



Habitat for Humanity of Central Arkansas, Inc.

**Consolidated Financial Statements
and
Supplementary Information
June 30, 2024 and 2023**

(With Independent Auditor's Report Thereon)

Habitat for Humanity of Central Arkansas, Inc.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Habitat for Humanity of Central Arkansas, Inc.
Little Rock, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of **Habitat for Humanity of Central Arkansas, Inc., and its subsidiary (the Organization)** which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2024 and 2023, 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 Consolidated Financial Statements section of our report. We are required to be independent of the Organization 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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, misrepresentation, 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 consolidated 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 consolidated 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 consolidated 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 the Organization’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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization’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 audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and supplementary consolidating information are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements.

The Board of Directors
Habitat for Humanity of Central Arkansas, Inc.

Supplementary Information (Continued)

The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated 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 December 17, 2024, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 the Organization's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Landmark PLC".

Little Rock, Arkansas
December 17, 2024

Consolidated Financial Statements

Habitat for Humanity of Central Arkansas, Inc.

Consolidated Statements of Financial Position June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 1,109,237	\$ 998,076
Restricted cash and cash equivalents	567,081	1,206,114
Grants receivable	74,106	50,000
Mortgages receivable, net	1,869,618	1,360,010
Homes under construction	516,595	356,393
Lease purchase agreements	64,970	83,208
Prepaid expenses and other assets	47,419	8,561
Property and equipment, net	1,322,282	1,301,998
Land held for development	298,731	151,040
Right of use assets - operating leases	41,928	69,192
Endowment assets	1,748,749	1,372,180
TOTAL ASSETS	<u><u>\$ 7,660,716</u></u>	<u><u>\$ 6,956,772</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 94,309	\$ 40,479
Accrued expenses and other liabilities	81,316	71,939
Operating lease liabilities	41,928	69,192
Total Liabilities	<u>217,553</u>	<u>181,610</u>
Net Assets		
Without donor restrictions	7,361,461	6,679,432
With donor restrictions	81,702	95,730
Total Net Assets	<u>7,443,163</u>	<u>6,775,162</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 7,660,716</u></u>	<u><u>\$ 6,956,772</u></u>

See accompanying notes to consolidated financial statements.

Habitat for Humanity of Central Arkansas, Inc.

Consolidated Statements of Activities Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Revenues, Support and Reclassifications Without Donor Restrictions		
Home sales	\$ 1,812,121	\$ 808,100
ReStore sales	1,556,765	1,286,523
Federal awards	491,059	553,632
Grant income	367,000	157,500
Contributions of cash and other financial assets	343,326	242,089
Contributions of nonfinancial assets	246,237	193,674
Mortgage discount amortization	341,988	334,035
Fundraisers	206,710	218,250
Investment income	271,182	130,205
Miscellaneous income	-	40,250
	<u>5,636,388</u>	<u>3,964,258</u>
Net assets released from restrictions	95,730	-
Total Revenues, Support and Reclassifications Without Donor Restrictions	<u>5,732,118</u>	<u>3,964,258</u>
Expenses		
Program services	4,498,745	2,732,563
Management and general	340,990	317,150
Fundraising	210,354	173,594
Total Expenses	<u>5,050,089</u>	<u>3,223,307</u>
Increase in Net Assets Without Donor Restrictions	<u>682,029</u>	<u>740,951</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	81,702	95,730
Net assets released from restrictions	(95,730)	-
(Decrease) Increase in Net Assets With Donor Restrictions	<u>(14,028)</u>	<u>95,730</u>
INCREASE IN TOTAL NET ASSETS	668,001	836,681
NET ASSETS, BEGINNING OF YEAR	<u>6,775,162</u>	<u>5,938,481</u>
NET ASSETS, END OF YEAR	<u><u>\$ 7,443,163</u></u>	<u><u>\$ 6,775,162</u></u>

See accompanying notes to consolidated financial statements.

Habitat for Humanity of Central Arkansas, Inc.

Consolidated Statement of Functional Expenses Year Ended June 30, 2024

	Program Services		Supporting Services		Total
	Program Services	ReStore Operations	Management and General	Fundraising	
Salaries and benefits	\$ 146,062	\$ 509,266	\$ 223,920	\$ 151,841	\$ 1,031,089
Payroll taxes	14,849	31,593	14,470	8,242	69,154
Cost of homes sold	2,158,698	-	-	-	2,158,698
Resale merchandise	-	152,576	-	-	152,576
Depreciation	5,346	69,916	2,995	-	78,257
Insurance	9,384	69,342	9,385	-	88,111
Mortgage discounts	1,117,535	-	-	-	1,117,535
Supplies	2,490	12,283	9,843	4,914	29,530
Professional fees	9,282	-	15,500	-	24,782
Computer and internet	4,587	8,778	13,762	6,478	33,605
Advertising	-	10,299	-	2,291	12,590
Automobile and fuel	1,968	40,017	-	-	41,985
Repairs and maintenance	17,313	22,664	-	-	39,977
Dues and subscriptions	15,000	-	7,071	541	22,612
Conferences	280	600	19,868	1,122	21,870
Tithes	15,000	-	-	-	15,000
Other	30,993	22,624	24,176	34,925	112,718
	<u>\$ 3,548,787</u>	<u>\$ 949,958</u>	<u>\$ 340,990</u>	<u>\$ 210,354</u>	<u>\$ 5,050,089</u>

See accompanying notes to consolidated financial statements.

Habitat for Humanity of Central Arkansas, Inc.

Consolidated Statement of Functional Expenses Year Ended June 30, 2023

	Program Services		Supporting Services		Total
	Program Services	ReStore Operations	Management and General	Fundraising	
Salaries and benefits	\$ 131,063	\$ 484,821	\$ 220,557	\$ 110,999	\$ 947,440
Payroll taxes	14,041	31,151	13,902	7,190	66,284
Cost of homes sold	1,128,184	-	-	-	1,128,184
Resale merchandise	-	111,095	-	-	111,095
Taxes and licenses	925	-	103	-	1,028
Depreciation	3,372	60,683	3,371	-	67,426
Insurance	9,425	26,401	9,425	-	45,251
Mortgage discounts	499,226	-	-	-	499,226
Supplies	2,081	13,383	6,245	-	21,709
Professional fees	7,725	-	16,451	-	24,176
Utilities	-	41,013	-	-	41,013
Computer and internet	8,466	12,910	25,400	-	46,776
Advertising	-	7,633	-	26,765	34,398
Automobile and fuel	-	43,031	-	-	43,031
Repairs and maintenance	19,301	24,463	-	-	43,764
Dues and subscriptions	15,000	-	3,377	-	18,377
Conferences	3,384	-	3,667	-	7,051
Tithes	15,500	-	-	-	15,500
Other	1,221	17,065	14,652	28,640	61,578
	<u>\$ 1,858,914</u>	<u>\$ 873,649</u>	<u>\$ 317,150</u>	<u>\$ 173,594</u>	<u>\$ 3,223,307</u>

See accompanying notes to consolidated financial statements.

Habitat for Humanity of Central Arkansas, Inc.

Consolidated Statements of Cash Flows Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Total Net Assets	\$ 668,001	\$ 836,681
Adjustments to Reconcile Increase in Total Net		
Assets to Net Cash (Used) Provided by Operating Activities		
Depreciation	78,257	67,426
Change in value of endowment fund	(376,569)	(529,098)
Mortgage loan discount amortization	(341,988)	(334,035)
Mortgage discounts	1,117,535	499,226
New mortgage loans issued	(1,812,121)	(670,413)
Principal payments received on mortgage loans	526,966	556,393
Principal payments received on lease purchase agreements	18,238	5,387
Contributed land held for development	(110,000)	-
Changes in operating assets and liabilities:		
Homes under construction	(160,202)	(139,225)
Prepays and other assets	(38,858)	58,956
Grants receivable	(24,106)	(736)
Accounts receivable	-	43,565
Accounts payable	53,830	7,826
Accrued expenses and other liabilities	9,377	(4,976)
Refundable advances	-	(38,076)
Net Cash (Used) Provided by Operating Activities	<u>(391,640)</u>	<u>358,901</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(136,232)	(27,000)
Net Cash Used by Investing Activities	<u>(136,232)</u>	<u>(27,000)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(527,872)	331,901
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,204,190</u>	<u>1,872,289</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,676,318</u>	<u>\$ 2,204,190</u>
 SUPPLEMENTAL DISCLOSURES		
Cash and cash equivalents	\$ 1,109,237	\$ 998,076
Restricted cash and cash equivalents	567,081	1,206,114
	<u>\$ 1,676,318</u>	<u>\$ 2,204,190</u>

See accompanying notes to consolidated financial statements.

Habitat for Humanity of Central Arkansas, Inc.

Notes to Consolidated Financial Statements June 30, 2024 and 2023

NOTE 1: NATURE OF ACTIVITIES

Habitat for Humanity of Central Arkansas, Inc. (“HHCA”) was incorporated on July 11, 1989. HHCA is an affiliate of Habitat for Humanity International, Inc. (“HFHI”), a nondenominational Christian non-profit organization whose purpose is to create decent, affordable housing for those in need and to make decent shelter a matter of conscience with people everywhere. Although HFHI assists with information resources, training, publication, prayer support and in other ways, HHCA is primarily and directly responsible for its own operations.

HHCA also operates a ReStore with the purpose of providing funding for the Organization’s mission. Individuals donate household items and other goods for resale. The proceeds from the resale benefit HHCA.

Additionally, in an effort to increase the supply of affordable housing units in Pulaski County, HHCA established Pulaski County Neighborhood Alliance for Habitat (“PCNAFH”), which is considered a community housing development organization exempt from income tax under IRS Section 501(c)(3). The primary purpose of the PCNAFH is to assist with obtaining additional funding that is specifically reserved for community housing development organizations.

These consolidated financial statements include the balances and transactions of HHCA and PCNAFH (collectively, “the Organization”). All intercompany balances and transactions have been eliminated in consolidation.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation

The Organization reports information regarding its financial position and activities according to the following two classes of net assets:

Net Assets without Donor Restrictions – Net assets that are not subject to or are no longer subject to donor-imposed restrictions.

Net Assets with Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Cash and Cash Equivalents

Cash and cash equivalents include all cash on hand, demand deposit accounts held at financial institutions, money market funds held with investment banking firms and liquid investments with original maturities of three months or less. Restricted cash and cash equivalents consists of cash deposited specifically for the construction of future homes.

Habitat for Humanity of Central Arkansas, Inc.

Notes to Consolidated Financial Statements June 30, 2024 and 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents (Continued)

At times during the years ended June 30, 2024 and 2023, cash, cash equivalents and certificates of deposit balances exceeded amounts insured by the Federal Deposit Insurance Corporation (FDIC) or the Securities Investor Protection Corporation (SIPC) and were not collateralized. In the event of an institutional failure, the excess of cash balances over FDIC or SIPC insurance limits may not be recoverable. For the years ended June 30, 2024 and 2023, the Organization's balances maintained at multiple financial institutions totaled \$1,766,837 and \$2,574,814, respectively. Of these balances, \$446,770 and \$1,443,892 were not insured or collateralized at June 30, 2024 and 2023.

ReStore Inventory

The Organization accepts non-cash donations for resale through the operation of the ReStore facility. Management has been unable to determine a reasonable estimate for the values of these donations and, as such, the ReStore inventory is not carried on the consolidated statements of financial position. Revenue is recognized at the time of sale. Management believes the effect is immaterial to the consolidated financial statements as a whole.

Contributions and Grants Receivable

Contributions and grants receivable are recorded at the amounts to be received by the grantor, as agreed upon in each grant agreement, where applicable. Once a grant has been received, the receivable is reduced by the amount collected.

Mortgages Receivable

Mortgages receivable consist of non-interest-bearing mortgages, which are secured by real estate and payable in monthly installments over the life of the mortgage. Every effort is made to assist homeowners who have become delinquent in their mortgage payments. However, foreclosure proceedings may be initiated and/or the Organization may accept the deed in lieu of foreclosure where the homeowner mortgage payments are deemed seriously delinquent. Properties acquired through foreclosure or acceptance of a deed in lieu of foreclosure may be sold directly on the open market.

Mortgages receivable entered into at rates substantially below market rates are discounted to net present value using rates provided by HFHI. The discounts are charged directly to the operations at the inception of the mortgage and amortized over the life of the contract. Discount amortization is reported as amortization of note receivable discount in the period amortized.

The Organization has not established an allowance for credit losses as it can reclaim houses through foreclosure in the event that a loan is deemed to be uncollectible, and management believes any reclaimed house can be resold at or above the amount of unpaid, discounted loan principal plus costs to sell the home.

Homes Under Construction

Costs incurred in conjunction with home construction are recorded as homes under construction on the consolidated statements of financial position. When a home is sold, the associated cost is removed from homes under construction and classified to cost of homes sold in the consolidated statements of functional expenses. The specific identification method is used in determining the cost of a home sold.

Habitat for Humanity of Central Arkansas, Inc.

Notes to Consolidated Financial Statements June 30, 2024 and 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease Purchase Agreements

Lease purchase agreements are recorded at the stated lease value on the date of inception.

Property and Equipment

Property and equipment are reported at historical cost or, if donated, at the approximate fair value at the date of donation. It is the policy of the Organization to capitalize property and equipment with an economic life greater than one year with cost in excess of \$5,000.

Major renewals and betterments are capitalized, while normal maintenance and repairs are expensed in the period incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from three to forty years.

The Organization records impairment to its property and equipment if it becomes probable that the carrying value of the assets will not be fully recovered over their estimated lives. Impairments are recorded to reduce the carrying value of the assets to their estimated fair values, determined by the Organization based on facts and circumstances in existence at the time of the determination, estimates of probable future economic conditions and other information. No impairments were required during the years ended June 30, 2024 and 2023.

Land Held for Development

Land held for development includes the cost of land and improvements to land or, if donated, the approximate fair value of the land at the date of the donation, held for future construction of homes.

Refundable Advances

Refundable advances relate to cash received directly from government agencies to assist with the construction of homes. These amounts will be recognized as grant revenue when the home is sold.

Revenue Recognition

Grants and contributions, including unconditional promises to give, are recognized as support in the period received or when the Organization becomes aware that a promise to give has been made, whichever occurs first.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

ReStore sales are recognized as revenue at the time merchandise is transferred to the customer.

Habitat for Humanity of Central Arkansas, Inc.

Notes to Consolidated Financial Statements June 30, 2024 and 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

The Organization receives funds for special events with the intent to increase awareness of the Organization and its programs. A portion of fundraising event revenue is intended to cover the cost of the meal and entertainment provided, although the majority of the revenue consists of donor sponsorships and contributions. Special event revenue is recognized as income as events are held.

Homes are sold to qualified buyers at approximately the cost to build the home. Mortgages are accepted as payment for the homes sold. Any grant funds received to further subsidize the homeowners' purchase price is reflected as grants and awards at the time of sale. There were 12 and 6 homes sold with non-interest-bearing mortgages during the years ended June 30, 2024 and 2023, respectively.

Donated Services

Donated services are recognized as contributions only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. Although a substantial number of uncompensated volunteers have donated significant amounts of their time to the Organization's program services and fundraising activities, the value of these donated services has not been recognized in the consolidated financial statements as the recognition criteria has not been met.

Advertising Expenses

The Organization uses advertising to promote its programs. Advertising costs are expensed as incurred. For the years ended June 30, 2024 and 2023, advertising expenses were approximately \$13,000 and \$34,000, respectively.

Program Services

Program services include construction, ReStore operations, discount on mortgage originations, support of families and education of the general public. Program services also includes the cost of homes sold to homeowners.

Functional Expenses

Expenses are allocated on a functional basis among various program and supporting services. Expenses that can be identified with a specific program or supporting service are recorded directly to the related program or supporting service according to their natural expenditure classification. The Organization allocates these expenses accordingly using time charged to employees and other various methods.

Income Taxes

HHCA and PCNAFH are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and are not private foundations.

Accounting standards require the Organization to evaluate tax positions and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Organization has analyzed the tax

Habitat for Humanity of Central Arkansas, Inc.

Notes to Consolidated Financial Statements June 30, 2024 and 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

positions taken and has concluded that as of June 30, 2024 and 2023, there were no uncertain positions taken or expected to be taken that would require the recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Organization may be subject to audit by the Internal Revenue Service; however, there are currently no audits for any tax periods in progress.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Leases

The Organization records a right-of-use asset and lease liability for significant leases with terms greater than 12 months.

Recently Adopted Accounting Standards

On July 1, 2023, the Organization adopted the Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses* which significantly changes how entities measure credit losses. The most significant change in this standard is a shift from an incurred loss model to an expected loss model.

Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in ASU 2016-13 are contracts receivable. The impact of adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

Habitat for Humanity of Central Arkansas, Inc.

Notes to Consolidated Financial Statements June 30, 2024 and 2023

NOTE 3: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Organization has the following financial assets that could readily be made available within one year of the consolidated statements of financial position to fund expenses without limitations:

	<u>2024</u>	<u>2023</u>
Assets:		
Cash and cash equivalents	\$ 1,676,318	\$ 2,204,190
Grants receivable	74,106	50,000
Endowment assets	<u>1,748,749</u>	<u>1,372,180</u>
Total financial assets	3,499,173	3,626,370
Less:		
Cash restricted for future home construction	(567,081)	(1,206,114)
Restricted portion of endowment assets	<u>(17,200)</u>	<u>(65,899)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,914,892</u></u>	<u><u>\$ 2,354,357</u></u>

NOTE 4: ENDOWMENTS

During the year ended June 30, 2010, the Organization entered into an agreement with the Arkansas Community Foundation (ACF) to create an endowment fund to aid and assist the Organization in carrying out its charitable purpose. The Organization irrevocably invested \$10,000 from an internal designation by the Board of Directors (the Board). Contributions and income of the endowment fund are reported as increases to net assets without donor restrictions. The Organization attempts to ensure preservation of capital and to provide a satisfactory market rate of return in order to provide for current and future needs of the Organization. The income earned thereon is to be utilized for operating expenses incurred by the Organization. As permitted by the spending rate policy adopted by the Board and ACF, generally 4% of the average balance of the endowment fund in excess of \$10,000 is available for distribution on an annual basis. Distributions of approximately \$600 were made during each of the years ended June 30, 2024 and 2023.

During the year ended June 30, 2021, the Organization entered into an agreement with ACF to create a quasi-endowment fund to aid and assist the Organization in carrying out its charitable purpose. The Organization irrevocably invested \$100,000 from an internal designation by the Board. Contributions and income of the quasi-endowment fund are reported as increases to net assets without donor restrictions. The Organization attempts to ensure preservation of capital and to provide a satisfactory market rate of return in order to provide for current and future needs of the Organization. The income earned thereon is to be utilized for operating expenses incurred by the Organization. As permitted by

Habitat for Humanity of Central Arkansas, Inc.

Notes to Consolidated Financial Statements June 30, 2024 and 2023

NOTE 4: ENDOWMENTS (Continued)

the spending rate policy adopted by the Board and ACF, any funds in excess of \$50,000 are available for distribution within the first three years of the formation of the quasi-endowment. After year three, all remaining funds in the quasi-endowment fund become available for distribution. There were no distributions made during the years ended June 30, 2024 and 2023.

The Organization invests the assets of the endowment fund and the quasi-endowment fund in a pooled fund managed by ACF. The Organization's interest in the pooled fund is evidenced by a unit. The value of a unit is calculated based on the fair value of the underlying assets, adjusted for the effects of such transactions as administrative fees and investment income that has not been reinvested in the underlying assets.

Changes in board designated endowment net assets as of June 30, are as follows:

	<u>2024</u>	<u>2023</u>
Endowment funds held at the Arkansas Community Foundation, beginning of year	\$ 15,899	\$ 15,370
Distribution of assets	(600)	(586)
Investment return, net	<u>1,901</u>	<u>1,115</u>
Endowment funds held at the Arkansas Community Foundation, end of year	<u>\$ 17,200</u>	<u>\$ 15,899</u>

Changes in board designated quasi-endowment net assets as of June 30, are as follows:

	<u>2024</u>	<u>2023</u>
Quasi-endowment funds held at the Arkansas Community Foundation, beginning of year	\$ 1,356,281	\$ 827,712
Contribution of assets	197,250	450,000
Investment return, net	<u>178,018</u>	<u>78,569</u>
Quasi-endowment funds held at the Arkansas Community Foundation, end of year	<u>\$ 1,731,549</u>	<u>\$ 1,356,281</u>

NOTE 5: MORTGAGES RECEIVABLE

Mortgages receivable consists of non-interest-bearing notes from individuals who occupy houses constructed by the Organization. These notes are payable in monthly installments and are collateralized by a mortgage on the real estate. The mortgages receivable have original maturities between 10 and 30 years.

Habitat for Humanity of Central Arkansas, Inc.

Notes to Consolidated Financial Statements June 30, 2024 and 2023

NOTE 5: MORTGAGES RECEIVABLE (Continued)

For some borrowers, the Organization secures a second mortgage at the time of sale. These second mortgages reflect the approximate difference between the fair market values of the properties and the sales prices. These mortgages are forgiven ratably over five-to-thirty-year periods so long as the purchaser remains with the property. If the property is sold by the original purchaser or foreclosed, the remaining balance on the second mortgages must be repaid to the mortgage holder along with the balance due on the first mortgage. No contingent receivable or offsetting deferred revenue are recorded in these consolidated financial statements, but the practice is being disclosed for informational purposes. The amount that may be collected is undetermined.

Certain homes sold by the Organization were constructed using federal funds passed through the Arkansas Development Finance Authority (ADFA). Once the home is sold, a portion of the mortgage is assigned by the Organization to ADFA; however, the Organization services the mortgage through a third-party service provider. Principal payments collected on behalf of ADFA are remitted quarterly. At June 30, 2023, amounts due to ADFA totaled approximately \$4,100. At June 30, 2024, there were no amounts due to ADFA. Amounts due to ADFA are included in accrued expenses and other liabilities on the consolidated statements of financial position.

Mortgages receivable consists of the following:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>July 1, 2022</u>
Non-interest bearing loans at face value	\$ 6,513,285	\$ 5,287,624	\$ 5,169,524
Less: Unamortized discount based on imputed interest at rates ranging from 7.16% to 8.48%	<u>(4,643,667)</u>	<u>(3,927,614)</u>	<u>(3,758,343)</u>
Mortgages receivable, net of discounts	<u>\$ 1,869,618</u>	<u>\$ 1,360,010</u>	<u>\$ 1,411,181</u>

Contractual maturities of mortgages receivable on June 30, 2024 are as follows:

2025	\$ 310,398
2026	310,398
2027	309,861
2028	303,398
2029	302,507
Thereafter	<u>4,976,723</u>
Total	<u>\$ 6,513,285</u>

Habitat for Humanity of Central Arkansas, Inc.

Notes to Consolidated Financial Statements June 30, 2024 and 2023

NOTE 5: MORTGAGES RECEIVABLE (Continued)

During the year ended June 30, 2013, the Organization sold mortgages receivable with recourse to ADFA. The Organization has guaranteed payment of the mortgage loans and in the event of any loan default, the Organization will replace the non-performing loan with a performing loan or will buy back the non-performing loan. As of June 30, 2023, the uncollected balances remaining on the mortgages totaled approximately \$124,000. As of June 30, 2024, there were no uncollected balances remaining on the mortgages.

NOTE 6: RELATED PARTY TRANSACTIONS

For the years ended June 30, 2024 and 2023, donations from the Board of Directors and the Organization's employees totaled approximately \$27,000 and \$12,000, respectively.

NOTE 7: PROPERTY AND EQUIPMENT, NET

A summary of property and equipment at June 30, is as follows:

	<u>2024</u>	<u>2023</u>
Buildings and improvements	\$ 2,332,207	\$ 2,332,208
Furniture, fixtures and equipment	57,525	12,439
Vehicles	75,955	22,500
	<u>2,465,687</u>	<u>2,367,147</u>
Less accumulated depreciation	<u>(1,143,405)</u>	<u>(1,065,149)</u>
Property and equipment, net	<u>\$ 1,322,282</u>	<u>\$ 1,301,998</u>

NOTE 8: SIMPLE IRA PLAN

During the year ended June 30, 2014, the Organization established a Simple IRA plan (the Plan). Full-time employees are eligible to participate in the Plan after one year of employment. The Organization matches up to 3% of eligible employees' elective deferrals. For the years ended June 30, 2024 and 2023, the total expense related to the matching was approximately \$17,000 and \$15,000, respectively.

Habitat for Humanity of Central Arkansas, Inc.

Notes to Consolidated Financial Statements June 30, 2024 and 2023

NOTE 9: CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets recognized within the statements of activities at June 30 include the following:

	<u>2024</u>	<u>2023</u>
Home	\$ 116,817	\$ 159,000
Land	110,000	-
Property and equipment	19,420	26,098
Supplies	-	5,076
Professional services	-	3,500
	<u>\$ 246,237</u>	<u>\$ 193,674</u>

During the years ended June 30, 2024 and 2023, the Organization received contributions of a home, land, property and equipment, supplies and professional services from several vendors for the construction of affordable housing for those in need. The Organization estimates the fair value of the contributed home and land based on the appraised value at the time of donation. The fair values of contributed property and equipment and supplies is based on current values for similar items. The fair value of professional services provided is based on current rates for similar services.

NOTE 10: TRUCK LEASES

The Organization has operating leases for trucks. For these leases, the Organization records a right-of-use asset which represents the Organization's right to use the underlying asset during the lease term and a lease liability that represents the Organization's obligation to make payments arising from the lease. Right-of-use assets and liabilities are recognized at the commencement date based on the net present value of fixed payments over the lease term. As a practical expedient, the Organization uses a risk-free discount rate for a period comparable with that of the lease term in determining the present value of lease payments. Operating fixed lease expense is recognized on a straight-line basis over the lease term. All of the Organization's leases include fixed rental payments. Operating expenses for the leasing activity of the Organization for each of the years ending June 30, 2024 and 2023 was approximately \$27,000, and is included in automobile and fuel on the statements of functional expense.

The aggregate future lease payments for operating leases as of June 30, 2024, are as follows:

2025	\$ 27,252
2026	<u>15,122</u>
Total lease payments	42,374
Less: interest	<u>(446)</u>
Present value of lease liabilities	<u>\$ 41,928</u>

Habitat for Humanity of Central Arkansas, Inc.

Notes to Consolidated Financial Statements June 30, 2024 and 2023

NOTE 10: TRUCK LEASES

The Organization's weighted average remaining lease term and discount rate for the Organization's operating leases were 2 years and 1.39%, respectively, as of June 30, 2024. The Organization's weighted average remaining lease term and discount rate for the Organization's operating leases were 3 years and 1.39%, respectively, as of June 30, 2023.

NOTE 11: HOME LEASE AGREEMENTS

The Organization leases some of its properties from time-to-time. Although the Organization is a for-sale housing program, certain situations may arise where a property may be temporarily leased before it is sold. Most situations involve a lease-to-own or option-to-purchase agreement, but others may be only a rental situation for a fixed or renewable term.

During each of the years ended June 30, 2024 and 2023, the Organization was receiving lease payments on two homes, of which, one was sold during the year ended June 30, 2024.

NOTE 12: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of contributions received with donor-imposed restrictions limiting the Organization's use of contributed assets to a specific purpose. The amounts are transferred to net assets without donor restrictions in the period the donor-stipulated purpose has been fulfilled by the Organization.

Net assets with donor restrictions are available for the following purpose at June 30:

	<u>2024</u>	<u>2023</u>
Net Assets Restricted for a Specific Purpose:		
Home builds	\$ 81,702	\$ -
Apostles build	-	95,730
	<u>\$ 81,702</u>	<u>\$ 95,730</u>

NOTE 13: SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 17, 2024, the date the financial statements were available to be issued.

**Other Reports
and
Supplementary Information**

Habitat for Humanity of Central Arkansas, Inc.

Consolidating Statement of Financial Position June 30, 2024

	Habitat for Humanity of Central Arkansas	Pulaski County Neighborhood Alliance for Habitat	Eliminations	Consolidated
ASSETS				
Cash and cash equivalents	\$ 964,375	\$ 144,862	\$ -	\$ 1,109,237
Restricted cash and cash equivalents	567,081	-	-	567,081
Grants receivable	25,000	49,106	-	74,106
Mortgages receivable, net	1,428,594	441,024	-	1,869,618
Homes under construction	516,595	-	-	516,595
Lease purchase agreements	64,970	-	-	64,970
Prepaid expenses	47,419	-	-	47,419
Intercompany receivable	-	3,307	(3,307)	-
Property and equipment, net	1,322,282	-	-	1,322,282
Land held for development	298,731	-	-	298,731
Right of use assets - operating leases	41,928	-	-	41,928
Endowment funds	1,748,749	-	-	1,748,749
TOTAL ASSETS	\$ 7,025,724	\$ 638,299	\$ (3,307)	\$ 7,660,716
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 48,636	\$ 45,673	\$ -	\$ 94,309
Accrued liabilities	81,316	-	-	81,316
Operating lease liabilities	41,928	-	-	41,928
Intercompany payable	3,307	-	(3,307)	-
Total Liabilities	175,187	45,673	(3,307)	217,553
Net Assets				
Without donor restrictions	6,768,835	592,626	-	7,361,461
With donor restrictions	81,702	-	-	81,702
Total Net Assets	6,850,537	592,626	-	7,443,163
TOTAL LIABILITIES AND NET ASSETS	\$ 7,025,724	\$ 638,299	\$ (3,307)	\$ 7,660,716

See Independent Auditor's Report.

Habitat for Humanity of Central Arkansas, Inc.

Consolidating Statement of Activities Year Ended June 30, 2024

	Habitat for Humanity of Central Arkansas	Pulaski County Neighborhood Alliance for Habitat	Eliminations	Consolidated
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
Revenues, Support and Reclassifications Without Donor Restrictions				
Home sales	\$ 1,471,121	\$ 341,000	\$ -	\$ 1,812,121
ReStore sales	1,556,765	-	-	1,556,765
Federal awards	-	491,059	-	491,059
Grant income	367,000	-	-	367,000
Contributions of cash and other financial assets	339,916	3,410	-	343,326
Contributions of nonfinancial assets	246,237	-	-	246,237
Mortgage discount amortization	316,595	25,393	-	341,988
Fundraisers	206,710	-	-	206,710
Interest income	267,940	3,242	-	271,182
Net assets released from restrictions	95,730	-	-	95,730
Total Revenues, Support and Reclassifications Without Donor Restrictions	4,868,014	864,104	-	5,732,118
Expenses				
Program services	3,807,879	690,866	-	4,498,745
Management and general	338,766	2,224	-	340,990
Fundraising	210,354	-	-	210,354
Total Expenses	4,356,999	693,090	-	5,050,089
Increase in Net Assets Without Donor Restrictions	511,015	171,014	-	682,029
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS				
Contributions	81,702	-	-	81,702
Net assets released from restrictions	(95,730)	-	-	(95,730)
Decrease in Net Assets With Donor Restrictions	(14,028)	-	-	(14,028)
INCREASE IN TOTAL NET ASSETS	496,987	171,014	-	668,001
NET ASSETS, BEGINNING OF YEAR	6,353,550	421,612	-	6,775,162
NET ASSETS, END OF YEAR	\$ 6,850,537	\$ 592,626	\$ -	\$ 7,443,163

See Independent Auditor's Report.

Habitat for Humanity of Central Arkansas, Inc.

Consolidating Statement of Functional Activities Year Ended June 30, 2024

	Program Services			Management and General			Fundraising		
	Habitat for Humanity of Central Arkansas	Pulaski County Neighborhood Alliance for Habitat	Consolidated	Habitat for Humanity of Central Arkansas	Pulaski County Neighborhood Alliance for Habitat	Consolidated	Habitat for Humanity of Central Arkansas	Pulaski County Neighborhood Alliance for Habitat	Consolidated
Salaries and benefits	\$ 649,634	\$ 5,694	\$ 655,328	\$ 223,288	\$ 632	\$ 223,920	\$ 151,841	\$ -	\$ 151,841
Payroll taxes	46,015	427	46,442	14,423	47	14,470	8,242	-	8,242
Cost of homes sold	1,688,614	470,084	2,158,698	-	-	-	-	-	-
Resale merchandise	152,576	-	152,576	-	-	-	-	-	-
Depreciation	75,262	-	75,262	2,995	-	2,995	-	-	-
Insurance	78,726	-	78,726	9,385	-	9,385	-	-	-
Mortgage discounts	904,409	213,126	1,117,535	-	-	-	-	-	-
Supplies	14,773	-	14,773	9,843	-	9,843	4,914	-	4,914
Professional fees	9,282	-	9,282	14,750	750	15,500	-	-	-
Computer and internet	13,365	-	13,365	13,762	-	13,762	6,478	-	6,478
Advertising	10,299	-	10,299	-	-	-	2,291	-	2,291
Automobile and fuel	41,985	-	41,985	-	-	-	-	-	-
Repairs and maintenance	39,977	-	39,977	-	-	-	-	-	-
Dues and subscriptions	15,000	-	15,000	7,071	-	7,071	541	-	541
Conferences	880	-	880	19,868	-	19,868	1,122	-	1,122
Tithes	15,000	-	15,000	-	-	-	-	-	-
Other	52,082	1,535	53,617	23,381	795	24,176	34,925	-	34,925
	\$ 3,807,879	\$ 690,866	\$ 4,498,745	\$ 338,766	\$ 2,224	\$ 340,990	\$ 210,354	\$ -	\$ 210,354

See Independent Auditor's Report.



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

The Board of Directors
Habitat for Humanity of Central Arkansas, Inc.
Little Rock, Arkansas

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 consolidated financial statements of **Habitat for Humanity of Central Arkansas, Inc., and its subsidiary (the Organization)**, which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 17, 2024.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's consolidated 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 or significant deficiencies may exist that have not been identified.

The Board of Directors
Habitat for Humanity of Central Arkansas, Inc.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’s consolidated 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 consolidated 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 Organization’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Little Rock, Arkansas
December 17, 2024



INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

The Board of Directors
Habitat for Humanity of Central Arkansas, Inc.
Little Rock, Arkansas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited **Habitat for Humanity of Central Arkansas, Inc., and its subsidiary (the Organization’s)** compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization’s major federal program for the year ended June 30, 2024. The Organization’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Organization’s major federal program for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Organization’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

The Board of Directors
Habitat for Humanity of Central Arkansas, Inc.

Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Little Rock, Arkansas
December 17, 2024

Habitat for Humanity of Central Arkansas, Inc.

Schedule of Expenditures of Federal Awards Year Ended June 30, 2024

	Federal Assistance Listing Number	Federal Expenditures
U.S. Department of Housing and Urban Development		
Passed through the City of North Little Rock, Arkansas:		
Neighborhood Stabilization Program	14.256	\$ 754,878
HOME Investment Partnerships Program	14.239	438,445
Total Expenditures of Federal Awards		\$ 1,193,323

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of **Habitat for Humanity of Central Arkansas, Inc., and its subsidiary (the Organization)** under programs of the Federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization. All federal awards received directly from Federal agencies, as well as Federal awards passed through other government agencies, are included in the Schedule.

NOTE 2: BASIS OF ACCOUNTING

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement.

NOTE 3: INDIRECT COST RATE

The Organization has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

See Independent Auditor’s Report.

Habitat for Humanity of Central Arkansas, Inc.

Schedule of Findings and Questioned Costs Year Ended June 30, 2024

Section I – Summary of Auditor’s Results

- **Type of Report Issued – Consolidated Financial Statements**
Unmodified opinion
- **Internal Control over Consolidated Financial Statements**
None
- **Material Noncompliance – Consolidated Financial Statements**
None
- **Internal Control over Major Programs**
None
- **Type of Report Issued – Compliance**
Unmodified opinion
- **Audit Findings Under the Uniform Guidance**
None
- **Major Program**
U.S. Department of Housing and Urban Development, Neighborhood Stabilization Program, Assistance Listing #14.256.
- **Threshold between Type A and Type B Programs**
\$750,000
- **Type of Auditee**
Non-low-risk auditee

Section II – Consolidated Financial Statements Findings

None

Section III – Findings and Questioned Costs – Major Federal Award Programs Audit

None

See Independent Auditor’s Report.