

**LAFAYETTE  
HABITAT FOR HUMANITY, INC.**

Financial Report

Years Ended June 30, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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.

***Change in Accounting Principle***

As discussed in Note 2 to the financial statements, Lafayette Habitat for Humanity, Inc. has adopted Accounting Standards Update (ASU) No. 2016-14 as of June 30, 2019. ASU No. 2016-14 improves the current net asset classification requirements and the information presented in the financial statements and notes about liquidity, financial performance, and cash flows. 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 28, 2019, 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 28, 2019

## **FINANCIAL STATEMENTS**

LAFAYETTE HABITAT FOR HUMANITY, INC.

Statements of Financial Position  
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash and cash equivalents-		
Unrestricted	\$ 149,081	\$ 223,335
Reserved for escrow deposits	32,347	35,387
Other receivables	16,073	71,763
Pledges receivable, net	34,180	44,795
Notes and mortgage notes receivable, net	47,332	57,179
Inventory	610,411	656,731
Prepaid expenses	18,602	12,862
Other current assets	<u>11,543</u>	<u>11,543</u>
Total current assets	<u>919,569</u>	<u>1,113,595</u>
Property and equipment, net of accumulated depreciation	<u>576,558</u>	<u>609,998</u>
Other assets:		
Pledges receivable, net	14,975	41,582
Notes and mortgage notes receivable, net	<u>897,855</u>	<u>929,883</u>
Total other assets	<u>912,830</u>	<u>971,465</u>
Total assets	<u>\$2,408,957</u>	<u>\$2,695,058</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 53,310	\$ 102,717
Accrued payroll and related liabilities	30,411	25,075
Other current liabilities	15,482	12,176
Escrow payable	32,347	35,387
Deferred revenue	-	20,742
Current maturities of long-term debt	<u>224,758</u>	<u>16,333</u>
Total current liabilities	356,308	212,430
Noncurrent liabilities:		
Long-term debt, less current portion	<u>7,904</u>	<u>233,762</u>
Total liabilities	<u>364,212</u>	<u>446,192</u>
Net assets:		
Without donor restrictions	1,911,735	2,058,673
With donor restrictions	<u>133,010</u>	<u>190,193</u>
Total net assets	<u>2,044,745</u>	<u>2,248,866</u>
Total liabilities and net assets	<u>\$2,408,957</u>	<u>\$2,695,058</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 - as restated	<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 Activities  
Year Ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support:			
Public support -			
Contributions	\$ 292,699	\$ 41,583	\$ 334,282
Grants	309,860	-	309,860
Services and materials	<u>66,076</u>	<u>-</u>	<u>66,076</u>
Total public support	668,635	41,583	710,218
Sales to homeowners	581,021	-	581,021
Amortization of discount on notes and mortgage loans	114,219	-	114,219
Gain on sale of mortgages	312,600	-	312,600
ReStore	628,729	-	628,729
Other income	16,828	-	16,828
Net assets released from restrictions	<u>100,226</u>	<u>(100,226)</u>	<u>-</u>
Total revenue and support	<u>2,422,258</u>	<u>(58,643)</u>	<u>2,363,615</u>
Expenses and losses:			
Program services -			
Home construction			
Construction	948,035	-	948,035
Homeowner services	143,980	-	143,980
Volunteers	93,006	-	93,006
ReStore	612,075	-	612,075
Total program services	<u>1,797,096</u>	<u>-</u>	<u>1,797,096</u>
Supporting services -			
Management and general	<u>479,581</u>	<u>-</u>	<u>479,581</u>
Fundraising			
Development	171,472	-	171,472
Grants	<u>64,377</u>	<u>-</u>	<u>64,377</u>
Total fundraising	<u>235,849</u>	<u>-</u>	<u>235,849</u>
Total supporting services	<u>715,430</u>	<u>-</u>	<u>715,430</u>
Total expenses	<u>2,512,526</u>	<u>-</u>	<u>2,512,526</u>
Changes in net assets	(90,268)	(58,643)	(148,911)
Net assets, beginning of year	<u>2,148,941</u>	<u>248,836</u>	<u>2,397,777</u>
Net assets, end of year	<u>\$ 2,058,673</u>	<u>\$ 190,193</u>	<u>\$ 2,248,866</u>

The accompanying notes are an integral part of this statement.

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
Recovery expense	-	-	-	-	-	-	-
Rent	428	-	-	127,004	-	-	127,432
Repair 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
Tithe	-	-	-	-	-	-	-
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
	<u>2,087</u>	<u>1,937</u>	<u>3,517</u>	<u>10,190</u>	<u>503</u>	<u>-</u>	<u>18,234</u>
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	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	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	5,301	6,572	11,285
2,604	2,541	1,880	4,421	7,025	20,210
-	-	-	-	-	-
2,013	1,480	726	2,206	4,219	13,964
2,923	2,474	1,078	3,552	6,475	23,922
1,110	791	868	1,659	2,769	21,003
<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.

Statement of Functional Expenses  
Year Ended June 30, 2018

	Program Services						Total Program Services
	Construction	Homeowner Services	Volunteers	ReStore	McComb Veazey	Kresge	
Compensation and related expenses:							
Salaries	\$ 226,815	\$ 86,361	\$ 44,565	\$ 212,870	\$ -	\$ -	\$ 570,611
Employee benefits -							
Medical	20,916	167	3,206	36,923	-	-	61,212
Payroll taxes	17,175	6,154	3,191	15,937	-	-	42,457
	<u>264,906</u>	<u>92,682</u>	<u>50,962</u>	<u>265,730</u>	<u>-</u>	<u>-</u>	<u>674,280</u>
Advertising cost	-	-	10	12,809	-	-	12,819
Administrative cost	1,130	295	21	8,392	-	-	9,838
Bad debt	-	-	-	-	-	-	-
Building material and supplies	604,715	-	-	66,996	-	-	671,711
Contract labor	4,310	18,845	3,825	11,553	-	-	38,533
Depreciation	5,417	-	-	22,909	-	-	28,326
Fuel	5,218	-	-	7,554	-	-	12,772
Insurance	27,666	4,838	4,838	23,415	-	-	60,757
Interest	16	-	-	740	-	-	756
Meals and entertainment	248	51	7,151	606	-	-	8,056
Membership fees	3,682	2,943	2,143	3,042	-	-	11,810
Miscellaneous	3,291	5,992	3,404	11,778	-	-	24,465
Mortgage discounts	-	-	-	-	-	-	-
Office expenses	6,193	1,463	3,356	11,243	-	-	22,255
Pocket park	1,798	-	-	-	-	-	1,798
Postage and printing	649	1,227	431	1,427	-	-	3,734
Professional fees	1,560	1,730	1,548	1,558	-	-	6,396
Property tax	-	-	-	7,184	-	-	7,184
Recovery expense	7,622	8,010	1,177	-	-	-	16,809
Rent	-	-	-	127,858	-	-	127,858
Repair and maintenance	2,526	-	1,260	6,426	-	-	10,212
Technology	1,006	1,547	1,728	2,478	-	-	6,759
Telephone	3,130	2,437	1,834	5,645	-	-	13,046
Tithe	-	-	-	-	-	-	-
Training	561	677	890	800	-	-	2,928
Travel	352	23	3,316	2,050	-	-	5,741
Utilities	2,039	1,220	5,112	9,882	-	-	18,253
	<u>\$ 948,035</u>	<u>\$ 143,980</u>	<u>\$ 93,006</u>	<u>\$ 612,075</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,797,096</u>

Supporting Services					
Management and General	Fundraising			Total Supporting Services	Total Expenses
	Development	Grants	Total Fundraising		
\$ 32,781	\$ 49,969	\$ 45,146	\$ 95,115	\$127,896	\$ 698,507
22,670	5,222	-	5,222	27,892	89,104
2,440	3,839	3,176	7,015	9,455	51,912
<u>57,891</u>	<u>59,030</u>	<u>48,322</u>	<u>107,352</u>	<u>165,243</u>	<u>839,523</u>
-	8,744	-	8,744	8,744	21,563
1,010	1,985	-	1,985	2,995	12,833
-	13,026	-	13,026	13,026	13,026
-	-	-	-	-	671,711
3,882	33,561	3,832	37,393	41,275	79,808
5,312	-	-	-	5,312	33,638
-	-	-	-	-	12,772
8,304	4,839	4,838	9,677	17,981	78,738
9,365	-	-	-	9,365	10,121
1,907	504	-	504	2,411	10,467
2,418	3,640	2,168	5,808	8,226	20,036
284	249	193	442	726	25,191
343,478	-	-	-	343,478	343,478
5,303	2,107	657	2,764	8,067	30,322
-	-	-	-	-	1,798
1,161	1,875	-	1,875	3,036	6,770
2,126	30,270	1,560	31,830	33,956	40,352
11	-	-	-	11	7,195
50	-	-	-	50	16,859
-	-	-	-	-	127,858
7,525	-	-	-	7,525	17,737
478	6,340	-	6,340	6,818	13,577
2,325	1,913	1,152	3,065	5,390	18,436
4,000	-	-	-	4,000	4,000
18,958	-	-	-	18,958	21,886
2,621	2,629	895	3,524	6,145	11,886
<u>1,172</u>	<u>760</u>	<u>760</u>	<u>1,520</u>	<u>2,692</u>	<u>20,945</u>
<u>\$ 479,581</u>	<u>\$171,472</u>	<u>\$ 64,377</u>	<u>\$ 235,849</u>	<u>\$715,430</u>	<u>\$ 2,512,526</u>

LAFAYETTE HABITAT FOR HUMANITY, INC.

Statements of Cash Flows  
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ (204,121)	\$ (148,911)
Adjustments to reconcile change in net assets to net cash used by operating activities -		
Sales of homes to participants, net of discounts	(205,773)	(237,543)
Gain on sale of mortgage notes receivable	(391,271)	(312,600)
Depreciation	35,231	33,638
Amortization of mortgage discount	(58,543)	(114,219)
Changes in assets and liabilities-		
Other receivables	55,690	93,628
Pledges receivable	37,222	36,522
Inventory	46,320	(156,310)
Prepaid expenses	(5,740)	(1,004)
Accounts payable	(49,407)	28,625
Accrued payroll and related liabilities	5,336	3,909
Deferred revenue	(20,742)	20,742
Other current liabilities	<u>3,306</u>	<u>3,574</u>
Net cash used by operating activities	<u>(752,492)</u>	<u>(749,949)</u>
Cash flows from investing activities:		
Proceeds from notes and mortgage notes receivable, net	29,358	189,601
Proceeds from the sale of mortgage notes	668,104	664,549
Purchases of property and equipment	<u>(1,791)</u>	<u>(6,684)</u>
Net cash provided by investing activities	<u>695,671</u>	<u>847,466</u>
Cash flows from financing activities:		
Advance on line of credit	-	100,000
Payments on line of credit	-	(100,000)
Principal payments on long-term debt	<u>(17,433)</u>	<u>(14,226)</u>
Net cash used by financing activities	<u>(17,433)</u>	<u>(14,226)</u>
Net increase in cash and cash equivalents	(74,254)	83,291
Cash and cash equivalents, beginning of year	<u>223,335</u>	<u>140,044</u>
Cash and cash equivalents, end of year	<u>\$ 149,081</u>	<u>\$ 223,335</u>
Supplemental disclosure for the statements of cash flows:		
Interest paid	<u>\$ 15,282</u>	<u>\$ 10,121</u>
Non-interest bearing mortgage loans issued	<u>\$ 426,227</u>	<u>\$ 355,286</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, 2019 and 2018, reserved cash for escrow deposits was \$32,347 and \$35,387, respectively.

LAFAYETTE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements

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, 2019 and 2018 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, 2019 and 2018, inventory consists of the following:

	<u>2019</u>	<u>2018</u>
Construction in progress	\$ 305,404	\$ 301,362
Repossessions	286,213	319,460
ReStore	<u>18,794</u>	<u>35,909</u>
Total inventory	<u>\$ 610,411</u>	<u>\$ 656,731</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, 2019, 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 2015.

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 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, 2019 and 2018, total compensated absences liability was \$15,471 and \$19,304, 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>2019</u>	<u>2018</u>
Program services:		
Materials and supplies	\$ 43,384	\$ 13,110
Movable property	<u>-</u>	<u>25,000</u>
	<u>43,384</u>	<u>38,110</u>
Management and general:		
Professional fees	<u>-</u>	<u>4,500</u>
Fundraising-		
Materials and supplies	-	7,691
Professional fees	<u>-</u>	<u>15,775</u>
	<u>-</u>	<u>23,466</u>
Total	<u>\$ 43,384</u>	<u>\$ 66,076</u>

N. Advertising

Advertising costs are expensed as incurred. Total advertising expense was \$30,641 and \$21,563 for the years ended June 30, 2019 and 2018, 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) New Accounting Pronouncement

During the year ended June 30, 2019, the Organization adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14). ASU 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added. See Note 3. As a result of these changes, previously reported net assets without donor restrictions was increased by \$144,579 and previously reported net assets with donor restrictions was decreased by \$144,579.

(3) Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of June 30, 2019, 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.

Financial assets at June 30, 2019:	\$ 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>(133,010)</u>
Financial assets available to meet cash needs for general expenditures within one year	<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.

LAFAYETTE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements (Continued)

(4) Pledges Receivable

The Organization held a Community Partners Breakfast during 2019 and 2018 which allowed donors to make unconditional promises to give for up to three to five 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, 2019 and 2018, the pledges receivable consists of the following:

	<u>2019</u>	<u>2018</u>
Pledges	\$ 54,719	\$ 87,187
Less unamortized discount	<u>5,564</u>	<u>810</u>
	49,155	86,377
Less current portion	<u>34,180</u>	<u>44,795</u>
Long-term portion	<u>\$ 14,975</u>	<u>\$ 41,582</u>

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

<u>Year ending June 30,</u>	<u>Amount</u>
2020	\$ 34,180
2021	8,206
2022	4,038
2023	1,399
2024	<u>1,332</u>
Total	<u>\$ 49,155</u>

(5) Notes and Mortgage Notes Receivable

Notes and mortgage notes receivable at June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Notes and mortgage notes receivable	\$ 1,538,610	\$ 1,636,099
Less unamortized discount	<u>593,423</u>	<u>649,037</u>
Notes and mortgage notes receivable, net	<u>\$ 945,187</u>	<u>\$ 987,062</u>
Current portion	\$ 47,332	\$ 57,179
Long-term portion	<u>897,855</u>	<u>929,883</u>
Total	<u>\$ 945,187</u>	<u>\$ 987,062</u>

Amortization of discounts was \$58,543 and \$114,219 for the years ended June 30, 2019 and 2018, 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,	<u>Amount</u>
2020	\$ 103,061
2021	100,942
2022	96,637
2023	95,418
2024	94,811
Thereafter	<u>1,047,741</u>
Total	<u>\$ 1,538,610</u>

(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 \$391,271. 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, 2019 and 2018 was \$3,010,114 and \$2,559,351, 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Building and improvements	\$ 651,409	\$ 649,617
Furniture and Equipment	<u>153,453</u>	<u>153,454</u>
	804,862	803,071
Less accumulated depreciation	<u>(228,304)</u>	<u>(193,073)</u>
Balance, ending	<u>\$ 576,558</u>	<u>\$ 609,998</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$35,231 and \$33,639, 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 5.25% and will mature on October 11, 2019. There were no outstanding borrowings and the unused line of credit was \$300,000 at June 30, 2019 and 2018.

LAFAYETTE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements (Continued)

(7) Long-Term Debt

At June 30, 2019 and 2018, long-term debt was comprised of the following:

	<u>2019</u>	<u>2018</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	\$ 229,932
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.	5,765	9,565
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.	3,524	4,000
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.	3,525	4,000
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	1,306
Note payable to Iberia Bank, due November 1, 2018, due in monthly installments of \$67 bearing no interest and secured by the pledge mortgage receivable.	-	319
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.	<u>173</u>	<u>973</u>
Total long-term debt	232,662	250,095
Less current maturities of long-term debt	<u>(224,758)</u>	<u>(16,333)</u>
Net long-term debt	<u>\$ 7,904</u>	<u>\$ 233,762</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>
2020	\$ 224,758
2021	3,785
2022	1,931
2023	<u>2,188</u>
Total	<u>\$ 232,662</u>

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Pledges receivable	\$ 49,155	\$ 87,187
Unspent funds from the following:		
Disaster donations	79,737	98,410
Pocket Park donations	<u>4,118</u>	<u>4,596</u>
Total	<u>\$ 133,010</u>	<u>\$ 190,193</u>

(9) Net Assets Released from Restrictions

Details of net assets released from restrictions for the years ended June 30, 2019 and 2018 follows:

	<u>2018</u>	<u>2018</u>
Collections of pledges receivable	\$ 65,312	\$ 77,293
Purpose restrictions accomplished:		
Disaster donations	18,673	21,135
Pocket Park donations	<u>21,228</u>	<u>1,798</u>
	<u>\$ 105,213</u>	<u>\$ 100,226</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 \$119,184 and \$119,184 for the years ended June 30, 2019 and 2018, respectively.

LAFAYETTE HABITAT FOR HUMANITY, INC.

Notes to Financial Statements (Continued)

Future minimum lease payments are as follows:

2020	<u>\$ 99,320</u>
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(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, 2019 and 2018, 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, 2019.

(13) Subsequent Event Review

The Organization's management has evaluated subsequent events through October 28, 2019, 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, 2019 and 2018, 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 28, 2019.

### 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 2019-001 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 28, 2019

LAFAYETTE HABITAT FOR HUMANITY, INC.

Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan  
Year Ended June 30, 2019

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

A. Internal Control Over Financial Reporting

2019-001 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, 2019

Part II: Prior Year Findings:

A. Internal Control Over Financial Reporting

2018-001 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 2019-001.