

**LAFAYETTE  
HABITAT FOR HUMANITY, INC.**

Financial Report

Years Ended June 30, 2017 and 2016

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

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, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lafayette Habitat for Humanity, Inc. as of June 30, 2017 and 2016 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on pages 18 and 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 as a whole.

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

In accordance with Government Auditing Standards, we have also issued our report dated October 3, 2017, 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 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 Lafayette Habitat for Humanity, Inc's internal control over financial reporting and compliance.

***KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
October 3, 2017

## **FINANCIAL STATEMENTS**

LAFAYETTE HABITAT FOR HUMANITY, INC.

Statements of Financial Position  
June 30, 2017 and 2016

ASSETS	<u>2017</u>	<u>2016</u>
Current assets:		
Cash and cash equivalents-		
Unrestricted	\$ 152,569	\$ 31,594
Reserved for escrow deposits	27,313	40,865
Accounts receivable	144,992	21,818
Pledges receivable, net	29,642	44,909
Mortgage notes receivable, net	62,862	78,044
Inventory	500,421	457,399
Prepaid expenses	11,858	21,394
Other current assets	<u>11,543</u>	<u>11,543</u>
Total current assets	<u>941,200</u>	<u>707,566</u>
Property and equipment, net of accumulated depreciation	<u>628,953</u>	<u>662,103</u>
Other assets:		
Pledges receivable, net	93,257	69,347
Mortgage notes receivable, net	<u>1,113,988</u>	<u>1,372,413</u>
Total other assets	<u>1,207,245</u>	<u>1,441,760</u>
Total assets	<u>\$ 2,777,398</u>	<u>\$ 2,811,429</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 74,092	\$ 63,405
Accrued payroll and related liabilities	21,166	17,962
Other current liabilities	8,602	2,239
Escrow payable	19,439	13,916
Line of credit	-	230,776
Current maturities of long-term debt	<u>15,341</u>	<u>15,538</u>
Total current liabilities	138,640	343,836
Noncurrent liabilities:		
Long-term debt, less current portion	<u>240,981</u>	<u>257,205</u>
Total liabilities	<u>379,621</u>	<u>601,041</u>
Net assets:		
Unrestricted	2,001,260	1,945,350
Temporarily restricted	<u>396,517</u>	<u>265,038</u>
Total net assets	<u>2,397,777</u>	<u>2,210,388</u>
Total liabilities and net assets	<u>\$ 2,777,398</u>	<u>\$ 2,811,429</u>

The accompanying notes are an integral part of this statement.

LAFAYETTE HABITAT FOR HUMANITY, INC.

Statement of Activities  
Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support, revenues, and reclassifications:			
Public support -			
Contributions	\$ 255,743	\$ 231,462	\$ 487,205
Grants	412,976	-	412,976
Services and materials	89,140	-	89,140
Total public support	<u>757,859</u>	<u>231,462</u>	<u>989,321</u>
Sales to homeowners	530,000	-	530,000
Amortization of discount on mortgage loans	95,719	-	95,719
Gain on sale of mortgages	227,122	-	227,122
ReStore	563,717	-	563,717
Other income	60,493	-	60,493
Net assets released from restrictions	<u>99,983</u>	<u>(99,983)</u>	<u>-</u>
Total support, revenues, and reclassifications	<u>2,334,893</u>	<u>131,479</u>	<u>2,466,372</u>
Expenses and losses:			
Program services -			
Home construction			
Construction	939,586	-	939,586
Homeowner services	119,274	-	119,274
Volunteers	141,212	-	141,212
ReStore	513,309	-	513,309
Total program services	<u>1,713,381</u>	<u>-</u>	<u>1,713,381</u>
Supporting services -			
Management and general	403,687	-	403,687
Fundraising			
Development	118,634	-	118,634
Grants	43,281	-	43,281
Total fundraising	<u>161,915</u>	<u>-</u>	<u>161,915</u>
Total supporting services	<u>565,602</u>	<u>-</u>	<u>565,602</u>
Total expenses	<u>2,278,983</u>	<u>-</u>	<u>2,278,983</u>
Changes in net assets	55,910	131,479	187,389
Net assets, beginning of year	<u>1,945,350</u>	<u>265,038</u>	<u>2,210,388</u>
Net assets, end of year	<u>\$ 2,001,260</u>	<u>\$ 396,517</u>	<u>\$ 2,397,777</u>

The accompanying notes are an integral part of this statement.

LAFAYETTE HABITAT FOR HUMANITY, INC.

Statement of Activities  
Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support, revenues, and reclassifications:			
Public support -			
Contributions	\$ 198,507	\$ 114,256	\$ 312,763
Grants	206,895	-	206,895
Services and materials	<u>53,679</u>	<u>-</u>	<u>53,679</u>
Total public support	459,081	114,256	573,337
Sales to homeowners	297,456	-	297,456
Amortization of discount on mortgage loans	85,671	-	85,671
Gain on sale of mortgages	54,234	-	54,234
ReStore	423,308	-	423,308
Other income	6,384	-	6,384
Net assets released from restrictions	<u>3,102</u>	<u>(3,102)</u>	<u>-</u>
Total support, revenues, and reclassifications	<u>1,329,236</u>	<u>111,154</u>	<u>1,440,390</u>
Expenses and losses:			
Program services -			
Home construction			
Construction	549,059	-	549,059
Homeowner services	108,989	-	108,989
Volunteers	106,691	-	106,691
ReStore	<u>655,777</u>	<u>-</u>	<u>655,777</u>
Total program services	<u>1,420,516</u>	<u>-</u>	<u>1,420,516</u>
Supporting services -			
Management and general	<u>337,470</u>	<u>-</u>	<u>337,470</u>
Fundraising			
Development	75,842	-	75,842
Grants	<u>39,284</u>	<u>-</u>	<u>39,284</u>
Total fundraising	<u>115,126</u>	<u>-</u>	<u>115,126</u>
Total supporting services	<u>452,596</u>	<u>-</u>	<u>452,596</u>
Total expenses	<u>1,873,112</u>	<u>-</u>	<u>1,873,112</u>
Changes in net assets	(543,876)	111,154	(432,722)
Net assets, beginning of year as restated	<u>2,489,226</u>	<u>153,884</u>	<u>2,643,110</u>
Net assets, end of year	<u>\$ 1,945,350</u>	<u>\$ 265,038</u>	<u>\$ 2,210,388</u>

The accompanying notes are an integral part of this statement.

LAFAYETTE HABITAT FOR HUMANITY, INC.

Statements of Cash Flows  
For The Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 187,389	\$ (432,722)
Adjustments to reconcile change in net assets to net cash used by operating activities -		
Sales of homes to participants, net of discounts	(253,372)	(129,123)
Gain on sale of mortgage notes receivable	(227,122)	(126,917)
Depreciation	35,965	28,072
Amortization of mortgage discount	(95,719)	(85,671)
Changes in assets and liabilities-		
Contributions receivable	(8,643)	(114,256)
Accounts receivable	(123,174)	(21,818)
Inventory	14,203	184,464
Prepaid Expense	9,536	5,563
Other current assets	-	(1,161)
Accounts payable	10,687	5,246
Accrued payroll and related liabilities	3,204	14,387
Escrow payable	5,523	27,166
Other current liabilities	<u>6,363</u>	<u>(3)</u>
Net cash used by operating activities	<u>(435,160)</u>	<u>(646,773)</u>
Cash flows from investing activities:		
Proceeds from mortgage notes receivable	122,862	95,266
Proceeds from the sale of mortgage notes	683,284	378,005
Purchases of property and equipment	<u>(2,814)</u>	<u>(226,713)</u>
Net cash provided by investing activities	<u>803,332</u>	<u>246,558</u>
Cash flows from financing activities:		
Advance on line of credit	-	75,000
Payments on line of credit	(230,776)	(14,224)
Principal payments on long-term debt	<u>(16,421)</u>	<u>(462,170)</u>
Net cash used by financing activities	<u>(247,197)</u>	<u>(401,394)</u>
Net increase (decrease) in cash and cash equivalents	120,975	(801,609)
Cash and cash equivalents, beginning of year	<u>31,594</u>	<u>833,203</u>
Cash and cash equivalents, end of year	<u>\$ 152,569</u>	<u>\$ 31,594</u>
Supplemental disclosure for the statements of cash flows:		
Interest paid	<u>\$ 16,564</u>	<u>\$ 19,643</u>
Non-interest bearing mortgage loans issued	<u>\$ 522,058</u>	<u>\$ 296,072</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 a zero percent 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 follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

#### 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.

LAFAYETTE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements

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, 2017 and 2016, reserved cash for escrow deposits was \$27,313 and \$40,865, respectively.

E. Mortgage Notes Receivable

Mortgage notes receivable consist of non-interest bearing mortgage notes which are collateralized by real estate in Lafayette Parish and payable in monthly installments over the life of the mortgage loans. The mortgage receivable balances are net of discounts, which represent the difference between the stated amount of the mortgage notes and the present value based on an imputed amount of interest. The discounts are amortized over the lives of the mortgage loans. The imputed rates are set by Habitat for Humanity International, Inc. The rates are based on a twelve month average rate published by the Internal Revenue Service plus a risk factor of 3%. Mortgage receivables 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 mortgage receivable as of June 30, 2017 and 2016 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 include 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, 2017 and 2016, inventory consists of the following:

	<u>2017</u>	<u>2016</u>
Construction in progress	\$ 314,898	\$ 309,218
Repossessions	153,635	137,293
ReStore	<u>31,888</u>	<u>10,888</u>
Total inventory	<u>\$ 500,421</u>	<u>\$ 457,399</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 temporarily restricted or permanently restricted support that increases those net asset classes. 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, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

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, 2017, 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 2014.

LAFAYETTE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements

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 vacation. Annual leave will not be carried forward without prior written approval and will expire after two consecutive years. The total days accumulated cannot exceed twenty days. Upon termination of employment, an employee is paid for the value of any accrued leave through the date of employment separation. At June 30, 2017 and 2016, total compensated absences liability was \$18,018 and \$13,850, 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>2017</u>	<u>2016</u>
Program services:		
Advertising	\$ 1,000	\$ 1,635
Materials and Supplies	63,316	23,791
Professional fees	-	785
	<u>64,316</u>	<u>26,211</u>
Management and general:		
Materials and Supplies	-	406
Professional fees	1,239	600
	<u>1,239</u>	<u>1,006</u>
Fundraising-		
Materials and Supplies	7,691	6,222
Professional fees	15,894	20,240
	<u>23,585</u>	<u>26,462</u>
Total	<u>\$ 89,140</u>	<u>\$ 53,679</u>

N. Advertising

Advertising costs are expensed as incurred. Total advertising expense was \$12,221 and \$4,174 for the years ended June 30, 2017 and 2016, 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.

LAFAYETTE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements (Continued)

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.

(2) Pledges Receivable

The Organization held a Community Partners Breakfast during 2017 and 2016 which allowed donors to make unconditional promises to give for up to three years. These long-term pledges are recognized at a net realizable value of 85% of the original pledge and discounted using a 5% discount rate. Management estimated that all of these pledges are collectible. As of June 30, 2017 and 2016, the pledges receivable consists of the following:

	<u>2017</u>	<u>2016</u>
Pledges	\$ 123,998	\$ 115,307
Less unamortized discount	<u>(1,099)</u>	<u>(1,051)</u>
	122,899	114,256
Less current portion	<u>(29,642)</u>	<u>(44,909)</u>
Long-term portion	<u>\$ 93,257</u>	<u>\$ 69,347</u>

The future payments of long-term pledges receivable are as follows:

2018	\$ 29,642
2019	<u>93,257</u>
Total	<u>\$ 122,899</u>

(3) Mortgage Notes Receivable

Mortgage notes receivable at June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Mortgage notes receivable	\$ 1,965,945	\$ 2,402,571
Less unamortized discount	<u>789,095</u>	<u>952,114</u>
Mortgage notes receivable, net	<u>\$ 1,176,850</u>	<u>\$ 1,450,457</u>
Current portion	\$ 62,862	\$ 78,044
Long-term portion	<u>1,113,988</u>	<u>1,372,413</u>
Total	<u>\$ 1,176,850</u>	<u>\$ 1,450,457</u>

Amortization of mortgage discounts was \$95,719 and \$85,671 for the years ended June 30, 2017 and 2016, respectively.

LAFAYETTE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements (Continued)

The contractual maturities of mortgage notes receivable are as follows:

2018	\$ 136,948
2019	119,402
2020	119,725
2021	117,250
2022	117,250
Thereafter	<u>1,355,370</u>
Total	<u>\$ 1,965,945</u>

(4) Mortgage Notes Receivable Sold With Recourse

During the current fiscal year, the Organization entered into an agreement to sell several mortgages at 85% 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 \$227,122. 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, 2017 and 2016 was \$2,128,935 and \$1,499,006, 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 consist of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Building and improvements	\$ 649,617	\$ 649,617
Furniture and Equipment	<u>138,771</u>	<u>135,956</u>
	788,388	785,573
Less accumulated depreciation	<u>(159,435)</u>	<u>(123,470)</u>
Balance, ending	<u>\$ 628,953</u>	<u>\$ 662,103</u>

Depreciation expense for the years ended June 30, 2017 and 2016 was \$35,965 and \$28,072, respectively.

(6) Line of Credit

The Organization has a \$300,000 revolving line of credit with a financial institution, secured by a security agreement on selected mortgages. The line of credit has an interest rate of 4.25% and will mature on September 1, 2017. At June 30, 2016, the outstanding borrowing was \$230,776 and had unused line of credit in the amount of \$69,224. There were no outstanding borrowings and the unused line of credit was \$300,000 at June 30, 2017. On September 14, 2017, the line of credit was renewed with an interest rate of 5.25% and maturing on September 14, 2018.

LAFAYETTE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements (Continued)

(7) Long-Term Debt

At June 30, 2017 and 2016, long-term debt was comprised of the following:

	<u>2017</u>	<u>2016</u>
Note payable to bank, dated December 30, 2014, original principal of \$261,000 bearing interest at 4%, due in 59 monthly installments of \$1,590 including interest with final principal payment of \$219,175 due on December 30, 2019, secured by real estate.	\$ 238,709	\$ 247,902
Note payable to Scott Financial Services, dated January 5, 2016, original principal of \$17,255 bearing interest at 5.79%, due in 60 monthly installments of \$333 including interest due on January 5, 2021, secured by a forklift with a book value of \$13,642.	12,815	15,924
Note payable to bank, due December 1, 2018, due in monthly installments of \$67 bearing no interest and secured by the pledge mortgage receivable.	-	1,799
Note payable to bank, due December 1, 2019, due in monthly installments of \$67 bearing no interest and secured by the pledge mortgage receivable.	2,039	2,799
Note payable to bank, due November 1, 2018, due in monthly installments of \$67 bearing no interest and secured by the pledge mortgage receivable.	1,053	1,853
Note payable to bank, due December 1, 2019, due in monthly installments of \$67 bearing no interest and secured by the pledge mortgage receivable.	<u>1,706</u>	<u>2,466</u>
Total long-term debt	256,322	272,743
Less current maturities of long-term debt	<u>(15,341)</u>	<u>(15,538)</u>
Net long-term debt	<u>\$ 240,981</u>	<u>\$ 257,205</u>

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

2018	\$ 15,341
2019	15,351
2020	223,463
2021	<u>2,167</u>
Total	<u>\$ 256,322</u>

LAFAYETTE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements (Continued)

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Pledges receivable	\$ 122,899	\$ 114,256
Unspent funds from the following:		
Disaster donations	119,544	-
Pocket Park donations	6,394	-
Remaining estimated useful life of contributed asset	<u>147,680</u>	<u>150,782</u>
Total	<u>\$ 396,517</u>	<u>\$ 265,038</u>

(9) Net Assets Released from Restrictions

Details of net assets released from restrictions for the years ended June 30, 2017 and 2016 follows:

	<u>2017</u>	<u>2016</u>
Collections of pledges receivable	\$ 51,787	\$ -
Purpose restrictions accomplished:		
Disaster donations	37,988	-
Pocket Park donations	7,106	-
Time restrictions expired:		
Expired portion of estimated useful life of contributed asset	<u>3,102</u>	<u>3,102</u>
	<u>\$ 99,983</u>	<u>\$ 3,102</u>

(10) Operating Lease

In April 2015, the Organization entered into an operating lease for retail space. The initial term of the lease is for five years commencing on the effective date and ending on April 7, 2020 at a rate of \$9,932 per month. The Organization has three consecutive options to extend the term for a period of five years on each extension. Lease expense related to the retail space totaled \$123,984 and \$119,184 for the years ended June 30, 2017 and 2016, respectively.

Future minimum lease payments are as follows:

2018	\$ 119,184
2019	119,184
2020	<u>99,320</u>
	<u>\$ 337,688</u>

LAFAYETTE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements (Continued)

(11) Concentration of Credit Risk

The Organization maintains cash balances at financial institutions, which at times may exceed federally insured limits. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2017 and 2016, the Organization's cash balances were fully secured.

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

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

The Organization's agency head did not receive any compensation, benefits, or other payments from public funds for the year ended June 30, 2017.

(13) Subsequent Event Review

The Organization's management has evaluated subsequent events through October 3, 2017, the date which the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

LAFAYETTE HABITAT FOR HUMANITY, INC.

Statement of Functional Expenses  
Year Ended June 30, 2017

	Program Services				Total Program Services
	Construction	Homeowner Services	Volunteers	ReStore	
Compensation and related expenses:					
Salaries	\$ 167,771	\$ 68,389	\$ 66,563	\$ 185,356	\$ 488,079
Employee benefits -					
Medical	15,946	6,227	7,554	23,843	53,570
Payroll taxes	13,078	4,682	4,382	14,165	36,307
	<u>196,795</u>	<u>79,298</u>	<u>78,499</u>	<u>223,364</u>	<u>577,956</u>
Advertising cost	-	-	-	6,381	6,381
Administrative cost	145	271	20	6,733	7,169
Bad debt	-	1,442	-	-	1,442
Building material and supplies	670,051	-	-	42,150	712,201
Contract labor	17,550	12,164	4,768	10,501	44,983
Depreciation	4,844	-	-	25,809	30,653
Fuel	3,130	-	-	4,737	7,867
Insurance	22,690	4,302	4,302	14,348	45,642
Interest	-	-	-	882	882
Meals and entertainment	48	-	1,717	219	1,984
Membership fees	2,739	2,943	2,238	3,768	11,688
Miscellaneous	1,424	3,482	6,240	13,101	24,247
Mortgage discounts	-	-	-	-	-
Office expenses	6,203	1,029	5,694	7,652	20,578
Pocket park	7,093	-	13	-	7,106
Postage and printing	153	727	1,217	1,293	3,390
Professional fees	1,549	6,903	1,534	133	10,119
Property tax	-	-	-	7,859	7,859
Recovery expense	-	-	22,884	-	22,884
Rent	-	-	-	123,984	123,984
Repair and maintenance	1,495	-	1,095	1,951	4,541
Technology	104	462	2,114	110	2,790
Telephone	1,589	2,217	1,820	4,695	10,321
Training	832	785	75	525	2,217
Travel	-	2,586	1,758	856	5,200
Utilities	1,152	663	5,224	12,258	19,297
	<u>1,152</u>	<u>663</u>	<u>5,224</u>	<u>12,258</u>	<u>19,297</u>
Total	<u>\$ 939,586</u>	<u>\$ 119,274</u>	<u>\$ 141,212</u>	<u>\$ 513,309</u>	<u>\$ 1,713,381</u>

Supporting Services					
Management and General	Fundraising			Total Supporting Services	Total Expenses
	Development	Grants	Total Fundraising		
\$ 34,529	\$ 22,021	\$ 21,706	\$ 43,727	\$ 78,256	\$ 566,335
19,981	20	-	20	20,001	73,571
<u>3,156</u>	<u>1,590</u>	<u>1,590</u>	<u>3,180</u>	<u>6,336</u>	<u>42,643</u>
57,666	23,631	23,296	46,927	104,593	682,549
28	5,812	-	5,812	5,840	12,221
1,516	1,146	-	1,146	2,662	9,831
-	7,767	-	7,767	7,767	9,209
-	-	-	-	-	712,201
11,938	28,766	8,257	37,023	48,961	93,944
5,312	-	-	-	5,312	35,965
-	-	-	-	-	7,867
7,511	4,302	4,301	8,603	16,114	61,756
15,682	-	-	-	15,682	16,564
90	7,711	-	7,711	7,801	9,785
6,233	2,893	2,143	5,036	11,269	22,957
690	203	1,158	1,361	2,051	26,298
276,628	-	-	-	276,628	276,628
2,333	1,907	838	2,745	5,078	25,656
-	-	-	-	-	7,106
965	1,301	74	1,375	2,340	5,730
2,481	22,185	1,534	23,719	26,200	36,319
10	-	-	-	10	7,869
-	-	-	-	-	22,884
-	-	-	-	-	123,984
4,987	-	-	-	4,987	9,528
194	6,860	-	6,860	7,054	9,844
2,230	1,097	1,016	2,113	4,343	14,664
1,279	610	-	610	1,889	4,106
4,836	1,779	-	1,779	6,615	11,815
<u>1,078</u>	<u>664</u>	<u>664</u>	<u>1,328</u>	<u>2,406</u>	<u>21,703</u>
<u>\$ 403,687</u>	<u>\$ 118,634</u>	<u>\$ 43,281</u>	<u>\$ 161,915</u>	<u>\$ 565,602</u>	<u>\$ 2,278,983</u>

LAFAYETTE HABITAT FOR HUMANITY, INC.

Statement of Functional Expenses  
Year Ended June 30, 2016

	Program Services				Total Program Services
	Construction	Homeowner Services	Volunteers	ReStore	
Compensation and related expenses:					
Salaries	\$ 121,580	\$ 62,551	\$ 57,212	\$ 181,373	\$ 422,716
Employee benefits -					
Medical	11,312	6,483	7,105	23,331	48,231
Payroll taxes	8,946	4,719	4,167	13,520	31,352
	<u>141,838</u>	<u>73,753</u>	<u>68,484</u>	<u>218,224</u>	<u>502,299</u>
Advertising cost	-	-	-	3,939	3,939
Administrative cost	166	30	30	6,034	6,260
Building material and supplies	311,320	-	-	34,623	345,943
Contract labor	47,894	12,977	5,133	20,892	86,896
Depreciation	3,553	-	-	19,207	22,760
Fuel	3,037	-	92	3,003	6,132
Insurance	19,476	6,667	5,518	10,698	42,359
Interest	-	-	-	556	556
Meals and entertainment	684	200	1,971	780	3,635
Membership fees	295	75	95	3,131	3,596
Miscellaneous	4,933	5,139	4,381	19,678	34,131
Mortgage discounts	-	-	-	-	-
Office expenses	4,622	1,982	2,480	10,354	19,438
Postage and printing	460	1,204	1,221	1,508	4,393
Professional fees	2,193	3,585	2,172	2,177	10,127
Property tax	-	-	-	5,619	5,619
Rent	-	-	-	101,109	101,109
Repair and maintenance	4,618	-	1,113	3,069	8,800
Relocation expense	-	-	-	174,479	174,479
Technology	166	636	2,486	186	3,474
Telephone	1,076	1,513	1,534	3,914	8,037
Tithe	-	-	-	-	-
Training	160	574	903	1,710	3,347
Travel	1,467	24	1,217	3,352	6,060
Utilities	<u>1,101</u>	<u>630</u>	<u>7,861</u>	<u>7,535</u>	<u>17,127</u>
Total	<u>\$ 549,059</u>	<u>\$ 108,989</u>	<u>\$ 106,691</u>	<u>\$ 655,777</u>	<u>\$ 1,420,516</u>

Supporting Services					
Management and General	Fundraising			Total Supporting Services	Total Expenses
	Development	Grants	Total Fundraising		
\$ 18,290	\$ 18,289	\$ 18,274	\$ 36,563	\$ 54,853	\$ 477,569
19,480	-	-	-	19,480	67,711
<u>1,342</u>	<u>1,342</u>	<u>1,342</u>	<u>2,684</u>	<u>4,026</u>	<u>35,378</u>
39,112	19,631	19,616	39,247	78,359	580,658
-	235	-	235	235	4,174
1,488	880	-	880	2,368	8,628
32,156	-	-	-	32,156	378,099
14,116	13,132	9,213	22,345	36,461	123,357
5,312	-	-	-	5,312	28,072
15	-	-	-	15	6,147
9,009	5,518	5,518	11,036	20,045	62,404
19,087	-	-	-	19,087	19,643
268	8,320	-	8,320	8,588	12,223
15,090	25	-	25	15,115	18,711
2,296	529	135	664	2,960	37,091
168,333	-	-	-	168,333	168,333
3,780	1,258	802	2,060	5,840	25,278
315	708	-	708	1,023	5,416
2,450	22,412	2,172	24,584	27,034	37,161
5,724	-	-	-	5,724	11,343
-	-	-	-	-	101,109
5,122	-	-	-	5,122	13,922
-	-	-	-	-	174,479
1,786	1,550	166	1,716	3,502	6,976
2,860	1,013	1,030	2,043	4,903	12,940
4,000	-	-	-	4,000	4,000
-	-	-	-	-	3,347
3,988	-	-	-	3,988	10,048
<u>1,163</u>	<u>631</u>	<u>632</u>	<u>1,263</u>	<u>2,426</u>	<u>19,553</u>
<u>\$ 337,470</u>	<u>\$ 75,842</u>	<u>\$ 39,284</u>	<u>\$ 115,126</u>	<u>\$ 452,596</u>	<u>\$ 1,873,112</u>

**INTERNAL CONTROL, COMPLIANCE  
AND  
OTHER MATTERS**

# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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Retired  
Conrad O Chapman, CPA\* 2006

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

To the Board of Directors of  
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, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 3, 2017.

### 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) 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 Lafayette Habitat for Humanity, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of 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 were not identified. We did identify a certain deficiency in internal control, described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan as item 2017-001 to be a material weakness.

## **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 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*.

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

Lafayette Habitat for Humanity, Inc.'s response to the findings identified in our audit is described in the accompanying summary 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 auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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 suited 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, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
October 3, 2017

LAFAYETTE HABITAT FOR HUMANITY, INC  
Lafayette, Louisiana

Summary Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan  
For the Year Ended June 30, 2017

Ref. No.	Fiscal Year Finding Initially Occurred	Description of finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
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CURRENT YEAR (6/30/17) --

Internal Control:

2017-001	Unknown	Due to the small number of employees, the Organization did not have adequate segregation of functions within the accounting system.	N/A	Due to the size of the operations and the cost-benefit of additional personnel, it may not be feasible at achieve complete segregation of duties.	Melinda Taylor, Executive Director	N/A
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Compliance:

There were no findings that were required to be reported.

PRIOR YEAR (6/30/16) --

Internal Control:

2016-001	Unknown	Due to the small number of employees, the Organization did not have adequate segregation of functions within the accounting system.	N/A	Due to the size of the operations and the cost-benefit of additional personnel, it may not be feasible at achieve complete segregation of duties.	Melinda Taylor, Executive Director	N/A
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Compliance:

There were no findings that were required to be reported.