

**NEW ORLEANS AREA HABITAT
FOR HUMANITY, INC.**

Audits of Consolidated Financial Statements

June 30, 2024 and 2023



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Independent Auditor's Report

To the Board of Directors
New Orleans Area Habitat for Humanity, Inc.
New Orleans, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of New Orleans Area Habitat for Humanity, Inc. and its subsidiaries (Habitat), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat'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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Habitat'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 Habitat'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 audits were conducted for the purposes of forming an opinion on the financial statements taken as a whole. The consolidating schedules and schedule of compensation, benefits, and other payments to agency head or chief executive officer, as required by Louisiana Revised Statute (R.S.) 24:513 A(3), are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2024 on our consideration of Habitat's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 Habitat'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 Habitat's internal control over financial reporting and compliance.

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

A Professional Accounting Corporation

Covington, LA
December 18, 2024

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
Consolidated Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 5,580,744	\$ 1,359,612
Restricted Cash	423,268	227,805
Accounts Receivable	274,619	597,825
Investments	8,935,814	12,450,557
Mortgage Notes Receivable, Current Portion, Net	289,261	232,813
Construction in Progress and Inventory	4,774,776	2,476,526
ReStore Inventory	193,917	126,161
Prepaid Expenses	164,826	158,314
Total Current Assets	20,637,225	17,629,613
Property and Equipment		
Buildings and Land	10,786,020	10,753,214
Rental Houses	5,641,180	5,994,645
Furniture and Fixtures	146,461	146,461
Tools and Equipment	481,795	471,592
Vehicles	555,683	551,653
	17,611,139	17,917,565
Less: Accumulated Depreciation	(3,324,942)	(2,978,660)
Total Property and Equipment, Net	14,286,197	14,938,905
Other Assets		
Mortgage Notes Receivable, Long-Term Portion, Net	2,236,224	1,905,957
Note Receivable - State Investment Fund	3,630,400	-
Lot Inventory	369,432	291,389
Deposits	11,938	7,375
Total Other Assets	6,247,994	2,204,721
Total Assets	\$ 41,171,416	\$ 34,773,239

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

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
Consolidated Statements of Financial Position (Continued)
June 30, 2024 and 2023

	2024	2023
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 951,825	\$ 71,064
Other Liabilities	291,761	297,422
Margin Loan	-	2,327,126
Notes Payable, Current Portion	1,061,260	81,326
	<u>2,304,846</u>	<u>2,776,938</u>
Total Current Liabilities	2,304,846	2,776,938
Long-Term Liabilities		
QLICI A Note Payable	5,000,000	-
QLICI B Note Payable	1,547,500	-
Notes Payable, Long-Term Portion, Net	3,296,922	1,339,881
	<u>9,844,422</u>	<u>1,339,881</u>
Total Long-Term Liabilities	9,844,422	1,339,881
Total Liabilities	12,149,268	4,116,819
Net Assets		
Without Donor Restrictions	27,583,930	29,670,530
With Donor Restrictions	1,438,218	985,890
	<u>29,022,148</u>	<u>30,656,420</u>
Total Net Assets	29,022,148	30,656,420
Total Liabilities and Net Assets	\$ 41,171,416	\$ 34,773,239

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

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Support			
Home Sales			
Sales Revenue	\$ 2,231,787	\$ -	\$ 2,231,787
Mortgage Notes Receivable Discount	(627,885)	-	(627,885)
Contributions	695,118	-	695,118
In-kind Contributions	1,332,608	-	1,332,608
Grant Revenue	1,314,847	757,913	2,072,760
Amortization of Mortgage Notes Receivable Discount	159,317	-	159,317
Investment Return, Net	938,774	-	938,774
ReStore Revenues	1,314,588	-	1,314,588
Rental Revenues	778,782	-	778,782
Gain on Sales of Mortgage Notes Receivable	102,338	-	102,338
Other Income, Net	42,067	-	42,067
Total	8,282,341	757,913	9,040,254
Net Assets Released from Restrictions	305,585	(305,585)	-
Total Revenues, Gains, and Support	8,587,926	452,328	9,040,254
Expenses			
Program Services	9,079,061	-	9,079,061
Supporting Services			
Management and General	1,139,787	-	1,139,787
Fundraising	455,678	-	455,678
Total Expenses	10,674,526	-	10,674,526
Change in Net Assets	(2,086,600)	452,328	(1,634,272)
Net Assets, Beginning of Year	29,670,530	985,890	30,656,420
Net Assets, End of Year	\$ 27,583,930	\$ 1,438,218	\$ 29,022,148

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

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Support			
Home Sales			
Sales Revenue	\$ 2,653,670	\$ -	\$ 2,653,670
Mortgage Notes Receivable Discount	(945,646)	-	(945,646)
Contributions	1,222,902	-	1,222,902
In-kind Contributions	1,926,710	-	1,926,710
Grant Revenue	22,193	1,158,796	1,180,989
Amortization of Mortgage Notes Receivable Discount	234,979	-	234,979
Investment Return, Net	867,508	-	867,508
ReStore Revenues	2,642,338	-	2,642,338
Rental Revenues	807,537	-	807,537
Gain on Sales of Mortgage Notes Receivable	429,396	-	429,396
Other Income, Net	275,140	-	275,140
Total	10,136,727	1,158,796	11,295,523
Net Assets Released from Restrictions	261,758	(261,758)	-
Total Revenues, Gains, and Support	10,398,485	897,038	11,295,523
Expenses			
Program Services	11,119,121	-	11,119,121
Supporting Services			
Management and General	915,314	-	915,314
Fundraising	601,280	-	601,280
Total Expenses	12,635,715	-	12,635,715
Change in Net Assets	(2,237,230)	897,038	(1,340,192)
Net Assets, Beginning of Year	31,907,760	88,852	31,996,612
Net Assets, End of Year	\$ 29,670,530	\$ 985,890	\$ 30,656,420

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

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2024

	<u>Program Services</u>		<u>Supporting Services</u>			<u>Total</u>
	<u>Housing Program</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries	\$ 2,355,452	\$ 2,355,452	\$ 691,938	\$ 287,476	\$ 979,414	\$ 3,334,866
Payroll Taxes	171,669	171,669	50,640	22,817	73,457	245,126
Benefits	322,862	322,862	80,464	36,093	116,557	439,419
Personnel Development	217,546	217,546	9,638	8,680	18,318	235,864
Vista/AmeriCorps	48,765	48,765	-	-	-	48,765
Contract Labor	30,138	30,138	2,100	-	2,100	32,238
Total Personnel Costs	3,146,432	3,146,432	834,780	355,066	1,189,846	4,336,278
Cost of Homes Sold	1,498,510	1,498,510	-	-	-	1,498,510
Cost of Merchandise Sold	1,187,844	1,187,844	-	-	-	1,187,844
Professional Services	212,982	212,982	80,464	48,555	129,019	342,001
Insurance	407,976	407,976	6,568	451	7,019	414,995
Occupancy Costs	207,122	207,122	2,783	1,664	4,447	211,569
Transportation	179,002	179,002	4,168	3,086	7,254	186,256
Supplies	47,910	47,910	2,363	2,754	5,117	53,027
Equipment	56,038	56,038	948	445	1,393	57,431
Home and Repair Costs	947,087	947,087	1,706	1,168	2,874	949,961
Special Events	109,316	109,316	-	-	-	109,316
Marketing	87,229	87,229	1,621	11,313	12,934	100,163
Program Expenses	267,456	267,456	138,495	26,076	164,571	432,027
Other Expenses	878,618	878,618	62,491	5,100	67,591	946,209
Depreciation and Amortization	473,424	473,424	3,400	-	3,400	476,824
Total Functional Expenses	9,706,946	9,706,946	1,139,787	455,678	1,595,465	11,302,411
Sales Discounts Included with Revenues on the Consolidated Statement of Activities and Changes in Net Assets	(627,885)	(627,885)	-	-	-	(627,885)
Total Expenses Included in the Expense Section on the Consolidated Statement of Activities and Changes in Net Assets	\$ 9,079,061	\$ 9,079,061	\$ 1,139,787	\$ 455,678	\$ 1,595,465	\$ 10,674,526

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

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
Consolidated Statement of Functional Expenses
For the Year Ended June 30, 2023

	<u>Program Services</u>		<u>Supporting Services</u>			
	<u>Housing Program</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total</u>
Salaries	\$ 2,558,387	\$ 2,558,387	\$ 403,662	\$ 293,020	\$ 696,682	\$ 3,255,069
Payroll Taxes	185,302	185,302	34,397	22,818	57,215	242,517
Benefits	338,357	338,357	47,636	41,353	88,989	427,346
Personnel Development	250,786	250,786	27,369	32,930	60,299	311,085
Vista/AmeriCorps	22,673	22,673	-	-	-	22,673
Contract Labor	49,289	49,289	27,095	-	27,095	76,384
Total Personnel Costs	3,404,794	3,404,794	540,159	390,121	930,280	4,335,074
Cost of Homes Sold	1,969,749	1,969,749	-	-	-	1,969,749
Cost of Merchandise Sold	2,072,938	2,072,938	-	-	-	2,072,938
Professional Services	324,835	324,835	124,503	13,364	137,867	462,702
Insurance	384,380	384,380	2,724	672	3,396	387,776
Occupancy Costs	314,299	314,299	7,092	2,913	10,005	324,304
Transportation	193,072	193,072	1,580	3,419	4,999	198,071
Supplies	69,340	69,340	6,061	1,652	7,713	77,053
Equipment	105,773	105,773	863	534	1,397	107,170
Home and Repair Costs	1,332,188	1,332,188	2,277	2,256	4,533.00	1,336,721
Marketing	60,771	60,771	4,053	137,594	141,647	202,418
Program Expenses	189,523	189,523	131,845	41,346	173,191	362,714
Other Expenses	1,143,997	1,143,997	94,157	7,409	101,566	1,245,563
Depreciation and Amortization	499,108	499,108	-	-	-	499,108
Total Functional Expenses	12,064,767	12,064,767	915,314	601,280	1,516,594	13,581,361
Sales Discounts Included with Revenues on the Consolidated Statement of Activities and Changes in Net Assets	(945,646)	(945,646)	-	-	-	(945,646)
Total Expenses Included in the Expense Section on the Consolidated Statement of Activities and Changes in Net Assets	\$ 11,119,121	\$ 11,119,121	\$ 915,314	\$ 601,280	\$ 1,516,594	\$ 12,635,715

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

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Changes in Net Assets	\$ (1,634,272)	\$ (1,340,192)
Adjustments to Reconcile Changes in Net Assets to		
Net Cash Used in Operating Activities		
Depreciation and Amortization	476,824	499,108
Amortization of Mortgage Notes Receivable Discount	(159,317)	(234,979)
Mortgage Note Receivable Discount	627,885	945,646
Debt Issuance Costs	(890,996)	-
Non-Cash Income from Investments		
Realized and Unrealized Gain on Investments, Net	(1,012,333)	(811,053)
Interest and Dividends Reinvested	(15,947)	(42,455)
Gain on Sale of Mortgage Notes Receivable	(102,338)	(429,396)
Gain on Sale of Fixed Assets	(4,356)	(7,135)
(Increase) Decrease in Assets		
Accounts Receivable	323,206	(244,375)
Mortgage Notes Receivable	(736,962)	(825,710)
Construction in Progress and Inventory	(2,065,173)	(633,085)
ReStore Inventory	(67,756)	52,796
Lot Inventory	(78,043)	86,839
Prepaid Expenses	(6,512)	(57,103)
Deposits	(4,563)	(650)
Note Receivable - State Investment Fund	(3,630,400)	-
Increase (Decrease) in Liabilities		
Accounts Payable	880,761	(70,091)
Other Liabilities	(5,661)	(136,246)
Net Cash Used in Operating Activities	(8,105,953)	(3,248,081)
Purchases of Fixed Assets	(58,636)	(179,988)
Purchases of Investments	-	(997,419)
Proceeds from Sale of Investments	4,543,023	1,134,455
Proceeds from Sale of Fixed Assets	5,802	8,738
Repurchase of Mortgage Notes Receivable	(289,986)	(754,267)
Proceeds from the Sale of Mortgage Notes Receivable	274,003	1,557,994
Net Cash Provided by Investing Activities	4,474,206	769,513
Cash Flows from Financing Activities		
Proceeds from Notes Payable	11,465,000	619,650
Payments on Notes Payable	(1,089,532)	(57,510)
Proceeds from Margin Loan	105,077	108,949
Payments on Margin Loan	(2,432,203)	-
Net Cash Provided by Financing Activities	8,048,342	671,089
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	4,416,595	(1,807,479)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	1,587,417	3,394,896
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 6,004,012	\$ 1,587,417
Supplemental Disclosures of Cash Flow Information		
Cash Paid During the Year for Interest	\$ 255,708	\$ 134,783
Non-Cash Donations	\$ 1,332,608	\$ 1,926,710

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

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Organization

New Orleans Area Habitat for Humanity, Inc. (Habitat) is a 501(c)3 organization incorporated in 1983 as an independent affiliate of Habitat for Humanity International (HFHI). Since its inception, Habitat has been working in partnership with hard-working, low-income families in New Orleans and surrounding areas to build and finance new, safe, affordable homes. The program makes homeownership possible for families who cannot qualify for traditional home loans but have a stable job, good or no credit, and the willingness to contribute 250 hours of sweat equity to the building of Habitat homes. Habitat has been a beacon of hope - rebuilding and deploying tens of thousands of volunteers to construct new homes in damaged, blighted neighborhoods following Hurricane Katrina. The support of volunteers, donors, and partners across the country, and even the world, has contributed to making Habitat one of the largest builders of homes in Louisiana. Habitat's leadership skills and construction capacity allow us to rapidly scale up in response to emergencies and/or other opportunities.

Programs offered by Habitat include:

- **First Time Homebuyers Program (FTHP):** Hard-working local families partner with Habitat to become homebuyers with a 0% interest mortgage and a monthly payment of no more than 30% of their income. They provide 250 hours of sweat equity in place of a down payment by building Habitat homes or working at a Habitat ReStore. All FTHP families must show a need for housing, the ability to repay a mortgage, and the willingness to partner with Habitat. In addition to their contribution of sweat equity hours, homebuyers take financial literacy classes, home maintenance training, and save a minimum of \$2,500 towards their escrow account.
- **A Brush With Kindness (ABWK):** ABWK is a program for homeowners in the New Orleans area who cannot afford necessary home improvements or repairs or are unable to complete those repairs due to age, disability, or other circumstances. Habitat prefers ABWK partners to complete eight hours of sweat equity and be present if possible during the repairs, but Habitat can waive the requirement based on the partner's circumstances. There is a great need for home repair services in the New Orleans area, especially for the elderly or disabled homeowners whose homes are at risk because of structural issues. The ABWK program brings affordable home repairs to those in our area who need it most while also helping preserve our neighborhoods. Many ABWK projects suffer from decades of deferred maintenance. In some instances, the required repairs can jeopardize the partners' ability to maintain and keep their homeowner's insurance in place. Whether ABWK partners are a dock worker or a retired teacher, the ABWK program lets Habitat provide these repairs through a grant, allowing the partner to age in place in their current home.
- **Rental Program:** Over one-third of New Orleans renters spend 50% of their income or more on rent. By providing affordable rentals, Habitat addresses a growing need and helps families achieve the financial stability needed to redirect funds to education, healthcare, and savings, and in some cases, to go on to homeownership.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Organization (Continued)

- ReStore: Habitat owns and operates two ReStores in the New Orleans area - one at the home office on Elysian Fields Avenue in New Orleans and the other on Williams Boulevard in Kenner. Habitat ReStores accept donations of new or gently used furniture, appliances, and other household items and sells them to the public at a fraction of the retail price. Proceeds are used to help build strength, stability, self-reliance, and shelter in the New Orleans area by funding the mission of Habitat. In June 2023, the Restore located in Kenner was closed.

NOAHH MC, Inc. (MC) and NOAHH SO, Inc. (SO), are wholly-owned subsidiaries of Habitat (collectively, Habitat) and are each 501(c)(3) exempt organizations. MC was incorporated in the State of Louisiana in March 2009. SO was incorporated in the State of Louisiana in December 2013. These subsidiaries' exclusive purpose is to benefit and support Habitat.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, revenues are recognized when earned and expenses are recorded when incurred.

Principles of Consolidation

The financial statements include the accounts of Habitat and its wholly-owned subsidiaries, MC and SO. All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of Presentation

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

Net Assets Without Donor Restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) imposed restrictions. These net assets may be used at the discretion of Habitat's management and board of directors.

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.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates. Estimates are used primarily for the allowance for credit losses, discount on mortgage notes receivable and fair value of investments.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, Habitat considers all highly liquid bank money market funds and investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable primarily consists of contributions and grants receivable. Accounts receivable are stated at the amount Habitat expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. There was no allowance for doubtful accounts at June 30, 2024 or 2023.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value. Unrealized gains and losses are reported as increases or decreases in net assets without donor restrictions or net assets with donor restrictions depending if their use is restricted by donor stipulations or law. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Realized and unrealized gains and losses and interest and dividends earned are reported net of fees as investment return, net in the consolidated statements of activities and changes in net assets.

Debt securities with a fair value less than its amortized cost basis is considered impaired. Management evaluates debt securities in an unrealized loss position on an annual basis, and more frequently when economic or market conditions warrant such evaluation. If Habitat has the intent to sell the security, or it is more likely than not that Habitat will be required to sell the security, the total impairment loss is recognized as an adjustment to the amortized cost basis of the investment and reflected in the consolidated statement of activities and changes in net assets. The new amortized cost basis is not adjusted for subsequent recoveries in fair value.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Investments (Continued)

If Habitat does not have the intent to sell and determines that it is more likely than not that it will be required to sell the security, management evaluates whether the decline in fair value is the result of credit losses or other factors. In making the assessment, management may consider various factors including the extent to which fair value is less than amortized cost, performance on any underlying collateral, downgrades in the rating of the security by a rating agency, the failure of the issuer to make scheduled interest or principal payments and adverse conditions specifically related to the security. If the assessment indicates that a credit loss exists, the present value of cash flows expected to be collected is compared to the amortized cost basis of the security. To the extent that the security's amortized cost basis exceed the present value of cash flows expected to be collected, an allowance for credit losses is recorded. Recoveries of credit losses can be reversed in subsequent periods. At June 30, 2024, there was no allowance for credit loss related to debt securities.

Mortgage Notes Receivable

Mortgage notes receivable consist of non-interest-bearing mortgage notes which are collateralized by real estate in the New Orleans area and payable in monthly installments over the life of the mortgage loans. Mortgage notes receivable are net of discounts, which represent the difference between the stated amount of the mortgage notes and the present value based on an imputed amount of interest. The mortgage discount interest rate is set annually by HFHI. The rate is calculated by taking the average rate for twelve months, as published by the Internal Revenue Service (IRS) under the Index of Applicable Federal Rates (AFR) Rulings for Low-Income Housing Tax Credits. The imputed interest rates used approximate the rates that independent borrowers and lenders would have negotiated in a similar transaction. The discounts are amortized over the lives of the mortgage loans using the interest method. Mortgage notes receivable are considered past due if payments are more than 30 days late.

The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of mortgage notes receivable to present the net amount expected to be collected. The measurement of expected credit losses includes information about historical events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Qualitative adjustments to historical loss information are made for factors such as economic factors or delinquencies. All mortgage notes receivables are collateralized by residential property. Management believes the discount rate set by HFHI, as well as collateral values in excess of mortgage notes, appropriately covers the risk of credit losses and there was no allowance for credit losses recorded as of June 30, 2024 and 2023.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Construction in Progress and Inventory

Construction inventory consists of land, materials, and other costs associated with houses under construction. Construction in progress is recorded at cost. Purchased inventory is recorded at the lower of cost or net realizable value determined by the specific identification method. Gift in-kind inventory is recorded at fair value on the date of receipt based on the specific identification method. When homes are sold, costs of homes sold are considered program services expense. As of June 30, 2024 and 2023, construction in progress and inventory included:

	2024	2023
Construction in Progress	\$ 4,704,707	\$ 2,392,144
Materials Inventory and Prepaid Supplies	<u>70,069</u>	<u>84,382</u>
Total	<u>\$ 4,774,776</u>	<u>\$ 2,476,526</u>

ReStore Inventory

Inventory represents goods to be sold in the ReStore and is recorded at the lower of cost or net realizable value.

Property and Equipment

Property and equipment are recorded at cost when purchased and at their estimated fair market value when received as a donation. Improvements and major repairs, which extend and enhance the useful life of the asset, are capitalized. Expenditures for maintenance and repairs are expensed as incurred. Habitat has established a policy capitalizing all expenditures for property and equipment in excess of \$2,500. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Buildings are depreciated over 39.5 years and rental houses are depreciated over 27.5 years. The useful lives of other fixed assets range from three to seven years. The costs and accumulated depreciation of assets sold or retired are removed from the respective accounts and any resulting gain or loss is reflected in the change in net assets. For the years ended June 30, 2024 and 2023, depreciation and amortization expense totaled \$476,824 and \$499,108, respectively.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Lot Inventory

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

Home Sales

Revenues from the sale of houses are recognized at the date of closing as the closing date is the point in time in which the home is transferred to the customer.

Contributions

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

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

Grant Revenue

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

ReStore Revenues

Habitat has a resale store that sells primarily donated goods. The sales revenue is not restricted and is recognized at a point-in-time when the goods are exchanged for cash consideration and transferred to the customer. ReStore in-kind contributions totaled \$1,144,621 and \$1,693,482 for the years ended June 30, 2024 and 2023, respectively. See Note 8.

Rental Revenues

Tenants sign lease agreements for rental housing owned by Habitat. Lease terms are typically one year with automatic renewal on a month-to-month basis unless notification to terminate the lease is received from the tenant. Rental revenues are recognized monthly over the term of the lease. Any amounts received in advance of services provided are deferred and recognized when services have been provided.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Sales of Mortgage Notes Receivable

Habitat sells existing mortgages to third-party banks. Such revenues are recognized at the date of sale as this is the point in time in which the performance obligation of transferring the mortgage note receivable to the bank has been satisfied.

Donated Services and In-Kind Donations

Volunteers contribute significant amounts of time to Habitat's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services as management has determined that the requirements for recording in-kind services have not been satisfied. Contributed goods are recorded at fair value at the date of donation. See Note 8.

Rental Income

Habitat leases rental houses to tenants. These leases may contain extension and termination options that are predominantly at the sole discretion of the lessee, provided certain conditions are satisfied.

Topic 842 provides lessors a practical expedient, applicable by class of underlying asset, to not separate non-lease components from the associated lease component if certain criteria are met. An underlying asset is an asset that is the subject of a lease for which the right to use that asset has been conveyed to a lessee. Habitat considers rental houses as a class of underlying assets.

Lease components are elements of an arrangement that provide the lessee with the right to use an identified asset. Non-lease components are distinct elements of a contract that are not related to securing the use of the leased asset and revenue is recognized in accordance with Topic 606, *Revenue from Contracts with Customers*. In the case of Habitat's business, the identified asset would be the rental house. As of June 30, 2024 and 2023, leases for rental houses do not contain any non-lease components.

In addition, under Topic 842, lessors will only capitalize incremental direct leasing costs. These costs are expensed as incurred and are included within other expenses on the consolidated statements of functional expenses.

Income Taxes

Habitat is a non-profit corporation that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the IRC. It is exempt from Louisiana income tax under Section 121(5) of Title 47 of the Louisiana Revised Statute of 1950.

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity and its tax returns that might be uncertain. Habitat believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. Penalties and interest assessed by income taxing authorities, if any, would be included in interest expense.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Sales Tax

State of Louisiana and Orleans Parish or Jefferson Parish impose a combined sales tax on all sales to non-exempt customers. The combined sales tax rate is 10% for Orleans Parish and 9.2% for Jefferson Parish. Habitat collects that sales tax from customers and remits the entire amount to the State of Louisiana. For the years ended June 30, 2024 and 2023, Habitat remitted state sales taxes totaling \$137,620 and \$272,728, respectively. Sales tax collected and paid is not reported as revenues and expenses on the consolidated statements of activities and changes in net assets.

Advertising Expense

Habitat uses advertising to promote ReStore operations and fundraising activities. The costs of advertising are expensed as incurred. For the years ended June 30, 2024 and 2023, advertising costs totaled \$7,723 and \$1,626, respectively.

Functional Allocated Expenses

Expenses are summarized on a functional basis. The consolidated statements of functional expenses present the natural classification detail of expense by function. Salaries and related payroll expenses are allocated based upon the time spent for each function. Allocation of all other shared expenses is based upon management's estimates of the usage applicable to conducting various program or support activities. Other shared expenses that are allocated include professional services, transportation, insurance, occupancy, program expense, marketing, supplies, special events, and other expenses.

Recently Issued Accounting Pronouncements - Adopted

Effective July 1, 2023, Habitat adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including mortgage note receivables. CECL requires entities to measure all expected credit losses for applicable financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The impact of adoption of this standard was not material to the consolidated financial statements.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

Note 2. Liquidity and Availability

Habitat regularly monitors liquidity required to meet its operating needs and other contractual commitments. In addition to financial assets available to meet general expenditures over the next twelve months, Habitat operates with a budget to monitor resources and spending. As of June 30, 2024, financial assets available for general operating purposes within one year of the consolidated statement of financial condition date consisted of the following:

	2024	2023
Cash, Cash Equivalents, and Restricted Cash	\$ 6,004,012	\$ 1,587,417
Accounts Receivable	274,619	597,825
Investments	8,935,814	12,450,557
Mortgage Notes Receivable, Current Portion, Net	289,261	232,813
	<u>15,503,706</u>	<u>14,868,612</u>
Less: Amounts not Available to be Used Within Twelve Months:		
Net Assets with Donor Restrictions	(1,438,218)	(985,890)
Less: Cash Restricted	<u>(423,268)</u>	<u>(227,805)</u>
Total	<u>\$ 13,642,220</u>	<u>\$ 13,654,917</u>

Note 3. Cash, Cash Equivalents, and Restricted Cash

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

	2024	2023
Cash and Cash Equivalents	\$ 5,580,744	\$ 1,359,612
Restricted Cash	<u>423,268</u>	<u>227,805</u>
Total	<u>\$ 6,004,012</u>	<u>\$ 1,587,417</u>

Habitat services the mortgages on the homes it sells. Restricted cash consists of escrow deposits and reserves funding for fees and interest in connection with the QLICI loans.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

Note 4. Mortgage Notes Receivable

Habitat sells its completed homes to individual and family partners in exchange for a mortgage note secured by the residence with typical repayment terms over 20 to 30 years and bearing 0% interest. As of June 30, 2024 and 2023, there are no loans pledged as collateral to secure notes payable.

During the years ended June 30, 2024 and 2023, Habitat sold two and twenty-four of its mortgage notes receivable at their face value of \$274,003 and \$1,557,994, respectively. The loans are considered to be delinquent after 90 days of non-payment of principal. Habitat will repurchase or replace any delinquent loans if those loans are called by the financial institution. Habitat has retained servicing of these loans, which is performed by a third-party financial institution. During the years ended June 30, 2024 and 2023, Habitat repurchased nineteen loans with a gross carrying value of \$289,986 and sixteen loans with a gross carrying value of \$757,267, respectively.

As of June 30, 2024 and 2023, a summary of the mortgage notes receivable was:

	2024	2023
Mortgage Notes Receivable	\$ 4,141,448	\$ 3,388,503
Unamortized Discount (Imputed Rates 6.0% - 8.02%)	<u>(1,615,963)</u>	<u>(1,249,733)</u>
Mortgage Notes Receivable, Net	<u>2,525,485</u>	2,138,770
Less: Current Portion	<u>(289,261)</u>	<u>(232,813)</u>
Total	<u>\$ 2,236,224</u>	<u>\$ 1,905,957</u>

As of June 30, 2024, contractual maturities of mortgage notes receivable were as follows:

Year Ending June 30,	Amount
2025	\$ 289,261
2026	289,980
2027	283,439
2028	266,650
2029	238,098
Thereafter	<u>2,774,020</u>
Total	<u>\$ 4,141,448</u>

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

Note 5. Rising Oaks Project and New Market Tax Credit

SO as the owner of certain real property located in Gretna, Louisiana donated the property to Habitat for the development of affordable for-sale housing and related infrastructure improvements (the Property). Habitat intends to develop the Property in three or more phases of development, known as Rising Oaks at Terrytown (Rising Oaks Project or the Project). Phase 1 of the Project consists of donation of the Property, construction of 68 homes, and the sale and use of those homes. In connection with Phase 1 of the Project, Habitat and SO entered into a financing transaction to utilize state and federal new market tax credits (the NMTC Transaction) pursuant to the Louisiana New Markets Tax Credits Act and Section 45D of the IRC. Habitat intends to operate a separate portion of its business (Habitat POB) as a qualified active low-income community business. Proceeds of the NMTC Transaction, cash on hand, fundraising and grant proceeds and proceeds from the sale of houses developed in Phase 1 will be used to finance the Project.

As part of the NMTC Transaction, Habitat POB received two loans in the aggregate amount of \$6,547,500, which are included on the consolidated statement of financial position as QLICI A note payable and QLICI B note payable. Proceeds are used to reimburse Habitat for prior expenses related to the Project, pay transaction fees and expenses, fund reserves for fees and interest payable during the 7-year NMTC compliance period and develop a disbursement account to be used on construction and other expenses related to the Project. The loans bear interest at 1.25858% and have a term of 30 years, maturing on March 25, 2054. The loans are secured by a controlled deposit account and a reserve account. Debt issuance costs totaled \$826,455 at June 30, 2024 and will be amortized over the life of the loan. See Note 6.

As part of the NTMC Transaction, Habitat used the reimbursement proceeds received from the loans above to make a donation to SO in the amount of \$3,630,400 and SO, as the leverage lender of the NTMC Transaction, used the proceeds to make a leverage loan of \$3,630,400 to the State Investment Fund, which is included on the consolidated statement of financial position as note receivable - state investment fund. The note bears interest at 1.228377% and has a term of 25 years. Advances are used to reimburse bridge funding for the NMTC Transaction provided by the State Investment Fund and its members.

Note 6. Notes Payable

On June 16, 2020, Habitat entered into a note payable agreement with the Small Business Administration (SBA) for the amount of \$114,500. The loan proceeds are to be used solely as working capital to alleviate economic injury caused by disaster that occurred in January 2020. The agreement calls for principal and interest payments of \$489 per month beginning June 16, 2021. The loan bears interest at 2.75%, matures June 16, 2050 and is secured by Habitat's assets. In May of 2020, Habitat received an economic injury disaster loan advance from the SBA in the amount of \$10,000. As of June 30, 2024 and 2023, the loan and advance amount totaled \$109,461 and \$119,570, respectively.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

Note 6. Notes Payable (Continued)

On June 19, 2020, Habitat entered into several note payable agreements with a financial institution for a total of \$387,000 with maturity dates of June of 2035, bearing interest of 3%, and is secured by real estate. On August 26, 2021, Habitat entered into several note payable agreements with a financial institution for a total of \$408,000 with maturity dates of August 26, 2036, bearing interest of 3% and is secured by real estate. On March 27, 2023, Habitat entered into several note payable agreements with a financial institution for a total of \$619,650 with a maturity date of March 26, 2038, bearing interest of 3% and is secured by real estate. As of June 30, 2024 and 2023, the loans totaled \$1,222,395 and \$1,301,637, respectively.

On January 1, 2023, Habitat entered into a note payable agreement with HFHI for a total of \$17,500 with a maturity date of July 1, 2030. The note does not bear interest and is unsecured. As of June 30, 2024, the loan totaled \$17,500.

On January 29, 2024, Habitat entered into a note payable agreement with a financial institution for a total of \$2,900,000 with a maturity date of July 28, 2028, bearing interest of 8.25%, and is secured by real estate. As of June 30, 2024, the loan totaled \$1,899,822.

On June 27, 2024, Habitat entered into a loan agreement with Habitat Capital, LLC for a total of \$2,000,000 with a maturity date of June 30, 2026, bearing interest of 3.25%, and is unsecured. The purpose of the loan is the construction of the Rising Oaks Project. As of June 30, 2024, the loan totaled \$2,000,000. Debt issuance costs totaled \$64,541 at June 30, 2024 and will be amortized over the life of the loan.

At June 30, 2024, principal payments for the five years and thereafter which follow for the above notes payable, margin loan (see Note 14), QLICI notes payable (see Note 5) are:

Year Ending June 30,	Amount
2025	\$ 1,109,952
2026	1,148,080
2027	160,382
2028	168,202
2029	1,776,179
Thereafter	<u>7,433,884</u>
Total	<u><u>\$ 11,796,679</u></u>

Total debt issuance costs for the above notes payable and Total interest expense for the above notes payable totaled \$255,708 and \$134,783 for the years ended June 30, 2024 and 2023, respectively.

Habitat is subject to various financial covenants as part of the notes payable agreements. Habitat was in compliance with covenants as of June 30, 2024.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

Note 7. Net Assets With Donor Restrictions

As of June 30, 2024 and 2023, Habitat's net assets with donor restrictions of \$1,438,218 and \$985,890, respectively, are restricted for the use of constructing or financing certain future houses and recovery of hurricane damage. Net assets released from restrictions totaled \$305,585 and \$261,758, respectively, and relate to expiration of events imposed by the donor.

Note 8. In-kind Contributions

For the years ended June 30, 2024 and 2023, the following nonfinancial assets were contributed and recognized within the consolidated statements of activities and changes in net assets:

	2024	2023
Restore Inventory	\$ 1,144,621	\$ 1,693,482
Construction Inventory	112,939	217,848
Loan Servicing	45,416	-
Supplies	29,632	15,380
Total	\$ 1,332,608	\$ 1,926,710

Habitat recognizes contributed nonfinancial assets within revenue including contributed inventory, equipment and supplies. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed inventory will be held for sale in the ReStores. Inventory is valued at a estimated price of similar products based on data available for similar products considering the condition at the time of contribution, adjusted for an overall discount factor calculated using number of days of donated inventory on hand.

Contributed construction inventory consists of land, materials and other items that are used in homes under construction. Contributed construction inventory is recorded at fair value at the date of donation based on recent comparable sales in the respective area or current prices of similar materials or other items.

Contributed loan servicing consists of fees and services that were part of a new loan agreement that occurred during the year ended June 30, 2024. Loan servicing is valued at the costs of these fees and services.

Contributed supplies are used in Habitat's home building program or fundraising activities. Contributed supplies are recorded at fair value at the date of donation based on current prices of similar supplies.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

Note 9. Commitments and Contingencies

Contingent Mortgage Notes Receivable

To encourage homeowners to fulfill their commitment to homeownership, second mortgage notes receivable (for the difference between the selling price and the estimated fair value at date of sale) are held by Habitat on most houses sold after March 1998. Mortgage note payments under these “soft” second mortgages are not due as long as the homeowners retain ownership and are current in their payments.

If the homeowners are current on the first mortgage notes, then after certain specified years, the principal balances of the second mortgage notes will be reduced over various time periods so that at the end of the amortization period the principal balances of the mortgage notes will be zero. For the fiscal years ended June 30, 2024 and 2023, Habitat recognized income from second mortgages totaling \$83,078 and \$107,252, respectively (the unforgiven portion), and this income is included in home sales revenue in the consolidated statements of activities and changes in net assets.

Recourse Mortgage Notes

Habitat occasionally sells its non-interest bearing mortgage notes receivable. The sales have a provision which requires Habitat to repurchase the notes in the event of default. At June 30, 2024 and 2023, the total recourse mortgage notes receivable had face value of \$14,354,010 and \$15,487,865, respectively. In the event the notes are repurchased, Habitat has the right to foreclose and resell or repurpose the associated property.

Contract Commitments

In October 2023, Habitat entered into an agreement with a contractor to develop a residential subdivision. The agreement requires monthly payments in proportion to services performed by the contractor. Total estimated cost to complete the project is approximately \$4,600,000.

Note 10. Related-Party Transactions

A member of Habitat’s board of directors and finance committee is an executive of a financial institution who holds recourse mortgage notes that were purchased from Habitat (see Note 9). Habitat entered into a note payable agreement with the financial institution for a total of \$2,900,000 during the year ended June 30, 2024 and the financial institution contributed loan servicing as part of the loan transaction (see Notes 6 and 8).

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

Note 11. Concentration of Credit Risk

Financial instruments which are potentially subject to concentrations of credit risk consist principally of cash and cash equivalents, investments, and mortgage notes receivable. Cash and cash equivalents are placed with financial institutions to minimize risk. Investments consist of money market funds that are primarily backed by U.S. government securities and other securities are typically invested in large international corporations. Habitat's mortgage notes receivable base is limited to primarily New Orleans, Louisiana. Homeowners insurance and flood insurance are required on all homes securing the mortgage notes, thus mitigating risk.

Habitat has concentrated its credit risk for cash by maintaining deposits in financial institutions in New Orleans, Louisiana, which may at times exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2024, Habitat has cash totaling \$6,158,399 held at financial institutions in excess of the \$250,000 limit insured by the FDIC. Habitat has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

Habitat's investments are held with a large national brokerage firm and are covered by Securities Investor Protection Corporation (SIPC) up to \$500,000. Excess SIPC coverage has been purchased, at no cost to Habitat, from an international insurance firm, to cover amounts not covered under FDIC and SIPC limits.

Note 12. Fair Value Measurements

Habitat follows the provisions of FASB ASC, *Fair Value Measurement* Topic. Fair value is defined as the price that would be received by Habitat for an asset or paid by Habitat to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. The guidance establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on inputs as follows:

- Level 1 Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities as of the reporting date. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgement.
- Level 2 Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, as of the reporting date.
- Level 3 Valuations based on inputs that are unobservable and include situations where there is little, if any, market activity. The inputs into this determination of fair value require significant management judgement or estimation.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

Note 12. Fair Value Measurements (Continued)

In some instances, the inputs used to measure fair value may fall into different levels within the fair value hierarchy. In such instances, the level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis. There have been no changes in the methodologies used for the years ended June 30, 2024 and 2023.

Money Market Funds: Stated at cost, plus accrued interest, which approximates fair value.

Common Stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Exchange-Traded Products: Valued at the daily closing price as reported by the mutual fund. Mutual funds held by Habitat are closed-ended mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by Habitat are deemed to be actively traded.

Mortgage-Backed Securities: Valued based on trade history in like securities or using an option-adjusted discounted cash flow model.

Government and Corporate Bonds: Valued based on observable trades in exact securities or using a discounted cash flow model when observable trades are not available.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Habitat believes its valuation methods are appropriate and consistent with 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.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

Note 12. Fair Value Measurements (Continued)

The following tables set forth by level, within the fair value hierarchy, Habitat's assets at fair value as of June 30, 2024 and 2023:

June 30, 2024	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 255,968	\$ -	\$ -	\$ 255,968
Common Stocks	2,967,416	-	-	2,967,416
Mutual Funds	4,460,345	-	-	4,460,345
Mortgage-Backed Securities	-	438,017	-	438,017
Government and Corporate Bonds	797,350	16,718	-	814,068
Total Assets at Fair Value	\$ 8,481,079	\$ 454,735	\$ -	\$ 8,935,814

June 30, 2023	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 1,175,653	\$ -	\$ -	\$ 1,175,653
Common Stocks	2,753,133	-	-	2,753,133
Mutual Funds	2,547,730	-	-	2,547,730
Exchange-Traded Products	3,308,698	-	-	3,308,698
Mortgage-Backed Securities	-	982,567	-	982,567
Government and Corporate Bonds	1,602,565	80,211	-	1,682,776
Total Assets at Fair Value	\$ 11,387,779	1,062,778	\$ -	\$ 12,450,557

Note 13. Benefit Plan

Habitat provides a 401(k) contribution plan to all employees who are at least 21 years of age. Employees are automatically enrolled in the plan upon hire unless they elect to opt out of the plan. Plan participants are fully vested after one year of service. During the years ended June 30, 2024 and 2023, matching contributions to the plan were \$91,428 and \$89,287, respectively.

Note 14. Margin Loan

Habitat has a margin agreement with their existing investment accounts that allows Habitat to leverage margin across their investment accounts to maintain a single margin amount. Habitat can borrow up to 50% of the purchase price of marginable securities with the investments serving as collateral. As of June 30, 2024 and 2023, the outstanding balance on the margin loan was \$-0- and \$2,327,126, respectively. The loan bears interest at a variable interest rate, which was 6.00% at June 30, 2023.

In the event margined securities less the margin loan balance no longer meet the minimum maintenance requirement for the margin loan, a margin call would be received and Habitat would need to deposit cash or securities to meet the minimum requirement.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

Note 15. Leases

Habitat's housing is leased to tenants under operating leases. Lease terms are typically one year with automatic renewal on a month-to-month basis unless notification to terminate the lease is received from the tenant.

Habitat's rental income is primarily composed of payments defined under each lease agreement and are either subject to scheduled fixed increases or adjustments in rent based on the consumer price index.

Services directly reimbursed by lessees are presented on a gross basis in revenues and expenses. Rental revenue in the amount of \$778,782 and \$807,537 and expenses in the amount of \$-0- were recognized for the years ended June 30, 2024 and 2023, respectively, and is included the consolidated statements of activities and changes in net assets.

Future undiscounted cash flows to be received for each of the following years as of June 30, 2024 are as follows:

Year Ending June 30,	Amount
2025	\$ 92,554
2026	40,800
2027	<u>23,800</u>
Total	<u><u>\$ 157,154</u></u>

Note 16. Subsequent Events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, December 18, 2024, and determined that no events require disclosure. No events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

SUPPLEMENTARY INFORMATION

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
Consolidating Statement of Financial Position
June 30, 2024

	New Orleans Area Habitat for Humanity, Inc.	NOAHH SO, Inc.	NOAHH MC, Inc.	Eliminations/ Reclassifications	Consolidated
Assets					
Current Assets					
Cash and Cash Equivalents	\$ 5,580,744	\$ -	\$ -	\$ -	\$ 5,580,744
Restricted Cash	423,268	-	-	-	423,268
Accounts Receivable	274,619	-	-	-	274,619
Investments	8,935,814	-	-	-	8,935,814
Mortgage Notes Receivable, Current Portion, Net	289,261	-	-	-	289,261
Construction in Progress and Inventory	4,774,776	-	-	-	4,774,776
ReStore Inventory	193,917	-	-	-	193,917
Prepaid Expenses	164,826	-	-	-	164,826
Due from NOAHH, Inc.	-	522,179	-	522,179	-
Total Current Assets	20,637,225	522,179	-	522,179	20,637,225
Property and Equipment					
Buildings and Land	10,786,020	-	-	-	10,786,020
Rental Houses	5,641,180	-	-	-	5,641,180
Furniture and Fixtures	146,461	-	-	-	146,461
Tools and Equipment	481,795	-	-	-	481,795
Vehicles	555,683	-	-	-	555,683
	17,611,139	-	-	-	17,611,139
Less: Accumulated Depreciation	3,324,942	-	-	-	3,324,942
Total Property and Equipment, Net	14,286,197	-	-	-	14,286,197
Other Assets					
Mortgage Notes Receivable, Long-Term Portion, Net	2,236,224	-	-	-	2,236,224
Note Receivable - State Investment Fund	-	3,630,400	-	-	3,630,400
Lot Inventory	369,432	-	-	-	369,432
Deposits	11,938	-	-	-	11,938
Total Other Assets	2,617,594	3,630,400	-	-	6,247,994
Total Assets	\$ 37,541,016	\$ 4,152,579	\$ -	\$ 522,179	\$ 41,171,416

See independent auditors' report.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
Consolidating Statement of Financial Position (Continued)
June 30, 2024

	New Orleans Area Habitat for Humanity, Inc.	NOAHH SO, Inc.	NOAHH MC, Inc.	Eliminations/ Reclassifications	Consolidated
Liabilities and Net Assets					
Current Liabilities					
Accounts Payable	\$ 949,450	\$ -	\$ 2,375	\$ -	\$ 951,825
Other Liabilities	291,761	-	-	-	291,761
Notes Payable, Current Portion	1,061,260	-	-	-	1,061,260
Due to NOAHH SO, Inc.	522,179	-	-	522,179	-
Total Current Liabilities	2,824,650	-	2,375	522,179	2,304,846
Long-Term Liabilities					
QLICI A Note Payable	5,000,000	-	-	-	5,000,000
QLICI B Note Payable	1,547,500	-	-	-	1,547,500
Notes Payable, Long-Term Portion, Net	3,296,922	-	-	-	3,296,922
Total Long-Term Liabilities	9,844,422	-	-	-	9,844,422
Total Liabilities	12,669,072	-	2,375	522,179	12,149,268
Net Assets					
Without Donor Restrictions	23,433,726	4,152,579	(2,375)	-	27,583,930
With Donor Restrictions	1,438,218	-	-	-	1,438,218
Total Net Assets	24,871,944	4,152,579	(2,375)	-	29,022,148
Total Liabilities and Net Assets	\$ 37,541,016	\$ 4,152,579	\$ -	\$ 522,179	\$ 41,171,416

See independent auditors' report.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
Consolidating Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2024

	New Orleans Area Habitat for Humanity, Inc.	NOAHH SO, Inc.	NOAHH MC, Inc.	Eliminations/ Reclassifications	Consolidated
Revenues, Gains, and Support					
Home Sales					
Sales Revenue	\$ 2,231,787	\$ -	\$ -	\$ -	\$ 2,231,787
Mortgage Notes Receivable Discount	(627,885)	-	-	-	(627,885)
Contributions	674,318	20,800	-	-	695,118
In-kind Contributions	1,332,608	-	-	-	1,332,608
Grant Revenue	810,760	4,892,400	-	3,630,400	2,072,760
Amortization of Mortgage Notes Receivable Discount	159,317	-	-	-	159,317
Investment Return, Net	938,774	-	-	-	938,774
ReStore Revenues	1,314,588	-	-	-	1,314,588
Rental Revenues	778,782	-	-	-	778,782
Gain on Sales of Mortgage Notes Receivable	102,338	-	-	-	102,338
Other Income, Net	42,067	-	-	-	42,067
Total Revenues, Gains, and Support	7,757,454	4,913,200	-	3,630,400	9,040,254
Expenses					
Program Services	12,473,693	235,768	-	3,630,400	9,079,061
Supporting Services					
Management and General	1,139,787	-	-	-	1,139,787
Fundraising	455,678	-	-	-	455,678
Total Expenses	14,069,158	235,768	-	3,630,400	10,674,526
Change in Net Assets	(6,311,704)	4,677,432	-	-	(1,634,272)
Net Assets, Beginning of Year	31,183,648	(524,853)	(2,375)	-	30,656,420
Net Assets, End of Year	\$ 24,871,944	\$ 4,152,579	\$ (2,375)	\$ -	\$ 29,022,148

See independent auditors' report.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
Schedule of Compensation, Benefits, and Other Payments to
Agency Head or Chief Executive Officer
For the Year Ended June 30, 2024

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

Agency Head
Marguerite Oestreicher, Executive Director

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

See independent auditors' report.

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

Independent Auditor's Report

To the Board of Directors
New Orleans Area Habitat for Humanity, Inc.

We have audited, 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, the consolidated financial statements of New Orleans Area Habitat for Humanity, Inc. (Habitat) (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Habitat'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 Habitat's internal control. Accordingly, we do not express an opinion on the effectiveness of Habitat's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

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

A Professional Accounting Corporation

Covington, LA
December 18, 2024

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
Schedule of Findings and Responses
For the Year Ended June 30, 2024

Part I - Summary of Auditor's Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| • Material weakness(es) identified? | No |
| • Significant deficiency(ies) identified? | None Reported |
| 3. Noncompliance material to the financial statements noted? | No |

Federal Awards - Not applicable

Part II - Financial Statement Findings

None noted.

Part III - Findings and Questioned Costs for Federal Awards

Not applicable.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2024

None noted.

AGREED-UPON PROCEDURES REPORT

New Orleans Area Habitat for Humanity, Inc.

Independent Accountant's Report
On Applying Agreed-Upon Procedures

For the Period July 1, 2023 - June 30, 2024

To the Board of Directors
New Orleans Area Habitat for Humanity, Inc.
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal year July 1, 2023 through June 30, 2024. New Orleans Area Habitat For Humanity, Inc. and Subsidiaries (Habitat) management is responsible for those C/C areas identified in the SAUPs.

Habitat has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in the LLA's SAUPs for the fiscal year July 1, 2023 through June 30, 2024. Additionally, the LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and results are as follows:

1) Written Policies and Procedures

- A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:
- i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - ii. **Purchasing**, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) controls to ensure compliance with the Public Bid Law, and (5) documentation required to be maintained for all bids and price quotes.
 - iii. **Disbursements**, including processing, reviewing, and approving.

- iv. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rates of pay or approval and maintenance of pay rate schedules.
- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- viii. **Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- xi. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Results: No exceptions were noted as a result of performing these procedures. Ethics policy testing, debt service policy testing, and prevention of sexual harassment policy testing are not applicable to the Habitat as a non-profit entity.

2) Board or Finance Committee

- A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

- ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternatively, for those entities reporting on the not-for-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
- iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.
- iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Results: No exceptions were found as a result of these procedures.

3) Bank Reconciliations

- A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
 - ii. Bank reconciliations include written evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated or electronically logged); and
 - iii. Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Results: No exceptions were found as a result of these procedures.

4) Collections (excluding electronic funds transfers)

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
- i. Employees responsible for cash collections do not share cash drawers/registers;
 - ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g., pre-numbered receipts) to the deposit;
 - iii. Each employee responsible for collecting cash is not also responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit; and
 - iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, is (are) not also responsible for collecting cash, unless another employee/official verifies the reconciliation.
- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe that the bond or insurance policy for theft was in force during the fiscal period.
- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternatively, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits, and:
- i. Observe that receipts are sequentially pre-numbered.
 - ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - iii. Trace the deposit slip total to the actual deposit per the bank statement.
 - iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).
 - v. Trace the actual deposit per the bank statement to the general ledger.

Results: No exceptions were found as a result of these procedures.

5) *Non-Payroll Disbursements (excluding card purchases, travel reimbursements, and petty cash purchases)*

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
- B. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:
- i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase;
 - ii. At least two employees are involved in processing and approving payments to vendors;
 - iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files;
 - iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments; and
 - v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.
- C. For each location selected under procedure #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction, and:
- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates that deliverables included on the invoice were received by the entity, and
 - ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.
- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. *Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.*

Results: No exceptions were found as a result of these procedures.

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards (Cards)

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and:
 - i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder (those instances requiring such approval that may constrain the legal authority of certain public officials, such as the mayor of a Lawrason Act municipality, should not be reported); and
 - ii. Observe that finance charges and late fees were not assessed on the selected statements.
- C. Using the monthly statements or combined statements selected under procedure #6B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Results: No exceptions were found as a result of these procedures.

7) Travel and Travel-Related Expense Reimbursements (excluding card transactions)

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
 - i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov);
 - ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased;

- iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii); and
- iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: No exceptions were found as a result of these procedures.

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternatively, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
 - i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law;
 - ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter);
 - iii. If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval); and
 - iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: No exceptions were noted as a result of performing these procedures.

9) Payroll and Personnel

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and:
 - i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory);
 - ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials;

- iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records; and
 - iv. Observe whether the rate paid to the employees or officials agrees to the authorized salary/pay rate found within the personnel file.
- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee's or official's authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.
- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

Results: No exceptions were found as a result of these procedures.

10) Ethics

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A obtain ethics documentation from management, and:
- i. Observe whether the documentation demonstrates that each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170; and
 - ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.
- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

Results: Ethics procedure testing is not applicable to the Habitat as a non-profit entity.

11) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Results: Debt service procedure testing is not applicable to the Habitat as a non-profit entity.

12) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the Legislative Auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.
- B. Observe that the entity has posted, on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: No exceptions were found as a result of these procedures.

13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures, **verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."**
- i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on Habitat's local server or network, and (c) was encrypted.
 - ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if there is no written documentation, then inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.
- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

C. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267. The requirements are as follows:

- Hired before June 9, 2020 - completed the training; and
- Hired on or after June 9, 2020 - completed the training within 30 days of initial service or employment.

Results: We performed the procedure and discussed the results with management.

14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.
- B. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).
- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1st, and observe that the report includes the applicable requirements of R.S. 42:344:
- i. Number and percentage of public servants in the agency who have completed the training requirements;
 - ii. Number of sexual harassment complaints received by the agency;
 - iii. Number of complaints which resulted in a finding that sexual harassment occurred;
 - iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and
 - v. Amount of time it took to resolve each complaint.

Results: Sexual harassment procedure testing is not applicable to the Habitat as a non-profit entity.

We were engaged by Habitat to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Habitat and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing on those C/C areas identified in Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures, and the results of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

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

A Professional Accounting Corporation

Covington, LA
December 20, 2024