

**LAFAYETTE
HABITAT FOR HUMANITY, INC.**

Financial Report

Years Ended June 30, 2020 and 2019

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INDEPENDENT AUDITOR'S 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, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 15 to the financial statements, as a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen that may negatively affect the financial position, changes in financial position, and cash flows of Lafayette Habitat for Humanity, Inc. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2020, 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 14, 2020

FINANCIAL STATEMENTS

LAFAYETTE HABITAT FOR HUMANITY, INC.

Statements of Financial Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents-		
Unrestricted	\$ 512,303	\$ 149,081
Reserved for escrow deposits	49,008	32,347
Other receivables	26,510	16,073
Pledges receivable, net	1,117	34,180
Notes and mortgage notes receivable, net	40,631	47,332
Inventory	745,455	610,411
Prepaid expenses	17,427	18,602
Other current assets	<u>12,577</u>	<u>11,543</u>
Total current assets	<u>1,405,028</u>	<u>919,569</u>
Property and equipment, net of accumulated depreciation	<u>557,138</u>	<u>576,558</u>
Other assets:		
Pledges receivable, net	1,360	14,975
Notes and mortgage notes receivable, net	<u>615,025</u>	<u>897,855</u>
Total other assets	<u>616,385</u>	<u>912,830</u>
Total assets	<u>\$2,578,551</u>	<u>\$2,408,957</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 84,232	\$ 53,310
Accrued payroll and related liabilities	35,559	30,411
Other current liabilities	63,525	15,482
Escrow payable	42,767	32,347
Short-term notes payable	172,850	-
Current maturities of long-term debt	<u>14,639</u>	<u>224,758</u>
Total current liabilities	413,572	356,308
Noncurrent liabilities:		
Long-term debt, less current portion	<u>502,973</u>	<u>7,904</u>
Total liabilities	<u>916,545</u>	<u>364,212</u>
Net assets:		
Without donor restrictions	1,441,112	1,911,735
With donor restrictions	<u>220,894</u>	<u>133,010</u>
Total net assets	<u>1,662,006</u>	<u>2,044,745</u>
Total liabilities and net assets	<u>\$2,578,551</u>	<u>\$2,408,957</u>

The accompanying notes are an integral part of this statement.

LAFAYETTE HABITAT FOR HUMANITY, INC.

Statement of Activities
Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support:			
Public support -			
Contributions	\$ 90,184	\$ 338,306	\$ 428,490
Grants	164,672	-	164,672
Services and materials	11,037	-	11,037
Total public support	<u>265,893</u>	<u>338,306</u>	<u>604,199</u>
Sales to homeowners	479,493	-	479,493
Amortization of discount on notes and mortgage loans	71,380	-	71,380
Gain on sale of mortgages	297,653	-	297,653
ReStore	515,019	-	515,019
Other income	56,212	-	56,212
Net assets released from restrictions	<u>250,422</u>	<u>(250,422)</u>	<u>-</u>
Total revenue and support	<u>1,936,072</u>	<u>87,884</u>	<u>2,023,956</u>
Expenses and losses:			
Program services -			
Home construction			
Construction	828,605	-	828,605
Homeowner services	161,679	-	161,679
Volunteers	60,435	-	60,435
ReStore	451,101	-	451,101
McComb-Veazey	140,093	-	140,093
Kresge	60,305	-	60,305
Total program services	<u>1,702,218</u>	<u>-</u>	<u>1,702,218</u>
Supporting services -			
Management and general	<u>465,694</u>	<u>-</u>	<u>465,694</u>
Fundraising			
Development	151,331	-	151,331
Grants	87,452	-	87,452
Total fundraising	<u>238,783</u>	<u>-</u>	<u>238,783</u>
Total supporting services	<u>704,477</u>	<u>-</u>	<u>704,477</u>
Total expenses	<u>2,406,695</u>	<u>-</u>	<u>2,406,695</u>
Changes in net assets	(470,623)	87,884	(382,739)
Net assets, beginning of year	<u>1,911,735</u>	<u>133,010</u>	<u>2,044,745</u>
Net assets, end of year	<u>\$ 1,441,112</u>	<u>\$ 220,894</u>	<u>\$ 1,662,006</u>

The accompanying notes are an integral part of this statement.

LAFAYETTE HABITAT FOR HUMANITY, INC.

Statement of Activities
Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support:			
Public support -			
Contributions	\$ 360,501	\$ 48,030	\$ 408,531
Grants	444,884	-	444,884
Services and materials	43,384	-	43,384
Total public support	848,769	48,030	896,799
Sales to homeowners	632,000	-	632,000
Amortization of discount on notes and mortgage loans	58,543	-	58,543
Gain on sale of mortgages	391,271	-	391,271
ReStore	619,762	-	619,762
Other income	21,555	-	21,555
Net assets released from restrictions	105,213	(105,213)	-
Total revenue and support	<u>2,677,113</u>	<u>(57,183)</u>	<u>2,619,930</u>
Expenses and losses:			
Program services -			
Home construction			
Construction	1,043,077	-	1,043,077
Homeowner services	159,325	-	159,325
Volunteers	61,546	-	61,546
ReStore	534,020	-	534,020
McComb-Veazey	198,012	-	198,012
Kresge	114	-	114
Total program services	<u>1,996,094</u>	<u>-</u>	<u>1,996,094</u>
Supporting services -			
Management and general	570,305	-	570,305
Fundraising			
Development	180,002	-	180,002
Grants	77,650	-	77,650
Total fundraising	<u>257,652</u>	<u>-</u>	<u>257,652</u>
Total supporting services	<u>827,957</u>	<u>-</u>	<u>827,957</u>
Total expenses	<u>2,824,051</u>	<u>-</u>	<u>2,824,051</u>
Changes in net assets	(146,938)	(57,183)	(204,121)
Net assets, beginning of year	<u>2,058,673</u>	<u>190,193</u>	<u>2,248,866</u>
Net assets, end of year	<u>\$ 1,911,735</u>	<u>\$ 133,010</u>	<u>\$ 2,044,745</u>

The accompanying notes are an integral part of this statement.

LAFAYETTE HABITAT FOR HUMANITY, INC.

Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services						Total Program Services
	Construction	Homeowner Services	Volunteers	ReStore	McComb Veazey	Kresge	
Compensation and related expenses:							
Salaries	\$ 257,806	\$ 97,371	\$ 34,946	\$ 151,581	\$ 51,506	\$ -	\$ 593,210
Employee benefits -							
Medical	32,310	347	-	21,634	6,437	-	60,728
Payroll taxes	17,720	7,043	2,558	11,771	3,727	-	42,819
	<u>307,836</u>	<u>104,761</u>	<u>37,504</u>	<u>184,986</u>	<u>61,670</u>	<u>-</u>	<u>635,087</u>
Advertising cost	-	-	-	23,990	695	564	25,249
Administrative cost	552	6,631	-	9,779	440	12,762	30,164
Bad debt	-	-	-	-	-	-	-
Building material and supplies	421,621	80	-	2,846	32,556	-	457,103
Contract labor	11,429	19,346	2,846	13,327	-	14,030	60,978
Depreciation	5,407	-	-	21,312	32	-	26,751
Fuel	5,004	-	-	2,982	65	328	8,379
Insurance	37,433	4,321	4,321	27,372	4,123	9,956	87,526
Interest	-	53,000	-	868	-	-	921
Meals and entertainment	1,287	1,018	1,111	170	2,287	4,572	10,445
Membership fees	3,438	2,143	2,143	4,543	15	90	12,372
Miscellaneous	2,937	1,992	2,120	5,042	18,804	457	31,352
Mortgage discounts	-	-	-	-	-	-	-
Office expenses	10,292	627	718	2,867	6,943	8,170	29,617
Pocket park	-	-	-	-	720	-	720
Postage and printing	220	712	8	-	916	2,156	4,012
Professional fees	12,239	7,259	1,457	1,389	254	-	22,598
Property tax	-	-	-	6,511	-	-	6,511
Rent	-	-	-	125,693	-	-	125,693
Repairs and maintenance	4,100	2,130	2,186	1,807	1,454	365	12,042
Technology	196	3,259	1,030	1,620	264	275	6,644
Telephone	2,387	2,112	2,112	4,734	1,424	-	12,769
Tithe	-	-	-	-	-	-	-
Training	660	2,330	-	515	2,882	4,215	10,602
Travel	-	1,152	-	-	3,499	1,961	6,612
Utilities	1,567	1,753	2,879	8,748	1,050	404	16,401
	<u>1,567</u>	<u>1,753</u>	<u>2,879</u>	<u>8,748</u>	<u>1,050</u>	<u>404</u>	<u>16,401</u>
Total	<u>\$ 828,605</u>	<u>\$ 161,679</u>	<u>\$ 60,435</u>	<u>\$ 451,101</u>	<u>\$ 140,093</u>	<u>\$ 60,305</u>	<u>\$ 1,702,218</u>

Management and General	Supporting Services			Total Supporting Services	Total Expenses
	Fundraising		Total Fundraising		
	Development	Grants			
\$ 52,465	\$ 60,745	\$ 55,321	\$ 116,066	\$168,531	\$ 761,741
14,452	6,129	-	6,129	20,581	81,309
3,240	4,484	4,040	8,524	11,764	54,583
<u>70,157</u>	<u>71,358</u>	<u>59,361</u>	<u>130,719</u>	<u>200,876</u>	<u>897,633</u>
332	270	-	270	602	25,851
3,533	1,600	165	1,765	5,298	35,462
-	50,415	-	50,415	50,415	50,415
-	-	-	-	-	457,103
6,822	2,846	12,196	15,042	21,864	82,842
6,291	-	-	-	6,291	33,042
-	-	-	-	-	8,379
7,773	4,496	4,321	8,817	16,590	104,116
14,985	-	-	-	14,985	15,906
1,716	217	-	217	1,933	12,378
2,227	2,548	2,143	4,691	6,918	19,290
270	265	203	468	738	32,090
315,147	-	-	-	315,147	315,147
4,850	531	-	531	5,381	34,998
-	-	-	-	-	720
627	166	91	257	884	4,896
3,449	5,904	5,454	11,358	14,807	37,405
-	-	-	-	-	6,511
-	-	-	-	-	125,693
4,072	-	700	700	4,772	16,814
8,176	5,509	60	5,569	13,745	20,389
2,970	2,387	2,112	4,499	7,469	20,238
8,000	-	-	-	8,000	8,000
235	1,945	-	1,945	2,180	12,782
3,374	228	-	228	3,602	10,214
<u>688</u>	<u>646</u>	<u>646</u>	<u>1,292</u>	<u>1,980</u>	<u>18,381</u>
<u>\$ 465,694</u>	<u>\$151,331</u>	<u>\$ 87,452</u>	<u>\$ 238,783</u>	<u>\$704,477</u>	<u>\$ 2,406,695</u>

LAFAYETTE HABITAT FOR HUMANITY, INC.

Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services						Total Program Services
	Construction	Homeowner Services	Volunteers	ReStore	McComb Veazey	Kresge	
Compensation and related expenses:							
Salaries	\$ 259,964	\$ 103,589	\$ 34,321	\$ 181,102	\$ 42,341	\$ -	\$ 621,317
Employee benefits -							
Medical	26,837	308	-	26,855	5,815	-	59,815
Payroll taxes	18,275	7,535	2,522	13,180	3,297	-	44,809
	<u>305,076</u>	<u>111,432</u>	<u>36,843</u>	<u>221,137</u>	<u>51,453</u>	<u>-</u>	<u>674,488</u>
Advertising cost	-	-	20	25,150	67	-	25,237
Administrative cost	8	1,115	-	8,652	35	-	9,810
Bad debt	-	-	-	-	-	-	-
Building material and supplies	639,115	406	-	22,533	114,962	-	777,016
Contract labor	18,436	21,272	3,272	17,674	446	-	61,100
Depreciation	5,735	-	-	23,384	-	-	29,119
Fuel	4,607	-	-	5,099	-	-	9,706
Insurance	30,667	5,434	5,730	24,701	3,826	-	70,358
Interest	-	-	-	1,313	-	-	1,313
Meals and entertainment	568	907	1,914	427	3,628	-	7,444
Membership fees	3,363	3,723	2,143	4,955	-	-	14,184
Miscellaneous	2,506	1,693	2,034	10,347	1,806	114	18,500
Mortgage discounts	-	-	-	-	-	-	-
Office expenses	6,616	1,420	546	6,259	1,623	-	16,464
Pocket park	-	-	-	-	478	-	478
Postage and printing	1,207	746	50	1,796	662	-	4,461
Professional fees	11,473	2,173	1,473	1,492	89	-	16,700
Property tax	-	-	-	7,295	-	-	7,295
Rent	428	-	-	127,004	-	-	127,432
Repairs and maintenance	5,579	160	783	3,301	389	-	10,212
Technology	197	301	900	3,315	-	-	4,713
Telephone	2,954	2,234	2,234	4,850	913	-	13,185
Training	1,062	2,742	87	877	4,977	-	9,745
Travel	1,393	1,630	-	2,269	12,155	-	17,447
Utilities	2,087	1,937	3,517	10,190	503	-	18,234
Total	<u>\$ 1,043,077</u>	<u>\$ 159,325</u>	<u>\$ 61,546</u>	<u>\$ 534,020</u>	<u>\$ 198,012</u>	<u>\$ 114</u>	<u>\$ 1,996,094</u>

Management and General	Supporting Services			Total Supporting Services	Total Expenses
	Fundraising		Total Fundraising		
	Development	Grants			
\$ 45,306	\$ 64,748	\$ 55,071	\$ 119,819	\$165,125	\$ 786,442
20,555	7,123	-	7,123	27,678	87,493
3,218	4,471	4,055	8,526	11,744	56,553
<u>69,079</u>	<u>76,342</u>	<u>59,126</u>	<u>135,468</u>	<u>204,547</u>	<u>930,488</u>
-	5,404	-	5,404	5,404	30,641
1,651	2,007	7,000	2,014	3,665	13,475
-	31,619	-	31,619	31,619	31,619
-	-	-	-	-	777,016
3,797	25,272	3,272	28,544	32,341	93,441
6,112	-	-	-	6,112	35,231
-	-	-	-	-	9,706
14,837	5,818	5,730	11,548	26,385	96,743
13,966	3	-	3	13,969	15,282
1,664	220	11	231	1,895	9,339
2,158	2,293	2,263	4,556	6,714	20,898
5,176	10,292	438	10,730	15,906	34,406
426,227	-	-	-	426,227	426,227
5,958	1,167	97	1,264	7,222	23,686
-	-	-	-	-	478
1,036	1,025	189,000	1,214	2,250	6,711
1,475	6,445	1,473	7,918	9,393	26,093
67	-	-	-	67	7,362
-	-	-	-	-	127,432
7,181	-	-	-	7,181	17,393
1,271	4,809	492,000	5,301	6,572	11,285
2,604	2,541	1,880	4,421	7,025	20,210
2,013	1,480	726,000	2,206,000	4,219	13,964
2,923	2,474	1,078	3,552	6,475	23,922
<u>1,110</u>	<u>791</u>	<u>868</u>	<u>1,659</u>	<u>2,769</u>	<u>21,003</u>
<u>\$ 570,305</u>	<u>\$180,002</u>	<u>\$ 77,650</u>	<u>\$ 257,652</u>	<u>\$827,957</u>	<u>\$ 2,824,051</u>

LAFAYETTE HABITAT FOR HUMANITY, INC.

Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (382,739)	\$ (204,121)
Adjustments to reconcile change in net assets to net cash used by operating activities -		
Sales of homes to participants, net of discounts	(164,346)	(205,773)
Gain on sale of mortgage notes receivable	(297,653)	(391,271)
Depreciation	33,042	35,231
Amortization of mortgage discount	(71,380)	(58,543)
Changes in assets and liabilities-		
Other receivables	(10,437)	55,690
Pledges receivable	46,678	37,222
Inventory	(135,044)	46,320
Prepaid expenses	1,175	(5,740)
Other current assets	(1,034)	-
Accounts payable	30,922	(49,407)
Accrued payroll and related liabilities	5,148	5,336
Deferred revenue	-	(20,742)
Escrow payable	(6,241)	-
Other current liabilities	48,043	3,306
Net cash used by operating activities	<u>(903,866)</u>	<u>(752,492)</u>
Cash flows from investing activities:		
Proceeds from notes and mortgage notes receivable, net	393,025	29,358
Proceeds from the sale of mortgage notes	429,885	668,104
Purchases of property and equipment	<u>(13,622)</u>	<u>(1,791)</u>
Net cash provided by investing activities	<u>809,288</u>	<u>695,671</u>
Cash flows from financing activities:		
Advance on line of credit	150,000	-
Net proceeds (principal payments) on long-term debt	<u>307,800</u>	<u>(17,433)</u>
Net cash provided (used) by financing activities	<u>457,800</u>	<u>(17,433)</u>
Net increase in cash and cash equivalents	363,222	(74,254)
Cash and cash equivalents, beginning of year	<u>149,081</u>	<u>223,335</u>
Cash and cash equivalents, end of year	<u>\$ 512,303</u>	<u>\$ 149,081</u>
Supplemental disclosure for the statements of cash flows:		
Interest paid	<u>\$ 15,906</u>	<u>\$ 15,282</u>
Non-interest bearing mortgage loans issued	<u>\$ 315,395</u>	<u>\$ 426,227</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, 2020 and 2019, reserved cash for escrow deposits was \$49,008 and \$32,347, 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, 2020 and 2019 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, 2020 and 2019, inventory consists of the following:

	<u>2020</u>	<u>2019</u>
Construction in progress	\$ 268,601	\$ 305,404
Repossessions	459,806	286,213
ReStore	<u>17,048</u>	<u>18,794</u>
Total inventory	<u>\$ 745,455</u>	<u>\$ 610,411</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, 2020, 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 2016.

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, 2020 and 2019, total compensated absences liability was \$20,339 and \$15,471, 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>2020</u>	<u>2019</u>
Program services:		
Materials and supplies	<u>\$ 11,037</u>	<u>\$ 43,384</u>

N. Advertising

Advertising costs are expensed as incurred. Total advertising expense was \$25,851 and \$30,641 for the years ended June 30, 2020 and 2019, 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, 2020, 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>2020</u>	<u>2019</u>
Financial assets at June 30, 2020 and 2019:	\$ 629,569	\$ 279,013
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>(220,894)</u>	<u>(133,010)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 408,675</u>	<u>\$ 146,003</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) Pledges Receivable

The Organization held a Community Partners Breakfast 2019 which allowed donors to make unconditional promises to give for up to three to five years. Due to the COVID-19 related shutdowns, the Organization was not able to hold this event during 2020. These long-term pledges are recognized at a net realizable value of 50% and 85% for fiscal years 2020 and 2019, respectively, of the original pledge and discounted using a 5% discount rate. Management estimated that all of these pledges are collectible. As of June 30, 2020 and 2019, the pledges receivable consists of the following:

	<u>2020</u>	<u>2019</u>
Pledges	\$ 2,673	\$ 54,719
Less unamortized discount	<u>196</u>	<u>5,564</u>
	2,477	49,155
Less current portion	<u>1,117</u>	<u>34,180</u>
Long-term portion	<u>\$ 1,360</u>	<u>\$ 14,975</u>

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

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 1,117
2022	<u>1,360</u>
Total	<u>\$ 2,477</u>

LAFAYETTE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements (Continued)

(4) Notes and Mortgage Notes Receivable

Notes and mortgage notes receivable at June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Notes and mortgage notes receivable	\$ 1,204,971	\$ 1,538,610
Less unamortized discount	<u>549,315</u>	<u>593,423</u>
Notes and mortgage notes receivable, net	<u>\$ 655,656</u>	<u>\$ 945,187</u>
Current portion	\$ 40,631	\$ 47,332
Long-term portion	<u>615,025</u>	<u>897,855</u>
Total	<u>\$ 655,656</u>	<u>\$ 945,187</u>

Amortization of discounts was \$71,380 and \$58,543 for the years ended June 30, 2020 and 2019, respectively.

The contractual maturities of mortgage notes receivable are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2021	\$ 81,962
2022	77,695
2023	76,038
2024	75,431
2025	72,873
Thereafter	<u>820,972</u>
Total	<u>\$ 1,204,971</u>

(5) 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 \$297,653. 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, 2020 and 2019 was \$3,354,674 and \$3,010,114, respectively. In the event of default, the Organization is required to purchase the loan for the remaining outstanding balance.

LAFAYETTE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements (Continued)

(6) Property and Equipment

Property and equipment consists of the following as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Building and improvements	\$ 646,695	\$ 651,409
Furniture and Equipment	<u>164,646</u>	<u>153,453</u>
	811,341	804,862
Less accumulated depreciation	<u>(254,203)</u>	<u>(228,304)</u>
Balance, ending	<u>\$ 557,138</u>	<u>\$ 576,558</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$33,042 and \$35,231, respectively.

(7) 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. At June 30, 2020, this loan, totaling \$172,850 and reported as a current liability, is expected to be fully forgiven.

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 8 for additional information on this loan.

LAFAYETTE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements (Continued)

(8) Long-term Debt

At June 30, 2020 and 2019, long-term debt was comprised of the following:

	<u>2020</u>	<u>2019</u>
Note payable to Iberia 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.	\$ -	\$ 219,169
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.	209,749	-
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 \$11,162.	2,039	5,765
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.	2,962	3,524
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.	2,962	3,525
Note payable to Iberia Bank, due December 1, 2019, due in monthly installments of \$67 bearing no interest and secured by the pledge mortgage receivable.	-	506
Note payable to Iberia Bank, due December 1, 2019, due in monthly installments of \$67 bearing no interest and secured by the pledge mortgage receivable.	-	173
Revolving line of credit with Iberia Bank dated October 11, 2019 and maturing October 11, 2022 bearing interest at 4.25%	150,000	-
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>149,900</u>	<u>-</u>
Total long-term debt	517,612	232,662
Less current maturities of long-term debt	<u>(14,639)</u>	<u>(224,758)</u>
Net long-term debt	<u>\$ 502,973</u>	<u>\$ 7,904</u>

LAFAYETTE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements (Continued)

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

Year ending June 30,	<u>Amount</u>
2021	\$ 14,639
2022	7,356
2023	155,601
2024	5,960
2025	3,877
Thereafter	<u>330,179</u>
Total	<u>\$ 517,612</u>

(9) Net Assets

Net assets as of June 30, 2020 and 2019 was comprised of the following:

	<u>2020</u>	<u>2019</u>
With donor restrictions:		
Pledges receivable	\$ 2,477	\$ 49,155
Purpose restricted	<u>218,417</u>	<u>83,855</u>
	<u>220,894</u>	<u>133,010</u>
Without donor restrictions:		
Undesignated	<u>1,441,112</u>	<u>1,911,735</u>
Total	<u>\$ 1,662,006</u>	<u>\$ 2,044,745</u>

(10) Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Pledges receivable	\$ 2,477	\$ 49,155
Unspent funds from the following:		
Disaster donations	79,737	79,737
Pocket Park donations	3,398	4,118
McComb-Veazey	54,537	-
Kresge	<u>80,745</u>	<u>-</u>
Total	<u>\$ 220,894</u>	<u>\$ 133,010</u>

LAFAYETTE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements (Continued)

(11) Net Assets Released from Restrictions

Details of net assets released from restrictions for the years ended June 30, 2020 and 2019 follows:

	<u>2020</u>	<u>2019</u>
Collections of pledges receivable	\$ 46,678	\$ 65,312
Purpose restrictions accomplished:		
Disaster donations	-	18,673
Pocket Park donations	720	21,228
SNAP	10,050	-
Homeowner services	862	-
McComb-Veazey	126,053	-
Kresge	<u>59,318</u>	<u>-</u>
	<u>\$243,681</u>	<u>\$105,213</u>

(12) Operating Lease

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. Lease expense related to the retail space totaled \$119,184 and \$119,184 for the years ended June 30, 2020 and 2019, respectively.

Future minimum lease payments are as follows:

2021	\$ 119,184
2022	119,184
2023	119,184
2024	119,184
2025	<u>99,320</u>
	<u>\$576,056</u>

(13) 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, 2020, cash balances (bank balances) exceeded the federally insured limit by approximately \$167,003. At June 30, 2019, the Organization's cash balances were fully secured. The Organization has not experienced any loss on such deposits.

LAFAYETTE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements (Continued)

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.

(14) 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, 2020.

(15) Uncertainties

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which have negatively affected the financial position, changes in financial position, and cash flows of the Organization during fiscal year 2020. A public health emergency was declared by the State of Louisiana on March 11, 2020 with a subsequent stay at home order in effect through May 15, 2020. During this period, the Organization's retail site was closed, and all construction activity was ceased. The Organization's annual Batir fundraising event was also cancelled. These ongoing uncertainties may negatively affect the financial position, changes in financial position, and cash flows of the Organization during fiscal year 2021. The duration of these uncertainties and the ultimate financial effects on the Organization cannot be reasonably estimated at this time.

(16) Subsequent Event Review

The Organization's management has evaluated subsequent events through October 14, 2020, the date which the financial statements were available to be issued.

INTERNAL CONTROL, COMPLIANCE

AND

OTHER MATTERS

KOLDER, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2020 and 2019, 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 14, 2020.

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 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 did identify 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 2020-001 that we consider 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 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 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 14, 2020

LAFAYETTE HABITAT FOR HUMANITY, INC.

Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan
Year Ended June 30, 2020

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

A. Internal Control Over Financial Reporting

2020-001 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, 2020

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2019-001 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 2020-001.