

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

Audits of Consolidated Financial Statements

June 30, 2022 and 2021



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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, 2022 and 2021, 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2022 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 to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 19, 2022

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
Consolidated Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 2,851,679	\$ 1,004,201
Restricted Cash - Escrow Deposits	543,217	132,165
Accounts Receivable	353,450	222,043
Investments	11,734,085	14,406,256
Mortgage Notes Receivable, Current Portion, Net	243,810	243,864
Construction in Progress and Inventory	2,319,720	1,284,855
ReStore Inventory	178,957	237,527
Prepaid Expenses	101,211	77,207
Total Current Assets	18,326,129	17,608,118
Property and Equipment		
Buildings and Land	10,739,661	6,615,431
Rental Houses	5,555,910	5,679,869
Furniture and Fixtures	146,461	146,461
Tools and Equipment	467,678	325,044
Vehicles	454,762	381,318
	17,364,472	13,148,123
Less: Accumulated Depreciation	(2,581,123)	(2,244,249)
Total Property and Equipment, Net	14,783,349	10,903,874
Other Assets		
Mortgage Notes Receivable, Long-Term Portion, Net	2,154,248	2,504,272
Lot Inventory	378,228	284,968
Deposits	6,725	6,725
Total Other Assets	2,539,201	2,795,965
Total Assets	\$ 35,648,679	\$ 31,307,957

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, 2022 and 2021

	2022	2021
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 141,155	\$ 204,392
Other Liabilities	433,668	593,324
Margin Loan	2,218,177	-
Notes Payable, Current Portion	47,288	162,722
Total Current Liabilities	2,840,288	960,438
Long-Term Liabilities		
Notes Payable, Long-Term Portion, Net	811,779	919,639
Total Long-Term Liabilities	811,779	919,639
Total Liabilities	3,652,067	1,880,077
Net Assets		
Without Donor Restrictions	31,907,760	29,420,530
With Donor Restrictions	88,852	7,350
Total Net Assets	31,996,612	29,427,880
Total Liabilities and Net Assets	\$ 35,648,679	\$ 31,307,957

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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Support			
Home Sales			
Sales Revenue	\$ 1,670,488	\$ -	\$ 1,670,488
Mortgage Notes Receivable Discount	(161,829)	-	(161,829)
Contributions	6,274,973	-	6,274,973
Grants	358,105	174,460	532,565
Amortization of Mortgage Notes Receivable Discount	233,483	-	233,483
Investment Loss, Net	(2,137,823)	-	(2,137,823)
ReStore Revenues	4,337,394	-	4,337,394
Rental Revenues	790,871	-	790,871
Gain on Sales of Mortgage Notes Receivable	259,140	-	259,140
Recovery of Prior Damages	50,017	-	50,017
Other Income, Net	730,781	-	730,781
Total	12,405,600	174,460	12,580,060
Net Assets Released from Restrictions	92,958	(92,958)	-
Total Revenues, Gains, and Support	12,498,558	81,502	12,580,060
Expenses			
Program Services	8,780,746	-	8,780,746
Supporting Services			
Management and General	572,687	-	572,687
Fundraising	657,895	-	657,895
Total Expenses	10,011,328	-	10,011,328
Change in Net Assets	2,487,230	81,502	2,568,732
Net Assets, Beginning of Year	29,420,530	7,350	29,427,880
Net Assets, End of Year	\$ 31,907,760	\$ 88,852	\$ 31,996,612

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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Support			
Home Sales			
Sales Revenue	\$ 1,685,827	\$ -	\$ 1,685,827
Mortgage Notes Receivable Discount	(585,725)	-	(585,725)
Contributions	335,865	35,500	371,365
Grants	-	485,303	485,303
Amortization of Mortgage Notes Receivable Discount	160,740	-	160,740
Investment Return, Net	915,354	-	915,354
ReStore Revenues	3,474,564	-	3,474,564
Rental Revenues	730,503	-	730,503
Gain on Sales of Mortgage Notes Receivable	467,053	-	467,053
Recovery of Prior Damages	62,694	-	62,694
Other Income, Net	1,133,166	-	1,133,166
Total	8,380,041	520,803	8,900,844
Net Assets Released from Restrictions	595,396	(595,396)	-
Total Revenues, Gains, and Support	8,975,437	(74,593)	8,900,844
Expenses			
Program Services	7,674,619	-	7,674,619
Supporting Services			
Management and General	717,824	-	717,824
Fundraising	355,215	-	355,215
Total Expenses	8,747,658	-	8,747,658
Change in Net Assets	227,779	(74,593)	153,186
Net Assets, Beginning of Year	29,192,751	81,943	29,274,694
Net Assets, End of Year	\$ 29,420,530	\$ 7,350	\$ 29,427,880

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, 2022

	<u>Program Services</u>		<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total</u>
Salaries	\$ 1,881,889	\$ 1,881,889	\$ 323,559	\$ 251,483.00	\$ 575,042	\$ 2,456,931
Payroll Taxes	131,605	131,605	31,524	18,811	50,335	181,940
Benefits	257,797	257,797	36,116	29,317	65,433	323,230
Personnel Development	180,491	180,491	5,690	5,028	10,718	191,209
Vista/AmeriCorps	54,399	54,399	-	-	-	54,399
Contract Labor	92,207	92,207	28,305	-	28,305	120,512
Total Personnel Costs	2,598,388	2,598,388	425,194	304,639	729,833	3,328,221
Cost of Homes Sold	1,348,693	1,348,693	-	-	-	1,348,693
Cost of Merchandise Sold	2,249,368	2,249,368	-	-	-	2,249,368
Professional Services	421,581	421,581	69,387	4,884	74,271	495,852
Insurance	321,119	321,119	2,456	848	3,304	324,423
Occupancy Costs	236,801	236,801	10,731	1,821	12,552	249,353
Transportation	148,795	148,795	45	543	588	149,383
Supplies	53,444	53,444	4,688	1,988	6,676	60,120
Equipment	62,633	62,633	1,382	6,131	7,513	70,146
Home and Repair Costs	625,550	625,550	-	-	-	625,550
Special Events	736.00	736.00	-	31,667	31,667	32,403
Marketing	37,727	37,727	139	13,222	13,361	51,088
Program Expenses	127,043	127,043	52,492	287,878	340,370	467,413
Other Expenses	302,808	302,808	6,173	4,274	10,447	313,255
Depreciation and Amortization	407,889	407,889	-	-	-	407,889
Total Functional Expenses	8,942,575	8,942,575	572,687	657,895	1,230,582	10,173,157
Sales Discounts Included with Revenues on the Consolidated Statement of Activities and Changes in Net Assets	(161,829)	(161,829)	-	-	-	(161,829)
Total Expenses Included in the Expense Section on the Consolidated Statement of Activities and Changes in Net Assets	\$ 8,780,746	\$ 8,780,746	\$ 572,687	\$ 657,895	\$ 1,230,582	\$ 10,011,328

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, 2021

	<u>Program Services</u>		<u>Supporting Services</u>			
	<u>Program Services</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total</u>
Salaries	\$ 1,593,666	\$ 1,593,666	\$ 320,605	\$ 181,776	\$ 502,381	\$ 2,096,047
Payroll Taxes	116,216	116,216	24,554	13,393	37,947	154,163
Benefits	224,254	224,254	31,196	23,383	54,579	278,833
Personnel Development	195,460	195,460	10,087	12,899	22,986	218,446
Vista/AmeriCorps	61,456	61,456	-	-	-	61,456
Contract Labor	87,935	87,935	42,887	-	42,887	130,822
Total Personnel Costs	2,278,987	2,278,987	429,329	231,451	660,780	2,939,767
Cost of Homes Sold	1,220,545	1,220,545	-	-	-	1,220,545
Cost of Merchandise Sold	1,784,209	1,784,209	-	-	-	1,784,209
Professional Services	477,170	477,170	96,188	5,592	101,780	578,950
Insurance	278,658	278,658	4,809	1,369	6,178	284,836
Occupancy Costs	201,307	201,307	4,808	1,505	6,313	207,620
Transportation	89,032	89,032	123	163	286	89,318
Supplies	57,998	57,998	2,085	471	2,556	60,554
Equipment	60,704	60,704	2,945	503	3,448	64,152
Home and Repair Costs	427,580	427,580	-	-	-	427,580
Special Events	-	-	-	8,006	8,006	8,006
Marketing	16,297	16,297	287	36,925	37,212	53,509
Program Expenses	88,872	88,872	37,654	62,993	100,647	189,519
Other Expenses	884,975	884,975	1,006	6,237	7,243	892,218
Depreciation and Amortization	394,010	394,010	138,590	-	138,590	532,600
Total Functional Expenses	8,260,344	8,260,344	717,824	355,215	1,073,039	9,333,383
Sales Discounts Included with Revenues on the Consolidated Statement of Activities and Changes in Net Assets	(585,725)	(585,725)	-	-	-	(585,725)
Total Expenses Included in the Expense Section on the Consolidated Statement of Activities and Changes in Net Assets	\$ 7,674,619	\$ 7,674,619	\$ 717,824	\$ 355,215	\$ 1,073,039	\$ 8,747,658

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, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Changes in Net Assets	\$ 2,568,732	\$ 153,186
Adjustments to Reconcile Changes in Net Assets to		
Net Cash Provided by (Used in) Operating Activities		
Depreciation and Amortization	407,889	396,084
Amortization of Loan Obligation Costs	-	136,516
Amortization of Mortgage Notes Receivable Discount	(233,483)	(160,740)
Mortgage Note Receivable Discount	161,829	585,725
Non-cash Income from Investments		
Unrealized Loss (Gain) on Investments	2,186,692	(768,859)
Realized Gain on Investments	(16,244)	(138,583)
Interest and Dividends Reinvested	(32,625)	(7,912)
Gain on Sale of Mortgage Notes Receivable	(259,140)	(467,053)
Net Realized Gain on NMTC	-	(581,458)
PPP Loan Forgiveness	(491,727)	(426,400)
Bad Debt Expense	34,778	123,675
Loss on Exchange of Property	-	33,346
Gain on Sale of Fixed Assets	(75,663)	-
(Increase) Decrease in Assets		
Accounts Receivable	(166,185)	279,797
Mortgage Notes Receivable	72,176	(1,177,660)
Construction in Progress and Inventory	(940,844)	(1,091,186)
ReStore Inventory	58,570	431
Lot Inventory	(93,260)	-
Prepaid Expenses	(24,004)	(17,595)
Increase (Decrease) in Liabilities		
Accounts Payable	(63,237)	26,183
Other Liabilities	(159,656)	367,650
Net Cash Provided by (Used in) Operating Activities	2,934,598	(2,734,853)

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

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
Consolidated Statements of Cash Flows (Continued)
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Investing Activities		
Purchases of Fixed Assets	(4,478,927)	(129,927)
Purchases of Investments	(3,796,427)	(17,724,356)
Proceeds from Sale of Investments	4,330,775	21,424,246
Proceeds from Sale of Fixed Assets	173,205	-
Repurchase of Mortgage Notes Receivable	(144,934)	(169,251)
Proceeds from the Sale of Mortgage Notes Receivable	753,630	1,681,544
Net Cash (Used in) Provided by Investing Activities	(3,162,678)	5,082,256
Cash Flows from Financing Activities		
Issuance of Notes Payable	808,000	591,727
Payments on Notes Payable	(539,567)	(2,717,579)
Proceeds from Margin Loan	2,721,568	-
Payments on Margin Loan	(503,391)	-
Net Cash Provided by (Used in) Financing Activities	2,486,610	(2,125,852)
Net Increase in Cash, Cash Equivalents, and Restricted Cash	2,258,530	221,551
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	1,136,366	914,815
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 3,394,896	\$ 1,136,366
Supplemental Disclosures of Cash Flow Information		
Cash Paid During the Year for Interest	\$ 42,494	\$ 109,934
Non-Cash Donations	\$ 2,057,230	\$ 1,684,698

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 350 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 350 hours of sweat equity in place of a down payment by building Habitat homes or working at one of Habitat's ReStores. 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. We prefer ABWK partners to complete eight hours of sweat equity and be present if possible during the repairs, but we 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.

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 accompanying consolidated 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 consolidated 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 doubtful accounts, 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 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, 2022 or 2021.

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 income, net in the consolidated statements of activities and changes in net assets.

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. The mortgage notes receivable are net of discounts, which represent the difference between the stated amount of the mortgage notes and the present value based on an imputed amount of interest. The mortgage discount interest rate is set annually by Habitat for Humanity International. The rate is calculated by taking the average rate for twelve months, as published by the Internal Revenue Service (IRS) under the Index of Applicable Federal Rates (AFR) Rulings for Low-Income Housing Tax Credits. 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.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Mortgage Notes Receivable (Continued)

All mortgage notes receivables are collateralized by residential property. Management believes that the values of such collateral are in excess of the mortgage notes receivable as of both June 30, 2022 and 2021 and, therefore, no allowance for losses has been provided.

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, 2022 and 2021, construction in progress and inventory included:

	2022	2021
Construction in Progress	\$ 2,148,949	\$ 1,166,909
Materials Inventory and Prepaid Supplies	170,771	117,946
	<u>\$ 2,319,720</u>	<u>\$ 1,284,855</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, 2022 and 2021, depreciation and amortization expense totaled \$407,889 and \$396,084, 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.

Loan Obligation Costs

Certain costs related to the New Market Tax Credit financing (see Note 6) were capitalized and amortized over the estimated life of the related notes payable.

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 \$1,773,185 and \$1,623,925 for the years ended June 30, 2022 and 2021, respectively.

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. Donations of equipment and supplies totaled \$284,045 and \$60,773 for the years ended June 30, 2022 and 2021, respectively.

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 and qualifies as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. 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.

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, 2022 and 2021, Habitat remitted state sales taxes totaling \$235,234 and \$206,488, 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, 2022 and 2021, advertising costs totaled \$12,536 and \$6,712, respectively.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

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.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Recently Issued Accounting Pronouncements - Adopted

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

Recently Issued Accounting Pronouncements - Pending Adoption

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lessee recognize the assets and liabilities that arise from leases classified as financing or operating leases. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. In June 2020, the FASB issued ASU 2020-05, *Leases (Topic 842): Effective Dates for Certain Entities*, which defers the effective date of ASU 2016-02 one year, making it effective for annual reporting periods beginning after December 15, 2021. Habitat is currently evaluating the impact ASU 2016-02 will have on its 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, 2022, financial assets available for general operating purposes within one year of the statement of financial condition date consist of the following:

Cash and Cash Equivalents	\$ 2,851,679
Accounts Receivable	353,450
Investments	9,515,908
Mortgage Notes Receivable, Current Portion, Net	<u>243,810</u>
	12,964,847
Less: Amounts not Available to be used within Twelve Months:	
Net Assets with Donor Restrictions	<u>(88,852)</u>
Total	<u>\$ 12,875,995</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:

	2022	2021
Cash and Cash Equivalents	\$ 2,851,679	\$ 1,004,201
Restricted Cash	<u>543,217</u>	<u>132,165</u>
Total	<u>\$ 3,394,896</u>	<u>\$ 1,136,366</u>

Habitat services the mortgages on the homes it sells. Restricted cash consists of escrow deposits.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

Note 4. Investments

The cost and fair value of investments at June 30, 2022 and 2021 were as follows:

June 30, 2022	Cost	Fair Value
Money Market Funds	\$ 372,638	\$ 372,638
Common Stocks	2,970,445	2,324,248
Mutual Funds	6,638,500	5,657,797
Exchange-Traded Products	765,560	690,448
Mortgage Backed Securities	1,015,388	926,919
Government and Corporate Bonds	2,049,318	1,762,035
Total	\$ 13,811,849	\$ 11,734,085

June 30, 2021	Cost	Fair Value
Money Market Funds	\$ 243,241	\$ 243,241
Common Stocks	3,104,498	3,218,064
Mutual Funds	7,027,940	7,116,285
Exchange-Traded Products	800,395	789,451
Mortgage Backed Securities	974,998	974,336
Government and Corporate Bonds	2,039,650	2,064,879
Total	\$ 14,190,722	\$ 14,406,256

Note 5. 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, 2022 and 2021, there are no loans pledged as collateral to secure notes payable.

During the years ended June 30, 2022 and 2021, Habitat sold seven and fourteen of its mortgage notes receivable at their face value of \$753,630 and \$1,681,544, 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, 2022 and 2021, Habitat repurchased five loans with a gross carrying value of \$144,934 and three loans with a gross carrying value of \$169,252, respectively.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

Note 5. Mortgage Notes Receivable (Continued)

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

	2022	2021
Mortgage Notes Receivable	\$ 3,359,114	\$ 4,039,988
Unamortized Discount (Imputed Rates 4.0% - 7.5%)	<u>(961,056)</u>	<u>(1,291,852)</u>
Mortgage Notes Receivable, Net	<u>2,398,058</u>	2,748,136
Less: Current Portion	<u>(243,810)</u>	<u>(243,864)</u>
Total	<u>\$ 2,154,248</u>	<u>\$ 2,504,272</u>

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

Year Ending June 30,	Amount
2023	\$ 243,810
2024	243,810
2025	249,559
2026	237,501
2027	237,501
Thereafter	<u>2,146,933</u>
Total	<u>\$ 3,359,114</u>

Note 6. New Markets Tax Credits

Habitat applied for New Market Tax Credit (NMTC) of \$2,000,000, which was received in March 2014. In preparation of these credits and to facilitate the NMTC structure, a new entity, SO, was formed in December 2013 as a support organization for Habitat. On March 19, 2014, Habitat made contributions totaling \$1,415,000 to SO. SO funded a loan of \$1,415,000 to a LLC lending entity in exchange for a note receivable with interest at 1.413427% for 25 years, calling for semi-annual payments of interest only beginning May 2014, and then semi-annual payments of principal and interest beginning May 2021 until maturity in March 2039. The unwind of the NMTC occurred during the year ended June 30, 2021 and the note receivable was agreed to be satisfied, resulting in a net loss of \$1,344,198 included in other income in the consolidated statement of activities and changes in net assets.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

Note 6. New Markets Tax Credits (Continued)

On March 19, 2014, Habitat borrowed funds of \$2,000,000 in a separate division within Habitat known as Portion of the Business (POB). These funds were borrowed through two separate qualified low-income community investment loans of \$1,415,000 and \$585,000 from a second LLC lending entity and payable to a commercial bank, which is a certified community development entity (CDE). The proceeds from the loans were used solely for the purpose of constructing and selling qualified housing properties to low-income residents. Semiannual payments of interest were only required for the first seven years. Beginning May 15, 2021, principal and interest payments were due in semi-annual installments through the maturity date. The stated interest was 1%, and the loans were set to mature on March 18, 2039. These loans were secured by Habitat's assets held with the financial institution. As a result of the unwind, the loans were ultimately transferred to Habitat as an assignee, resulting in a net gain of \$1,948,156 included in other income on the consolidated statement of activities and changes in net assets.

Habitat incurred debt issuance costs of \$182,023 which were capitalized and amortized over the term of the loans. The debt issuance costs were fully amortized during the year ended June 30, 2021.

Note 7. Notes Payable

On March 27, 2020, Congress enacted the Coronavirus Aid Relief, and Economic Security (CARES) Act which established the Paycheck Protection Program (the Program). The Program was created to assist small businesses in paying their employees and certain expenses during the COVID-19 crisis. Habitat received two loans under the Program - Loan 1 in the amount of \$426,400 and Loan 2 in the amount of \$491,727. Under the terms of the Program, up to 100% of the loans and related interest may be forgiven if the proceeds are used for covered expenses and certain other requirements related to wage rates and maintenance of full-time equivalents are met. The Small Business Administration (SBA) may undertake a review of a loan of any size during the six-year period following forgiveness or repayment of the loan. Both loans were fully forgiven by the SBA - Loan 1 was forgiven on May 26, 2021 and Loan 2 was forgiven on April 1, 2022. The amount of forgiveness is presented as a component of other income in the consolidated statements of activities and changes in net assets.

On June 16, 2020, Habitat entered into a note payable agreement with the 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, 2022 and 2021, the loan and advance amount totaled \$124,400.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

Note 7. 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. As of June 30, 2022 and 2021, the loans totaled \$734,667 and \$366,234, respectively.

During the years ended June 30, 2022 and 2021, Habitat received advances of \$400,000 and \$100,000, respectively, as part of a housing investment program in the New Orleans area. The funds were used to purchase and develop specific lots for future home sale and repayment is due as part of the closing of the home sale. The advances were paid in full during the year ended June 30, 2022.

At June 30, 2022, principal payments for the five years which follow for the above notes payable are:

Year Ending June 30,	Amount
2023	\$ 2,265,465
2024	47,852
2025	50,192
2026	51,711
2027	53,276
Thereafter	<u>608,748</u>
Total	<u><u>\$ 3,077,244</u></u>

Total interest expense for the above notes payable totaled \$42,494 and \$109,934 for the years ended June 30, 2022 and 2021, respectively.

Note 8. Net Assets With Donor Restrictions

As of June 30, 2022 and 2021, Habitat's net assets with donor restrictions of \$88,852 and \$7,350, respectively, are restricted for the use of constructing or financing certain future houses and recovery of hurricane damage. Net assets released from restrictions totaled \$92,958 and \$595,396, respectively, and relate to expiration of events imposed by the donor.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

Note 9. In-kind Contributions

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

	2022	2021
Restore Inventory	\$ 1,773,185	\$ 1,623,925
Equipment	28,925	-
Supplies	255,120	60,773
	<u>\$ 2,057,230</u>	<u>\$ 1,684,698</u>

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 recorded at the fair value on the date of receipt based on the specific identification method.

Contributed equipment is used in Habitat's home building program. Contributed equipment is recorded at fair value at the date of donation.

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.

Note 10. Commitments and Contingencies

Contract Commitments

In May 2021, Habitat entered into three design and build agreements for architecture and engineering services. The agreements require monthly payments in proportion to services performed by the architect. Commencement began during the year ended June 30, 2022 and the total estimated cost to complete the projects is approximately \$456,000.

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.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

Note 10. Commitments and Contingencies (Continued)

Contingent Mortgage Notes Receivable (Continued)

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, 2022 and 2021, Habitat recognized income from second mortgages totaling \$67,527 and \$152,781, 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, 2022 and 2021, the total recourse mortgage notes receivable had face value of \$16,433,839 and \$17,460,030, respectively. In the event the notes are repurchased, Habitat has the right to foreclose and resell or repurpose the associated property.

Note 11. Related-Party Transactions

A member of Habitat's board of directors and finance committee is a high ranking official of a financial institution who holds recourse mortgage notes that were purchased from Habitat (see Note 10).

Note 12. 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, 2022, Habitat has cash totaling \$3,364,830 held at one financial institution 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.

As of June 30, 2022, 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.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

Note 13. 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.

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, 2022 and 2021.

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.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

Note 13. Fair Value Measurements (Continued)

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.

The following tables set forth by level, within the fair value hierarchy, Habitat's assets at fair value as of June 30, 2022 and 2021:

<u>June 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 372,638	\$ -	\$ -	\$ 372,638
Common Stocks	2,324,248	-	-	2,324,248
Mutual Funds	5,657,797	-	-	5,657,797
Exchange-Traded Products	690,448	-	-	690,448
Mortgage-Backed Securities	-	926,919	-	926,919
Government and Corporate Bonds	1,722,245	39,790	-	1,762,035
Total Assets at Fair Value	\$ 10,767,376	\$ 966,709	\$ -	\$ 11,734,085

<u>June 30, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 243,241	\$ -	\$ -	\$ 243,241
Common Stocks	3,218,064	-	-	3,218,064
Mutual Funds	7,116,285	-	-	7,116,285
Exchange-Traded Products	789,451	-	-	789,451
Mortgage-Backed Securities	-	974,336	-	974,336
Government and Corporate Bonds	1,957,531	107,348	-	2,064,879
Total Assets at Fair Value	\$ 13,324,572	\$ 1,081,684	\$ -	\$ 14,406,256

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.

Notes to Consolidated Financial Statements

Note 14. 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, 2022 and 2021, matching contributions to the plan were \$66,729 and \$51,813, respectively.

Note 15. 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. The loan bears interest at 2.50%. As of June 30, 2022 and 2021, the outstanding balance on the margin loan was \$2,218,177 and \$-0-, respectively.

Note 16. Subsequent Events

Management has evaluated subsequent events through the date that the consolidated financial statements were available to be issued, December 19, 2022, and determined there were no events that require disclosure. No subsequent 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, 2022

	New Orleans Area Habitat for Humanity, Inc.	NOAHH SO, Inc.	NOAHH MC, Inc.	Eliminations/ Reclassifications	Consolidated
Assets					
Current Assets					
Cash and Cash Equivalents	\$ 2,851,679	\$ -	\$ -	\$ -	\$ 2,851,679
Restricted Cash - Escrow Deposits	543,217	-	-	-	543,217
Accounts Receivable	353,450	-	-	-	353,450
Investments	11,734,085	-	-	-	11,734,085
Mortgage Notes Receivable, Current Portion, Net	243,810	-	-	-	243,810
Construction in Progress and Inventory	2,319,720	-	-	-	2,319,720
ReStore Inventory	178,957	-	-	-	178,957
Prepaid Expenses	100,997	214	-	-	101,211
Due from NOAHH SO, Inc.	3,256,588	-	-	3,256,588	-
Total Current Assets	21,582,503	214	-	3,256,588	18,326,129
Property and Equipment					
Buildings and Land	7,742,139	2,997,522	-	-	10,739,661
Rental Houses	5,555,910	-	-	-	5,555,910
Furniture and Fixtures	146,461	-	-	-	146,461
Tools and Equipment	467,678	-	-	-	467,678
Vehicles	454,762	-	-	-	454,762
	14,366,950	2,997,522	-	-	17,364,472
Less: Accumulated Depreciation	2,581,123	-	-	-	2,581,123
Total Property and Equipment, Net	11,785,827	2,997,522	-	-	14,783,349
Other Assets					
Mortgage Notes Receivable, Long-Term Portion, Net	2,154,248	-	-	-	2,154,248
Lot Inventory	378,228	-	-	-	378,228
Deposits	6,725	-	-	-	6,725
Total Other Assets	2,539,201	-	-	-	2,539,201
Total Assets	\$ 35,907,531	\$ 2,997,736	-	\$ 3,256,588	\$ 35,648,679

See accompanying independent auditors' report.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
Consolidating Statement of Financial Position (Continued)
June 30, 2022

	New Orleans Area Habitat for Humanity, Inc.	NOAHH SO, Inc.	NOAHH MC, Inc.	Eliminations/ Reclassifications	Consolidated
Liabilities and Net Assets					
Current Liabilities					
Accounts Payable	\$ 138,658	\$ 122	\$ 2,375	\$ -	\$ 141,155
Other Liabilities	433,668	-	-	-	433,668
Line of Credit	2,218,177	-	-	-	2,218,177
Notes Payable, Current Portion	47,288	-	-	-	47,288
Due to NOAHH, Inc.	-	3,256,588	-	3,256,588	-
Total Current Liabilities	2,837,791	3,256,710	2,375	3,256,588	2,840,288
Long-Term Liabilities					
Notes Payable, Long-Term Portion, Net	811,779	-	-	-	811,779
Total Long-Term Liabilities	811,779	-	-	-	811,779
Total Liabilities	3,649,570	3,256,710	2,375	3,256,588	3,652,067
Net Assets					
Without Donor Restrictions	32,169,109	(258,974)	(2,375)	-	31,907,760
With Donor Restrictions	88,852	-	-	-	88,852
Total Net Assets	32,257,961	(258,974)	(2,375)	-	31,996,612
Total Liabilities and Net Assets	\$ 35,907,531	2,997,736	-	\$ 3,256,588	\$ 35,648,679

See accompanying 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, 2022

	New Orleans Area Habitat for Humanity, Inc.	NOAHH SO, Inc.	NOAHH MC, Inc.	Eliminations/ Reclassifications	Consolidated
Revenues, Gains, and Support					
Home Sales					
Sales Revenue	\$ 1,670,488	\$ -	\$ -	\$ -	\$ 1,670,488
Mortgage Notes Receivable Discount	(161,829)	-	-	-	(161,829)
Contributions	6,172,100	102,873	-	-	6,274,973
Grants	532,565	-	-	-	532,565
Amortization of Mortgage Notes Receivable Discount	233,483	-	-	-	233,483
Investment Loss, Net	(2,137,823)	-	-	-	(2,137,823)
ReStore Revenues	4,337,394	-	-	-	4,337,394
Rental Revenues	790,871	-	-	-	790,871
Gain on Sales of Mortgage Notes Receivable	259,140	-	-	-	259,140
Recovery of Prior Damages	50,017	-	-	-	50,017
Other Income, Net	730,781	-	-	-	730,781
Total Revenues, Gains, and Support	12,477,187	102,873	-	-	12,580,060
Expenses					
Program Services	8,416,524	361,847	2,375	-	8,780,746
Supporting Services					
Management and General	572,687	-	-	-	572,687
Fundraising	657,895	-	-	-	657,895
Total Expenses	9,647,106	361,847	2,375	-	10,011,328
Change in Net Assets	2,830,081	(258,974)	(2,375)	-	2,568,732
Net Assets, Beginning of Year	29,427,880	-	-	-	29,427,880
Net Assets, End of Year	\$ 32,257,961	\$ (258,974)	\$ (2,375)	\$ -	\$ 31,996,612

See accompanying 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, 2022

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 accompanying 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.
New Orleans, Louisiana

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, 2022, 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 consolidated financial statements, and have issued our report thereon dated December 19, 2022.

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 consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 19, 2022

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
Schedule of Findings and Responses
For the Year Ended June 30, 2022

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? | No |
| 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, 2022

None noted.