

**HABITAT FOR HUMANITY
ST. TAMMANY WEST**

Audits of Financial Statements

June 30, 2023 and 2022



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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, 2023 and 2022, 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, 2023 and 2022, 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 purpose of forming an opinion on the financial statements 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 XX, 2023 on our consideration of HFHSTW's internal control over financial reporting and on 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 Professional Accounting Corporation

Covington, LA
October 22, 2023

HABITAT FOR HUMANITY ST. TAMMANY WEST
Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 264,934	\$ 570,859
Restricted Cash	156,593	52,291
Receivable from Mortgager	251,666	-
Mortgage Notes Receivable, Current Portion, Net	251,643	260,715
Notes Receivable - Microfinance Fund	5,366	3,127
Pledges Receivable, Current Portion, Net	2,680	38,978
Grants Receivable	210,961	65,496
Accounts Receivable	306,203	94,272
Inventory	18,941	23,316
Other Assets	21,388	18,719
Construction in Progress	238,364	684,991
Total Current Assets	1,728,739	1,812,764
Property and Equipment		
Building and Improvements	1,672,460	1,638,749
Vehicles	151,177	151,177
Office Furniture and Equipment	139,614	129,864
	<u>1,963,251</u>	<u>1,919,790</u>
Less: Accumulated Depreciation	<u>(1,094,382)</u>	<u>(1,012,166)</u>
	868,869	907,624
Land	320,345	320,345
Total Property and Equipment, Net	1,189,214	1,227,969
Other Assets		
Long-Term Portion of Mortgage Notes Receivable, Net of Unamortized Discounts	1,428,851	1,488,227
Long-Term Portion of Pledges Receivable	3,600	20,400
Investment in HFHI NMTC Sub-CDE I, LLC	-	1,021,941
Land Held for Future Home Sites	777,717	993,888
Operating Lease Right-of-Use Assets	78,383	-
Other	175,457	167,738
Total Other Assets	2,464,008	3,692,194
Total Assets	\$ 5,381,961	\$ 6,732,927

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

HABITAT FOR HUMANITY ST. TAMMANY WEST
Statements of Financial Position (Continued)
June 30, 2023 and 2022

	2023	2022
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 114,043	\$ 139,736
Accrued Payroll and Other Expenses	142,349	156,600
Current Portion of Operating Lease Liabilities	47,877	-
Current Maturities of Notes Payable	27,213	26,178
Deferred Revenue	10,760	11,698
Escrow Deposits	355,501	(2,613)
Total Current Liabilities	697,743	331,599
Long-Term Liabilities		
Long-Term Portion of Operating Lease Liabilities, Net	31,196	-
Long-Term Portion of Notes Payable, Net	403,599	430,810
QLICI Note Payable	-	1,495,639
Less: Loan Obligation Costs, Net	-	(71,421)
Total Long-Term Liabilities	434,795	1,855,028
Total Liabilities	1,132,538	2,186,627
Net Assets		
Without Donor Restrictions	4,243,143	4,486,922
With Donor Restrictions	6,280	59,378
Total Net Assets	4,249,423	4,546,300
Total Liabilities and Net Assets	\$ 5,381,961	\$ 6,732,927

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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Support			
Sales of Houses			
Sales Revenue	\$ 1,421,402	\$ -	\$ 1,421,402
Less: Mortgage Notes Receivable Discount	(932,172)	-	(932,172)
Amortization of Mortgage Notes			
Receivable Discount	171,531	-	171,531
ReStore Revenues	1,213,745	-	1,213,745
Grants	787,041	-	787,041
Contributions	105,200	-	105,200
Event Revenues			
Event Income	311,904	-	311,904
Event Expenses	(17,675)	-	(17,675)
Contributed Nonfinancial Assets	9,553	-	9,553
Gain on Sale of Mortgages Receivable	842,834	-	842,834
Net Realized Gain on NMTC Sub-CDE I, LLC	412,480	-	412,480
Other Revenue	122,324	-	122,324
	<u>4,448,167</u>	<u>-</u>	<u>4,448,167</u>
Net Assets Released from Restrictions	<u>53,098</u>	<u>(53,098)</u>	<u>-</u>
Total Revenues, Gains, and Support	<u>4,501,265</u>	<u>(53,098)</u>	<u>4,448,167</u>
Expenses and Losses			
Program Services			
Housing	3,068,862	-	3,068,862
ReStore	1,020,900	-	1,020,900
Supporting Services			
Management and General	343,268	-	343,268
Fundraising	312,014	-	312,014
Total Expenses	<u>4,745,044</u>	<u>-</u>	<u>4,745,044</u>
Change in Net Assets	(243,779)	(53,098)	(296,877)
Net Assets, Beginning of Year	<u>4,486,922</u>	<u>59,378</u>	<u>4,546,300</u>
Net Assets, End of Year	<u>\$ 4,243,143</u>	<u>\$ 6,280</u>	<u>\$ 4,249,423</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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Support			
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
Contributed Nonfinancial Assets	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>
Net Assets Released from Restrictions	<u>48,650</u>	<u>(48,650)</u>	<u>-</u>
Total Revenues, Gains, and Support	<u>3,488,355</u>	<u>(48,650)</u>	<u>3,439,705</u>
Expenses and Losses			
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
Total Expenses	<u>3,172,381</u>	<u>-</u>	<u>3,172,381</u>
Change in Net Assets	315,974	(48,650)	267,324
Net Assets, Beginning of Year	<u>4,170,948</u>	<u>108,028</u>	<u>4,278,976</u>
Net Assets, End of Year	<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 Functional Expenses
For the Year Ended June 30, 2023

	<u>Program Services</u>		Total Program Services	<u>Supporting Services</u>		Total Supporting Services	Total
	Housing	ReStore		Management and General	Fundraising		
Wages	\$ 717,860	\$ 421,868	\$ 1,139,728	\$ 236,211	\$ 192,695	\$ 428,906	\$ 1,568,634
Occupancy							
Interest	25,825	4,513	30,338	1,453	271	1,724	32,062
Utilities	20,167	32,923	53,090	5,125	4,371	9,496	62,586
Insurance	37,907	16,389	54,296	4,230	4,496	8,726	63,022
Repairs and Maintenance	11,035	49,408	60,443	1,482	696	2,178	62,621
Total Occupancy	94,934	103,233	198,167	12,290	9,834	22,124	220,291
Operating							
Direct Construction Costs	1,905,050	-	1,905,050	-	-	-	1,905,050
Cost of Goods Sold	-	33,608	33,608	-	-	-	33,608
Supplies and General	19,254	10,146	29,400	4,441	1,502	5,943	35,343
Vehicle Fuel, Insurance, and Maintenance	6,497	11,922	18,419	304	113	417	18,836
Other Operating Costs	105,821	130,424	236,245	26,529	58,645	85,174	321,419
Total Operating	2,036,622	186,100	2,222,722	31,274	60,260	91,534	2,314,256
Administrative							
Payroll Taxes and Benefits	153,052	83,378	236,430	25,571	36,741	62,312	298,742
Professional Fees	51,633	162,032	213,665	35,541	11,700	47,241	260,906
Total Administrative	204,685	245,410	450,095	61,112	48,441	109,553	559,648
Depreciation	14,761	64,289	79,050	2,381	784	3,165	82,215
Total Functional Expenses	\$ 3,068,862	\$ 1,020,900	\$ 4,089,762	\$ 343,268	\$ 312,014	\$ 655,282	\$ 4,745,044

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>		Total Program Services	<u>Supporting Services</u>		Total Supporting Services	Total
	Housing	ReStore		Management and General	Fundraising		
Wages	\$ 585,671	\$ 384,964	\$ 970,635	\$ 229,834	\$ 191,246	\$ 421,080	\$ 1,391,715
Occupancy							
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
Total Occupancy	87,405	71,249	158,654	11,065	8,788	19,853	178,507
Operating							
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
Total Operating	763,149	152,625	915,774	39,841	34,207	74,048	989,822
Administrative							
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
Total Administrative	186,584	233,435	420,019	71,171	43,673	114,844	534,863
Depreciation	11,122	64,000	75,122	1,568	784	2,352	77,474
Total Functional Expenses	\$ 1,633,931	\$ 906,273	\$ 2,540,204	\$ 353,479	\$ 278,698	\$ 632,177	\$ 3,172,381

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, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in Net Assets	\$ (296,877)	\$ 267,324
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities		
Depreciation and Amortization	82,215	91,228
Gain on Disposal of Assets	-	(6,049)
Gain on Sale of Mortgage Notes Receivable	(842,834)	(622,889)
Realized Gain on NMTC Sub-CDE I, LLC	(412,480)	-
Loss (Income) from HFHI NMTC Sub-CDE I, LLC	10,203	(10,203)
Paycheck Protection Program Loan Forgiveness	-	(285,200)
Donation of Land Held for Future Home Sites	(6,000)	-
(Increase) Decrease in Assets		
Receivable from Mortgagor	(251,666)	
Mortgage Notes Receivable	(917,417)	(276,750)
Notes Receivable - Microfinance Fund	(2,239)	1,433
Pledges Receivable	53,098	48,650
Grants Receivable	(145,465)	87,723
Accounts Receivable	(211,931)	(8,597)
Inventory	4,375	(10,271)
Other Assets	(10,388)	(807)
Operating Right-of-Use Assets	(78,383)	-
Construction in Progress	446,627	(395,887)
Increase (Decrease) in Liabilities		
Accounts Payable	(25,693)	71,962
Accrued Payroll and Other Expenses	(14,251)	36,928
Operating Lease Liabilities	79,073	-
Deferred Revenue	(938)	(37,842)
Escrow Deposits	358,114	(107,744)
Net Cash Used in Operating Activities	(2,182,857)	(1,156,991)
Cash Flows from Investing Activities		
Distribution from HFHI NMTC Sub-CDE I, LLC	-	10,203
Purchases of Property and Equipment	(43,460)	(52,536)
Proceeds from Sale of Property and Equipment	-	108,227
Proceeds from Sale of Other Assets	-	90,848
Proceeds from Sale of Mortgage Notes Receivable	1,828,699	1,081,208
Proceeds from Sale of Land Held for Future Home Sites	262,171	79,000
Purchases of Land Held for Future Home Sites	(40,000)	(459,317)
Net Cash Provided by Investing Activities	2,007,410	857,633

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, 2023 and 2022

	2023	2022
Cash Flows from Financing Activities		
Proceeds from Line of Credit	575,000	200,000
Repayments of Line of Credit	(575,000)	(200,000)
Principal Payments on Notes Payable	(26,176)	(43,828)
	<u>(26,176)</u>	<u>(43,828)</u>
Net Cash Used in Financing Activities	(26,176)	(43,828)
Net Decrease in Cash, Cash Equivalents, and Restricted Cash	(201,623)	(343,186)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	623,150	966,336
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 421,527	\$ 623,150
Supplemental Disclosures of Cash Flow Information		
Cash Paid During the Year for Interest	<u>\$ 32,062</u>	<u>\$ 30,821</u>
Non-Cash Donations of Materials, Supplies, and Other	<u>\$ 9,553</u>	<u>\$ 39,630</u>

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

HABITAT FOR HUMANITY ST. TAMMANY WEST

Notes to Financial Statements

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 40 years, HFHSTW has been offering a hand up, not a handout, to its partner families. All 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

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, 2023 and 2022. 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 carried as unpaid principal balances, 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, 2023 and 2022, and, therefore, no allowance for losses has been provided.

HABITAT FOR HUMANITY ST. TAMMANY WEST

Notes to Financial Statements

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, 2023 and 2022, the allowance for uncollectible amounts totaled \$340 and \$3,505, 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, 2023 and 2022.

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, 2023 and 2022, inventory totaled \$18,941 and \$23,316, 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, 2023 and 2022, construction in progress included:

	2023	2022
New Homes Under Construction	\$ 238,364	\$ 684,991
Total Construction in Progress	\$ 238,364	\$ 684,991

Property and Equipment

Property and equipment consist of land, buildings and improvements, office furniture and equipment, and vehicles, and are stated at acquisition cost for purchased items or fair market value at date of donation for contributed items, 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, 2023 and 2022, depreciation expense totaled \$82,215 and \$77,474, respectively.

HABITAT FOR HUMANITY ST. TAMMANY WEST

Notes to Financial Statements

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 were capitalized and amortized over the estimated life of the related note payable. Financing and loan acquisition costs totaled \$165,407 as of June 30, 2022. Accumulated amortization totaled \$93,986 as of June 30, 2022. The New Markets Tax Credit investment was liquidated and the related loan and loan obligation costs balances were settled during the year ended June 30, 2023. See Note 7.

Compensated Absences

Accumulated paid time off is payable upon termination of employment and is accrued. HFHSTW's obligation as of June 30, 2023 and 2022 totaled \$68,957 and \$62,234, 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 statements of activities and 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

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.

Contributed Services of Volunteers and Other Nonfinancial Contributions

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 contributed 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 \$300 and \$23,500 for the years ended June 30, 2023 and 2022, respectively.

Donations of materials, supplies, and other nonfinancial contributions totaled \$9,253 and \$16,130 for the years ended June 30, 2023 and 2022, 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

Note 1. Summary of Significant Accounting Policies (Continued)

Sales Tax

The State of Louisiana (the State) 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, 2023 and 2022, HFHSTW remitted state sales taxes totaling \$115,226 and \$88,415, respectively. Sales tax collected and paid is not reported as revenues and expenses on the statements of activities and changes in net assets.

Leases

In February 2016, the FASB issued ASC Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the income statement. HFHSTW adopted Topic 842 on July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, HFHSTW has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with HFHSTW's historical accounting treatment under ASC Topic 840, *Leases*.

HFHSTW elected the "package of practical expedients" under the transition guidance within Topic 842, in which HFHSTW does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. HFHSTW has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2022.

HFHSTW determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract, and (ii) HFHSTW obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. HFHSTW also considers whether its service arrangements include the right to control the use of an asset.

HABITAT FOR HUMANITY ST. TAMMANY WEST

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Leases (Continued)

HFHSTW made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, HFHSTW made an accounting policy election available to non-public companies to utilize a risk-free rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

HFHSTW has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The non-lease components typically represent additional services transferred to HFHSTW, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to HFHSTW's operating leases of approximately \$129,000 and \$129,000, respectively, at July 1, 2022. The adoption of the new lease standard did not materially impact net earnings or cash flows and did not result in a cumulative-effect adjustment to the opening balance of retained earnings.

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, 2023 and 2022, advertising costs totaled \$13,704 and \$10,945, 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.

HABITAT FOR HUMANITY ST. TAMMANY WEST

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements - Pending Adoption

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement activities and changes in net assets as the amounts expected to be collected change. ASU 2016-13 is effective for the HFHSTW as of July 1, 2023. HFHSTW is currently evaluating the impact of adopting this new guidance on its financial statements and does not expect the impact to be significant.

Reclassification

Certain prior year amounts have been reclassified for consistency with the current year presentation.

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, 2023, financial assets available for general operating purposes within one year of the statement of financial position date consist of the following:

Cash and Cash Equivalents	\$	264,934
Mortgage Notes Receivable, Current Portion, Net		251,643
Pledges Receivable, Current Portion, Net		2,680
Grants Receivable		210,961
Accounts Receivable		306,203
Total	\$	1,036,421

HABITAT FOR HUMANITY ST. TAMMANY WEST

Notes to Financial Statements

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,	
	2023	2022
Cash and Cash Equivalents	\$ 264,934	\$ 570,859
Restricted Cash - Expense Reserve	938	938
Restricted Cash - Microfinance Fund	51,820	53,966
Restricted Cash - Escrow Deposits	103,835	(2,613)
Total	\$ 421,527	\$ 623,150

HFHSTW services the mortgages on the homes it sells. Restricted cash for escrow deposits as of June 30, 2023 and 2022 was \$103,835 and \$(2,613), respectively. Due to a reduction in property insurance providers in Louisiana, insurance premiums have increased, resulting in a deficit in many homeowner's escrow accounts due to fixed monthly payments. The sum of homeowner accounts with deficit escrow is \$251,666, which is presented as a receivable from the mortgagor on the statement of net position. There is a contra-liability account on the books that cancels out the cash and receivable balances, resulting in no actual outstanding liability or asset for HFHSTW.

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, 2023 and 2022 was \$938.

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, 2023 and 2022 was \$51,820 and \$53,966, 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.

HABITAT FOR HUMANITY ST. TAMMANY WEST

Notes to Financial Statements

Note 4. Concentration of Credit Risk (Continued)

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, 2023, HFHSTW did not have cash deposits in excess of the insured limits.

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 40 years and bearing -0-% interest. As of June 30, 2023, HFHSTW held 90 non-interest-bearing loans, with none pledged to secure certain notes payable. As of June 30, 2022, HFHSTW held 114 non-interest-bearing loans, with none pledged to secure certain notes payable.

During the year ended June 30, 2023, HFHSTW sold 9 of its loans (\$1,282,699 gross carrying value) to a financial institution. The sales prices were 100% of face value. 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. 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, 2023 and 2022 no delinquent loans were repurchased and replaced.

As of June 30, 2023 and 2022, a summary of the mortgage notes receivable was:

	2023	2022
Mortgage Notes Receivable	\$ 3,297,094	\$ 3,426,816
Unamortized Discount	(1,616,600)	(1,677,874)
Mortgage Notes Receivable, Net	\$ 1,680,494	\$ 1,748,942
Current Portion	\$ 251,643	\$ 260,715
Long-Term	1,428,851	1,488,227
Total	\$ 1,680,494	\$ 1,748,942

HABITAT FOR HUMANITY ST. TAMMANY WEST

Notes to Financial Statements

Note 5. Mortgage Notes Receivable (Continued)

As of June 30, 2023, contractual maturities of mortgage notes receivable were as follows:

Year Ending June 30,	Amount
2024	\$ 251,643
2025	252,820
2026	245,964
2027	241,323
2028	234,571
Thereafter	<u>2,070,773</u>
Total	<u>\$ 3,297,094</u>

Note 6. Pledges Receivable

During 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 \$38,023 and \$17,391 of pledges deemed to be uncollectible as of June 30, 2023 and 2022, respectively.

As of June 30, 2023 and 2022, a summary of the CPB pledges receivable is as follows:

	2023	2022
Pledges Receivable, Beginning of Year	\$ 63,853	\$ 115,794
Less:		
Cash Received	(19,030)	(34,550)
Write-Offs	<u>(38,023)</u>	<u>(17,391)</u>
Pledges Receivable, End of Year	6,800	63,853
Unamortized Discount	(180)	(970)
Allowance for Doubtful Promises	<u>(340)</u>	<u>(3,505)</u>
Pledges Receivable, Net	<u>\$ 6,280</u>	<u>\$ 59,378</u>
Current Portion	\$ 2,680	\$ 38,978
Long-Term	<u>3,600</u>	<u>20,400</u>
Total	<u>\$ 6,280</u>	<u>\$ 59,378</u>

HABITAT FOR HUMANITY ST. TAMMANY WEST

Notes to Financial Statements

Note 6. Pledges Receivable (Continued)

Future maturities of pledges receivable are as follows:

Year Ending June 30,	Amount
2024	\$ 2,680
2025	1,200
2026	1,200
2027	1,200
Total	\$ 6,280

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 was \$1,021,941. Income earned on the investment in HFHI NMTC Sub-CDE I, LLC totaled \$10,203 for the year ended June 30, 2022 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 accrued 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 was to be reduced by a 21-year amortization at the same rate of 0.682%. Interest expense on this note totaled \$10,203 for the year ended June 30, 2022. Included in the statements of financial position as of June 30, 2022 is \$71,421 of unamortized closing costs related to the NMTC. These costs were being amortized on a straight-line basis from 7 to 30 years.

On August 23, 2022, the NMTC financing through HFHI-NMTC Sub CDE I, LLC, was completed. The QLICI note payable of \$1,495,639 was cancelled and forgiven and the investment in HFHI NMTC Sub CDE I, LLC of \$1,021,941 was liquidated, resulting in a net gain of \$412,480 included in the statement of activities and changes in net assets for the year ended June 30, 2023.

HFHSTW was subject to certain financial covenants under the loan agreement with a community development entity. HFHSTW was 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, HFHSTW was in compliance with these covenants.

HABITAT FOR HUMANITY ST. TAMMANY WEST

Notes to Financial Statements

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, 8.25% as of June 30, 2023, with an original maturity date of February 19, 2014. This line of credit has been renewed annually and has a current maturity date of December 13, 2027. 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, 2023 and 2022.

For the years ended June 30, 2023 and 2022, interest expense on the line of credit totaled \$9,895 and \$1,526, respectively.

Note 9. Note Payable

As of June 30, 2023 and 2022, HFHSTW had the following note payable:

	2023	2022
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.	\$ 430,812	\$ 456,988
	430,812	456,988
Less: Current Portion	(27,213)	(26,178)
Long-Term Portion	\$ 403,599	\$ 430,810

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

Year Ending June 30,	Amount
2024	\$ 27,213
2025	28,384
2026	375,215
Total	\$ 430,812

Total interest expense for the above note payable totaled \$17,965 and \$19,903 for the years ended June 30, 2023 and 2022, respectively. The carrying value of the ReStore real estate securing the note payable was \$1,075,541 and \$1,870,019 at June 30, 2023 and 2022, respectively.

HABITAT FOR HUMANITY ST. TAMMANY WEST

Notes to Financial Statements

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

As of June 30, 2023 and 2022, HFHSTW's net assets with donor restrictions of \$6,280 and \$59,378, respectively, are time restricted by donors related to pledges receivable. Net assets released from restrictions for the years ended June 30, 2023 and 2022 totaled \$53,098 and \$48,650, 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, 2023 and 2022, the following amounts are included in the statements of activities and changes in net assets:

	2023	2022
Sales of Houses		
Sales Income	\$ 1,421,402	\$ 447,508
Mortgage Discount Expense	(932,172)	(255,681)
Sales of Houses, Net of Discount Expense	\$ 489,230	\$ 191,827
Amortization Income on Mortgage Notes Receivable Discount		
	\$ 171,531	\$ 398,354

Note 12. Contributed Nonfinancial Assets

For the years ended June 30, 2023 and 2022, the following nonfinancial assets were contributed and recognized within the statements of activities and changes in net assets:

	2023	2022
Materials	\$ 9,253	\$ 16,130
Services	300	23,500
Total	\$ 9,553	\$ 39,630

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.

HABITAT FOR HUMANITY ST. TAMMANY WEST

Notes to Financial Statements

Note 12. Contributed Nonfinancial Assets (Continued)

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 \$16,116 and \$17,562 for the years ended June 30, 2023 and 2022, respectively.

Note 14. Leases

HFHSTW leases real estate, including office and warehouse space, and equipment under operating lease agreements that have initial terms ranging from 36 to 60 months. Some leases include one or more options to renew, generally at HFHSTW's sole discretion, with renewal terms that can extend the lease term up to two years. In addition, certain leases contain termination options, where the rights to terminate are held by either HFHSTW, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that HFHSTW will exercise that option. HFHSTW's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term. Operating lease cost was \$67,646 for the year ended June 30, 2023.

HABITAT FOR HUMANITY ST. TAMMANY WEST

Notes to Financial Statements

Note 14. Leases (Continued)

Future undiscounted cash flows and a reconciliation to the lease liabilities recognized on the statement of net position are as follows as of June 30, 2023:

Years ending June 30	Operating Leases
2024	\$ 47,877
2025	26,076
2026	5,076
2027	2,768
Total Lease Payments	<u>81,797</u>
Less: Imputed Interest	<u>(2,724)</u>
Total Present Value of Lease Liabilities	<u><u>\$ 79,073</u></u>

The weighted-average remaining lease term for HFHSTW's operating leases is 1.9 years. The weighted-average discount rate for HFHSTW's operating leases is 3.57%.

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, 2023 and 2022 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 22, 2023, and determined that no events required disclosure. No events occurring after this date 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, 2023

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

Purpose	Amount
Salary	\$7,225
Benefits - Insurance	\$1,111
Benefits - Retirement	\$217
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, 2023, 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 XX, 2023.

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 handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Covington, LA
October 22, 2023

HABITAT FOR HUMANITY ST. TAMMANY WEST
Schedule of Findings and Responses
For the Year Ended June 30, 2023

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, 2023

None noted.