restricted cash - escrow holdings on deposit	266,094	218,677
Certificates of deposit	152,139	151,356
Receivables, net	17,654	47,781
Prepaid expenses	27,825	27,982
Inventories	692,722	700,016
Non-interest bearing mortgages receivable, net	3,059,268	3,243,432
Property and equipment, net	751,101	756,514
Finance lease right-of-use asset, net	18,377	-
Operating lease right-of-use asset, net	1,150,847	-
Land held for development	568,068	711,735
	\$ 7,895,920	\$ 7,077,374
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 66,097	\$ 70,094
Accrued salaries and payroll taxes	25,994	20,519
Other accrued expenses	27,111	32,219
Escrow deposits	266,094	218,677
Deferred revenue	-	68,447
Finance lease liability	18,599	-
Operating lease liability	1,177,010	-
Security deposits	2,900	4,750
Total liabilities	1,583,805	414,706
 NET ASSETS		
Without donor restrictions	5,894,763	6,442,525
With donor restrictions	417,352	220,143
Total net assets	6,312,115	6,662,668
	\$ 7,895,920	\$ 7,077,374

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF GREATER BATON ROUGE, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2023 and 2022

	2023			2022		
	Without	With	Total	Without	With	Total
	Donor Restrictions	Donor Restrictions		Donor Restrictions	Donor Restrictions	
SUPPORT AND REVENUE						
Contributions						
Cash	\$ 93,008	\$ 775,622	\$ 868,630	\$ 162,521	\$ 348,773	\$ 511,294
Contributed nonfinancial assets	17,603	-	17,603	14,362	-	14,362
Services	1,000	-	1,000	1,000	-	1,000
Governmental grants	111,199	-	111,199	990,253	-	990,253
Home sales revenue	1,088,000	-	1,088,000	1,048,500	-	1,048,500
ReStore sales	1,972,885	-	1,972,885	1,662,970	-	1,662,970
Interest - amortization of discount on mortgage loans	380,827	-	380,827	365,447	-	365,447
Rental income and fees	36,411	-	36,411	46,824	-	46,824
Special events	10,860	-	10,860	7,400	-	7,400
Other income	86,675	-	86,675	57,801	-	57,801
Gain on sale of mortgages	249,709	-	249,709	237,146	-	237,146
Mortgage late fees	13,282	-	13,282	14,351	-	14,351
Net assets released from restrictions	578,413	(578,413)	-	322,104	(322,104)	-
TOTAL SUPPORT AND REVENUE	<u>4,639,872</u>	<u>197,209</u>	<u>4,837,081</u>	<u>4,930,679</u>	<u>26,669</u>	<u>4,957,348</u>
EXPENSES						
Program services	4,475,891	-	4,475,891	4,562,176	-	4,562,176
Supporting services:						
Management and general	572,027	-	572,027	386,123	-	386,123
Fundraising	139,716	-	139,716	102,231	-	102,231
	<u>711,743</u>	<u>-</u>	<u>711,743</u>	<u>488,354</u>	<u>-</u>	<u>488,354</u>
TOTAL EXPENSES	<u>5,187,634</u>	<u>-</u>	<u>5,187,634</u>	<u>5,050,530</u>	<u>-</u>	<u>5,050,530</u>
Loss on sale of property and equipment	-	-	-	8,976	-	8,976
TOTAL EXPENSES AND LOSSES	<u>5,187,634</u>	<u>-</u>	<u>5,187,634</u>	<u>5,059,506</u>	<u>-</u>	<u>5,059,506</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(547,762)</u>	<u>197,209</u>	<u>(350,553)</u>	<u>(128,827)</u>	<u>26,669</u>	<u>(102,158)</u>
Net assets - beginning of year	<u>6,442,525</u>	<u>220,143</u>	<u>6,662,668</u>	<u>6,571,352</u>	<u>193,474</u>	<u>6,764,826</u>
Net assets - end of year	<u>\$5,894,763</u>	<u>\$ 417,352</u>	<u>\$6,312,115</u>	<u>\$6,442,525</u>	<u>\$ 220,143</u>	<u>\$6,662,668</u>

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF GREATER BATON ROUGE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023

	PROGRAM SERVICES				SUPPORTING SERVICES		
	Construction and Family Services	Mortgage Originations	ReStore	Total	Management and General	Fundraising	Total
Cost of homes sold:							
Materials, supplies, and labor	\$ 1,364,990	\$ -	\$ -	\$ 1,364,990	\$ -	\$ -	\$ 1,364,990
Land	143,667	-	-	143,667	-	-	143,667
Total cost of homes sold	1,508,657	-	-	1,508,657	-	-	1,508,657
Cost of sales	-	-	702,190	702,190	-	-	702,190
Mortgage discounts	-	629,569	-	629,569	-	-	629,569
Salaries and related expenses	198,764	-	629,777	828,541	473,923	105,086	1,407,550
Rent	27,780	-	105,140	132,920	19,843	7,937	160,700
Insurance	59,390	-	37,039	96,429	-	-	96,429
Repairs and maintenance	47,376	-	43,915	91,291	9,732	3,016	104,039
Operational costs	41,941	-	160,490	202,431	14,098	4,715	221,244
Critical home repair	160,930	-	-	160,930	-	-	160,930
Other construction costs	13,253	-	-	13,253	-	-	13,253
Emergency rental assistance	45	-	-	45	-	-	45
Depreciation and amortization	1,838	-	60,821	62,659	13,426	525	76,610
Marketing and advertising	-	-	3,511	3,511	-	10,601	14,112
Memberships and affiliations	1,828	-	483	2,311	15,000	-	17,311
Other miscellaneous expenses	6,856	-	1,331	8,187	3,162	1,054	12,403
Professional services	12,867	-	9,666	22,533	22,843	1,137	46,513
Special events	-	-	-	-	-	5,645	5,645
Property taxes	560	-	9,874	10,434	-	-	10,434
	<u>\$ 2,082,085</u>	<u>\$ 629,569</u>	<u>\$ 1,764,237</u>	<u>\$ 4,475,891</u>	<u>\$ 572,027</u>	<u>\$ 139,716</u>	<u>\$ 5,187,634</u>

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF GREATER BATON ROUGE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

	PROGRAM SERVICES				SUPPORTING SERVICES		
	Construction and Family Services	Mortgage Originations	ReStore	Total	Management and General	Fundraising	Total
Cost of homes sold:							
Materials, supplies, and labor	\$ 1,473,122	\$ -	\$ -	\$ 1,473,122	\$ -	\$ -	\$ 1,473,122
Land	72,043	-	-	72,043	-	-	72,043
Total cost of homes sold	1,545,165	-	-	1,545,165	-	-	1,545,165
Cost of sales	-	-	624,134	624,134	-	-	624,134
Mortgage discounts	-	586,166	-	586,166	-	-	586,166
Salaries and related expenses	472,348	-	592,667	1,065,015	295,187	72,747	1,432,949
Rent	31,473	-	84,840	116,313	10,491	6,994	133,798
Insurance	49,811	-	28,430	78,241	-	-	78,241
Repairs and maintenance	50,712	-	74,249	124,961	5,978	2,392	133,331
Operational costs	53,495	-	131,397	184,892	15,191	5,881	205,964
Critical home repair	76,150	-	-	76,150	-	-	76,150
Other construction costs	13,966	-	-	13,966	-	-	13,966
Emergency rental assistance	15,581	-	-	15,581	-	-	15,581
Depreciation and amortization	-	-	59,469	59,469	16,727	-	76,196
Marketing and advertising	-	-	8,800	8,800	-	7,342	16,142
Memberships and affiliations	-	-	-	-	15,000	-	15,000
Other miscellaneous expenses	14,097	-	4,156	18,253	4,728	924	23,905
Professional services	15,673	-	18,999	34,672	22,821	1,357	58,850
Special events	-	-	-	-	-	4,594	4,594
Property taxes	1,518	-	8,880	10,398	-	-	10,398
	<u>\$ 2,339,989</u>	<u>\$ 586,166</u>	<u>\$ 1,636,021</u>	<u>\$ 4,562,176</u>	<u>\$ 386,123</u>	<u>\$ 102,231</u>	<u>\$ 5,050,530</u>

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF GREATER BATON ROUGE, INC.
STATEMENTS OF CASH FLOWS

Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (350,553)	\$ (102,158)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Noncash operating lease expense	26,163	-
Depreciation	76,610	76,196
Loss on sale of property and equipment	-	8,976
Gain on sale of mortgages	(249,709)	(237,146)
Amortization of mortgage discount	(380,827)	(365,447)
New mortgages, net of discounts	(458,431)	(462,334)
Home construction costs	(1,321,595)	(1,500,374)
Cost of homes transferred	1,508,657	1,550,165
(Increase) decrease in prepaid expenses	157	14,712
(Increase) decrease in receivables	30,127	228,219
(Increase) decrease in building supply inventory	13,269	3,296
(Increase) decrease in purchases for resale	(49,370)	(55,574)
Increase (decrease) in accounts payable	(3,997)	(775)
Increase (decrease) in accrued liabilities	(68,080)	32,840
Increase (decrease) in other liabilities	45,567	31,532
Net cash used in operating activities	(1,182,012)	(777,872)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase certificates of deposit and interest reinvested	(783)	(378)
Collections on mortgages receivable	783,721	744,651
Proceeds from the sale of mortgage notes	489,410	519,464
Proceeds from sale of equipment	-	3,000
Acquisition of equipment	(67,521)	(83,610)
Net cash provided by investing activities	1,204,827	1,183,127
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on financing lease liability	(3,454)	-
Payments on notes payable	-	(55,049)
Net cash provided by (used in) financing activities	(3,454)	(55,049)
INCREASE IN CASH AND RESTRICTED CASH	19,361	350,206
Cash and restricted cash - beginning of year	1,438,558	1,088,352
Cash and restricted cash - end of year	\$ 1,457,919	\$ 1,438,558
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 504	\$ 1,335

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF GREATER BATON ROUGE, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

Habitat for Humanity of Greater Baton Rouge, Inc. (Habitat) is a non-profit organization incorporated in 1988, with offices in Baton Rouge, Louisiana, and operations in four Louisiana parishes. Habitat is an affiliate of the Habitat for Humanity International, Inc. (Habitat International), a nondenominational Christian non-profit organization whose purpose is to create decent, affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information and funding resources, training, publications, prayer support, and in other ways, Habitat is primarily and directly responsible for their own operations. The accompanying financial statements include the activities of the Campus Chapter of Habitat for Humanity at Louisiana State University and the Habitat Young Professional Council of Greater Baton Rouge.

Habitat builds homes in partnership with volunteers and low-income families. The homes are sold to qualifying partner families at less than fair market value. Since the homeowners are involved in building their own homes, family support and education activities are inherent in the construction activities. Habitat provides zero interest mortgage loans to these homeowners.

Habitat owns and operates ReStore of Baton Rouge, LLC (Restore), which has two stores in Baton Rouge, Louisiana. These stores sell donated surplus building materials, furniture, appliances, and items purchased in bulk to the general public at below retail prices. Restore owns the building which houses one store, and leases the other part of the building to tenants. The second store leases its operation space. The net proceeds from the Restore operations and rentals are used to further the mission of Habitat.

Basis of presentation

Financial statement presentation follows the guidance of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC). Under those standards, Habitat is required to report information regarding its financial position and activities under two classes of net assets: net assets without donor restrictions or net assets with donor restrictions. Net assets without donor restrictions are resources that are free of donor-imposed or time restrictions and are available at the direction of the governing board. Net assets with donor restrictions are those resources whose use by Habitat is limited to donor-imposed stipulations. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature: such as those that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Habitat.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting

Habitat prepares its financial statements on the accrual basis of accounting. Under this method of accounting, revenue is recognized when earned or billed, and expenses are recognized when goods or services are received and the obligation for payment is incurred.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Habitat utilizes the guidance in the FASB ASC in the assessment of whether revenue is an exchange transaction or contribution and considers factors including commensurate value received, reciprocity, and donor-imposed conditions. Contributions, grants, and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Habitat reports grants and gifts of cash and other assets as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When donor restrictions expire, that is, when the stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Contributions and grants with donor restrictions that are both received and satisfied within the same year are recorded as an increase in net assets with donor restrictions and as a satisfaction of program restrictions.

Certain grants from governmental entities are included in deferred revenue due to stipulations within the agreements that contain the right of return of funds and barriers that make these contributions conditional. These funds are recognized as eligible costs are incurred, that is, as the barriers to which entitlement depends are satisfied.

Habitat recognizes revenue from contracts with customers when it transfers promised goods or services to its customers in an amount that reflects the consideration to which Habitat expects to be entitled in exchange for those goods and services. To accomplish this, Habitat applies the following five-step process to achieve this core principle:

- Identification of the contract with the member;
- Identification of the performance obligations under the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the identified performance obligations; and
- Recognition of revenue when (or as) an entity satisfies the identified performance obligations.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from the construction and sale of homes is recognized at a point in time upon closing of the sale when the title is transferred. Payment is due over time in installments, based on terms specified in the contracts. All mortgages and contracts for deed are due based on the term of the notes.

Revenue from ReStore sales is recognized at the point of sale. The performance obligation is the delivery of the goods to the customer. The transaction price is established by Habitat based on retail prices. As each item is individually priced, no allocation of the transaction price is necessary. Some merchandise is sold with the right to return. If probable customer returns exist at the end of fiscal year, Habitat estimates and records in the financial statements a liability for such returns. A liability for probable customer returns was not considered necessary as of June 30, 2023 and 2022.

Revenue Disaggregation

Habitat disaggregates revenue from contracts with customers into major revenue streams and based on the timing of recognized revenue. Habitat's revenue disaggregated based on timing of the transfer of goods or services as follows as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Recognized at a point in time:		
Home sales	\$1,088,000	\$1,048,500
ReStore sales	1,972,885	1,662,970

Contract balances

Contract assets represent Habitat's right to consideration in exchange for goods or services that have been transferred to the customer before payment is due. Contract liabilities include consideration due or paid by a customer prior to when Habitat transfers goods or services and represents Habitat's obligation to the customers.

Cash and cash equivalents

For purposes of the statement of cash flows, Habitat considers all unrestricted highly liquid investments with maturities of three months or less when acquired to be cash equivalents.

Restricted cash includes amounts received from homeowners for escrow payments, for payments received prior to closing, and for security deposits received from tenants. Restricted cash was \$266,094 and \$218,677 as of June 30, 2023 and 2022, respectively.

The following is a reconciliation of cash and restricted cash reported on the statements of financial position to total cash reported on the statements of cash flows:

	<u>2023</u>	<u>2022</u>
Cash	\$1,191,825	\$1,219,881
Escrow holding on deposits	<u>266,094</u>	<u>218,677</u>
	<u>\$1,457,919</u>	<u>\$1,438,558</u>

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Certificates of deposit

Certificates of deposit totaling \$152,139 and \$151,356 at June 30, 2023 and 2022, respectively, bear interest of 5.10%, and have maturities of four months, with penalties for early withdrawal.

Mortgage notes receivable

Habitat has a policy of selling affordable housing with interest-free mortgages. The zero interest first mortgages are discounted to their present value by using prevailing market rates at the inception of the mortgages. Discounts are amortized using the straight-line method over the lives of the mortgages. Discount rates used for the years ending June 30, 2023 and 2022 was 7.85% and 7.49%, respectively.

Habitat also executes a supplemental mortgage with the homeowners upon sale of the home. The amount of these mortgages is approximately equal to the difference between the sales price and the fair market value of the home. These mortgages bear no interest, and the homeowner is discharged from their annual payment as long as they are not in default on their first mortgage. No amounts are included in the financial statements for these mortgages as collection is contingent upon future events and is generally unexpected and unintended.

Inventories

The inventory of new homes is valued at cost. The cost of land and the value of contributed labor are not included as they are recognized when the home is sold.

Foreclosures included in inventory are valued at cost, which includes the unpaid mortgage, related costs at the time of foreclosure, and the cost of estimated repairs after foreclosure.

Construction materials inventory consists of items donated in bulk through a gift-in-kind program established by Habitat International. Items are ordered from the vendor by Habitat, approved by Habitat International, and valued at estimated fair market value included on the gift-in-kind receipt sent with the materials. Materials are removed from inventory when used on a specific house.

Purchases for resale at ReStore are included in inventory at cost. The fair market value of the items donated to ReStore is not determinable until the items are sold. Therefore, revenue is recorded at the time of sale and no value is included in inventory for the unsold items.

Prepaid expenses

Insurance and similar services which extend benefits over more than one accounting period have been recorded as prepaid expenses.

Advertising and Marketing Costs

Habitat expenses advertising and marketing costs when incurred.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment acquired are stated at cost less accumulated depreciation. Habitat capitalizes acquisitions of property and equipment in excess of \$2,500. Depreciation is calculated on the straight-line basis over the estimated useful life of the assets, ranging from three to ten years for all fixed assets except buildings and parking lot improvements, which are depreciated over 38 years.

When property is retired or otherwise disposed of, the accounts are relieved of the applicable cost and accumulated depreciation, and any resulting gain or loss is reflected in operations.

Donated services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Habitat. These services are recorded, based on the fair value of the services provided, as in-kind contributions on the Statement of Activities and the Statement of Functional Expenses. Volunteer services are not recognized in the financial statements when the recognition criteria are not met.

Contributed nonfinancial assets

Habitat recognized contributed nonfinancial assets within support and revenue in the statement of activities, consisting of contributed construction materials of \$17,603 and \$14,362 for the years ended June 30, 2023 and 2022, respectively. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. Habitat values the donated product for use in construction at the estimated fair value, which is based upon the manufacturer's suggested retail price for the product.

Pledges Receivable

Contribution receivables that are expected to be collected in future years are recorded at fair value based on the present value of their estimated future cash flows and are discounted at the rate applicable to the year in which the contribution was made.

Income taxes

Habitat is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the financial statements.

Habitat accounts for income taxes in accordance with the income tax accounting guidance included in the FASB ASC. Under this guidance, Habitat may recognize the tax effects from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by tax authorities. Habitat has evaluated its position regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions.

Habitat is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress.

A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs are charged specifically to a program or function and the remaining costs are allocated among programs, administrative and fund raising based upon estimates of staff time devoted to these functions.

Reclassifications

Certain reclassifications have been made to the 2022 financial statements to be consistent with the 2023 presentation. Reclassifications had no effect on 2022 net assets.

New accounting pronouncement

As of July 1, 2022, Habitat adopted FASB ASU 2016-02, *Leases* (Topic 842). The ASU requires lessees to recognize a right-of-use asset and related liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of activities.

Habitat elected to adopt the ASU using the modified retrospective method as of July 1, 2022, and applied the following expedients:

- Habitat did not reassess if expired leases or existing contracts are or contain a lease.
- Habitat did not reassess the lease classification for expired or existing leases.
- Habitat did not reassess initial indirect costs for any existing leases.

As a result of the adoption of the ASU, Habitat recorded operating lease right-of-use assets of \$1,277,685 and lease liabilities of \$1,277,685 as of July 1, 2022. There was no impact on beginning net assets as a result of adopting ASU No. 2016-02.

B: CONCENTRATIONS AND CREDIT RISK

Habitat builds and rehabilitates homes in the Baton Rouge and surrounding areas. As a result, all of the mortgage receivables from homeowners are concentrated as to geographic risk. Also, all homes built are sold to low-income families, which can represent a credit risk.

Habitat maintains its cash in bank deposit accounts, the balances of which at times may exceed federally insured limits. Management has placed these funds in high quality institutions in order to minimize the risk. At June 30, 2023, Habitat had no cash balances that exceeded federally insured limits. At June 30, 2022, Habitat's cash balances exceeded federally insured limits by \$557,355.

C: PAYMENTS TO HABITAT INTERNATIONAL

Habitat voluntarily remits a portion of its contributions to Habitat International. These funds are used to construct homes in economically depressed areas around the world. For the year ended June 30, 2023 and 2022, contributions of \$4,500 and \$5,000, respectively are included in cost of homes sold.

C: PAYMENTS TO HABITAT INTERNATIONAL (continued)

Habitat pays Habitat International an annual Stewardship and Organizational Sustainability Initiative fee based on the population and the geographic area served. ReStore pays a monthly ReStore Collaborative fee. These amounts totaled \$15,000 per year for the years ended June 30, 2023 and 2022.

D: RECEIVABLES

Receivables consisted of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cost reimbursement grants	\$ -	\$ 31,825
Homeowner escrow shortages	17,654	15,374
Other	-	582
	<u>\$ 17,654</u>	<u>\$ 47,781</u>

E: PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at cost, less accumulated depreciation as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land	\$ 62,028	\$ 62,028
Leasehold improvements	24,053	24,053
Buildings and improvements	812,467	761,542
Rental property	74,842	74,842
Furniture and fixtures	58,373	50,108
Machinery and equipment	359,831	351,501
	<u>1,391,594</u>	<u>1,324,074</u>
Less accumulated depreciation	<u>(640,493)</u>	<u>(567,560)</u>
	<u>\$ 751,101</u>	<u>\$ 756,514</u>

Depreciation expense was \$72,935 and \$76,196 for the years ended June 30, 2023 and 2022, respectively.

F: LINE OF CREDIT

Habitat entered into a line of credit agreement with a local bank in the amount of \$500,000 bearing a variable interest rate of Wall Street Journal Prime. The line of credit matures April 21, 2024 and is secured by a pledge of the first mortgage notes on houses built and financed by Habitat with an assignment of specific mortgage notes. There were no outstanding draws on the line during the years ended June 30, 2023 and 2022.

G: INVENTORIES

Inventories consisted of the following as of June 30, 2023 and 2022:

	2023		2022	
	Number	Cost	Number	Cost
Homes				
New construction	5	\$ 411,497	6	\$ 454,891
Repossessions	-	-	-	-
	<u>5</u>	<u>411,497</u>	<u>6</u>	<u>454,891</u>
Construction materials		53,550		66,819
Purchases for resale		227,675		178,306
		<u>\$ 692,722</u>		<u>\$ 700,016</u>

Rentals are repossessions for which Habitat has not been able to find qualified partners to purchase the homes through the Habitat program and has not been able to sell the houses otherwise. The Board approved the temporary rental of these houses through the U.S. Housing and Urban Development Section 8 rental assistance program. These houses are included in inventory because management's intent in renting them is to offset costs of vacant houses until a suitable owner is found. At that time, they are reclassified back to repossessions.

H: LIQUIDITY

The following represents Habitat's financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general use because of contractual restrictions within one year of the statement of financial position date:

	2023	2022
Financial assets	\$ 1,627,712	\$ 1,637,695
Amounts unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions	(683,446)	(438,820)
	<u>\$ 944,266</u>	<u>\$ 1,198,875</u>

As part of the organization's liquidity management, Habitat maintains sufficient cash balances throughout the year through the receipt of grants and donations, and proceeds from the operation of Restore to support Habitat's objective to help provide housing for low-income families by identifying potential home sites, constructing new homes, and refurbishing existing structures. To help manage unanticipated liquidity needs, Habitat has a committed line of credit in the amount of \$500,000 which it could draw upon.

I: LEASE COMMITMENTS

Habitat leases office space under an agreement that is classified as an operating lease. The lease provided for monthly rent of \$4,000 and expires June 30, 2027. The lease also has two five-year renewal options with monthly rent ranging from \$4,600 to \$5,290 that management is reasonably certain to exercise. The right-of-use assets and related liabilities have been calculated using a weighted average risk-free discount rate of 3.12%.

Restore leases a store location under an agreement that is classified as an operating lease. The lease provides for monthly rent ranging from \$7,000 to \$7,283 and expires December 31, 2023. The lease also has one five-year renewal option with monthly rent ranging from \$8,683 to \$9,773 that management is reasonably certain to exercise. The right-of-use assets and related liabilities have been calculated using a weighted average risk-free discount rate of 2.90%.

Habitat evaluates the optional renewal extensions on a lease-by-lease basis and includes them in the right-of-use asset and lease liability balances when they become certain to be exercised. The weighted-average remaining lease term for all operating leases, excluding those classified as short term, was 10.33 years as of June 30, 2023. Lease expense for the operating leases under these agreements was \$160,700 and \$133,798 for the years ended June 30, 2023 and 2022, respectively.

Habitat also leases office equipment under an agreement that is classified as a finance lease. The lease provides for monthly rent of \$396 and expires August 16, 2027. The right-of-use assets and related liabilities have been calculated using a weighted average risk-free discount rate of 2.95% and has a weighted-average remaining lease term of 4.17 years as of June 30, 2023. The lease cost for the finance lease includes the amortization of the right-of-use asset of \$3,675, which is amortized on a straight-line basis, and interest expense of \$504 on the finance lease liability, which is calculated using the interest method for the year ended June 30, 2023.

The future minimum lease payments required under the operating and finance leases are as follows for the year ending June 30, 2023:

Years Ending June 30	Financing Leases	Operating Leases	Total
2024	\$ 4,749	\$ 143,793	\$ 148,542
2025	4,749	153,756	158,505
2026	4,749	156,929	161,678
2027	4,749	160,196	164,945
2028	792	170,762	171,554
Thereafter	-	596,835	596,835
	19,788	1,382,271	1,402,059
Less amounts representing interest	(1,189)	(205,261)	(206,450)
	<u>\$ 18,599</u>	<u>\$ 1,177,010</u>	<u>\$ 1,195,609</u>

J: NON-CASH INVESTING AND FINANCING ACTIVITIES

During the year ended June 30, 2023, Habitat acquired \$1,277,685 of operating right-of-use assets and \$22,053 of finance right-of-use assets in exchange for lease obligations.

There were no non-cash investing and financing activities during the year ended June 30, 2022.

K: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of funds designated by donors or grantors for specific purposes or programs. At June 30, 2023 and 2022, amounts restricted to use for specific programmatic areas was as follows:

	2023	2022
Critical home repair	\$ 266,475	\$ 31,337
Individual development accounts	16,300	28,300
Construction of new homes	134,577	160,507
	<u>\$ 417,352</u>	<u>\$ 220,144</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose of restrictions specified by donors as follows for the year ended June 30, 2023 and 2022:

	2023	2022
Critical home repairs	\$ 39,861	\$ 22,000
Individual development accounts	12,000	-
Construction of new homes	526,552	300,104
Total restrictions released	<u>\$ 578,413</u>	<u>\$ 322,104</u>

L: MORTGAGES SOLD

Periodically, Habitat sells their mortgage loans to local banks. Habitat continues to service these loans and in return receives a loan servicing fee. Habitat is responsible for collection activities and disbursement of property taxes and insurance. Principal payments on loans are remitted to the banks monthly.

All loans sold are with recourse. If a loan becomes nonperforming, Habitat is required to repurchase the mortgage loan and, at Habitat's option, require the bank to purchase another loan which is acceptable. The outstanding balance of loans sold with recourse at June 30, 2023 and 2022 was \$2,520,661 and \$2,229,625, respectively.

During 2023, Habitat sold 7 loans and recognized a gain of \$249,709. During 2022, Habitat sold 9 loans and recognized a net gain of \$237,146.

M: MORTGAGES RECEIVABLE

Mortgages receivable as of June 30, 2023 and 2022 consists of non-interest-bearing mortgage notes of \$6,392,597 and \$6,547,852, respectively, less unamortized discounts of \$3,285,329 and \$3,304,420, respectively and down payment assistance of \$48,000 and \$0, respectively. All mortgages are collateralized by real estate in the Baton Rouge area.

Mortgages are subject to foreclosure if a payment is 90 days or more past due and no revised payment plan has been approved by the Habitat Board of Directors. Homeowners that have not responded to prior notifications and are 120 days late may be presented to the Board for approval of the foreclosure. Foreclosures are only begun with Board approval. If approved, the homeowner's file is turned over to an attorney to send the official notice of default, which states that the homeowner has 30 days to cure the default.

The following schedule shows the past due principal payments as of June 30, 2023 and 2022. These past due balances are based on the payments required by the mortgages and have not been reduced to reflect modifications made under payment plans.

	2023		2022	
	Mortgages Past Due	Past Due Amount	Mortgages Past Due	Past Due Amount
Past Due Amounts				
6 months or more	2	\$ 7,103	1	\$ 3,177
5 months	1	2,758	0	-
4 months	1	1,571	1	1,591
3 months	2	2,918	4	4,931
2 months	6	5,694	14	11,558
1 months	33	14,541	26	11,597
	<u>45</u>	<u>\$ 34,585</u>	<u>46</u>	<u>\$ 32,854</u>

At June 30, 2023, there was one loan in foreclosure procedures. The total past due on the loan is \$4,921, and the total mortgage balance is \$36,978. There were no mortgage loans in the process of foreclosure at June 30, 2022.

Since management estimates that the fair market value of the homes exceeds the mortgage balance, no allowance for uncollectible loans has been recorded.

N: SUBSEQUENT EVENTS

Subsequent events were evaluated through December 22, 2023 which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

HABITAT FOR HUMANITY OF GREATER BATON ROUGE, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD

Year Ended June 30, 2023

Lynn Clark
Executive Director

	<u>Amount</u>
Salary	\$ 450
Benefits - payroll taxes	-
Conference travel	-
Reimbursements	-

Note - All other payments to the agency head for compensation, benefits, and other payments were made from private funds.

See accompanying notes to financial statements.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
Habitat for Humanity of Greater Baton Rouge, 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 Greater Baton Rouge, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 22, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Habitat for Humanity of Greater Baton Rouge, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity of Greater Baton Rouge'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 combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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 Habitat for Humanity of Greater Baton Rouge, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 Habitat for Humanity of Greater Baton Rouge, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Habitat for Humanity of Greater Baton Rouge, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

L. A. Champagne & Co., LLP

Baton Rouge, Louisiana

December 22, 2023

HABITAT FOR HUMANITY OF GREATER BATON ROUGE, INC.
SUMMARY OF AUDIT RESULTS AND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

A: SUMMARY OF AUDITOR’S RESULTS

1. The auditor’s report expresses an unmodified opinion on the financial statements of Habitat for Humanity of Greater Baton Rouge, Inc.
2. No significant deficiencies in internal controls relating to the audit of the financial statements are reported in the “Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards*.”
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. A management letter was not issued.

B: FINDINGS – FINANCIAL STATEMENTS AUDIT

There were no findings that are required to be reported in this section of the report.

C: SUMMARY OF PRIOR YEAR FINDINGS – FINANCIAL STATEMENT AUDIT

There are no findings that are required to be reported in this section of the report.