
EAST ST. TAMMANY
HABITAT FOR HUMANITY, INC.
SLIDELL, LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2023

RICHARD  CPAS

EAST ST. TAMMANY
HABITAT FOR HUMANITY, INC.
SLIDELL, LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
East St. Tammany Habitat for Humanity, Inc.
Slidell, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of East St. Tammany Habitat for Humanity, Inc., (the Organization) which comprise the statements of financial position as of June 30, 2023, and 2022 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of East St. Tammany Habitat for Humanity, Inc. 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 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 East St. Tammany Habitat for Humanity, Inc. and to meet our other ethical responsibilities, in accordance with the 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 audit opinions.

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 East St. Tammany Habitat for Humanity, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 East St. Tammany Habitat for Humanity, Inc.'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 East St. Tammany Habitat for Humanity, Inc.'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 financial statements as a whole. The accompanying Schedule of Compensation, Benefits, and Other Payments to Agency Head on page 18, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits, and Other Payments to Agency Head 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 December 31, 2023, 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.

Richard CPAS

Metairie, Louisiana
December 31, 2023

EAST ST. TAMMANY HABITAT FOR HUMANITY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS

	2023	2022
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 277,392	\$ 927,082
Cash and cash equivalents, reserved for escrow	60,989	76,628
Grants receivable	130,336	-
Mortgage notes receivable, net	219,326	226,633
Certificates of deposit	500,000	-
Investments	48,710	45,827
Prepaid expenses and other assets	28,186	14,760
Total current assets	1,264,939	1,290,930
<u>NONCURRENT ASSETS</u>		
Mortgage notes receivable, net	987,497	1,112,215
Land and lot inventory	571,272	571,272
Construction in progress	82,885	249,227
Property and equipment, net	531,158	235,656
Total noncurrent assets	2,172,812	2,168,370
<u>TOTAL ASSETS</u>	\$ 3,437,751	\$ 3,459,300

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 62,727	\$ 38,597
Due to homeowners	52,816	68,420
Escrow liability	151,130	92,938
Total current liabilities	266,673	199,955
<u>TOTAL LIABILITIES</u>	266,673	199,955
<u>NET ASSETS</u>		
Net assets without restrictions	3,171,078	3,222,276
Net assets with restrictions	-	37,069
Total net assets	3,171,078	3,259,345
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$ 3,437,751	\$ 3,459,300

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

EAST ST. TAMMANY HABITAT FOR HUMANITY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
<u>SUPPORT AND OTHER REVENUE</u>						
Contributions	\$ 14,692	\$ 228,312	\$ 243,004	\$ 70,823	\$ 71,000	\$ 141,823
Contributions - in kind	14,112	-	14,112	-	-	-
Special events, net	19,470	-	19,470	144,039	-	144,039
Sale of houses, net of unamortized discounts	34,671	-	34,671	-	-	-
Amortization of loan discount	166,610	-	166,610	134,456	-	134,456
Interest income	1,212	-	1,212	562	-	562
Investment return, net	4,133	-	4,133	(4,173)	-	(4,173)
Miscellaneous income	12,325	-	12,325	29,362	-	29,362
	267,225	228,312	495,537	375,069	71,000	446,069
Net assets released from restrictions	265,381	(265,381)	-	33,931	(33,931)	-
Total support and other revenue	532,606	(37,069)	495,537	409,000	37,069	446,069
<u>EXPENSES</u>						
Program service						
Housing	266,735	-	266,735	201,022	-	201,022
Supporting services						
Management and general	256,578	-	256,578	129,554	-	129,554
Fundraising expenses	60,491	-	60,491	55,324	-	55,324
Total expenses	583,804	-	583,804	385,900	-	385,900
<u>CHANGE IN NET ASSETS</u>	(51,198)	(37,069)	(88,267)	23,100	37,069	60,169
<u>NET ASSETS, BEGINNING OF THE YEAR</u>	3,222,276	37,069	3,259,345	3,199,176	-	3,199,176
<u>NET ASSETS, END OF THE YEAR</u>	\$ 3,171,078	\$ -	\$ 3,171,078	\$ 3,222,276	\$ 37,069	\$ 3,259,345

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

EAST ST. TAMMANY HABITAT FOR HUMANITY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023					2022						
	Program Services	Supporting Services			Cost of Direct Benefits to Donors	Total	Program Services	Supporting Services			Cost of Direct Benefits to Donors	Total
	Housing	General and Administrative	Fundraising	-			Housing	General and Administrative	Fundraising	-		
Advertising	\$ 5,634	\$ 1,652	13,133	\$ -	\$ 20,419	\$ 4,368	\$ -	\$ 22,410	\$ -	\$ 26,778		
Depreciation	6,064	-	-	-	6,064	585	-	-	-	585		
Direct construction costs for sale of houses	101,115	-	-	-	101,115	64,374	-	-	-	64,374		
Insurance	2,169	22,556	2,194	-	26,919	16,983	1,586	4,098	-	22,667		
Office expense	10,071	21,014	-	-	31,085	7,395	19,297	1,758	-	28,450		
Other expense	7,197	1,498	13,892	-	22,587	1,843	1,007	105	-	2,955		
Payroll taxes and benefits	27,938	22,618	3,116	-	53,672	29,686	19,188	3,437	-	52,311		
Professional fees	23,924	38,828	-	-	62,752	860	32,947	-	-	33,807		
Repairs and maintenance	2,409	80,619	-	-	83,028	8,869	4,302	13	-	13,184		
Salaries and wages	56,593	61,670	28,156	-	146,419	48,786	45,160	23,503	-	117,449		
Special event expenses	-	-	-	54,734	54,734	-	-	-	65,167	65,167		
Habitat International fees	9,000	-	-	-	9,000	7,500	-	-	-	7,500		
Travel and entertainment	3,871	1,136	-	-	5,007	-	1,700	-	-	1,700		
Utilities	5,040	4,987	-	-	10,027	4,767	4,367	-	-	9,134		
Volunteer costs	5,710	-	-	-	5,710	5,006	-	-	-	5,006		
Total expenses by function	266,735	256,578	60,491	54,734	638,538	201,022	129,554	55,324	65,167	451,067		
Less expenses included with revenues on the statement of activities	-	-	-	(54,734)	(54,734)	-	-	-	(65,167)	(65,167)		
Total expenses included in expense section on the statement of activities	<u>\$ 266,735</u>	<u>\$ 256,578</u>	<u>\$ 60,491</u>	<u>\$ -</u>	<u>\$ 583,804</u>	<u>\$ 201,022</u>	<u>\$ 129,554</u>	<u>\$ 55,324</u>	<u>\$ -</u>	<u>\$ 385,900</u>		

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

EAST ST. TAMMANY HABITAT FOR HUMANITY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (88,267)	\$ 60,169
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	6,064	585
Gain on sale of vehicles	(4,000)	-
In-kind donation of materials and inventory	(14,112)	-
Amortizations of loan discounts (imputed interest)	(166,610)	(134,456)
Investment return, net	(4,133)	4,173
Changes in operating assets and liabilities:		
Grants receivable	(130,336)	-
Prepaid expenses and other assets	686	(2,747)
Mortgage loan receivable	298,635	299,199
Construction in progress	(135,224)	(78,750)
Accounts payable and other liabilities	24,130	5,365
Escrow liability	58,192	36,098
Due to homeowners	(15,604)	68,420
Net cash provided by (used in) operating activities	(170,579)	258,056
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of certificates of deposit	(500,000)	-
Purchase of investments	-	(50,000)
Proceeds from investments	1,250	-
Proceeds from the sale of vehicles	4,000	-
Net cash provided by (used in) investing activities	(494,750)	(50,000)
Net change in cash and cash equivalents	(665,329)	208,056
Cash and cash equivalents, beginning of year	1,003,710	795,654
Cash and cash equivalents, end of year	\$ 338,381	\$ 1,003,710
<u>RECONCILIATION TO THE FINANCIAL STATEMENTS</u>		
Cash and cash equivalents	\$ 277,392	\$ 927,082
Cash and cash equivalents, reserved for escrow	60,989	76,628
Cash and cash equivalents, total	\$ 338,381	\$ 1,003,710
<u>NON-CASH INVESTING ACTIVITIES</u>		
In-kind donation of materials and services	\$ 14,112	\$ -
Directly issued mortgage notes receivable from the Organization to homeowners for the sale of new homes	\$ 34,671	\$ -

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

EAST ST. TAMMANY HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

1. Summary of Significant Accounting Policies

History and Organization

East St. Tammany Habitat for Humanity, Inc. (the Organization), a nonprofit organization, is a recognized affiliate of Habitat for Humanity International. The Organization helps provide housing for low-income families by identifying potential home sites, constructing new homes, and refurbishing existing structures. These homes, located in Eastern St. Tammany Parish, are financed to qualified families with mortgage notes carrying a zero percent interest rate. The Organization relies heavily on volunteer efforts and various contributions and sponsorships to complete the construction projects.

Basis of Presentation:

The accompanying statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly reflect all significant receivables, payables, and other liabilities. Under this method, revenues are recognized when earned, and expenses are recorded when incurred. Contributions are recognized when received or when unconditionally promised.

Financial Statement Presentation:

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions net assets for an operating reserve or board-designated endowment.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) 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. 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. As of June 30, 2023, and 2022, the Organization held net assets with donor restrictions in the amount of \$0 and \$37,069, respectively.

Cash and Cash Equivalents

For purposes of the statements of cash flows, management considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

EAST ST. TAMMANY HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

1. Summary of Significant Accounting Policies (continued)

Reserved Cash

The Organization services the mortgages on the homes it sells. Included in cash and cash equivalents are amounts received from homeowners for insurance and property taxes. Reserved cash for escrow deposits as of June 30, 2023, and 2022 is \$8,173 and \$8,208, respectively. Beginning in 2023, the Organization began administrating insurance claims related to hurricane damages on mortgaged homes to pay contractors to make repairs. As of June 30, 2023, and 2022, the amount due to homeowners for repairs to homes is \$52,816 and \$68,420, respectively.

Certificates of Deposit

Certificates of deposit are recorded at historical cost and have an original maturity of greater than three months. Interest income is recorded on an accrual basis. During the year ended June 30, 2023, the Organization purchased a \$400,000 certificate and a \$100,000 certificate with an original maturity of 11 months and 6 months, respectively, at an interest rate of 4.0%.

Investments

Investments include shares of investment pools which are valued at net asset value as a practical expedient for fair value. Unrealized gains and losses, interest income, and dividends are included in investment return, net on the statements of activities.

Accounts Receivable

Accounts receivable consist primarily of grants and contributions receivable. Receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, management believes the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Mortgage Notes Receivable

Mortgage notes receivable consist of non-interest-bearing mortgage notes, which are collateralized by real estate in the Eastern St. Tammany Parish, Louisiana area and payable in monthly installments over the life of the mortgage notes. The mortgage notes receivable is net of discounts, which represent the difference between the stated amount of the mortgage notes and the present values based on an imputed amount of interest. The discounts are amortized over the lives of the mortgage notes using the interest method. The imputed interest rates used approximate the rates that independent borrowers and lenders would have negotiated in a similar transaction. Mortgage notes receivable are considered past due if payments are more than thirty days late. Management believes that the values of such collateral are in excess of the mortgage notes receivable as of June 30, 2023, and 2022 and therefore, no additional allowance for losses has been recorded.

EAST ST. TAMMANY HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

1. Summary of Significant Accounting Policies (continued)

Land Lot Inventory

The Organization acquires properties both donated and purchased, to be used as future home sites. These investment properties are stated at cost, except for donated land, which is recorded at fair market value at the date of the donation.

Construction in Progress

Construction in progress represents all direct material, labor, land, and infrastructure costs incurred to construct family housing. 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, the balance in construction in progress is \$82,885 and \$249,227, respectively. The balance in construction in progress is primarily use for the construction of new homes.

Property and Equipment

Property and equipment are stated at historical cost, with the exception of donated items, which are stated at fair market value at the date of donation. The Organization's policy is to capitalize expenditures for items in excess of \$1,000 with a useful life of at least 3 years. Lesser amounts are expensed. The Organization uses the straight-line depreciation method over the useful life or the remaining lease term. Amortization of capital lease assets is included in depreciation expense. Furniture and fixtures are depreciated over 3 to 5 years. Vehicles and equipment are depreciated over 5 years.

The Organization periodically evaluates the carrying value of long-lived assets to be held and used when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined by independent market appraisals or by using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner except that fair market values are reduced for the cost to dispose.

Sale of Houses

The Organization 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 the Organization has determined to satisfy their performance obligation.

Contributions

Contributions represent cash donations to the Organization from organizations and individuals and are recognized as support when received or unconditionally pledged. Contributions are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

EAST ST. TAMMANY HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

1. Summary of Significant Accounting Policies (continued)

Contributions

Contributions that are restricted by the donor are reported as unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the specific nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Donated Use of Space, Services, Materials and Equipment

Donated property, materials, and equipment are reflected as contributions at their estimated values as of the date of receipt and are recorded as expense for program services when they are used or consumed. For the years ended June 30, 2023, and 2022, total contributed materials was \$14,112 and \$0, respectively.

Donated use of space and services are reflected as contributions at their estimated value and are recorded as expense for program services when determinable. The Organization received no services meeting the requirements for recognition in the financial statements for the years ended June 30, 2023, and 2022.

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of the donation. The Organization records donated professional services at the respective fair value of the services received. No significant contributions of professional services were received during the years ended June 30, 2023, and 2022, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs, primarily salaries, benefits, and professional fees have been allocated among the programs and supporting services. The allocation between functions is based on time spent by specific employees as estimated by management. All other costs are charged directly to the appropriate functional category.

Income Taxes

East St. Tammany Habitat for Humanity, Inc. is a nonprofit corporation exempt from federal income taxes under provisions of the Internal Revenue Service Code Sections 501(c) (3), respectively, and therefore, no provision has been made for federal and state income taxes. It qualifies as an organization that is not a private foundation as defined in Section 509 (a) of the code. It is exempt from Louisiana income tax under the authority of R.S.47:121(5).

EAST ST. TAMMANY HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

1. Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

East St. Tammany Habitat for Humanity, Inc. applies a “more-likely-than-not” recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than 50% likelihood of being sustained upon examination by the taxing authorities. As a result of implementing this approach, the Organization has reviewed its tax positions and determined there were no outstanding, or retroactive tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities, therefore the implementation of this standard has not had a material effect of the Organization.

Advertising

The Organization expenses advertising costs as they are incurred.

Use of estimates

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

New Accounting Pronouncements – Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. In July 2018, the FASB issued ASU 2018-11, *Leases* (Topic 842): Targeted Improvements, to simplify the lease standard’s implementation. The amended guidance relieves businesses and other organizations of the requirement to present prior comparative years’ results when they adopt the new lease standard. This standard is effective for the Organization’s year ending June 30, 2023. The adoption of this standard did not have a material impact on the Organization’s financial statements.

The FASB originally issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326) as amended by ASU 2018-19, ASU 2019-04, and ASU 2019-05, in June 2016. This ASU, commonly referred to as the current expected credit loss methodology (“CECL”), replaces the incurred loss methodology for recognizing credit losses under current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Under the new guidance, an entity will measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. The expected loss model will apply to loans and leases, unfunded lending commitments, held-to-maturity debt securities and other debt instruments measured at amortized cost. The Organization adopted this standard for the year ending June 30, 2023.

EAST ST. TAMMANY HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date as of June 30, 2023, and 2022, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 277,392	\$ 927,082
Grants receivable	130,336	-
Certificates of deposit	500,000	-
Investments	48,710	45,827
Total financial assets	<u>956,438</u>	<u>972,909</u>
Less: funds subject to donor imposed restrictions	<u>-</u>	<u>(37,069)</u>
Total available financial assets	<u>\$ 956,438</u>	<u>\$ 935,840</u>

As part of the Organization's liquidity management, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

3. Grants Receivable

The grants receivable as of June 30, 2023, and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Aging-in-Place	\$ 41,586	\$ -
Home fit	17,387	-
American Resuce Plan Act (ARPA)	50,493	-
Intergenerational Wealth	13,552	-
Habitat International	7,318	-
	<u>\$ 130,336</u>	<u>\$ -</u>

4. Mortgage Notes Receivable

Upon completion of construction, the Organization grants credit to new homeowners through mortgage notes secured by the residence with typical repayment terms over 15 to 30 years at zero percent interest. As of June 30, 2023, and 2022 respectively, 78 and 81 non-interest-bearing loans were outstanding.

EAST ST. TAMMANY HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

4. Mortgage Notes Receivable (continued)

Mortgage notes receivable as of June 30, consist of the following:

	<u>2023</u>	<u>2022</u>
Mortgage notes receivable	\$ 2,578,905	\$ 2,874,036
Less: unamortized discount	<u>(1,372,082)</u>	<u>(1,535,188)</u>
Mortgage note receivable, net	<u>\$ 1,206,823</u>	<u>\$ 1,338,848</u>
	<u>2023</u>	<u>2022</u>
Mortgage notes receivable, current	\$ 219,326	\$ 226,633
Mortgage notes receivable, noncurrent	<u>987,497</u>	<u>1,112,215</u>
Mortgage note receivable, net	<u>\$ 1,206,823</u>	<u>\$ 1,338,848</u>

Amortization of mortgage discounts were \$166,610 and \$134,456 for the years ended June 30, 2023, and 2022, respectively.

Principal payments on mortgage notes receivable are as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2024	\$ 219,326
2025	218,667
2026	213,127
2027	206,951
2028	205,629
Thereafter	<u>1,515,205</u>
Total	<u>\$ 2,578,905</u>

The Organization shows its non-interest-bearing loans at fair market value. For the years ended June 30, 2021, and 2020, the Organization discounted its mortgage notes receivable using the interest method and a crediting interest rate of 7.23% and 7.38%, respectively, as designated by Habitat International. For the years ended June 30, 2023, and 2022 respectively, the Organization loaned out 0 and 0 non-interest-bearing notes. Amortization of the mortgage receivable discount is recorded as interest income over the life of the note. For the years ended June 30, 2023, and 2022, the amortization of discounted mortgage notes is \$166,610 and \$134,456 on the statements of activities. As of June 30, 2023, and 2022, the unamortized discount on mortgage notes receivable is \$1,368,578 and \$1,535,188, respectively.

EAST ST. TAMMANY HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

5. Property and Equipment

The carrying amounts of property and equipment as of June 30, are as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 186,913	\$ 186,913
Homes for rent	318,638	46,933
Furniture and equipment	25,111	25,111
Vehicles	29,861	39,500
Less: accumulated depreciation	<u>(29,365)</u>	<u>(62,801)</u>
	<u>\$ 531,158</u>	<u>\$ 235,656</u>

Due to market and insurance conditions, the Organization cannot sell the homes to possible homeowners. As of June 30, 2023, and 2022, the Organization released \$273,637 and 46,933 of Construction in Progress into homes for rent, respectively. The home rentals are on a short-term month-to-month basis. During the year end June 30, 2023, the Organization recorded a disposal of two vehicles totaling \$29,861 in cost net book value of zero and gain on sale of \$4,000.

6. Habitat for Humanity International

The Organization remits a portion of the local support that it raises to Habitat for Humanity International. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2023, and 2022, the amount paid to Habitat for Humanity International totaled \$9,000 and \$7,500 respectively. This amount was included in the program service expense in the statements of activities.

7. Concentrations of Credit Risk

The Organization maintains cash balances at several financial institutions located in southeast Louisiana. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization's cash balance was in excess of the FDIC insurance by \$47,374 and \$691,927 as of June 30, 2023, and 2022, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

The Organization builds and rehabilitates homes in the East St. Tammany Parish area. As a result, the mortgage receivables from homeowners are concentrated as to geographic risk. Also, the homes built are transferred to low-income families, which can represent a credit risk.

EAST ST. TAMMANY HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

8. Lease Commitments

The Organization signed a one-year lease with an unrelated party effective June 1, 2019, for monthly payments of \$1,000 and provides the Organization an option to renew for one additional one-year term. As of June 30, 2023, the lease is on a month-to-month basis. The rent paid was \$14,400 and \$14,400 for the years ended June 30, 2023, and 2022, respectively, and is included in office expenses in the accompanying statements of functional expenses.

9. Fair Value of Financial Instruments

The Organization reports certain assets at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity.

Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

Investments of the Organization are held in pooled assets managed by Northshore Community Foundation and are reported at net asset value which approximates fair value. In accordance with the guidance in FASB ASC 820-10-25-54B, these investments are considered as Level 2 in the fair value hierarchy. The Northshore Community Foundation's investments are diversified, including a mix of mainly equity and fixed income securities. There are no lockup provisions in either of the pooled investments.

The method described above may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

EAST ST. TAMMANY HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

10. Net Assets with Donor Restrictions

During the years ended June 30, 2023, and 2022, the Organization received donor restricted contributions of \$228,312 and \$71,000, respectively, restricted for the purpose of homeowner assistance. During the years ended June 30, 2023, and 2022, the Organization released \$265,381 and \$33,931, respectively, as eligible expenses were incurred. As of June 30, 2023, and 2022, the Organization reported net assets with donor restrictions of \$0 and \$37,069, respectively.

11. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 31, 2023, and determined that no items require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTARY INFORMATION

EAST ST. TAMMANY HABITAT FOR HUMANITY, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2023

Agency Head Name: Kentrell Jones, Executive Director

Purpose	Amount
Salary	\$ 29,423
Benefits - insurance	-
Meals and Parking	-
Registration fees	-
Conference travel	-
	\$ 29,423

Louisiana Revised Statute 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 of 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.

See independent auditor's report

OTHER REPORTS



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

To the Board of Directors of
East St. Tammany Habitat for Humanity, Inc.
Slidell, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of East St. Tammany Habitat for Humanity, Inc. (Organization), which comprise the statement of financial position as of June 30, 2023 and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 31, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered East St. Tammany Habitat for Humanity, Inc.'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 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 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether East St. Tammany Habitat for Humanity, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

Richard CPAS

Metairie, Louisiana
December 31, 2023

EAST ST. TAMMANY HABITAT FOR HUMANITY, INC.

SCHEDULE OF FINDINGS AND RESPONSE

JUNE 30, 2023

(A) Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified:	None reported
• Significant deficiency(ies) identified that are not considered to be material weakness	None reported
Noncompliance material to the financial statements:	No
Other matter:	None

(B) Findings relating to the basic financial statements reported in accordance with *Government Auditing Standards*

None reported.