

HABITAT FOR HUMANITY RIVERSIDE, INC.

AUDIT REPORT IN ACCORDANCE

WITH THE UNIFORM GUIDANCE

JUNE 30, 2022

HABITAT FOR HUMANITY RIVERSIDE, INC.

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Habitat for Humanity Riverside, Inc.
Riverside, CA

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Habitat for Humanity Riverside, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity Riverside, Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted for audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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 for Humanity Riverside, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 raises substantial doubt about the Habitat for Humanity Riverside, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood 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 generally accepted auditing standards , we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements 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 the Organization 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 the Habitat for Humanity Riverside, Inc.'s ability to continue as a going concern for a reasonable period of time

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

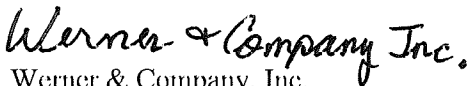
Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 January 6, 2023 on our consideration of Habitat for Humanity Riverside, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Habitat for Humanity Riverside, Inc.'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 for Humanity Riverside, Inc.'s internal control over financial reporting and compliance.


Werner & Company, Inc.
January 6, 2023

HABITAT FOR HUMANITY RIVERSIDE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 2,142,912
Impound trust account	61,335
Accounts receivable	51,686
Loan receivable employee	12,300
Inventory-Restore	194,500
Mortgage receivables, current portion	210,288
Land held for development	810,000
Construction in progress	2,526,741
Prepaid expenses	22,231
Total Current Assets	<u>6,031,993</u>

PROPERTY AND EQUIPMENT

Equipment	84,614
Vehicles	47,776
Leasehold improvements	106,623
Accumulated depreciation	(233,799)
Total Property and Equipment	<u>5,214</u>

OTHER ASSETS

Mortgage receivables, net of current portion	5,177,758
Unamortized mortgage discount	(3,632,825)
Total Other Assets	<u>1,544,933</u>

TOTAL ASSETS

\$ 7,582,140

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 25,113
Accrued payroll	7,206
Accrued vacation	22,764
Payroll taxes payable	14,215
Homeowner escrow funds	67,101
Total Current Liabilities	<u>136,399</u>

LONG TERM DEBT

Small Business Administration loan	<u>150,000</u>
Total Long Term Debt	<u>150,000</u>

TOTAL LIABILITIES

286,399

NET ASSETS

Without Donor Restrictions	4,930,947
With Donor Restrictions	2,364,794
Total Net Assets	<u>7,295,741</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 7,582,140

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

HABITAT FOR HUMANITY RIVERSIDE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	TOTAL
SUPPORT AND REVENUES			
Contributions	\$ 82,015	\$ 27,170	\$ 109,185
Restore sales	1,134,390		1,134,390
Mortgage discount amortization	174,319		174,319
Grants	906,998	65,400	972,398
Special events, net	4,418		4,418
Interest income	285		285
Paycheck Protection Program loan forgiven	310,230		310,230
Other income	10,288		10,288
Net assets released from restriction by payment	778,520	(778,520)	-
Total support and revenues	3,401,463	(685,950)	2,715,513
EXPENSES			
Program services	2,924,280		2,924,280
Management and general	73,040		73,040
Fundraising	74,267		74,267
Total expenses	3,071,587		3,071,587
CHANGE IN NET ASSETS	329,876	(685,950)	(356,074)
NET ASSETS-BEGINNING OF YEAR	4,601,071	3,050,744	7,651,815
NET ASSETS- END OF YEAR	<u>\$ 4,930,947</u>	<u>\$ 2,364,794</u>	<u>\$ 7,295,741</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

HABITAT FOR HUMANITY RIVERSIDE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program	Restore	Total Program Services	Management and General	Fund Raising	Total Expenses
Construction and related cost	\$ 917,482		\$ 917,482	\$	\$	\$ 917,482
Salaries and wages	304,966	274,779	579,745	50,000	52,863	682,608
Payroll taxes	24,190	21,446	45,636	3,919	4,134	53,689
Distribution to other Habitats	664,998		664,998			664,998
Advertising	250	3,600	3,850			3,850
Auto	929	4,575	5,504			5,504
Bank charges		760	760	441		1,201
Dues	9,632	1,515	11,147			11,147
Equipment expense		38,354	38,354			38,354
Insurance	59,778	45,029	104,807			104,807
Office supplies	1,511	1,304	2,815			2,815
Outside services	8,745	19,017	27,762			27,762
Postage	849		849			849
Professional services	1,566	10,949	12,515			12,515
Repairs	1,685	26,560	28,245			28,245
Supplies	996	627	1,623			1,623
Telephone	670	9,242	9,912			9,912
Rent	60,130	210,458	270,588	15,033	15,033	300,654
Utilities	8,948	31,319	40,267	2,237	2,237	44,741
Tithes to Habitat International	1,153		1,153			1,153
Fees to Habitat International	25,000		25,000			25,000
Mortgage debt forgiven	42,850		42,850			42,850
Freight		4,827	4,827			4,827
Depreciation	1,585		1,585			1,585
Alarm service		1,799	1,799			1,799
Tax, License and permits	17,369		17,369			17,369
Travel	1,131		1,131			1,131
Restore purchases and fees		9,116	9,116			9,116
Inventory adjustment		(8,500)	(8,500)			(8,500)
Training	1,290		1,290			1,290
Home repairs	59,535		59,535			59,535
Miscellaneous		266	266	1,410		1,676
Total	\$ 2,217,238	\$707,042	\$ 2,924,280	\$ 73,040	\$74,267	\$3,071,587

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

HABITAT FOR HUMANITY RIVERSIDE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (356,074)
Adjustments to reconcile change in net assts to net cash provided (used) by operating activities:	
Depreciation	1,585
Mortgage discount amortization	(174,319)
Mortgage debt forgiven	42,850
Paycheck Protection Program loan forgive	(310,230)
(Increase) decrease in operating assets:	
Impound trust account	(39,472)
Accounts receivable	157,193
Loan receivable employee	(12,300)
Inventory	(8,500)
Construction in progress	(10,493)
Prepaid expenses	(7,215)
Increase (decrease) in operating liabilities:	
Accounts payable	(23,108)
Accrued payroll	37
Accrued vacation	(204)
Homeowner escrow funds	34,880
Payroll taxes payable	5,851
Net cash provided (used) by operating activities	<u>(699,519)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Payments received on mortgages	<u>244,207</u>
Cash provided by investing activities	<u>244,207</u>

NET INCREASE (DECREASE) IN CASH (455,312)

CASH AND CASH EQUIVALENTS,BEGINNING OF YEAR 2,598,224

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 2,142,912

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

HABITAT FOR HUMANITY RIVERSIDE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Habitat for Humanity Riverside, Inc. (the Organization) is a not-for-profit Organization organized in California in 1988 and governed by a volunteer board of directors. Its purpose is to construct, with donated labor and materials, low-income housing for families who live in substandard dwellings and cannot afford to improve their living standards by conventional means. The Organization is primarily funded by public contributions and government grants.

Habitat provides interest-free financing. If the original family retains ownership of the home, Habitat will forgive a substantial portion of the mortgage principal in the final years of the loan. Habitat uses the proceeds from mortgage collections to finance the building of additional housing.

Habitat also operates a thrift store (Restore) as another means of raising funds for its building programs, which sells surplus donated building materials not used for its own housing projects. Sources of these donations included major home improvements chains, building contractors as well as the general public.

Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization reports information regarding its financial position and activities according to two classes of net assets; net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Income taxes

The Organization is exempt from income taxes under the Internal Revenue Code Section 501 (c) (3) and the California Revenue and Taxation Code Section 23701 (d). Habitat is not classified as a private foundation. Generally accepted accounting principles provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the organization in its federal and state tax returns are more likely than not to be sustained upon examination. The Organization's tax returns are subject to examination by federal taxing authorities for a period of three years from the date they are filed and for a period of four years for California taxing authorities.

HABITAT FOR HUMANITY RIVERSIDE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment over \$500 are valued at cost if purchased or at fair market value at the date of receipt if donated. Depreciation has been computed on a straight-line basis over the useful lives of the assets, as follows:

Vehicles, furniture and equipment	5 to 7 years
Leasehold improvements	10 years

Donated services

Amounts are reported in the accompanying statements for voluntary donation of services when those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation.

Donated material and supplies

Donated material and supplies are recorded as contributions at their estimated fair market value at the date of donation if a value can be reasonably determined. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose.

Inventory- Restore

Restore inventory consists of donated building materials available for sale to the general public. The recorded value is estimated based on total yearly sales to approximate the fair value.

Use of estimates

Accounting principles generally accepted in the United States of America require management to make assumptions in estimates that affect the amount reported in the financial statements for assets, liabilities, revenues, and expenses. In addition, assumptions and estimates are used to determine disclosure for contingencies, and other matters discussed in the notes to the financial statements. Actual results could differ from those estimates

Cash equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Advertising costs

Advertising costs are expensed as incurred.

Subsequent events

Habitat has evaluated subsequent events through January 6, 2023, which is the date the financial statements were issued.

HABITAT FOR HUMANITY RIVERSIDE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2-HABITAT FOR HUMANITY INTERNATIONAL

The Organization annually remits a portion of its monetary contributions to Habitat for Humanity International. These contributions are used to construct homes in economically depressed areas around the world. During this reporting period, the Organization contributed \$26,153 to Habitat for Humanity International. This amount is included in program services in the statement of functional expenses.

NOTE 3-LAND HELD FOR DEVELOPMENT AND CONSTRUCTION IN PROGRESS

Land held for development consists of land acquired for the purpose of future building sites for suitable housing project and is reported at acquisition cost, or at fair market value if donated. Construction in progress consists of costs accumulated during the construction process. Upon completion of the home and sale to a homeowner the construction costs are reported as construction costs in the statement of functional expenses.

NOTE 4-PROPERTY AND EQUIPMENT

Property and equipment were comprised of the following at June 30, 2022.

Fixed assets:

Leasehold improvements	\$ 106,623
Office equipment	84,614
Vehicles	<u>47,776</u>
Subtotal	239,013
Less accumulated depreciation	(233,799)
Total property and equipment	<u>\$ 5,214</u>

Depreciation expense for the year ended June 30, 2022 was \$1,585.

NOTE 5-MORTGAGES RECEIVABLE AND DISCOUNT AMORTIZATION

Mortgages receivable consists of several interest-free loans made to families who have become owners of Habitat homes. These homeowners pay between \$200 and \$800 monthly, not including insurance and property taxes, and the loans have varying terms 18.5 to 45 years. Habitat's policy is to forgive a portion of the original loan amount during the final 10 to 15 years of the loan amortization under the condition that the borrower retains ownership for the entire loan period per the mortgage contract.

Accounting principles generally accepted in the United States of America require that interest-free loans, which involve the purchase of real estate, be discounted to their present value using a fair market rate of interest. Accordingly, the carrying amounts of mortgages receivable have been reduced by the amount of these discounts, which will be amortized over the life of the loans.

HABITAT FOR HUMANITY RIVERSIDE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5-MORTGAGES RECEIVABLE (continued)

Mortgages receivable present value at June 30, 2022

Mortgages receivable at face value	\$ 5,388,046
Less unamortized present value discount	<u>(3,632,825)</u>
Total mortgages receivable, net of discount	<u>\$ 1,755,221</u>
Mortgage receivable-current portion	\$ 210,288
Mortgage receivable-long term, net of discount	\$ 1,544,933

Amortization of the mortgage discount was \$ 174,319 for year ended June 30, 2022.

NOTE 6-OPERATING LEASES

On May 26, 2010 the Organization entered into a lease agreement and moved the business office and Restore to a new location in Riverside. In 2017 the lease agreement was extended to September 30, 2022. Lease expense for the year was \$ 300,654. Minimum lease payments for the new lease are as follows:

Years ending June 30,	
2023	\$ 75,528

NOTE 7-SMALL BUSINESS ADMINISTRATION LOAN

In 2020 the Organization received a loan from the U.S. Small Business Administration for \$150,000. The loan is dated June 8, 2020 and matures on June 8, 2050. Monthly payment of interest and principal of \$641 begin June 8, 2022. The annual interest rate on the loan is 2.75%. The Organization is required to use the proceeds of the loan solely as working capital to alleviate economic injury caused by disaster which began in 2020. Maturities of the loan are as follows:

Year ending June 30,	
2023	\$ 0
2024	1,491
2025	3,648
2026-2030	19,564
2031-2035	27,264
2036-2040	20,804
Thereafter	<u>77,229</u>
Total	<u>\$150,000</u>

HABITAT FOR HUMANITY RIVERSIDE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8-PAYCHECK PROTECTION PROGRAM LOAN

In 2020 and 2021 the Organization received loans in the amount of \$310,230 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses and organizations for amounts up to 2.5 times the average monthly payroll expense. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Organization applied for and received forgiveness of the loan. The forgiven loan is reported as revenue in the statement of activities for year ended June 30, 2022.

NOTE 9-FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and employee benefits have been allocated on the basis of analysis of personnel time and other operating expenses have been allocated based on space utilized for the related activities,

NOTE 10-FAIR VALUE OF FINANCIAL INSTRUMENTS

The Organization's financial instruments are cash, accounts receivable, mortgage receivable and accounts payable. The recorded values of cash, accounts receivable and accounts payable approximate their fair values based on their short-term nature. The fair value of mortgage receivables has been discounted to present values as explained in note 5.

NOTE 11-NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consists of temporarily restricted net assets that are restricted for the construction costs of homes. Upon the completion of the homes the net assets with donor restrictions will be released to net assets without donor restrictions.

NOTE 12-CONTINGENCIES

The Organization receives government grants as well as certain other grant funds, for specific purposes that are subject to review and audit by grantor agencies. Such audits could generate expenses disallowed under the terms of the grant. As of June 30, 2022, in the opinion of the Organization's management, there are no outstanding matters which would have a material affect on the Organization's financial position.

HABITAT FOR HUMANITY RIVERSIDE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 13-CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Organization to concentration of credit risk consist primarily of cash and cash equivalents and receivables. The Organization maintains its cash and cash equivalents in various bank accounts that, at times may exceed the federally insured limits of \$250,000. At June 30, 2022, the Organization had an uninsured cash balance of \$ 128,036. The Organization has not experienced , nor does it anticipate , any losses with respect to such accounts. In the normal course of business, the Organization performs ongoing credit evaluations of its receivables and maintains allowances for possible losses.

NOTE 14-LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of June 30, 2022 and the amounts of those financial assets that are available for use within one year to meet general expenditures:

Cash and cash equivalents	\$ 2,142,912
Accounts receivable	<u>51,686</u>
Total Financial Assets	<u>\$ 2,194,598</u>

The financial assets as of June 30, 2022 meets the needs of the Organization for normal operating expenses which historically average \$256,600 per month.

NOTE 15- RETIREMENT PLAN

The Organization has a 403(b)-salary deferral plan whereby employees can contribute up to the amount allowed under the Internal Revenue Plan. There were no matching contributions by the Organization for the year.

HABITAT FOR HUMANITY RIVERSIDE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

<u>Federal grantor/ Pass-through grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Contract Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development			
Pass Through City of Moreno Valley Home Investment Partnership Program			
Mobile Home Repair	14.239	N/A	\$ 45,844
Critical Home Repair	14.239	N/A	114,469
Community Development Block Grant	14.218	N/A	5,398
Pass Through City of Riverside Home Investment Partnership Program			
Mulberry Village Project	14.239	N/A	715,180 (1)
Community Development Block Grant	14.218	N/A	<u>7,869</u>
Total			<u>\$ 888,760</u>

(1) Major Programs

HABITAT FOR HUMANITY RIVERSIDE, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1-BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Habitat for Humanity Riverside, Inc. (the Organization) under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. The Organization has elected not to use the 10 percent de minimis indirect cost



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

To the Board of Directors
Habitat for Humanity Riverside, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Habitat for Humanity Riverside, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2022 and the related statements of activities, 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 January 6, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Habitat for Humanity Riverside, Inc.'s internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Habitat for Humanity Riverside, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Habitat for Humanity Riverside, Inc.'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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

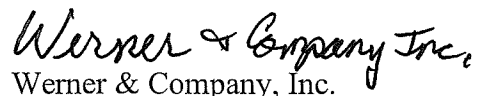
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of this Report

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


Werner & Company, Inc.
January 6, 2023



WERNER & COMPANY, INC.
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Habitat for Humanity Riverside, Inc.

Report on Compliance for Each Major Federal Program

Opinion on the Each Major Federal Programs

We have audited Habitat for Humanity Riverside, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022. Habitat for Humanity Riverside, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Habitat for Humanity Riverside, Inc. complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Habitat for Humanity Riverside, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Habitat for Humanity Riverside, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity Riverside, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Werner & Company Inc.

Werner & Company, Inc.

January 6, 2023

**HABITAT FOR HUMANITY RIVERSIDE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

Financial Statements

Type of auditor's report:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiencies identified that are not considered to be material weakness(es)?

___yes X no

___ X none reported

Noncompliance material to financial statements noted?

___ X

Federal Awards

Internal control over major programs:

- Material weakness(es) identified:
- Significant deficiencies identified that are not considered to be material weakness(es)

___yes Xno

___yes Xnone reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?

___yes X no

Identification of major programs

Name of Federal Program or Cluster
U.S. Department of Housing and
Urban Development
CFDA 14.239

Dollar threshold used to distinguish between type A and type B programs:

\$750,000.

Auditee qualified as low-risk auditee?

___yes x no