

HABITAT FOR HUMANITY OF  
GREATER BATON ROUGE, INC.

BATON ROUGE, LOUISIANA

JUNE 30, 2019



L.A. CHAMPAGNE & CO.

CERTIFIED PUBLIC ACCOUNTANTS

## TABLE OF CONTENTS

<i>Independent auditor's report</i>	1 - 2
<i>Financial statements</i>	
Statements of financial position	3
Statements of activities	4
Statements of functional expenses	5 - 6
Statements of cash flows	7
Notes to financial statements	8 - 17
<i>Supplementary information</i>	
Schedule of compensation, benefits, and other payments to Agency head	18
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 <i>Government Auditing Standards</i>	19 -20
Summary of audit results and schedule of findings and questioned costs	21

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# L A CHAMPAGNE & CO

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

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

### Report on Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity of Greater Baton Rouge, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 Habitat for Humanity of Greater Baton Rouge, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The schedule of compensation, benefits, and other payments to Agency heads on page 16 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2019, on our consideration of Habitat for Humanity of Greater Baton Rouge, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Habitat for Humanity of Greater Baton Rouge, Inc.'s internal control over financial reporting and compliance.

*L. A. Champagne & Co., LLP*

*Baton Rouge, Louisiana  
December 30, 2019*

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

*June 30, 2019 and 2018*

	2019	2018
<b>ASSETS</b>		
Cash	\$ 659,843	\$ 996,352
Receivables, net	41,761	203,329
Prepaid expenses	18,543	20,093
Inventories	535,927	737,238
Non-interest bearing mortgages receivable, net	4,335,794	4,412,664
Property and equipment, net	664,672	709,359
Land held for development	341,350	405,876
	\$ 6,597,890	\$ 7,484,911
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 35,249	\$ 52,436
Accrued salaries and payroll taxes	51,919	80,991
Other accrued expenses	63,652	16,838
Escrow deposits	157,568	172,117
Security deposits	5,800	5,800
Total liabilities	314,188	328,182
 <b>NET ASSETS</b>		
Net assets without donor restrictions	5,871,065	6,674,643
Net assets with donor restrictions	412,637	482,086
Total net assets	6,283,702	7,156,729
	\$ 6,597,890	\$ 7,484,911

*See accompanying notes to financial statements.*

**HABITAT FOR HUMANITY OF GREATER BATON ROUGE, INC.**  
**STATEMENTS OF ACTIVITIES**  
*Years Ended June 30, 2019 and 2018*

	2019			2018		
	Without Donor Restrictions	With Donor Restricted	Total	Without Donor Restrictions	With Donor Restricted	Total
<b>SUPPORT AND REVENUE</b>						
Contributions						
Cash	\$ 55,565	\$ 587,403	\$ 642,968	\$ 86,448	\$ 571,771	\$ 658,219
Construction materials and appliances	48,613	-	48,613	16,080	-	16,080
Land	-	-	-	54,000	-	54,000
Services	15,444	-	15,444	16,609	-	16,609
Governmental grants	8,774	-	8,774	620,410	-	620,410
Home sales revenue	993,500	-	993,500	848,225	-	848,225
ReStore sales	1,530,393	-	1,530,393	1,651,475	-	1,651,475
Interest - amortization of discount on mortgage loan	388,674	-	388,674	392,001	-	392,001
Rental income and fees	48,556	-	48,556	33,617	-	33,617
Special events	24,748	-	24,748	97,092	-	97,092
Other income	22,214	-	22,214	11,752	-	11,752
Gain on sale of mortgages	46,828	-	46,828	-	-	-
Mortgage late fees	14,306	-	14,306	15,429	-	15,429
Interest - other	-	-	-	217	-	217
Net assets released from restrictions	656,852	(656,852)	-	949,985	(949,985)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<u>3,854,467</u>	<u>(69,449)</u>	<u>3,785,018</u>	<u>4,793,340</u>	<u>(378,214)</u>	<u>4,415,126</u>
<b>EXPENSES</b>						
Program services	4,121,190	-	4,121,190	4,040,001	-	4,040,001
Supporting services:						
Management and general	358,551	-	358,551	339,273	-	339,273
Fundraising	178,304	-	178,304	178,403	-	178,403
	<u>536,855</u>	<u>-</u>	<u>536,855</u>	<u>517,676</u>	<u>-</u>	<u>517,676</u>
<b>TOTAL EXPENSES</b>	<u>4,658,045</u>	<u>-</u>	<u>4,658,045</u>	<u>4,557,677</u>	<u>-</u>	<u>4,557,677</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>(803,578)</u>	<u>(69,449)</u>	<u>(873,027)</u>	<u>235,663</u>	<u>(378,214)</u>	<u>(142,551)</u>
Net assets - beginning of year	6,674,643	482,086	7,156,729	6,438,980	860,300	7,299,280
Net assets - end of year	<u>\$5,871,065</u>	<u>\$ 412,637</u>	<u>\$6,283,702</u>	<u>\$6,674,643</u>	<u>\$ 482,086</u>	<u>\$7,156,729</u>

*See accompanying notes to financial statements.*

**HABITAT FOR HUMANITY OF GREATER BATON ROUGE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

*Year Ended June 30, 2019*

	PROGRAM SERVICES				SUPPORTING SERVICES		
	Construction and Family Services	Mortgage Originations	ReStore	Total	Management and General	Fundraising	Total
Cost of homes sold:							
Materials, supplies, and labor	\$ 1,325,376	\$ -	\$ -	\$ 1,325,376	\$ -	\$ -	\$ 1,325,376
Land	119,725	-	-	119,725	-	-	119,725
Contributed services	15,444	-	-	15,444	-	-	15,444
Total cost of homes sold	1,460,545	-	-	1,460,545	-	-	1,460,545
Cost of sales	-	-	385,220	385,220	-	-	385,220
Mortgage discounts	-	494,471	-	494,471	-	-	494,471
Salaries and related expenses	494,167	-	600,627	1,094,794	222,401	84,554	1,401,749
Rent	30,544	-	158,147	188,691	24,435	12,218	225,344
Insurance	45,130	-	31,739	76,869	-	-	76,869
Repairs and maintenance	26,638	-	50,009	76,647	23,855	-	100,502
Operational costs	34,501	-	135,765	170,266	23,791	6,614	200,671
Flood rehabilitation expenses	74,243	-	-	74,243	-	-	74,243
Other construction costs	21,906	-	-	21,906	-	-	21,906
Depreciation	-	-	31,429	31,429	13,325	-	44,754
Marketing and advertising	-	-	8,139	8,139	-	51,774	59,913
Memberships and affiliations	-	-	5,175	5,175	15,000	-	20,175
Other miscellaneous expenses	-	8,176	3,468	11,644	5,988	-	17,632
Professional services	8,696	-	-	8,696	29,756	-	38,452
Special events	-	-	-	-	-	1,207	1,207
Property taxes	2,323	-	10,132	12,455	-	-	12,455
Bad debt expense	-	-	-	-	-	21,937	21,937
	<u>\$ 2,198,693</u>	<u>\$ 502,647</u>	<u>\$ 1,419,850</u>	<u>\$ 4,121,190</u>	<u>\$ 358,551</u>	<u>\$ 178,304</u>	<u>\$ 4,658,045</u>

*See accompanying notes to financial statements.*

**HABITAT FOR HUMANITY OF GREATER BATON ROUGE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
*Year Ended June 30, 2018*

	PROGRAM SERVICES				SUPPORTING SERVICES		
	Construction and Family Services	Mortgage Originations	ReStore	Total	Management and General	Fundraising	Total
Cost of homes sold:							
Materials, supplies, and labor	\$ 1,127,733	\$ -	\$ -	\$ 1,127,733	\$ -	\$ -	\$ 1,127,733
Land	107,149	-	-	107,149	-	-	107,149
Contributed services	16,609	-	-	16,609	-	-	16,609
Total cost of homes sold	1,251,491	-	-	1,251,491	-	-	1,251,491
Cost of sales	-	-	483,798	483,798	-	-	483,798
Mortgage discounts	-	367,758	-	367,758	-	-	367,758
Salaries and related expenses	424,004	-	629,568	1,053,572	221,136	135,308	1,410,016
Rent	45,989	-	155,048	201,037	12,542	8,362	221,941
Insurance	40,520	-	28,092	68,612	-	-	68,612
Repairs and maintenance	12,971	-	32,641	45,612	30,925	-	76,537
Operational costs	54,210	-	157,796	212,006	9,257	5,025	226,288
Flood rehabilitation expenses	259,687	-	-	259,687	-	-	259,687
Other construction costs	31,278	-	-	31,278	-	-	31,278
Depreciation	-	-	28,227	28,227	15,772	-	43,999
Marketing and advertising	-	-	7,796	7,796	-	29,212	37,008
Memberships and affiliations	-	-	5,400	5,400	15,000	-	20,400
Other miscellaneous expenses	-	-	820	820	9,446	-	10,266
Professional services	14,373	-	-	14,373	25,195	-	39,568
Special events	-	-	626	626	-	496	1,122
Property taxes	-	-	7,908	7,908	-	-	7,908
Bad debt expense	-	-	-	-	-	-	-
	<u>\$ 2,134,523</u>	<u>\$ 367,758</u>	<u>\$ 1,537,720</u>	<u>\$ 4,040,001</u>	<u>\$ 339,273</u>	<u>\$ 178,403</u>	<u>\$ 4,557,677</u>

*See accompanying notes to financial statements.*

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

*Years Ended June 30, 2019 and 2018*

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Decrease in net assets	\$ (873,027)	\$ (142,551)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Bad debt expense	21,937	-
Depreciation	44,754	43,999
Gain on sale of equipment	(4,200)	-
Gain on sale of mortgages	(46,828)	-
Amortization of mortgage discount	(388,674)	(392,001)
Forgiveness of debt	-	(188,801)
New mortgages, net of discounts	(462,898)	(382,434)
Purchase and development of land	(55,200)	(239,805)
Home construction costs	(1,226,846)	(976,051)
Cost of homes transferred	1,445,102	1,234,882
Decrease in prepaid expenses	1,550	13,319
(Increase) decrease in receivables	139,631	(65,875)
Decrease in building supply inventory	6,243	15,626
Decrease in purchases for resale	96,471	8,734
Increase in accounts payable	29,627	383
Decrease in accrued liabilities	(29,072)	(20,431)
Decrease in other liabilities	(14,549)	(11,042)
Net cash used in operating activities	(1,315,979)	(1,102,048)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Collections on mortgages receivable	865,458	805,689
Proceeds from the sale of mortgage notes	109,812	-
Proceeds from sale of equipment	4,200	-
Acquisition of equipment	-	(78,495)
Net cash provided by investing activities	979,470	727,194
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Forgivable loan proceeds	-	86,354
Net cash provided by financing activities	-	86,354
 <b>NET DECREASE IN CASH</b>	(336,509)	(288,500)
Cash - beginning of year	996,352	1,284,852
Cash - end of year	\$ 659,843	\$ 996,352

*See accompanying notes to financial statements.*

# HABITAT FOR HUMANITY OF GREATER BATON ROUGE, INC.

## NOTES TO FINANCIAL STATEMENTS

*June 30, 2019*

### A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Nature of activities*

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

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

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

#### *Basis of presentation*

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

**A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Basis of accounting*

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

*Use of estimates*

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

*Revenue Recognition*

Contributions, grants, and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Habitat reports grants and gifts of cash and other assets as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When donor restrictions expire, that is, when the stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Home sales revenue and the cost of homes sold are recorded when the title is transferred. The zero interest first mortgages are discounted to their present value by using prevailing market rates at the inception of the mortgages. Discounts are amortized using the straight-line method over the lives of the mortgages.

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

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

*Cash and cash equivalents*

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

Restricted cash includes amounts received from homeowners for escrow payments, for payments received prior to closing, and for security deposits received from tenants. Restricted cash was \$157,568 and \$172,117 as of June 30, 2019 and 2018, respectively.

**A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Inventories*

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

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

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

Purchases for resale at ReStore are included in inventory at cost.

*Advertising and Marketing Costs*

Habitat expenses advertising and marketing costs when incurred.

*Prepaid expenses*

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

*Property and equipment*

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

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

*Donated services*

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

*Pledges Receivable*

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

**A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Donated equipment*

Donations of property and equipment are recorded as contributions at the fair market value on the date received. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, Habitat reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Habitat reclassifies temporarily restricted net assets at that time.

*Income taxes*

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

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

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

*Functional expenses*

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

*New Accounting Pronouncement*

Habitat adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The ASU 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. Habitat has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented which had no impact to total net assets.

**B: CONCENTRATIONS AND CREDIT RISK**

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

Habitat maintains deposits at local financial institutions with balances at times that may exceed the \$250,000 of insurance provided by the Federal Deposit Insurance Corporation.

**C: PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment at cost, less accumulated depreciation as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 62,028	\$ 62,028
Leasehold improvements	24,120	24,053
Buildings and improvements	761,303	761,303
Furniture and fixtures	50,108	91,107
Machinery and equipment	228,232	209,959
	<u>1,125,791</u>	<u>1,148,450</u>
Less accumulated depreciation	<u>(461,119)</u>	<u>(439,091)</u>
	<u>\$ 664,672</u>	<u>\$ 709,359</u>

Depreciation expense was \$44,754 and \$43,999 for the years ended June 30, 2019 and 2018, respectively.

**D: RECEIVABLES**

Receivables consisted of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cost reimbursement grants	\$ -	\$ 133,903
Homeowner escrow shortages	12,957	11,124
Pledges, net of discount and allowance	28,804	57,768
Other	-	534
	<u>\$ 41,761</u>	<u>\$ 203,329</u>

**D: RECEIVABLES (continued)**

Pledges receivable at June 30, 2019 and 2018, are as follows, discounted using a 5% discount rate:

	2019	2018
Receivable in less than one year	\$ 27,973	\$ 36,625
Receivable in one to five years	2,475	21,143
	<u>30,448</u>	<u>57,768</u>
Discount to net present value	(124)	-
Allowance for uncollectible receivables	(1,520)	-
	<u><u>28,804</u></u>	<u><u>57,768</u></u>

**E: LINE OF CREDIT**

Habitat entered into a line of credit agreement with a local bank in the amount of \$500,000 bearing a variable interest rate of Wall Street Journal Prime. The line of credit matures July 10, 2019 and is secured by a pledge of the first mortgage notes on houses built and financed by Habitat with an assignment of specific mortgage notes. There were no draws on the line during the years ended June 30, 2019 and 2018.

**F: INVENTORIES**

Inventories consisted of the following as of June 30, 2019 and 2018:

	2019		2018	
	Number	Cost	Number	Cost
Homes				
New construction	6	\$ 299,629	4	\$ 322,555
Repossessions	-	-	3	128,079
Rentals	2	139,816	1	74,843
	<u>8</u>	<u>439,445</u>	<u>8</u>	<u>525,477</u>
Construction materials		37,911		56,719
Purchases for resale		58,571		155,042
		<u>\$ 535,927</u>		<u>\$ 737,238</u>

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

**G: LEASE COMMITMENTS**

Habitat leases office space under agreements that are classified as operating leases. The lease provides for monthly rent of \$5,373 and expires March 31, 2022.

Restore leases a store location under agreements that are classified as operating leases. The lease provides for monthly rent ranging from \$12,542 to \$13,576 and expires December 31, 2020.

The lease expense under these agreements was \$225,344 and \$221,940 for the years ended June 30, 2019 and 2018, respectively.

The future minimum lease payments required under the operating leases are as follows for the year ending June 30, 2019:

Years Ending June 30,	
2020	\$ 225,786
2021	145,930
2022	<u>48,357</u>
	<u>\$ 420,073</u>

**H: LIQUIDITY**

The following represents Habitat's financial assets as of June 30, 2019, reduced by amounts not available for general use because of contractual restrictions within one year of the statement of financial position date:

Financial assets at June 30, 2019	\$ 701,604
Amounts unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions	<u>(412,637)</u>
	<u>\$ 288,967</u>

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

## I: MORTGAGES RECEIVABLE

Mortgages receivable as of June 30, 2019 and 2018 consists of non-interest-bearing mortgage notes of \$8,723,972 and \$8,754,074, respectively, less unamortized discounts of \$4,388,178 and \$4,341,410, respectively. All mortgages are collateralized by real estate in the Baton Rouge area.

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

The following schedule shows the past due principal payments as of June 30, 2019 and 2018. These past due balances are based on the payments required by the mortgages and have not been reduced to reflect modifications made under payment plans.

	2019		2018	
	Mortgages Past Due	Past Due Amount	Mortgages Past Due	Past Due Amount
Past Due Amounts				
6 months or more	4	\$ 11,687	6	\$ 18,941
5 months	1	1,443	2	3,565
4 months	3	5,299	2	3,245
3 months	5	5,289	6	6,917
2 months	19	14,634	10	7,757
1 months	33	14,488	27	11,425
	<u>65</u>	<u>\$ 52,840</u>	<u>53</u>	<u>\$ 51,850</u>

There were no mortgage loans in the process of foreclosure at June 30, 2019. There were two mortgage loans in foreclosure procedures at June 30, 2018, that are not included in this schedule. The total past due amount was \$1,638, and the total mortgage was \$68,983.

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

## J: NON-CASH INVESTING AND FINANCING ACTIVITIES

There were no non-cash investing and financing activities during the year ended June 30, 2019 and 2018.

**K: PAYMENTS TO HABITAT INTERNATIONAL**

Habitat voluntarily remits a portion of its contributions to Habitat International. These funds are used to construct homes in economically depressed areas around the world. For the year ended June 30, 2019 and 2018, contributions of \$5,000 and \$4,500, respectively are included in cost of homes sold.

Habitat pays Habitat International an annual Stewardship and Organizational Sustainability Initiative fee based on the population and the geographic area served. ReStore pays a monthly ReStore Collaborative fee. These amounts totaled \$20,175 and \$20,400 for the years ended June 30, 2019 and 2018, respectively.

**L: NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of funds designated by donors or grantors for specific purposes or programs. At June 30, 2019 and 2018, amounts restricted to use for specific programmatic areas was as follows:

	2019	2018
Flood relief	\$ 52,648	\$ 115,923
Construction of new homes	359,989	366,163
	<u>\$ 412,637</u>	<u>\$ 482,086</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose of restrictions specified by donors as follows for the year ended June 30, 2019 and 2018:

	2019	2018
Flood relief	\$ 77,775	\$ 632,830
Construction of new homes	579,077	317,155
Total restrictions released	<u>\$ 656,852</u>	<u>\$ 949,985</u>

**M: MORTGAGES SOLD**

Periodically, Habitat sells their mortgage loans to local banks. Habitat continues to service these loans for a fee of \$10 per month per loan. Habitat is responsible for collection activities and disbursement of property taxes and insurance. Principal payments on loans are remitted to the banks monthly.

All loans sold are with recourse. If a loan becomes nonperforming, Habitat is required to repurchase the mortgage loan and, at Habitat's option, require the bank to purchase another loan which is acceptable. The outstanding balance of loans sold with recourse at June 30, 2019 and 2018 was \$682,601 and \$608,662, respectively.

During 2019, Habitat sold 2 loans and recognized a net gain of \$46,828.

**N: SUBSEQUENT EVENTS**

Subsequent events were evaluated through December 30, 2019 which is the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

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

*Year Ended June 30, 2019*

Lynn Clark  
Executive Director

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

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

*See accompanying notes to financial statements.*

Robert L. Stamey, CPA  
Kimberly G. Sanders, CPA, MBA  
Neal Fortenberry, CPA  
Wayne Dussel, CPA, CFE

Alvin J. Callais, CPA  
Jonathan Clark, CPA



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Area for Over 100 Years

## L.A. CHAMPAGNE & CO.

CERTIFIED PUBLIC ACCOUNTANTS

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

The Board of Directors

Habitat for Humanity of Greater Baton Rouge, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Habitat for Humanity of Greater Baton Rouge, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 30, 2019.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Habitat for Humanity of Greater Baton Rouge, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity of Greater Baton Rouge's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Habitat for Humanity of Greater Baton Rouge, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Habitat for Humanity of Greater Baton Rouge, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*L.A. Champagne & Co., LLP*

*Baton Rouge, Louisiana  
December 30, 2019*

**HABITAT FOR HUMANITY OF GREATER BATON ROUGE, INC.**  
**SUMMARY OF AUDIT RESULTS AND**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

*Year Ended June 30, 2019*

**A: SUMMARY OF AUDITOR'S RESULTS**

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

**B: FINDINGS – FINANCIAL STATEMENTS AUDIT**

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

**C: SUMMARY OF PRIOR YEAR FINDINGS – FINANCIAL STATEMENT AUDIT**

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