

**LAFAYETTE  
HABITAT FOR HUMANITY, INC.**

Financial Report

Years Ended June 30, 2022 and 2021

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Lafayette Habitat for Humanity, Inc.  
Lafayette, Louisiana

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of Lafayette Habitat for Humanity, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lafayette Habitat for Humanity, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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

#### *Responsibilities of Management for the Financial Statements*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2022, on our consideration of Lafayette Habitat for Humanity, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lafayette Habitat for Humanity, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lafayette Habitat for Humanity, Inc.'s internal control over financial reporting and compliance.

***Kolder, Slaven & Company, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
October 21, 2022

## **FINANCIAL STATEMENTS**

LAFAYETTE HABITAT FOR HUMANITY, INC.

Statements of Financial Position  
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents-		
Unrestricted	\$ 1,615,596	\$ 229,256
Reserved for escrow deposits	94,532	107,586
Other receivables	44,474	32,968
Notes and mortgage notes receivable, net	82,432	94,796
Inventory	729,749	694,943
Prepaid expenses	117,272	78,574
Other current assets	<u>11,543</u>	<u>12,543</u>
Total current assets	<u>2,695,598</u>	<u>1,250,666</u>
Property and equipment, net of accumulated depreciation	<u>696,124</u>	<u>643,292</u>
Noncurrent assets:		
Notes and mortgage notes receivable, net	<u>1,685,232</u>	<u>2,066,916</u>
Total assets	<u>\$ 5,076,954</u>	<u>\$ 3,960,874</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 223,131	\$ 198,190
Accrued payroll and related liabilities	39,503	48,669
Other current liabilities	36,061	61,550
Escrow payable	12,613	107,322
Short-term notes payable	-	194,223
Current maturities of long-term debt	<u>14,759</u>	<u>16,853</u>
Total current liabilities	326,067	626,807
Noncurrent liabilities:		
Long-term debt, less current portion	<u>321,833</u>	<u>586,504</u>
Total liabilities	<u>647,900</u>	<u>1,213,311</u>
Net assets:		
Without donor restrictions	4,379,257	2,601,665
With donor restrictions	<u>49,797</u>	<u>145,898</u>
Total net assets	<u>4,429,054</u>	<u>2,747,563</u>
Total liabilities and net assets	<u>\$ 5,076,954</u>	<u>\$ 3,960,874</u>

The accompanying notes are an integral part of this statement.

LAFAYETTE HABITAT FOR HUMANITY, INC.

Statement of Activities  
Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support:			
Public support -			
Contributions	\$ 2,647,557	\$ 262,375	\$ 2,909,932
Grants	496,818	-	496,818
Services and materials	24,000	-	24,000
Total public support	3,168,375	262,375	3,430,750
Sales to homeowners	485,770	-	485,770
Amortization of discount on notes and mortgage loans	71,789	-	71,789
Gain on sale of mortgages	547,582	-	547,582
ReStore	840,923	-	840,923
Other income	208,976	-	208,976
Net assets released from restrictions	358,476	(358,476)	-
Total revenue and support	<u>5,681,891</u>	<u>(96,101)</u>	<u>5,585,790</u>
Expenses and losses:			
Program services -			
Home construction			
Construction	1,446,313	-	1,446,313
Homeowner services	226,214	-	226,214
Volunteers	42,278	-	42,278
ReStore - Midtown	475,994	-	475,994
ReStore - North	669,614	-	669,614
McComb-Veazey	208,073	-	208,073
Kresge	39,512	-	39,512
Disaster Recovery	165,950	-	165,950
Total program services	<u>3,273,948</u>	<u>-</u>	<u>3,273,948</u>
Supporting services -			
Management and general	397,316	-	397,316
Fundraising			
Development	178,335	-	178,335
Grants	54,700	-	54,700
Total fundraising	<u>233,035</u>	<u>-</u>	<u>233,035</u>
Total supporting services	<u>630,351</u>	<u>-</u>	<u>630,351</u>
Total expenses	<u>3,904,299</u>	<u>-</u>	<u>3,904,299</u>
Changes in net assets	1,777,592	(96,101)	1,681,491
Net assets, beginning of year	<u>2,601,665</u>	<u>145,898</u>	<u>2,747,563</u>
Net assets, end of year	<u>\$ 4,379,257</u>	<u>\$ 49,797</u>	<u>\$ 4,429,054</u>

The accompanying notes are an integral part of this statement.

LAFAYETTE HABITAT FOR HUMANITY, INC.

Statement of Activities  
Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support:			
Public support -			
Contributions	\$ 115,143	\$ 400,500	\$ 515,643
Grants	367,850	-	367,850
Services and materials	<u>8,148</u>	<u>-</u>	<u>8,148</u>
Total public support	491,141	400,500	891,641
Sales to homeowners	440,000	-	440,000
Amortization of discount on notes and mortgage loans	95,405	-	95,405
Gain on sale of mortgages	264,048	-	264,048
ReStore	501,255	-	501,255
Other income	3,013,128	-	3,013,128
Net assets released from restrictions	<u>475,496</u>	<u>(475,496)</u>	<u>-</u>
Total revenue and support	<u>5,280,473</u>	<u>(74,996)</u>	<u>5,205,477</u>
Expenses and losses:			
Program services -			
Home construction			
Construction	1,137,013	-	1,137,013
Homeowner services	1,585,433	-	1,585,433
Volunteers	61,160	-	61,160
ReStore - Midtown	519,105	-	519,105
Restore - North	69,874	-	69,874
McComb-Veazey	163,093	-	163,093
Kresge	<u>86,105</u>	<u>-</u>	<u>86,105</u>
Total program services	<u>3,621,783</u>	<u>-</u>	<u>3,621,783</u>
Supporting services -			
Management and general	<u>306,394</u>	<u>-</u>	<u>306,394</u>
Fundraising			
Development	106,299	-	106,299
Grants	<u>85,444</u>	<u>-</u>	<u>85,444</u>
Total fundraising	<u>191,743</u>	<u>-</u>	<u>191,743</u>
Total supporting services	<u>498,137</u>	<u>-</u>	<u>498,137</u>
Total expenses	<u>4,119,920</u>	<u>-</u>	<u>4,119,920</u>
Changes in net assets	1,160,553	(74,996)	1,085,557
Net assets, beginning of year	<u>1,441,112</u>	<u>220,894</u>	<u>1,662,006</u>
Net assets, end of year	<u>\$ 2,601,665</u>	<u>\$ 145,898</u>	<u>\$ 2,747,563</u>

The accompanying notes are an integral part of this statement.

LAFAYETTE HABITAT FOR HUMANITY, INC.

Statement of Functional Expenses  
Year Ended June 30, 2022

	Program Services						
	Construction	Homeowner Services	Volunteers	ReStore Midtown	ReStore North	McComb Veazey	
Compensation and related expenses:							
Salaries	\$ 301,660	\$ 147,957	\$ 23,068	\$ 178,869	\$ 235,155	\$ 67,846	\$ 39,512
Employee benefits -							
Medical	31,765	7,030	-	11,815	16,535	7,016	-
Payroll taxes	21,037	12,832	2,675	13,054	16,642	3,887	-
	<u>354,462</u>	<u>167,819</u>	<u>25,743</u>	<u>203,738</u>	<u>268,332</u>	<u>78,749</u>	<u>39,512</u>
Advertising cost	-	-	-	14,476	-	5,087	-
Administrative cost	-	55	-	9,571	11,964	-	-
Building material and supplies	559,954	-	-	16,523	22,416	-	-
Contract labor	57,366	6,542	4,081	6,420	13,320	5,986	-
Depreciation	17,982	-	-	20,488	9,347	382	-
Fuel	9,915	-	-	7,488	11,090	1,192	-
Insurance	56,153	648	-	17,076	25,832	8,511	-
Interest	-	-	-	-	-	-	-
Meals and entertainment	594	135	-	392	-	5,448	-
Membership fees	3,983	2,533	2,143	1,121	1,169	276	-
Miscellaneous	10,850	332	332	12,327	8,469	71,802	-
Mortgage discounts	288,590	8,051	-	-	-	-	-
Office expenses	8,748	2,793	-	4,208	13,157	6,304	-
Postage and printing	994	1,435	-	651	3,087	9,093	-
Professional fees	18,904	22,161	1,589	795	795	-	-
Property tax	-	-	-	6,643	9,948	-	-
Rent	-	150	-	127,000	230,640	-	-
Repairs and maintenance	43,261	2,511	540	5,597	10,758	752	-
Technology	3,859	6,146	900	2,292	4,216	4,218	-
Telephone	3,409	2,792	2,792	5,709	6,860	1,745	-
Tithe	-	-	-	-	-	-	-
Training	1,675	54	-	470	660	4,503	-
Travel	1,987	1,120	-	2,518	3,476	1,835	-
Utilities	3,627	937	4,158	10,491	14,078	2,190	-
Total	<u>\$ 1,446,313</u>	<u>\$ 226,214</u>	<u>\$ 42,278</u>	<u>\$ 475,994</u>	<u>\$ 669,614</u>	<u>\$ 208,073</u>	<u>\$ 39,512</u>

The accompanying notes are an integral part of this statement.

Disaster Recovery	Total Program Services	Supporting Services				Total Supporting Services	Total Expenses
		Management and General	Fundraising		Total Fundraising		
			Development	Grants			
\$ -	\$ 994,067	\$ 84,960	\$ 114,127	\$ 34,674	\$ 148,801	\$ 233,761	\$ 1,227,828
-	74,161	8,234	6,788	-	6,788	15,022	89,183
-	70,127	6,916	8,952	3,382	12,334	19,250	89,377
-	1,138,355	100,110	129,867	38,056	167,923	268,033	1,406,388
-	19,563	-	23,464	-	23,464	23,464	43,027
-	21,590	3,950	427	-	427	4,377	25,967
-	598,893	-	-	-	-	-	598,893
5,919	99,634	35,232	4,029	4,029	8,058	43,290	142,924
-	48,199	7,905	-	-	-	7,905	56,104
-	29,685	160	-	-	-	160	29,845
-	108,220	66,420	275	-	275	66,695	174,915
-	-	24,718	-	-	-	24,718	24,718
1,055	7,624	3,162	79	-	79	3,241	10,865
-	11,225	2,536	2,518	2,143	4,661	7,197	18,422
150,000	254,112	6,182	332	5,332	5,664	11,846	265,958
-	296,641	-	-	-	-	-	296,641
-	35,210	11,412	999	-	999	12,411	47,621
-	15,260	1,966	470	-	470	2,436	17,696
-	44,244	15,422	3,564	1,589	5,153	20,575	64,819
-	16,591	50	-	-	-	50	16,641
-	357,790	-	-	-	-	-	357,790
8,300	71,719	66,336	1,044	-	1,044	67,380	139,099
-	21,631	17,415	7,429	-	7,429	24,844	46,475
-	23,307	2,881	3,079	2,792	5,871	8,752	32,059
-	-	21,000	-	-	-	21,000	21,000
-	7,362	2,190	-	-	-	2,190	9,552
653	11,589	7,510	-	-	-	7,510	19,099
23	35,504	759	759	759	1,518	2,277	37,781
<u>\$ 165,950</u>	<u>\$ 3,273,948</u>	<u>\$ 397,316</u>	<u>\$ 178,335</u>	<u>\$ 54,700</u>	<u>\$ 233,035</u>	<u>\$ 630,351</u>	<u>\$ 3,904,299</u>

LAFAYETTE HABITAT FOR HUMANITY, INC.

Statement of Functional Expenses  
Year Ended June 30, 2021

	Program Services							Total Program Services
	Construction	Homeowner Services	Volunteers	ReStore Midtown	ReStore North	McComb Veazey	Kresge	
Compensation and related expenses:								
Salaries	\$ 271,486	\$ 120,112	\$ 35,162	\$ 220,860	\$ 12,604	\$ 51,979	\$ 5,400	\$ 717,603
Employee benefits -								
Medical	29,059	916	-	17,240	1,621	6,480	-	55,316
Payroll taxes	28,748	6,745	2,452	11,682	-	944	-	50,571
	<u>329,293</u>	<u>127,773</u>	<u>37,614</u>	<u>249,782</u>	<u>14,225</u>	<u>59,403</u>	<u>5,400</u>	<u>823,490</u>
Advertising cost	752	-	-	6,549	-	975	-	8,276
Administrative cost	396	384	-	12,903	-	2,562	718	16,963
Building material and supplies	375,462	168,979	-	3,783	2,848	-	-	551,072
Contract labor	9,206	23,979	4,295	6,433	3,119	24,211	9,215	80,458
Depreciation	8,141	-	-	18,515	-	381	-	27,037
Fuel	20,190	-	-	4,909	622	544	463	26,728
Insurance	35,427	3,466	4,563	29,087	6,110	2,562	7,750	88,965
Interest	-	-	-	427	-	-	-	427
Meals and entertainment	894	77	383	162	-	4,063	7,010	12,589
Membership fees	4,074	2,133	2,143	2,143	-	50	15	10,558
Miscellaneous	2,220	7,265	226	9,370	3,239	29,454	13,190	64,964
Mortgage discounts	197,828	1,224,790	-	-	-	-	-	1,422,618
Office expenses	17,585	771	-	5,872	3,423	21,040	29,447	78,138
Postage and printing	658	524	-	1,419	840	61	450	3,952
Professional fees	1,334	12,877	1,334	1,334	-	-	-	16,879
Property tax	-	-	-	7,228	1,167	-	-	8,395
Recovery expense	105,455	-	1,215	-	-	-	-	106,670
Rent	2,517	-	-	129,324	24,053	-	-	155,894
Repairs and maintenance	12,532	2,030	1,948	9,498	388	8,225	3,197	37,818
Technology	6,077	6,762	900	9,639	1,194	3,255	-	27,827
Telephone	1,496	1,146	1,096	1,597	51	1,157	507	7,050
Training	1,482	45	-	210	-	2,500	8,162	12,399
Travel	45	-	-	1,087	4,866	-	-	5,998
Utilities	<u>3,949</u>	<u>2,432</u>	<u>5,443</u>	<u>7,834</u>	<u>3,729</u>	<u>2,650</u>	<u>581</u>	<u>26,618</u>
Total	<u>\$ 1,137,013</u>	<u>\$ 1,585,433</u>	<u>\$ 61,160</u>	<u>\$ 519,105</u>	<u>\$ 69,874</u>	<u>\$ 163,093</u>	<u>\$ 86,105</u>	<u>\$ 3,621,783</u>

The accompanying notes are an integral part of this statement.

Supporting Services					
Management and General	Fundraising			Total Supporting Services	Total Expenses
	Development	Grants	Total Fundraising		
\$ 66,509	\$ 64,796	\$ 55,675	\$ 120,471	\$ 186,980	\$ 904,583
15,078	6,404	-	6,404	21,482	76,798
<u>3,467</u>	<u>4,294</u>	<u>3,868</u>	<u>8,162</u>	<u>11,629</u>	<u>62,200</u>
85,054	75,494	59,543	135,037	220,091	1,043,581
54	561	-	561	615	8,891
2,637	796	-	796	3,433	20,396
63,271	-	-	-	63,271	614,343
30,444	4,347	4,347	8,694	39,138	119,596
6,291	-	-	-	6,291	33,328
73	-	-	-	73	26,801
18,752	3,407	3,670	7,077	25,829	114,794
14,441	-	-	-	14,441	14,868
2,183	271	-	271	2,454	15,043
2,299	2,718	2,143	4,861	7,160	17,718
5,402	226	6,095	6,321	11,723	76,687
-	-	-	-	-	1,422,618
6,564	2,852	-	2,852	9,416	87,554
2,289	955	-	955	3,244	7,196
4,446	1,522	1,334	2,856	7,302	24,181
139	-	-	-	139	8,534
-	-	67	67	67	106,737
-	-	-	-	-	155,894
35,409	-	5,000	5,000	40,409	78,227
20,204	9,191	-	9,191	29,395	57,222
2,167	1,480	1,096	2,576	4,743	11,793
60	280	-	280	340	12,739
2,681	50	-	50	2,731	8,729
<u>1,534</u>	<u>2,149</u>	<u>2,149</u>	<u>4,298</u>	<u>5,832</u>	<u>32,450</u>
<u>\$ 306,394</u>	<u>\$ 106,299</u>	<u>\$ 85,444</u>	<u>\$ 191,743</u>	<u>\$ 498,137</u>	<u>\$ 4,119,920</u>

LAFAYETTE HABITAT FOR HUMANITY, INC.

Statements of Cash Flows  
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$1,681,491	\$ 1,085,557
Adjustments to reconcile change in net assets to net cash used by operating activities -		
Sales of homes to participants, net of discounts	(189,129)	(367,005)
Gain on sale of mortgage notes receivable	(547,582)	(264,048)
Assumption of mortgage notes receivable	-	(2,782,888)
Depreciation	56,104	33,328
Amortization of mortgage discount	(71,789)	(95,405)
Changes in assets and liabilities-		
(Increase) decrease in:		
Other receivables	(11,506)	(6,458)
Pledges receivable	-	2,477
Inventory	(34,806)	50,512
Prepaid expenses	(38,698)	(61,147)
Other current assets	1,000	34
Accounts payable	24,941	113,958
Accrued payroll and related liabilities	(9,166)	13,110
Escrow payable	(81,655)	5,977
Other current liabilities	(25,489)	(1,975)
Net cash used by operating activities	<u>753,716</u>	<u>(2,273,973)</u>
Cash flows from investing activities:		
Proceeds from notes and mortgage notes receivable, net	595,556	1,563,290
Proceeds from the sale of mortgage notes	606,992	440,000
Purchases of property and equipment	(108,936)	(119,482)
Net cash provided by investing activities	<u>1,093,612</u>	<u>1,883,808</u>
Cash flows from financing activities:		
Advance (payment) on line of credit	(100,342)	100,342
Net proceeds (principal payments) on long-term debt	(360,646)	6,776
Net cash provided (used) by financing activities	<u>(460,988)</u>	<u>107,118</u>
Net increase (decrease) in cash and cash equivalents	1,386,340	(283,047)
Cash and cash equivalents, beginning of year	<u>229,256</u>	<u>512,303</u>
Cash and cash equivalents, end of year	<u>\$1,615,596</u>	<u>\$ 229,256</u>
Supplemental disclosure for the statements of cash flows:		
Interest paid	<u>\$ 24,718</u>	<u>\$ 14,868</u>
Non-interest bearing mortgage loans issued	<u>\$ 288,590</u>	<u>\$ 72,153</u>

The accompanying notes are an integral part of this statement.

# LAFAYETTE HABITAT FOR HUMANITY, INC.

## Notes to Financial Statements

### (1) Nature of Organization and Significant Accounting Policies

#### A. Organization and Purpose

Lafayette Habitat for Humanity, Inc. (Organization) is a non-profit corporation organized under the laws of the State of Louisiana and is an affiliate of Habitat for Humanity International, Inc. The Organization's purpose is to help provide housing for low-income families by identifying potential home sites, constructing new homes, and refurbishing existing structures. The homes are located in Vermilion and Lafayette Parishes and are financed to qualified families with mortgage notes carrying an affordable interest rate.

The Organization owns and operates Lafayette Habitat for Humanity ReStore, which sells donated building materials, household goods, and items purchased in bulk to the general public at a below retail price. The net proceeds from the ReStore operations are used to help support the programs which carry out the primary purpose of the Organization.

#### B. Basis of Accounting

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. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as net assets without donor restrictions or net assets with donor restrictions.

#### C. Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less at the date of acquisition to be cash equivalents.

#### D. Reserved Cash

The Organization services the mortgages on homes it sells. Included in cash and cash equivalents are amounts received from homeowners for insurance, property taxes, and for mortgage payments received prior to closing. As of June 30, 2022 and 2021, reserved cash for escrow deposits was \$94,532 and \$107,586, respectively.

LAFAYETTE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements (Continued)

E. Notes and Mortgage Notes Receivable

Notes and mortgage notes receivable consist of non-interest-bearing mortgage notes which are collateralized by movable property or real estate in Lafayette Parish and payable in monthly installments over the life of the mortgage loans. The notes and mortgage notes receivable balances are net of discounts, which represent the difference between the stated amount of the notes and the present value based on an imputed amount of interest. The discounts are amortized over the lives of the loans. The imputed rates are set by Habitat for Humanity International, Inc. The rates are based on rates published by the Internal Revenue Service. Notes and mortgage notes receivable are considered past due if payments are more than thirty days late. Management believes that the values of such collateral are in excess of the receivable as of June 30, 2022 and 2021 and therefore, no additional allowance for losses has been recorded.

F. Pledges Receivable

Contributions receivable that are expected to be collected in future years are recorded at their 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.

G. Inventory

Inventory includes new homes valued at costs incurred, exclusive of contributed labor, and repossessed homes valued at cost, which includes the unpaid mortgage and related costs at the time of the foreclosure and the cost of repairs after the foreclosure.

ReStore inventory represents purchased materials and household goods to be sold in the retail operations, as well as building materials and goods on hand for use in the construction of homes. Gift in-kind inventory is recorded at the fair value on the date of the receipt, and such items are expensed as program service expense when used. Purchased inventory is recorded at the lower cost or market determined by the specific identification method. As of June 30, 2022 and 2021, inventory consists of the following:

	<u>2022</u>	<u>2021</u>
Construction in progress	\$ 708,862	\$ 491,235
Repossessions	-	168,053
ReStore	<u>20,887</u>	<u>35,655</u>
Total inventory	<u>\$ 729,749</u>	<u>\$ 694,943</u>

LAFAYETTE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements (Continued)

H. Property and Equipment

The Organization's capitalization policy is \$1,000 for property and equipment recorded at cost, if purchased, or at estimated fair market value if donated. Donations of property and equipment are recorded as contributions at their estimated fair value. In the absence of donor stipulations regarding how long the contributed assets must be used, the Organization has adopted a policy of implying a time restriction on contributions of such assets that expires over useful lives of the assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	15 - 39
Furniture and equipment	3 - 7

I. Revenue and Expense Recognition

Contributions are recognized when the donor makes a commitment to give and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions designated for future periods or restricted by the donor for specific purposes are reported as restricted support that increases the net assets with donor restrictions net asset class. Expenses are recognized in the period incurred in accordance with the accrual basis of accounting. When a restriction expires, that is when a stipulated time restriction ends or purpose restrictions are accomplished, new 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.

J. Functional Allocation of Expenses

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

K. Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service (IRS) as other than a private foundation. However, the organization's tax-exempt status has no effect on its liability for any federal excise taxes. Accounting principles generally accepted in the United States of America require the organization's management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has undertaken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the organization, and has concluded that as of June 30, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The organization is subject to routine audit by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2018.

LAFAYETTE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements (Continued)

L. Compensated Absences

The Organization allows employees annual leave based on years of service. The length of eligible service is calculated on the basis of the employee's benefit year, the twelve-month period beginning when the employee started earning PTO. Annual leave will be carried forward without prior written approval and will not expire. Upon termination of employment, an employee is paid for no more than ten days of any accrued leave. At June 30, 2022 and 2021, total compensated absences liability was \$23,045 and \$18,519, respectively.

M. Donated Materials and Services

The Organization receives a significant amount of donated materials and services from unpaid volunteers who assist in program services during the year. Some of the donated services are not reflected in the statement of activities because the criteria for recognition under professional standards have not been satisfied.

Donations meeting the criteria are recorded at estimated fair value as follows:

	<u>2021</u>	<u>2020</u>
Program services:		
Advertising	\$ 20,000	\$ -
Materials and supplies	2,000	8,148
Professional fees	2,000	-
Total	<u>\$ 24,000</u>	<u>\$ 8,148</u>

N. Advertising

Advertising costs are expensed as incurred. Total advertising expense was \$43,027 and \$8,891 for the years ended June 30, 2022 and 2021, respectively.

O. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

P. Grant Audits

The Organization receives grants for specific purposes that are subject to review and audit by the funding agencies. Such audits and reviews could result in expenses being disallowed under the terms and conditions of the grants. In the opinion of management, such disallowances, if any, would be immaterial.

LAFAYETTE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements (Continued)

(2) Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of June 30, 2022, reduced by amounts not available for general use because of contractual restrictions or Board designations within one year of the statement of financial position date.

	<u>2022</u>	<u>2021</u>
Financial assets at June 30, 2022 and 2021:	\$ 1,837,034	\$ 464,606
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	<u>(49,797)</u>	<u>(145,898)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,787,237</u>	<u>\$ 318,708</u>

As part of the Organization's liquidity management, the Organization maintains sufficient cash balances throughout the year through the receipt of grants and donations, and proceeds from the operation of the Lafayette Habitat for Humanity ReStore to support the Organization'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, the Organization has a committed line of credit in the amount of \$300,000 which it could draw upon.

(3) Notes and Mortgage Notes Receivable

Notes and mortgage notes receivable at June 30, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Notes and mortgage notes receivable	\$ 3,324,325	\$ 3,911,731
Less unamortized discount	<u>1,556,661</u>	<u>1,750,019</u>
Notes and mortgage notes receivable, net	<u>\$ 1,767,664</u>	<u>\$ 2,161,712</u>
Current portion	\$ 82,432	\$ 94,796
Long-term portion	<u>1,685,232</u>	<u>2,066,916</u>
Total	<u>\$ 1,767,664</u>	<u>\$ 2,161,712</u>

Amortization of discounts was \$71,789 and \$95,405 for the years ended June 30, 2022 and 2021, respectively.

LAFAYETTE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements (Continued)

The contractual maturities of mortgage notes receivable are as follows:

Year ending June 30,	Amount
2023	\$ 209,808
2024	207,378
2025	200,748
2026	198,730
2027	196,619
Thereafter	<u>2,311,042</u>
Total	<u>\$ 3,324,325</u>

During the year ended June 30, 2021, the Organization acquired ownership of 75 Habitat homeowner mortgages from Habitat for Humanity Calcasieu Area with a net value of \$2,782,888. The Organization also assumed servicing responsibilities for 16 Habitat homeowner mortgages owned by IberiaBank in the Calcasieu area.

(4) Mortgage Notes Receivable Sold With Recourse

During the current fiscal year, the Organization entered into an agreement to sell several mortgages at 90-100% of the total outstanding mortgage note. As a result of the sale of the mortgages and recognition of the remaining unamortized mortgage discount, the Organization realized a net gain of \$547,582. As part of the sale agreement, the Organization administers and services the related mortgage loans that were sold until their maturity. The outstanding balance of loans sold with recourse at June 30, 2022 and 2021 was \$5,576,921 and \$3,702,157, respectively. In the event of default, the Organization is required to purchase the loan for the remaining outstanding balance.

(5) Property and Equipment

Property and equipment consists of the following as of June 30, 2022 and 2021:

	2022	2021
Construction in progress	\$ 1,170	\$ -
Building and improvements	790,401	689,799
Furniture and Equipment	<u>196,594</u>	<u>185,274</u>
	988,165	875,073
Less accumulated depreciation	<u>(292,041)</u>	<u>(231,781)</u>
Balance, ending	<u>\$ 696,124</u>	<u>\$ 643,292</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$56,104 and \$33,328, respectively.

LAFAYETTE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements (Continued)

(6) Short-term Notes Payable

As a result of the unprecedented economic disruption experienced due to the Coronavirus (COVID-19) outbreak, the CARES Act was passed and signed into law on March 27, 2020. This law provides several coronavirus relief options available to small businesses and nonprofit organizations including the Paycheck Protection Program (PPP) and the Economic Injury Disaster Loan Program (EIDL). The PPP, administered by the Small Business Administration (SBA), is designed to provide a direct incentive for small businesses to keep their employees on the payroll. SBA will forgive these loans if all employee retention criteria are met, and the funds are used for eligible expenses. In April 2020, the Organization received a PPP Loan from Iberia Bank which was forgiven in May 2021. In March 2021, the Organization received a second PPP Loan from Iberia Bank which was forgiven in November 2021.

Additionally, in May 2020, the Organization was awarded an EIDL loan totaling \$150,000 at an interest rate of 2.75% payable over thirty (30) years. See Note 7 for additional information on this loan.

(7) Long-term Debt

At June 30, 2022 and 2021, long-term debt was comprised of the following:

	<u>2021</u>	<u>2021</u>
Note payable to Iberia Bank, dated December 26, 2019, original principal of \$214,917 bearing interest at 4%, due in 59 monthly installments of \$1,597 including interest with final principal payment of \$158,887 due on December 30, 2024, secured by real estate.	\$ 187,565	\$ 198,929
Note payable to Digitech Financial Services, dated June 29, 2018, original principal of \$4,000 bearing interest at 1.74%, due in 60 monthly installments of \$108 including interest due on June 30, 2023, secured by a printer with a book value of \$4,000.	1,187	2,170
Note payable to Digitech Financial Services, dated June 29, 2018, original principal of \$4,000 bearing interest at 2.51%, due in 60 monthly installments of \$130 including interest due on June 30, 2023, secured by a printer with a book value of \$4,000.	1,186	2,169
Revolving line of credit with Iberia Bank dated October 11, 2019 and maturing October 11, 2022 bearing interest at 4.25%	-	250,342
EIDL Secured Disaster Loan Note payable to U.S. Small Business Administration, due May 2050, due in monthly installments of \$641 beginning May 2021, bearing interest at 2.75%.	<u>146,654</u>	<u>149,747</u>
Total long-term debt	336,592	603,357
Less current maturities of long-term debt	<u>(14,759)</u>	<u>(16,853)</u>
Net long-term debt	<u>\$ 321,833</u>	<u>\$ 586,504</u>

LAFAYETTE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements (Continued)

The future maturities of long-term debt are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2023	\$ 17,863
2024	16,062
2025	167,491
2026	4,041
2027	4,154
Thereafter	<u>126,981</u>
Total	<u>\$ 336,592</u>

(8) Net Assets

Net assets as of June 30, 2022 and 2021 was comprised of the following:

	<u>2022</u>	<u>2021</u>
With donor restrictions:		
Purpose restricted	\$ 49,797	\$ 145,898
Without donor restrictions:		
Undesignated	<u>4,379,257</u>	<u>2,601,665</u>
Total	<u>\$4,429,054</u>	<u>\$2,747,563</u>

(9) Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Unspent funds from the following:		
Disaster donations	\$ 46,399	\$ 61,294
Pocket Park donations	3,398	3,398
McComb-Veazey	<u>-</u>	<u>81,206</u>
Total	<u>\$ 49,797</u>	<u>\$ 145,898</u>

LAFAYETTE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements (Continued)

(10) Net Assets Released from Restrictions

Details of net assets released from restrictions for the years ended June 30, 2022 and 2021 follows:

	<u>2022</u>	<u>2021</u>
Collections of pledges receivable	\$ -	\$ 2,477
Purpose restrictions accomplished:		
Disaster donations	164,895	228,443
McComb-Veazey	193,581	163,831
Kresge	<u>-</u>	<u>80,745</u>
	<u>\$ 358,476</u>	<u>\$ 475,496</u>

(11) Operating Leases

In April 2015, the Organization entered into an operating lease for retail space. The initial term of the lease was for five years commencing on the effective date and ending on April 7, 2020, at a rate of \$9,932 per month. In March 2020, the Organization exercised its option to renew for the period April 8, 2020 through April 7, 2025 at a rate of \$9,932 per month. The Organization has two consecutive options remaining to extend the term for a period of five years on each extension.

In November 2020, the Organization entered into an operating lease for retail space. The term of the lease is for ten years commencing on the effective date and ending on October 31, 2030, at a rate of \$18,625 per month for the first year, \$20,625 per month for the second year, and \$25,000 per month for the remaining eight years. The Organization has two consecutive options to extend the term for a period of five years on each extension.

Lease expense related to the retail space totaled \$344,684 and \$137,809 for the years ended June 30, 2022 and 2021, respectively.

Future minimum lease payments are as follows:

	<u>Midtown</u>	<u>North</u>	<u>Total</u>
2023	\$ 119,184	\$ 282,500	\$ 401,684
2024	119,184	300,000	419,184
2025	123,654	300,000	423,654
2026	137,064	300,000	437,064
2027	<u>137,064</u>	<u>300,000</u>	<u>437,064</u>
	<u>\$ 636,150</u>	<u>\$ 1,482,500</u>	<u>\$2,118,650</u>

LAFAYETTE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements (Continued)

(12) Concentration of Credit Risk

The Organization maintains cash balances at local financial institutions, which at times may exceed federally insured limits. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each financial institution. At June 30, 2022, cash balances (bank balances) exceeded the federally insured limit by approximately \$1,156,022. At June 30, 2021, the Organization's cash balances were fully secured. The Organization has not experienced any loss on such deposits.

The Organization builds and rehabilitates houses in the Lafayette and surrounding areas. As a result, all of the mortgage receivables from homeowners are concentrated to a geographic risk. Additionally, all houses built are transferred to low-income families, which represents a credit risk.

(13) Compensation, Benefits, and Other Payments to Agency Head

The portion of the Organization's agency head's compensation, benefits, or other payments received from public funds for the year ended June 30, 2022 follows:

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 28,321
Benefits - insurance	117
Benefits - retirement	<u>75</u>
	<u>\$ 28,513</u>

(14) Subsequent Event Review

The Organization's management has evaluated subsequent events through October 21, 2022, the date which the financial statements were available to be issued.

**INTERNAL CONTROL, COMPLIANCE**

**AND**

**OTHER MATTERS**

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

To the Board of Directors of  
Lafayette Habitat for Humanity, Inc.  
Lafayette, Louisiana

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 Lafayette Habitat for Humanity, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 21, 2022.

### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lafayette Habitat for Humanity, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lafayette Habitat for Humanity, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Lafayette Habitat for Humanity, Inc.'s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 2022-001 that we consider to be a material weakness.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lafayette Habitat for Humanity, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Lafayette Habitat for Humanity, Inc.'s Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on Lafayette Habitat for Humanity, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of current and prior year audit findings and management's corrective action plan. Lafayette Habitat for Humanity, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

***Kolder, Slaven & Company, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
October 21, 2022

LAFAYETTE HABITAT FOR HUMANITY, INC.

Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan  
Year Ended June 30, 2022

Part I: Current Year Findings and Management's Corrective Action Plan

A. Internal Control Over Financial Reporting

2022-001 Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: Unknown

CONDITION: The Organization did not have adequate segregation of functions within the accounting system.

CRITERIA: AU-C§315.04, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, defines internal control as follows:

“Internal control is a process, affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.”

CAUSE: The cause of the condition is the fact that the Organization does not have a sufficient number of staff performing administrative and financial duties so as to provide adequate segregation of accounting and financial duties.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Management should evaluate the cost vs. benefit of complete segregation and whenever possible, reassign incompatible duties among different employees to ensure that a single employee does not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) record keeping; and (4) reconciliation.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Organization has evaluated processes within the accounting system and the cost vs. benefit of hiring additional personnel and has determined that it may not be feasible to achieve complete segregation of duties.

B. Compliance

There were no compliance findings.

LAFAYETTE HABITAT FOR HUMANITY, INC.

Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan (Continued)  
Year Ended June 30, 2022

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2021-001 Inadequate Segregation of duties

CONDITION: The Organization did not have adequate segregation of functions within the accounting system.

RECOMMENDATION: Management should evaluate the cost vs. benefit of complete segregation and whenever possible, reassign incompatible duties among different employees to ensure that a single employee does not have a control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recording keeping; and (4) reconciliation.

CURRENT STATUS: Unresolved. See item 2022-001.