

**HABITAT FOR HUMANITY  
ST. TAMMANY WEST**

Audits of Financial Statements

June 30, 2022 and 2021



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## Independent Auditor's Report

To the Board of Directors  
Habitat for Humanity St. Tammany West  
Mandeville, Louisiana

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Habitat for Humanity St. Tammany West (HFHSTW), which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

#### Basis for Opinion

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

#### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HFHSTW's ability to continue as a going concern within one year after the date that the financial statements are issued.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HFHSTW's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HFHSTW's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.

### **Supplementary Information**

Our audits were conducted for the purposes of forming an opinion on the financial statements taken as a whole. The schedule of compensation, benefits, and other payments to agency head 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 audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2022 on our consideration of HFHSTW's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to solely 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 HFHSTW'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 HFHSTW's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA  
October 24, 2022

**HABITAT FOR HUMANITY ST. TAMMANY WEST**  
**Statements of Financial Position**  
**June 30, 2022 and 2021**

	2022	2021
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 570,859	\$ 750,254
Restricted Cash - Escrow Deposits	(2,613)	105,131
Restricted Cash - Expense Reserve	938	12,540
Restricted Cash - Microfinance Fund	53,966	98,411
Mortgage Notes Receivable, Current Portion, Net	260,715	323,246
Pledges Receivable, Current Portion, Net	38,978	74,483
Grants Receivable	65,496	153,219
Accounts Receivable	94,272	85,675
Notes Receivable - Microfinance Fund	3,127	4,560
Inventory	23,316	13,045
Other Assets	18,719	17,912
Construction in Progress	684,991	289,104
<b>Total Current Assets</b>	<b>1,812,764</b>	<b>1,927,580</b>
<b>Property and Equipment</b>		
Building and Improvements	1,638,749	1,638,749
Vehicles	151,177	123,122
Office Furniture and Equipment	129,864	119,232
	<b>1,919,790</b>	<b>1,881,103</b>
Less: Accumulated Depreciation	(1,012,166)	(948,541)
	<b>907,624</b>	<b>932,562</b>
Land	320,345	500,829
<b>Total Property and Equipment, Net</b>	<b>1,227,969</b>	<b>1,433,391</b>
<b>Other Assets</b>		
Long-Term Portion of Mortgage Notes Receivable,	1,488,227	1,607,266
Investment in HFHI NMTC Sub-CDE I, LLC	1,021,941	1,021,941
Land Held for Future Home Sites	993,888	613,571
Security Deposits	2,782	2,782
Long-Term Portion of Pledges Receivable	20,400	33,545
Other	164,956	164,956
<b>Total Other Assets</b>	<b>3,692,194</b>	<b>3,444,061</b>
<b>Total Assets</b>	<b>\$ 6,732,927</b>	<b>\$ 6,805,032</b>

The accompanying notes are an integral part of these financial statements.

**HABITAT FOR HUMANITY ST. TAMMANY WEST**  
**Statements of Financial Position (Continued)**  
**June 30, 2022 and 2021**

	2022	2021
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 139,736	\$ 67,774
Accrued Payroll and Other Expenses	156,600	119,672
Current Maturities of Notes Payable	26,178	54,405
Deferred Revenue	11,698	49,540
Escrow Deposits	(2,613)	105,131
	<hr/>	<hr/>
<b>Total Current Liabilities</b>	<b>331,599</b>	<b>396,522</b>
<b>Long-Term Liabilities</b>		
Long-Term Portion of Notes Payable	430,810	719,070
QLICI Note Payable	1,495,639	1,495,639
Less: Loan Obligation Costs, Net	(71,421)	(85,175)
	<hr/>	<hr/>
<b>Total Long-Term Liabilities</b>	<b>1,855,028</b>	<b>2,129,534</b>
	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>2,186,627</b>	<b>2,526,056</b>
<b>Net Assets</b>		
Without Donor Restrictions	4,486,922	4,170,948
With Donor Restrictions	59,378	108,028
	<hr/>	<hr/>
<b>Total Net Assets</b>	<b>4,546,300</b>	<b>4,278,976</b>
	<hr/>	<hr/>
<b>Total Liabilities and Net Assets</b>	<b>\$ 6,732,927</b>	<b>\$ 6,805,032</b>

The accompanying notes are an integral part of these financial statements.

**HABITAT FOR HUMANITY ST. TAMMANY WEST**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains, and Support</b>			
Sales of Houses			
Sales Revenue	\$ 447,508	\$ -	\$ 447,508
Less: Mortgage Notes Receivable Discount	(255,681)	-	(255,681)
Amortization of Mortgage Notes			
Receivable Discount	398,354	-	398,354
ReStore Revenues	1,067,676	-	1,067,676
Grants	618,738	-	618,738
Contributions	161,515	-	161,515
Event Revenues			
Event Income	211,025	-	211,025
Event Expenses	(18,853)	-	(18,853)
Volunteer Income	2,400	-	2,400
HFHI NMTC Sub CDE I, LLC			
Investment Income	10,203	-	10,203
Contributions In-Kind	39,630	-	39,630
Gain on Sale of Mortgages Receivable	622,889	-	622,889
Gain on Sale of Assets	6,049	-	6,049
Other Revenue	128,252	-	128,252
	<u>3,439,705</u>	<u>-</u>	<u>3,439,705</u>
<b>Net Assets Released from Restrictions</b>	<u>48,650</u>	<u>(48,650)</u>	<u>-</u>
<b>Total Revenues, Gains, and Support</b>	<u>3,488,355</u>	<u>(48,650)</u>	<u>3,439,705</u>
<b>Expenses and Losses</b>			
Program Services			
Housing	1,633,931	-	1,633,931
ReStore	906,273	-	906,273
Supporting Services			
Management and General	353,479	-	353,479
Fundraising	278,698	-	278,698
<b>Total Expenses</b>	<u>3,172,381</u>	<u>-</u>	<u>3,172,381</u>
<b>Change in Net Assets</b>	315,974	(48,650)	267,324
<b>Net Assets, Beginning of Year</b>	<u>4,170,948</u>	<u>108,028</u>	<u>4,278,976</u>
<b>Net Assets, End of Year</b>	<u>\$ 4,486,922</u>	<u>\$ 59,378</u>	<u>\$ 4,546,300</u>

The accompanying notes are an integral part of these financial statements.

**HABITAT FOR HUMANITY ST. TAMMANY WEST**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains, and Support</b>			
Sales of Houses			
Sales Revenue	\$ 1,369,031	\$ -	\$ 1,369,031
Less: Mortgage Notes Receivable Discount	(789,914)	-	(789,914)
Amortization of Mortgage Notes			
Receivable Discount	192,632	-	192,632
ReStore Revenues	915,835	-	915,835
Grants	875,360	-	875,360
Contributions	106,090	-	106,090
Event Revenues			
Event Income	302,132	-	302,132
Event Expenses	(12,383)	-	(12,383)
HFHI NMTC Sub CDE I, LLC			
Investment Income	10,203	-	10,203
Contributions In-Kind	124,947	-	124,947
Gain on Sale of Mortgages Receivable	449,145	-	449,145
Loss on Sale of Assets	(75,216)	-	(75,216)
Other Revenue	105,432	-	105,432
	3,573,294	-	3,573,294
<b>Net Assets Released from Restrictions</b>	65,049	(65,049)	-
	3,638,343	(65,049)	3,573,294
<b>Expenses and Losses</b>			
Program Services			
Housing	2,504,758	-	2,504,758
ReStore	824,221	-	824,221
Supporting Services			
Management and General	344,230	-	344,230
Fundraising	256,257	-	256,257
	3,929,466	-	3,929,466
<b>Change in Net Assets</b>	(291,123)	(65,049)	(356,172)
<b>Net Assets, Beginning of Year</b>	4,462,071	173,077	4,635,148
<b>Net Assets, End of Year</b>	\$ 4,170,948	\$ 108,028	\$ 4,278,976

The accompanying notes are an integral part of these financial statements.

**HABITAT FOR HUMANITY ST. TAMMANY WEST**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2022**

	<u>Program Services</u>		<b>Total Program Services</b>	<u>Supporting Services</u>		<b>Total Supporting Services</b>	<b>Total</b>
	<b>Housing</b>	<b>ReStore</b>		<b>Management and General</b>	<b>Fundraising</b>		
<b>Wages</b>	\$ 585,671	\$ 384,964	\$ 970,635	\$ 229,834	\$ 191,246	\$ 421,080	\$ 1,391,715
<b>Occupancy</b>							
Interest	23,830	4,773	28,603	1,932	286	2,218	30,821
Utilities	15,287	28,136	43,423	4,613	3,949	8,562	51,985
Insurance	42,655	15,994	58,649	3,009	4,435	7,444	66,093
Repairs and Maintenance	5,633	22,346	27,979	1,511	118	1,629	29,608
<b>Total Occupancy</b>	<b>87,405</b>	<b>71,249</b>	<b>158,654</b>	<b>11,065</b>	<b>8,788</b>	<b>19,853</b>	<b>178,507</b>
<b>Operating</b>							
Direct Construction Costs - NMTC	13,754	-	13,754	-	-	-	13,754
Direct Construction Costs - Other	651,028	-	651,028	-	-	-	651,028
Cost of Goods Sold	-	30,323	30,323	-	-	-	30,323
Supplies and General	8,454	9,311	17,765	4,167	542	4,709	22,474
Vehicle Fuel, Insurance, and Maintenance	4,572	11,527	16,099	269	148	417	16,516
Other Operating Costs	85,341	101,464	186,805	35,405	33,517	68,922	255,727
<b>Total Operating</b>	<b>763,149</b>	<b>152,625</b>	<b>915,774</b>	<b>39,841</b>	<b>34,207</b>	<b>74,048</b>	<b>989,822</b>
<b>Administrative</b>							
Payroll Taxes and Benefits	123,837	81,164	205,001	23,834	35,248	59,082	264,083
Professional Fees	62,747	152,271	215,018	47,337	8,425	55,762	270,780
<b>Total Administrative</b>	<b>186,584</b>	<b>233,435</b>	<b>420,019</b>	<b>71,171</b>	<b>43,673</b>	<b>114,844</b>	<b>534,863</b>
<b>Depreciation</b>	<b>11,122</b>	<b>64,000</b>	<b>75,122</b>	<b>1,568</b>	<b>784</b>	<b>2,352</b>	<b>77,474</b>
<b>Total Functional Expenses</b>	<b>\$ 1,633,931</b>	<b>\$ 906,273</b>	<b>\$ 2,540,204</b>	<b>\$ 353,479</b>	<b>\$ 278,698</b>	<b>\$ 632,177</b>	<b>\$ 3,172,381</b>

The accompanying notes are an integral part of these financial statements.

**HABITAT FOR HUMANITY ST. TAMMANY WEST**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2021**

	<u>Program Services</u>		<b>Total Program Services</b>	<u>Supporting Services</u>		<b>Total Supporting Services</b>	<b>Total</b>
	<b>Housing</b>	<b>ReStore</b>		<b>Management and General</b>	<b>Fundraising</b>		
<b>Wages</b>	\$ 573,790	\$ 394,354	\$ 968,144	\$ 223,458	\$ 182,940	\$ 406,398	\$ 1,374,542
<b>Occupancy</b>							
Interest	25,603	5,260	30,863	840	315	1,155	32,018
Utilities	15,129	24,395	39,524	3,819	4,291	8,110	47,634
Insurance	41,994	17,532	59,526	4,135	4,669	8,804	68,330
Repairs and Maintenance	6,399	33,906	40,305	2,083	1,784	3,867	44,172
<b>Total Occupancy</b>	<b>89,125</b>	<b>81,093</b>	<b>170,218</b>	<b>10,877</b>	<b>11,059</b>	<b>21,936</b>	<b>192,154</b>
<b>Operating</b>							
Direct Construction Costs - NMTC	296,689	-	296,689	-	-	-	296,689
Direct Construction Costs - Other	1,222,882	-	1,222,882	-	-	-	1,222,882
Cost of Goods Sold	-	31,100	31,100	-	-	-	31,100
Supplies and General	4,584	10,421	15,005	2,324	346	2,670	17,675
Vehicle Fuel, Insurance, and Maintenance	2,962	7,441	10,403	39	54	93	10,496
Other Operating Costs	80,119	86,950	167,069	25,742	17,369	43,111	210,180
<b>Total Operating</b>	<b>1,607,236</b>	<b>135,912</b>	<b>1,743,148</b>	<b>28,105</b>	<b>17,769</b>	<b>45,874</b>	<b>1,789,022</b>
<b>Administrative</b>							
Payroll Taxes and Benefits	151,152	90,317	241,469	27,575	40,585	68,160	309,629
Professional Fees	69,733	67,007	136,740	52,647	3,120	55,767	192,507
<b>Total Administrative</b>	<b>220,885</b>	<b>157,324</b>	<b>378,209</b>	<b>80,222</b>	<b>43,705</b>	<b>123,927</b>	<b>502,136</b>
<b>Depreciation</b>	<b>13,722</b>	<b>55,538</b>	<b>69,260</b>	<b>1,568</b>	<b>784</b>	<b>2,352</b>	<b>71,612</b>
<b>Total Functional Expenses</b>	<b>\$ 2,504,758</b>	<b>\$ 824,221</b>	<b>\$ 3,328,979</b>	<b>\$ 344,230</b>	<b>\$ 256,257</b>	<b>\$ 600,487</b>	<b>\$ 3,929,466</b>

The accompanying notes are an integral part of these financial statements.

**HABITAT FOR HUMANITY ST. TAMMANY WEST**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2022 and 2021**

	2022	2021
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 267,324	\$ (356,172)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used in Operating Activities		
Depreciation	77,474	71,612
(Gain) Loss on Disposal of Assets	(6,049)	75,216
Gain on Sale of Mortgage Notes Receivable	(622,889)	(449,145)
Donations of Land for Future Home Sites	-	(40,000)
Income from HFHI NMTC Sub-CDE I, LLC	(10,203)	(10,203)
Loan Forgiveness - Paycheck Protection Program	(285,200)	(285,200)
Amortization of Loan Obligation Costs	13,754	13,754
(Increase) Decrease in Assets		
Mortgage Notes Receivable	(276,750)	(304,184)
Pledges Receivable	48,650	65,049
Grants Receivable	87,723	(115,363)
Accounts Receivable	(8,597)	(8,345)
Notes Receivable - Microfinance Fund	1,433	1,767
Inventory	(10,271)	12,255
Other Assets	(807)	(68,103)
Construction in Progress	(395,887)	272,955
Increase (Decrease) in Liabilities		
Accounts Payable	71,962	(12,582)
Accrued Payroll and Other Expenses	36,928	(12,020)
Deferred Revenue	(37,842)	(17,093)
Escrow Deposits	(107,744)	(34,626)
<b>Net Cash Used in Operating Activities</b>	<b>(1,156,991)</b>	<b>(1,200,428)</b>
<b>Cash Flows from Investing Activities</b>		
Distribution from HFHI NMTC Sub-CDE I, LLC	10,203	10,203
Purchases of Property and Equipment	(52,536)	(37,866)
Proceeds from Sale of Property and Equipment	108,227	4,800
Proceeds from Sale of Other Assets	90,848	146,000
Proceeds from Sale of Mortgage Notes Receivable	1,081,208	791,493
Proceeds from Sale of Land Held for Future Home Sites	79,000	198,070
Purchases of Land Held for Future Home Sites	(459,317)	(224,000)
<b>Net Cash Provided by Investing Activities</b>	<b>857,633</b>	<b>888,700</b>

The accompanying notes are an integral part of these financial statements.

**HABITAT FOR HUMANITY ST. TAMMANY WEST**  
**Statements of Cash Flows (Continued)**  
**For the Years Ended June 30, 2022 and 2021**

	2022	2021
<b>Cash Flows from Financing Activities</b>		
Proceeds from Lines of Credit	200,000	100,000
Repayments of Lines of Credit	(200,000)	(100,000)
Proceeds from Notes Payable	-	285,200
Principal Payments on Notes Payable	(43,828)	(30,689)
<b>Net Cash (Used In) Provided by Financing Activities</b>	<b>(43,828)</b>	254,511
<b>Net Decrease in Cash, Cash Equivalents, and Restricted Cash</b>	<b>(343,186)</b>	(57,217)
<b>Cash, Cash Equivalents, and Restricted Cash, Beginning of Year</b>	<b>966,336</b>	1,023,553
<b>Cash, Cash Equivalents, and Restricted Cash, End of Year</b>	<b>\$ 623,150</b>	<b>\$ 966,336</b>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash Paid During the Year for Interest	\$ 30,821	\$ 32,018
Non-Cash Donations of Materials, Supplies, and Other	\$ 39,630	\$ 124,947

The accompanying notes are an integral part of these financial statements.

# HABITAT FOR HUMANITY ST. TAMMANY WEST

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies

#### **Organization**

Habitat for Humanity St. Tammany West (HFHSTW) was founded in 1981 as the tenth affiliate of Habitat for Humanity International and first in the State of Louisiana. HFHSTW's vision is a world where everyone has a decent place to live, and its mission is implemented by bringing people together to build homes, communities, and hope. HFHSTW identifies and acquires building sites and builds housing for workforce and low-income family partners. These homes, located in the western half of St. Tammany Parish, are sold to qualified family partners who have contributed 300-400 hours of sweat equity and signed non-interest-bearing mortgage notes. HFHSTW relies heavily on volunteer efforts, donations from individuals, churches, companies, Habitat's Fund for Humanity, grants, and various other financing vehicles to fund the construction projects.

Habitat's Fund for Humanity consists of non-interest-bearing mortgage notes receivable payments from existing homeowners (see Note 5). In effect, homeowners, when making monthly mortgage payments for their homes, are supporting the construction financing for future homeowners.

HFHSTW's programs include:

#### *Housing*

HFHSTW provides exceptional services to ensure that low-income individuals and families in western St. Tammany Parish have the opportunity for successful and sustainable homeownership. For 39 years, HFHSTW has been offering a hand up, not a handout, to its partner families. All Habitat homeowners purchase their homes and pay an affordable, interest-free mortgage. In 2013, HFHSTW opened the St. Tammany Homeownership Center (HOC). HOC services include financial literacy, first-time homebuyer training, and home maintenance classes. The HOC is open to both HFHSTW homebuyers and to any first-time homebuyer in St. Tammany Parish. In 2020, the HOC was approved as a HUD local Housing Counseling Agency.

#### *ReStore*

HFHSTW also operates a 20,000+ square foot ReStore facility from which it primarily sells donated building materials and home furnishings to the public. The ReStore is a social enterprise which connects the mission of the affiliate with the market-driven approach of a business. The net cash flow from ReStore operations is used to fund a portion of the acquisition of the building sites and construction of homes referred to in the previous paragraphs.

#### **Basis of Accounting**

The financial statements of HFHSTW are prepared on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded when incurred.

# HABITAT FOR HUMANITY ST. TAMMANY WEST

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### **Basis of Presentation**

HFHSTW follows the guidance of the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of HFHSTW and changes thereto are classified and reported as:

*Net Assets Without Donor Restrictions:* Net assets that are not subject to donor-imposed stipulations.

*Net Assets With Donor Restrictions:* Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. There were no donor-imposed restrictions that are perpetual in nature as of June 30, 2022 and 2021. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates. Estimates are used primarily for depreciation and amortization, the allowance for doubtful accounts, and discount on mortgage notes receivable.

#### **Cash and Cash Equivalents**

For the purposes of the statements of cash flows, HFHSTW considers all short-term highly liquid investments with an original maturity of one year or less from the date of acquisition to be cash equivalents.

#### **Mortgage Notes Receivable**

Mortgage notes receivable consist of non-interest-bearing mortgage notes which are collateralized by real estate in the St. Tammany West area and payable in monthly installments over the life of the mortgage loans. The mortgage notes receivable are net of discounts, which represent the difference between the stated amount of the mortgage notes and the present value based on an imputed amount of interest. The present value calculation also reflects credit risk. The discounts are amortized over the lives of the mortgage loans. The mortgage discount interest rate is set annually by Habitat for Humanity International. The rate is calculated by taking the average rate for twelve months, as published by the Internal Revenue Service (IRS) under the Index of Applicable Federal Rates (AFR) Rulings for Low-Income Housing Tax Credits. Mortgage notes receivable are considered past due if payments are more than 30 days late. Management believes that the values of such collateral are in excess of the net mortgage notes receivable as of June 30, 2022 and 2021, and, therefore, no allowance for losses has been provided.

# HABITAT FOR HUMANITY ST. TAMMANY WEST

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### Pledges Receivable

Contributions are recognized when a donor makes a pledge to HFHSTW that is, in substance, unconditional. Conditional pledges are recognized when the conditions on which the pledges were made are substantially met. Pledges receivable are recognized as assets, net of an allowance for uncollectible amounts. HFHSTW provides for estimated uncollectible pledges receivable based on prior years' experience and management's analysis of specific pledges made. As of June 30, 2022 and 2021, the allowance for uncollectible amounts totaled \$3,505 and \$6,089, respectively.

#### Accounts Receivable

Accounts receivable are stated at the amount HFHSTW expects to collect from outstanding balances. Accounts receivable primarily consists of mortgage remittances due from banks. All balances were deemed collectible as of June 30, 2022 and 2021.

#### Inventory

Inventory represents purchased goods to be sold in the ReStore operations, as well as purchased and in-kind building materials for use in the construction of homes. Gift in-kind inventory is recorded at the fair value on the date of receipt, and such items are expensed as program services expense when used, based on the specific identification method. Purchased inventory is recorded at the lower of cost or market determined by the specific identification method. As of June 30, 2022 and 2021, inventory totaled \$23,316 and \$13,045, respectively.

#### Construction in Progress

Construction in progress represents all direct material, labor, land, and infrastructure costs incurred to construct a home. Revenue is recognized under the full accrual method when a sale is consummated, and the homeowner is obligated under a mortgage. As of June 30, 2022 and 2021, construction in progress included:

	2022	2021
New Homes Under Construction	\$ 684,991	\$ 289,104
<b>Total Construction in Progress</b>	<b>\$ 684,991</b>	<b>\$ 289,104</b>

#### Property and Equipment

Property and equipment consist of land, buildings and improvements, office furniture and equipment, and vehicles, and are stated at cost or fair market value at date of donation, net of accumulated depreciation. Repairs and maintenance are charged to expense as incurred; major renewals and betterments are capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets. Buildings are depreciated over 30 years. Other depreciable property and equipment are depreciated over five to twelve years. HFHSTW has established a policy capitalizing all expenditures for property and equipment in excess of \$5,000 with a useful life of five or more years. For the years ended June 30, 2022 and 2021, depreciation expense totaled \$77,474 and \$71,612, respectively.

# HABITAT FOR HUMANITY ST. TAMMANY WEST

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### **Land Held for Future Home Sites**

Land held for future home sites consists of purchased lots that will be used in future development of houses to be sold. The land is carried at the lower of cost or net realizable value and reclassified to construction in progress once construction has begun.

#### **Loan Obligation Costs**

Certain costs related to the New Markets Tax Credit financing (see Note 7) have been capitalized and are being amortized over the estimated life of the related note payable. Financing and loan acquisition costs totaled \$165,407 as of June 30, 2022 and 2021. Accumulated amortization totaled \$93,986 as of June 30, 2022 and \$80,232 as of June 30, 2021.

#### **Compensated Absences**

Accumulated paid time off is payable upon termination of employment and is accrued. HFHSTW's obligation as of June 30, 2022 and 2021 totaled \$62,234 and \$79,326, respectively, which is included in accrued payroll and other expenses on the statements of financial position.

#### **Sale of Houses**

HFHSTW builds and sells houses to low-income individuals. Such revenues are recognized at the date of closing for the house as this is the point in time HFHSTW has determined to satisfy their performance obligation.

#### **ReStore Revenues**

HFHSTW has a resale store that sells primarily donated goods. The sales revenue is not restricted and is recognized at the time the goods are sold.

#### **Grants**

Expense-driven grants are recognized as grant revenue within the statement of changes in net assets when the qualifying expenses have been incurred and all other requirements have been met.

#### **Contributions**

Contributions are recognized when the donor makes an unconditional promise to give. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions were made. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Gifts of long-lived operating assets such as land, buildings, or equipment are reported as support without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions.

# HABITAT FOR HUMANITY ST. TAMMANY WEST

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### Events Revenue

Events revenue includes the cost of direct benefits to donors and contribution revenue. Direct benefits to donors for special events are generally received within the fiscal year the payments are received. If the direct benefits are received subsequent to the fiscal year end, revenue will be recognized in the period the benefits are received.

#### Sale of Mortgages

HFHSTW sells existing mortgages to a third-party bank. Such revenues are recognized at the date of sale as this is the point in time HFHSTW has determined to satisfy their performance obligation.

#### Donated Services of Volunteers and Other In-Kind Donations

A substantial number of volunteers have given extensive amounts of time and services to HFHSTW. However, no amounts are reflected in the financial statements for such services as management feels that the requirements for recording in-kind services have not been satisfied. Other contributed services that require specialized skills provided by individuals possessing those skills and otherwise needing to be purchased if not provided by donation are recognized as revenue and expense and totaled \$23,500 and \$40,675 for the years ended June 30, 2022 and 2021, respectively.

Donations of materials, supplies, and other totaled \$16,130 and \$84,273 for the years ended June 30, 2022 and 2021, respectively.

#### Income Taxes

HFHSTW is a non-profit entity organized under the laws of the State of Louisiana and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the IRC. It is also exempt from Louisiana income tax under the authority of Louisiana Revised Statute 47.121(5).

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. HFHSTW believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in interest expense.

# HABITAT FOR HUMANITY ST. TAMMANY WEST

## Notes to Financial Statements

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### **Sales Tax**

The State of Louisiana and St. Tammany Parish impose a combined sales tax of 8.7% on all of HFHSTW sales to non-exempt customers. HFHSTW collects that sales tax from customers and remits the entire amount to the State. For the years ended June 30, 2022 and 2021, HFHSTW remitted state sales taxes totaling \$88,415 and \$77,561, respectively. Sales tax collected and paid is not reported as revenues and expenses on the statements of activities and changes in net assets.

#### **Advertising Expense**

HFHSTW uses advertising to promote ReStore operations and fundraising activities. The costs of advertising are expensed as incurred. For the years ended June 30, 2022 and 2021, advertising costs totaled \$10,945 and \$9,600, respectively.

#### **Functional Allocated Expenses**

Expenses are summarized on a functional basis. The statements of functional expenses present the natural classification detail of expense by function. Salaries and related payroll expenses are allocated based upon the time spent for each function. Allocation of all other shared expenses is based upon management's estimates of the usage applicable to conducting various program or support activities. The other shared expenses that are allocated include utilities, insurance, telephone, rent, and interest.

#### **Recently Issued Accounting Pronouncements - Pending Adoption**

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as financing or operating leases. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. In June 2020, the FASB issued ASU 2020-05, *Leases (Topic 842): Effective Dates for Certain Entities*, which defers the effective date of ASU 2016-02 one year, making it effective for annual reporting periods beginning after December 15, 2021. HFHSTW is currently evaluating the impact ASU 2016-02 will have on its financial statements.

#### **Recently Issued Accounting Pronouncements - Adopted**

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard addresses measurement of contributed nonfinancial assets recognized by not-for-profit organizations and enhances disclosures with respect to these contributions. This ASU was adopted on a retrospective basis during the year ended June 30, 2022.

## HABITAT FOR HUMANITY ST. TAMMANY WEST

### Notes to Financial Statements

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#### Note 2. Liquidity and Availability

HFHSTW regularly monitors liquidity required to meet its operating needs and other contractual commitments. HFHSTW manages its cash available to meet general expenditures following the guiding principles of operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets. In addition, HFHSTW maintains a line of credit as a source of liquidity if needed. See Note 8 for information about this line of credit. In addition to financial assets available to meet general expenditures over the next 12 months, HFHSTW operates with a budget to monitor resources and spending.

As of June 30, 2022, financial assets available for general operating purposes within one year of the balance sheet date consist of the following:

Cash and Cash Equivalents	\$	570,859
Mortgage Notes Receivable, Current Portion, Net		260,715
Pledges Receivable, Current Portion, Net		38,978
Grants Receivable		65,496
Accounts Receivable		<u>94,272</u>
<b>Total</b>	<b>\$</b>	<b><u>1,030,320</u></b>

#### Note 3. Cash, Cash Equivalents, and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows:

	June 30,	
	2021	2020
Cash and Cash Equivalents	\$ 570,859	\$ 750,254
Restricted Cash	<u>52,291</u>	<u>216,082</u>
<b>Total</b>	<b>\$ 623,150</b>	<b>\$ 966,336</b>

HFHSTW services the mortgages on the homes it sells. Restricted cash for escrow deposits as of June 30, 2022 and 2021 was (\$2,613) and \$105,131, respectively.

## HABITAT FOR HUMANITY ST. TAMMANY WEST

### Notes to Financial Statements

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#### **Note 3. Cash, Cash Equivalents, and Restricted Cash (Continued)**

During the year ended June 30, 2016, HFHSTW participated in a New Markets Tax Credit (NMTC) transaction. Upon commencement of the transaction, HFHSTW established an expense reserve fund to pay Habitat for Humanity International for servicing, compliance, and consulting fees related to the NMTC transaction. The balance of the expense reserve as of June 30, 2022 and 2021 was \$938 and \$12,540, respectively.

During the year ended June 30, 2018, HFHSTW created a Microfinance Fund, used to make short-term, low-interest loans to HFHSTW homeowners in need of critical home repairs. The balance of the Microfinance Fund as of June 30, 2022 and 2021 was \$53,966 and \$98,411, respectively.

#### **Note 4. Concentration of Credit Risk**

HFHSTW builds and rehabilitates homes in the St. Tammany West area. As a result, all of the mortgage notes receivable from homeowners are concentrated as to geographic risk. Also, all homes built are transferred to low-income families, which can represent a credit risk.

HFHSTW maintains cash balances at several local financial institutions where the funds are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. As of June 30, 2022, HFHSTW had cash deposits in excess of the insured limits in the amount of \$108,941.

#### **Note 5. Mortgage Notes Receivable**

HFHSTW sells its completed homes to individual and family partners in exchange for a mortgage note (see Note 11) secured by the residence with typical repayment terms over 15 to 35 years and bearing -0-% interest. As of June 30, 2022, HFHSTW held 114 non-interest-bearing loans, with none pledged to secure certain notes payable. As of June 30, 2021, HFHSTW held 116 non-interest-bearing loans, with none pledged to secure certain notes payable.

During the year ended June 30, 2022, HFHSTW sold 15 of its loans (\$1,057,140 gross carrying value) to a financial institution. The sales prices ranged from 90% to 100% of face value. During the year ended June 30, 2021, HFHSTW sold 7 of its loans (\$842,219 gross carrying value) to a financial institution. The sales prices ranged from 90% to 100% of face value. The loans are considered to be delinquent after 90 days of non-payment of principal. HFHSTW will repurchase or replace any delinquent loans if those loans are called by the financial institution. HFHSTW has retained servicing of these loans, which is performed by a third-party financial institution. During the years ended June 30, 2022 and 2021 no delinquent loans were repurchased and replaced.

## HABITAT FOR HUMANITY ST. TAMMANY WEST

### Notes to Financial Statements

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#### Note 5. Mortgage Notes Receivable (Continued)

As of June 30, 2022 and 2021, a summary of the mortgage notes receivable was:

	2022	2021
Mortgage Notes Receivable	\$ 3,426,816	\$ 4,372,880
Unamortized Discount	<u>(1,677,874)</u>	<u>(2,442,368)</u>
<b>Mortgage Notes Receivable, Net</b>	<b>\$ 1,748,942</b>	<b>\$ 1,930,512</b>
Current Portion	\$ 260,715	\$ 323,246
Long-Term	<u>1,488,227</u>	<u>1,607,266</u>
<b>Total</b>	<b>\$ 1,748,942</b>	<b>\$ 1,930,512</b>

As of June 30, 2022, contractual maturities of mortgage notes receivable were as follows:

Year Ending June 30,	Amount
2023	\$ 260,716
2024	252,377
2025	251,878
2026	240,586
2027	236,838
Thereafter	<u>2,184,421</u>
<b>Total</b>	<b>\$ 3,426,816</b>

#### Note 6. Pledges Receivable

In the years ended June 30, 2013 through June 30, 2020, HFHSTW has held its Community Partners Breakfast (CPB), in which donors made unconditional promises to give. The long-term pledges were discounted using a rate of 5%. Management wrote off \$17,391 and \$9,000 of pledges deemed to be uncollectible as of June 30, 2022 and 2021, respectively.

# HABITAT FOR HUMANITY ST. TAMMANY WEST

## Notes to Financial Statements

### Note 6. Pledges Receivable (Continued)

As of June 30, 2022 and 2021, a summary of the CPB pledges receivable is as follows:

	<b>2022</b>	2021
Pledges Receivable, Beginning of Year	\$ 115,794	\$ 185,984
New CPB Pledges Made During the Year	-	-
Less:		
Cash Received	(34,550)	(61,190)
Write-Offs	(17,391)	(9,000)
<b>Pledges Receivable, End of Year</b>	<b>63,853</b>	115,794
Unamortized Discount	(970)	(1,677)
Allowance for Doubtful Promises	(3,505)	(6,089)
<b>Pledges Receivable, Net</b>	<b>\$ 59,378</b>	\$ 108,028
Current Portion	\$ 38,978	\$ 74,483
Long-Term	20,400	33,545
<b>Total</b>	<b>\$ 59,378</b>	\$ 108,028

Future maturities of pledges receivable are as follows:

Year Ending June 30,	Amount
2023	\$ 38,978
2024	6,400
2025	5,800
2026	4,800
2027	3,400
<b>Total</b>	<b>\$ 59,378</b>

## HABITAT FOR HUMANITY ST. TAMMANY WEST

### Notes to Financial Statements

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#### **Note 7. New Markets Tax Credit**

On August 19, 2015, HFHSTW invested, along with four other Habitat for Humanity affiliates, in a joint venture, HFHI NMTC Sub-CDE I, LLC, to take advantage of additional NMTC financing. HFHSTW's investment in HFHI NMTC Sub-CDE I, LLC as of June 30, 2022 and 2021 was \$1,021,941. Income earned on the investment in HFHI NMTC Sub-CDE I, LLC totaled \$10,203 for the years ended June 30, 2022 and 2021 and is reported as investment income on the statement of activities and changes in net assets. HFHSTW secured a 30-year loan in the amount of \$1,495,639 payable to a community development entity. The loan proceeds were used solely for the purpose of constructing and selling qualified housing properties to low-income residents. The loan accrues interest only for years one through seven at the rate of 0.682% per annum. Beginning in year 8 through year 30, the principal balance of the loan is reduced by a 21-year amortization at the same rate of 0.682%. The loan has a put option that will enable the leverage lender to become owner of HFHI NMTC Sub-CDE I, LLC and its assets, including the loan. Interest expense on this note totaled \$10,203 for the years ended June 30, 2022 and 2021.

Included in the statements of financial position as of June 30, 2022 and 2021 is \$71,421 and \$85,175, respectively, of unamortized closing costs related to the NMTC. These costs are being amortized on a straight-line basis from 7 to 30 years.

HFHSTW is subject to certain financial covenants under the loan agreement with a community development entity. HFHSTW is required to have a solvency ratio of not less than 1.1 to 1.0 of total assets to total debt, and a debt service coverage ratio of not less than 1.1 to 1.0. At June 30, 2022 and 2021, HFHSTW was in compliance with these covenants.

#### **Note 8. Line of Credit**

In February 2013, HFHSTW obtained a line of credit at a financial institution with a floating interest rate of the Wall Street Journal Prime Rate, 3.25% as of June 30, 2022, with an original maturity date of February 19, 2014. This line of credit has been renewed annually and has a current maturity date of November 16, 2022. Borrowings under the line are collateralized by certain assets of HFHSTW. The maximum borrowing limit is \$750,000. There were no outstanding balances on the line of credit as of June 30, 2022 and 2021.

For the years ended June 30, 2022 and 2021, interest expense on the line of credit totaled \$1,526 and \$298, respectively.

# HABITAT FOR HUMANITY ST. TAMMANY WEST

## Notes to Financial Statements

### Note 9. Notes Payable

As of June 30, 2022 and 2021, HFHSTW had the following notes payable:

	2022	2021
Note payable to Home Bank. The note is due in 59 equal installments of \$3,686 and one balloon payment estimated at \$366,763. The note bears interest at 4% and is secured by ReStore real estate. The note matures in November 2025.	\$ 456,988	\$ 482,123
Note payable to Home Bank. The note is due in 48 equal installments of \$6,127. The note bears interest at 1% and is unsecured. The note matures in February 2026. The specific purpose of this loan is SBA Paycheck Protection Plan (PPP Loan 2).	-	285,200
Note payable to Habitat for Humanity International. The note is due in 47 monthly installments of principal of \$494 beginning January 2018, with the final payment of \$532 due January 2022. The note does not bear interest and is unsecured.	-	5,472
Note payable to Habitat for Humanity International. The note is due in 47 monthly installments of principal of \$59 beginning January 2018, with the final payment of \$90 due January 2022. The note does not bear interest and is unsecured.	-	680
	<b>456,988</b>	773,475
Less: Current Portion	<b>(26,178)</b>	(54,405)
<b>Long-Term Portion</b>	<b>\$ 430,810</b>	<b>\$ 719,070</b>

Future principal payments to be made on these notes are as follows:

Year Ending June 30,	Amount
2023	\$ 26,178
2024	27,213
2025	28,384
2026	375,213
<b>Total</b>	<b>\$ 456,988</b>

Total interest expense for the above notes payable totaled \$19,903 and \$21,507 for the years ended June 30, 2022 and 2021, respectively.

## HABITAT FOR HUMANITY ST. TAMMANY WEST

### Notes to Financial Statements

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#### Note 9. Notes Payable (Continued)

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted by Congress to, amongst other provisions, provide emergency assistance for individuals, families, and businesses affected by the coronavirus pandemic. HFHSTW received two Paycheck Protection Program (PPP) loans, each in the amount of \$285,200. Under the terms of the PPP loans, up to 100% of the loans and related interest may be forgiven if the proceeds are used for covered expenses and certain other requirements related to wage rates and maintenance of full-time equivalents are met. The Small Business Administration (SBA) may undertake a review of a loan of any size during the six-year period following forgiveness or repayment of the loan. Both loans were fully forgiven by the SBA - PPP Loan 1 was forgiven on June 21, 2021 and PPP Loan 2 was forgiven on October 19, 2021. The amount of forgiveness is presented as a component of grant revenue in the statements of activities and changes in net assets.

#### Note 10. Net Assets With Donor Restrictions and Net Assets Released from Restrictions

As of June 30, 2022 and 2021, HFHSTW's net assets with donor restrictions of \$59,378 and \$108,028, respectively, are time restricted by donors related to pledges receivable. Net assets released from restrictions for the years ended June 30, 2022 and 2021 totaled \$48,650 and \$65,049, respectively, and relate to expiration of time restrictions on pledges receivable.

#### Note 11. Sales of Houses

HFHSTW charges no interest on the mortgage notes receivable from its partner families. The mortgages are recorded net of a discount to present value, considering both the time value of money and the historic credit risk associated with HFHSTW's homeowners. The result is a significant non-cash reduction of revenue. The discount is then amortized as interest income over the life of the mortgage as principal payments are collected.

For the years ended June 30, 2022 and 2021, the following amounts are included in the statements of activities and changes in net assets:

	2022	2021
<b>Sales of Houses</b>		
Sales Income	\$ 447,508	\$ 1,369,031
Mortgage Discount Expense	(255,681)	(789,914)
<b>Sales of Houses, Net of Discount Expense</b>	<b>\$ 191,827</b>	<b>\$ 579,117</b>
<b>Amortization Income on Mortgage Notes Receivable Discount</b>		
	<b>\$ 398,354</b>	<b>\$ 192,632</b>

## HABITAT FOR HUMANITY ST. TAMMANY WEST

### Notes to Financial Statements

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#### Note 12. Contributions In-Kind

For the years ended June 30, 2022 and 2021, the following nonfinancial assets were contributed and recognized within the statement of activities and changes in net assets:

	2022	2021
Land	\$ -	\$ 40,000
Materials	16,130	44,273
Services	23,500	40,674
<b>Total</b>	<b>\$ 39,630</b>	<b>\$ 124,947</b>

HFHSTW recognized contributed nonfinancial assets within revenue including contributed land, materials, and services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

The contributed land will be used in the Housing program to build homes for homeowners. In valuing the contributed land, HFHSTW estimated the fair value on the basis of recent comparable sales in the Covington, Louisiana real estate market.

Materials were used in the Housing program. In valuing materials HFHSTW estimated the fair value based upon current prices of similar materials.

Contributed services recognized are comprised of advertising, technology, real estate, and general labor services. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.

#### Note 13. Retirement Plan

HFHSTW adopted a defined contribution plan, which allows eligible participating employees to contribute by salary reduction pursuant to Section 401(k) of the IRC. The plan allows HFHSTW to contribute a discretionary amount on a uniform basis to all participants, 50% of a participant's contribution up to 3% of compensation. HFHSTW's contribution to the plan totaled \$17,562 and \$22,976 for the years ended June 30, 2022 and 2021, respectively.

#### Note 14. Operating Leases

During the year ended June 30, 2022, HFHSTW renewed an operating lease for a construction warehouse. Lease expense related to the warehouse totaled \$15,250 and \$15,000 for the years ended June 30, 2022 and 2021.

During the year ended June 30, 2021, HFHSTW renewed an operating lease for an administrative office space. Lease expense related to the office space totaled \$16,200 for the years ended June 30, 2022 and 2021.

## HABITAT FOR HUMANITY ST. TAMMANY WEST

### Notes to Financial Statements

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#### Note 14. Operating Leases (Continued)

During the year ended June 30, 2019, HFHSTW renewed an operating lease for a freightliner truck to be used in ReStore operations. Lease expense related to the freightliner totaled \$16,718 and \$15,765 for the years ended June 30, 2022 and 2021, respectively.

HFHSTW has operating leases for three color copiers. Lease expense related to the copiers totaled \$8,169 and \$8,888 for the years ended June 30, 2022 and 2021, respectively.

Future minimum lease payments are as follows:

Year Ending June 30,	Amount
2023	\$ 49,436
2024	25,092
2025	16,604
2026	5,074
2027	2,960
<b>Total</b>	<b>\$ 99,166</b>

#### Note 15. Related-Party Transactions

HFHSTW annually remits a portion of its contributions without donor restrictions (excluding in-kind contributions) to Habitat for Humanity International. These funds are used to construct homes in economically depressed areas around the world. HFHSTW contributed \$12,000 for the years ended June 30, 2022 and 2021 to Habitat for Humanity International, which is included in other operating costs on the statements of functional expenses.

#### Note 16. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 24, 2022, and determined that the following event occurred that required disclosure.

On August 23, 2022, the NMTC financing through HFHI-NMTC Sub CDE I, LLC, was completed, and the QLICI note payable of \$1,495,639 was cancelled and forgiven. The investment in HFHI-NMTC Sub CDE I, LLC was liquidated as part of the transaction. HFHSTW recognized net cancellation of debt income in the amount of \$473,698.

No further subsequent events occurring after October 24, 2022 have been evaluated for inclusion in these financial statements.

## **SUPPLEMENTARY INFORMATION**

**HABITAT FOR HUMANITY ST. TAMMANY WEST**  
**Schedule of Compensation, Benefits, and Other Payments to**  
**Agency Head**  
**For the Year Ended June 30, 2022**

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Louisiana Revised Statute (R.S.) 24:513(A)(3) as amended by Act 706 of the 2014 Regular Legislative Session requires that the total compensation, reimbursements, and benefits of an agency head or political subdivision head or chief executive officer related to the position, including but not limited to travel, housing, unvouchered expense, per diem, and registration fees to be reported as a supplemental report within the financial statement or local government and quasi-public auditees. In 2015, Act 462 of the 2015 Regular Session of the Louisiana Legislature further amended R.S. 24:513(A)(3) to clarify that nongovernmental entities or not-for-profit entities that received public funds shall report only the use of public funds for the expenditures itemized in the supplemental report.

**Agency Head**  
 Terri Gage, President/CEO

<b>Purpose</b>	<b>Amount</b>
Salary	\$0
Benefits - Insurance	\$0
Benefits - Retirement	\$0
Benefits - Other	\$0
Car Allowance	\$0
Vehicle Provided by Government	\$0
Per Diem	\$0
Reimbursements	\$0
Travel	\$0
Registration Fees	\$0
Conference Travel	\$0
Continuing Professional Education Fees	\$0
Housing	\$0
Unvouchered Expenses	\$0
Special Meals	\$0

See independent auditor's report.

**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***

Independent Auditor's Report

To the Board of Directors  
Habitat for Humanity St. Tammany West

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 St. Tammany West (HFHSTW) which comprise the statement of financial position as of June 30, 2022, the related statements of activities and changes in net assets, 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 October 24, 2022.

**Report on Internal Control over Financial Reporting**

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

**Report on Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

Covington, LA  
October 24, 2022

**HABITAT FOR HUMANITY ST. TAMMANY WEST**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2022**

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**Part I - Summary of Auditor's Results**

Financial Statements

- |  |               |
|--|---------------|
| 1. Type of auditors' report issued:                          | Unmodified    |
| 2. Internal control over financial reporting:                |               |
| a. Material weaknesses identified?                           | No            |
| b. Significant deficiencies identified?                      | None Reported |
| 3. Noncompliance material to the financial statements noted? | No            |

Federal Awards

Not applicable.

**Part II - Financial Statement Findings**

None noted.

**HABITAT FOR HUMANITY ST. TAMMANY WEST**  
**Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2022**

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None noted.