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HABITAT FOR HUMANITY OF GREATER BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

FINANCIAL STATEMENTS
JUNE 30, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/16/11

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INDEPENDENT AUDITOR'S REPORT

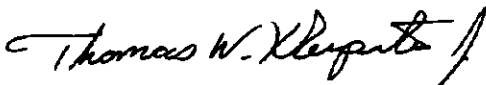
To the Board of Directors
Habitat for Humanity of Greater Baton Rouge, Inc.

I have audited the accompanying statement of financial position of Habitat for Humanity of Greater Baton Rouge, Inc., as of June 30, 2010, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of Habitat for Humanity of Greater Baton Rouge, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Greater Baton Rouge, Inc., as of June 30, 2010, 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.

In accordance with *Government Auditing Standards*, I have also issued my reported dated, November 8, 2010, on my consideration of Habitat for Humanity of Greater Baton Rouge, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of the laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.



November 8, 2010

HABITAT FOR HUMANITY OF GREATER BATON ROUGE, INC.
BATON ROUGE, LOUISIANA

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2010

ASSETS

Current Assets

Cash	\$ 1,611,951
Prepaid expenses	29,938
Non interest bearing mortgages receivable	611,597
Less discount	(289,705)
Grants and contributions receivable	204,258
Other receivables	48,603
Inventories	<u>833,278</u>
	3,049,920

Property and Equipment

Building and improvements	465,827
Parking lot improvements	68,213
Furniture and fixtures	86,170
Construction and warehouse equipment	41,491
Vehicles	108,258
Less accumulated depreciation	<u>(235,487)</u>
	534,472
Land	<u>62,028</u>
	596,500

Other Assets

Non interest bearing mortgages receivable	8,063,040
Less discount	(3,956,224)
Land held for development	803,611
Land available for sale	<u>26,970</u>
	<u>4,937,397</u>

Total Assets \$ 8,583,817

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 97,398
Income taxes payable	2,780
Accrued payroll expenses	57,859
Escrow deposits	89,393
Security deposits	<u>2,450</u>
	249,880
Deferred revenue	<u>204,001</u>
Total Liabilities	<u>453,881</u>
Net Assets	
Unrestricted	7,341,295
Temporarily restricted	<u>788,641</u>
Total Net Assets	<u>8,129,936</u>
Total Liabilities and Net Assets	<u>\$ 8,583,817</u>

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

**HABITAT FOR HUMANITY OF GREATER BATON ROUGE, INC.
BATON ROUGE, LOUISIANA**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions			
Cash	\$ 33,693	\$1,186,436	\$1,220,129
Construction materials	51,873		51,873
Services	208,919		208,919
ReStore revenues			
Sales	421,985		421,985
Building rent income	58,181		58,181
Amortization of discount on mortgage loans	308,777		308,777
Transfers to homeowners for mortgage loans	1,784,120		1,784,120
Gain on sale of ReStore land and building	13,327		13,327
Loss on sale of property and equipment	(36,152)		(36,152)
Other	24,271		24,271
Net assets released from restriction	<u>1,064,477</u>	<u>(1,064,477)</u>	<u>-0-</u>
Total Support and Revenue	<u>3,933,471</u>	<u>121,959</u>	<u>4,055,430</u>
EXPENSES			
Program services	4,012,795		4,012,795
Support services:			
Management & general	312,518		312,518
Fund-raising	<u>104,332</u>		<u>104,332</u>
Total Expenses	<u>4,429,645</u>	<u>-0-</u>	<u>4,429,645</u>
Changes in Net Assets	(496,174)	121,959	(374,215)
Net Assets:			
Beginning of Year, as Restated	<u>7,837,469</u>	<u>666,682</u>	<u>8,504,151</u>
End of Year	<u>\$7,341,295</u>	<u>\$ 788,641</u>	<u>\$8,129,936</u>

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

**HABITAT FOR HUMANITY OF GREATER BATON ROUGE, INC.
BATON ROUGE, LOUISIANA**

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2010**

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in net assets	\$ (374,215)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation	64,228
Amortization of mortgage discount	(308,777)
Transfers to homeowners net of discounts	(759,881)
Gain on partial sale of ReStore land and building	(13,327)
Loss on sale of property and equipment	36,152
Increase in grants and contributions receivable	(75,946)
Decrease in other current receivables	6,985
Decrease in inventory of homes under construction	322,490
Land transferred to homeowners	535,513
Increase in building supply inventory	(9,724)
Decrease in other current assets	123
Decrease in accounts payable	(21,358)
Increase in accrued liabilities	17,090
Decrease in other current liabilities	(18,037)
Increase in deferred revenue	<u>190,501</u>
Net cash used in operating activities	(408,183)
CASH FLOWS FROM INVESTING ACTIVITIES	
Collections on mortgage receivables	642,918
Purchase of equipment & building improvements	(159,644)
Proceeds from partial sale of ReStore land & building	425,000
Sale of equipment	206
Purchase & development of land	(119,279)
Sale of land	<u>23,935</u>
Net cash provided by investing activities	813,136
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on notes payable	<u>(142,210)</u>
Net cash used in financing activities	(142,210)
NET INCREASE IN CASH	262,743
CASH AT BEGINNING OF YEAR	<u>1,349,208</u>
CASH AT END OF YEAR	<u>\$ 1,611,951</u>

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

**HABITAT FOR HUMANITY OF GREATER BATON ROUGE, INC.
BATON ROUGE, LOUISIANA**

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2010**

	PROGRAM SERVICES			
	Construction and Family Services	Mortgage Originations	ReStore	Total
Cost of homes transferred:				
Materials, supplies & labor	\$ 2,316,033	\$	\$	\$ 2,316,033
Contributed services	208,919			208,919
Mortgage discounts		720,611		720,611
Payroll & related expenses	244,347		172,761	417,108
Depreciation	23,807		25,898	49,705
Repairs, maintenance & small equipment	16,937		15,373	32,310
Rent	25,137			25,137
Insurance	19,456		15,682	35,138
Professional fees	5,789			5,789
Public relations & advertising			19,966	19,966
Computer support	10,959			10,959
Miscellaneous	15,985		3,338	19,323
Utilities			16,004	16,004
Taxes & licenses	920		10,018	10,938
Office Supplies and overhead	5,445		7,704	13,149
Telephone	6,760		3,139	9,899
Milage & auto expenses	10,472		3,885	14,357
Construction costs not charged to homes	15,344			15,344
Special events	226			226
Printing & postage	6,504		202	6,706
Americorp housing subsidy	11,067			11,067
Bank & credit card fees	3,061		7,145	10,206
Copier rental	3,992			3,992
Contract labor				
Expenditures for homes transferred in a prior year	7,788			7,788
Meetings & training	3,979			3,979
Rental management fees				
Inventory write-off	5,880			5,880
Volunteer expenses	1,476		3,838	5,314
T-shirts	4,052		211	4,263
Newsletter				
Credit bureau fees	2,993			2,993
Donation to Habitat for Humanity International			2,988	2,988
Interest expense			1,460	1,460
Income tax expense - unrelated business income				
Membership fees	2,683			2,683
Security			1,461	1,461
Board expenses				
Homeowner classes	1,100			1,100
	<u>\$ 2,981,111</u>	<u>\$ 720,611</u>	<u>\$ 311,073</u>	<u>\$ 4,012,795</u>

SUPPORT SERVICES					TOTAL
Management & General			Fund-raising	Total Support	
Administrative	Rental	Total			
\$	\$	\$	\$	\$	\$
					2,316,033
					208,919
					720,611
165,387		165,387	61,567	226,954	644,062
8,476	5,457	13,933	590	14,523	64,228
	20,048	20,048		20,048	52,358
19,273		19,273	6,899	26,172	51,309
	6,256	6,256		6,256	41,394
21,368		21,368		21,368	27,157
			6,617	6,617	26,583
8,497		8,497	3,042	11,539	22,498
2,269	94	2,363	811	3,174	22,497
	5,116	5,116		5,116	21,120
	9,385	9,385		9,385	20,323
4,222		4,222	1,511	5,733	18,882
5,241		5,241	1,876	7,117	17,016
2,618		2,618		2,618	16,975
					15,344
			14,979	14,979	15,205
4,398		4,398	1,574	5,972	12,678
					11,067
					10,206
3,095		3,095	1,108	4,203	8,195
7,800		7,800		7,800	7,800
					7,788
2,168		2,168		2,168	6,147
	6,000	6,000		6,000	6,000
					5,880
					5,314
					4,263
			3,758	3,758	3,758
					2,993
					2,988
	1,460	1,460		1,460	2,920
	2,780	2,780		2,780	2,780
					2,683
					1,461
1,110		1,110		1,110	1,110
					1,100
<u>\$ 255,922</u>	<u>\$ 56,596</u>	<u>\$ 312,518</u>	<u>\$ 104,332</u>	<u>\$ 416,850</u>	<u>\$ 4,429,645</u>

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

**HABITAT FOR HUMANITY OF GREATER BATON ROUGE, INC.
BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

1. Summary of Significant Accounting Policies

ORGANIZATION AND PURPOSE

Habitat for Humanity of Greater Baton Rouge, Inc. ("Habitat") is a non-profit organization incorporated in 1988, with offices in Baton Rouge, Louisiana, and operations in eight Louisiana parishes. Habitat is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"), a nondenominational Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, Habitat is primarily and directly responsible for its own operations. The accompanying financial statement includes the activities of the Campus Chapter of Habitat for Humanity at LSU affiliate.

As an extension of its primary purpose, Habitat operates ReStore of Baton Rouge, LLC. The ReStore obtains donated materials, and sells the materials at 50% or less of retail. These materials are sold primarily to the low-income community in Baton Rouge for the purpose of rehabilitating and improving housing.

INCOME TAX STATUS

Habitat has received exemption from income taxes under the provisions of Section 501 ©)(3) of the Internal Revenue Code under a group exemption letter granted to Habitat International.

While Habitat is not generally subject to income tax, the rental income and the gain on the partial sale of land and building are considered unrelated business income because the rental building was debt-financed. Therefore, a provision for income tax is included in the financial statements.

In management's judgement, Habitat does not have any tax positions that would result in a loss contingency considering the facts, circumstances, and information available at the reporting date.

With few exceptions, the statute of limitations for the examination of Habitat's income tax returns is generally three years from the due date of the tax returns including extensions. The tax years open for assessments are the years ending on or after June 30, 2007.

BASIS OF ACCOUNTING

Habitat prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

**HABITAT FOR HUMANITY OF GREATER BATON ROUGE, INC.
BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

I. Summary of Significant Accounting Policies - (continued)

CLASSES OF ASSETS

The financial statements report amounts by class of net assets.

Unrestricted net assets are those currently available to use in Habitat's mission under the direction of the Board and those resources invested in land, building and equipment.

Temporarily restricted net assets are those stipulated by donors for specific purposes. Temporarily restricted net assets are released to unrestricted net assets when the donor stipulated conditions have been met.

Permanently restricted net assets are those contributed with stipulations that they be held in perpetuity with use of the income for unrestricted or temporarily restricted purposes. Habitat currently has no permanently restricted net assets.

USE OF ESTIMATES

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

REVENUE RECOGNITION

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When the donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Transfers to homeowners are recorded when a home is occupied and title is transferred. The transfer is recorded at the gross amount of payments to be received over the lives of the mortgages. Non-interest bearing mortgages have been discounted, ranging from 6% to 9%, based upon prevailing market rates at the inception of the mortgages. Discounts are amortized using the straight line method over the lives of the mortgages.

Habitat also executes a second or third mortgage with homeowners upon transfer of the home. The amount of these mortgages is approximately equal to the difference between the sales price and the fair market value of the home. These mortgages bear no interest, and the homeowner is discharged

**HABITAT FOR HUMANITY OF GREATER BATON ROUGE, INC.
BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

1. Summary of Significant Accounting Policies - (continued)

REVENUE RECOGNITION (continued)

from his/her annual payment so long as he/she is not in default on the first mortgage. No amount is included in the financial statements for these mortgages as collection is contingent upon future events and is generally unexpected and unintended.

INVENTORIES

The inventory of homes is valued at cost, and does not include the value of land and contributed labor. The value of land and contributed labor is recognized when the home is transferred.

Construction materials inventory is stated at the lower of cost (determined by specific identification) or market. Donated materials are recorded at fair value.

PROPERTY, EQUIPMENT AND DEPRECIATION

Property and equipment are recorded at acquisition cost. Habitat capitalizes additions of property and equipment with a unit cost of \$1,000 or more. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the respective assets, ranging from three to ten years for all fixed assets except buildings and parking lot improvements, which are depreciated over 38 years.

CONTRIBUTED SERVICES

Volunteers provide substantial services to Habitat. Services provided by volunteers building homes are measured either by the fair value of the services received or by the increase in value of the home, whichever is more objectively determinable. During the year ended June 30, 2010, \$208,919 in services were recognized on homes transferred. In addition, Habitat receives administrative and fund-raising services from volunteers. These services are not of a type permitted to be recognized in financial statements, thus no value is recorded.

RESERVED CASH

Habitat services the mortgages on the homes it sells. Included in reserved cash are amounts received from homeowners for insurance and property taxes and for mortgage payments received prior to closing. In addition, part of the RcStore building is rented and the security deposits received from the tenants are included in reserved cash. Reserved cash at June 30, 2010, was \$91,843.

**HABITAT FOR HUMANITY OF GREATER BATON ROUGE, INC.
BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

1. Summary of Significant Accounting Policies - (continued)

PROGRAM SERVICES

Program services include mortgage originations and the costs of homes constructed and transferred. Also, since homeowners are involved in building their own homes, family support and education activities are inherent in the construction activities.

RESTORE OPERATIONS

ReStore sells donated building materials at 50% or less of their retail value.

The ReStore building is partially rented to retail and store front services. Expenses associated with the rental portion of \$56,596 are included in the Management and General, Support Services classification on the Statement of Activities.

2. Concentrations

Habitat builds and rehabilitates homes in the Baton Rouge and surrounding areas. As a result, all of the mortgages receivable from homeowners are concentrated as to geographic risk. Also, all homes built are transferred to low-income families, which can represent a credit risk.

Habitat maintains checking and savings accounts at five banks in Baton Rouge, Louisiana. The accounts were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each bank. Habitat's bank accounts in four of these banks exceeded the FDIC insurance limit at the end of the fiscal year.

3. Mortgages Receivable

At June 30, 2010, there were 56 mortgages, that were at least two payments behind, with total past due balances on these mortgages of \$141,659.

Mortgages are considered delinquent and subject to foreclosure when three consecutive payments are missed. Even though the majority of the delinquent mortgages are subject to foreclosure, the Board of Directors of Habitat for Humanity of Greater Baton Rouge has elected to delay foreclosures while giving the delinquent homeowners an additional chance to become current or to enter into a revised payment plan. As of June 30, 2010, one of the mortgages is in foreclosure:

Since the fair market value of the homes exceeds the related mortgage balance, no allowance for uncollectible loans has been recorded.

**HABITAT FOR HUMANITY OF GREATER BATON ROUGE, INC.
BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

4. Home Building Activity

The following is a summary of home building activity for the year ended June 30, 2010:

	<u>Number</u>	<u>Costs</u>
Occupied homes not closed and homes under construction, June 30, 2009	17	\$ 1,077,991
Costs incurred during year ended June 30, 2010		1,458,030
New homes started	21	
Homes transferred	<u>(25)</u>	<u>(1,780,520)</u>
 Occupied homes not closed and homes under construction, June 30, 2010	 <u>13</u>	 <u>\$ 755,501</u>

5. Inventories

Inventories at June 30, 2010, consist of the following:

Occupied homes not closed and homes under construction		\$ 755,501
Construction materials inventory		<u>77,777</u>
		<u>\$ 833,278</u>

6. Forgivable Development Loan

In fiscal year 2009, Habitat entered into an agreement with the Office of Community Development (OCD) of the City of Baton Rouge - Parish of East Baton Rouge to build nine homes for very-low income families. The maximum funding is \$800,000 and is paid to Habitat on a cost reimbursement basis. These funds were passed through from the Home Investment Partnership Program (HOME), which is administered by the U.S. Department of Housing and Urban Development (HUD).

The amount eligible for reimbursement by OCD for each home, including site development, is recognized as revenue when that home is transferred to a qualified homeowner and the loan is forgiven. Amounts eligible for reimbursement for each home that has not yet been transferred to a homeowner are classified as deferred revenue until the home is transferred. As of June 30, 2010, four homes have been transferred to eligible homeowners and four homes are under construction. Construction on the ninth home was begun after the end of the fiscal year.

**HABITAT FOR HUMANITY OF GREATER BATON ROUGE, INC.
BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

7. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of cash donated for the construction of new homes and for homeowner education classes.

8. Contributions to Habitat International

Habitat annually remits a portion of its contributions to Habitat International. These funds are used to construct homes in economically depressed areas around the world. For the year ended June 30, 2010, contributions of \$22,000 were made. These contributions are included in cost of homes transferred. In addition, ReStore made a contribution of \$2,988 that is included in the Statement of Functional Expenses.

9. Operating Leases

Habitat leases space for administrative purposes under a non-cancelable operating lease that extends to December 31, 2010.

Future minimum lease payments under the operating lease as of June 30, 2010:

FY2011	\$ <u>25,977</u>
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After year end, the lease was renewed for three years at \$4,334.16 per month.

10. Related Party Transactions

One company that is affiliated with an employee was paid for supplies during the year ended June 30, 2010. Expenditures to this related party amounted to \$4,683. At the end of the year, accounts payable to the related party totaled \$360.

**HABITAT FOR HUMANITY OF GREATER BATON ROUGE, INC.
BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

11. Supplemental Cash Flow Information

CASH EQUIVALENTS

For purposes of cash flows, Habitat considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

ADDITIONAL CASH FLOW INFORMATION

Income taxes of \$453 were paid during the year ended June 30, 2010. Interest of \$2,920 was paid during the fiscal year.

12. Prior Period Adjustment - Correction of an Error

Certain errors resulting in an overstatement of previously reported discounts on non-interest bearing mortgages receivable were discovered during the current year. Accordingly, an adjustment of \$159,322 was made to reduce the unamortized balance of the discount on non-interest bearing mortgages receivable and to increase the Unrestricted Net Assets as of the beginning of the fiscal year. There are no income taxes related to this correction. The effect of the restatement on the changes in net assets for the year ended June 30, 2009, is not determinable.

13. Subsequent Events

Management has evaluated subsequent events through November , 2010, the date that the financial statements were available to be issued, and has determined that no additional events or transactions have occurred which require disclosure or recognition in the financial statements.

THOMAS W. KLEINPETER, JR.

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

To the Board of Directors
Habitat for Humanity of Greater Baton Rouge, Inc.

I have audited the financial statements of Habitat for Humanity of Greater Baton Rouge, Inc. as of and for the year ended June 30, 2010, and have issued my report thereon dated November 8, 2010. I conducted my 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Habitat for Humanity of Greater Baton Rouge, Inc.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity of Greater Baton Rouge, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Habitat for Humanity of Greater Baton Rouge, Inc.'s internal control over financial reporting.

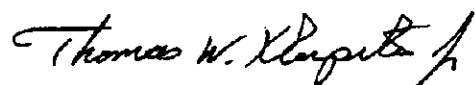
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination 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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Habitat for Humanity of Greater Baton Rouge, Inc.'s financial statements are free of material misstatement, I 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Thomas W. Kluge". The signature is written in a cursive style with a large, stylized initial "T".

November 8, 2010