

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

**FINANCIAL STATEMENTS
JUNE 30, 2014**

CONTENTS

Independent Auditor's Report	i-ii
Statement of Financial Position	1
Statement of Activities	2
Statement of Functional Expenses	3-4
Statement of Cash Flows	5
Notes to Financial Statements	6-14
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 <i>Governmental Auditing Standards</i>	15-16
Summary Schedule of Prior Year Findings and Questioned Cost	17

THOMAS W. KLEINPETER, JR.

CERTIFIED PUBLIC ACCOUNTANT
A PROFESSIONAL CORPORATION
610 NAPOLEON STREET
BATON ROUGE, LOUISIANA 70802

TELEPHONE
(225) 344-0011
FAX
(225) 344-0012
E-MAIL
twk@twkleinpetercpa.com

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of Habitat for Humanity of Greater Baton Rouge, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

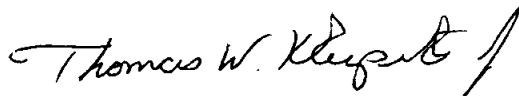
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 17, 2014 on our 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 laws, regulations, contracts, and grant 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* in considering Habitat for Humanity of Greater Baton Rouge, Inc.'s internal control financial reporting and compliance.

A handwritten signature in black ink, reading "Thomas W. Klepzig". The signature is written in a cursive style with a large, sweeping flourish at the end.

December 17, 2014

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

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014

ASSETS

Cash	\$ 479,441
Prepaid expenses	26,847
Receivables	101,440
Inventories	805,056
Non interest bearing mortgages receivable, net of unamortized discount of \$4,808,043	4,900,112
Property and equipment, net	643,273
Land held for development	362,340
Land available for sale	<u>22,970</u>
 Total Assets	 <u>\$ 7,341,479</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 77,618
Accrued payroll expenses	64,383
Advanced payments	8,000
Security deposits	<u>2,935</u>
 Total Liabilities	 <u>152,936</u>
 Net Assets	
Unrestricted	6,894,949
Temporarily restricted	<u>293,594</u>
 Total Net Assets	 <u>7,188,543</u>
 Total Liabilities and Net Assets	 <u>\$ 7,341,479</u>

See accompanying notes to financial statements.

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

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions			
Cash	\$ 152,901	\$ 632,855	\$ 785,756
Construction materials and appliances	45,427		45,427
Services	35,150		35,150
Governmental financial assistance	89,533		89,533
Home sales revenue	902,000		902,000
ReStore sales	624,260		624,260
Amortization of discount on mortgage loans	348,159		348,159
Rental income and late fees	47,911		47,911
Mortgage late fees	10,962		10,962
Other	4,926		4,926
Interest	574		574
Net assets released from restrictions	<u>581,109</u>	<u>(581,109)</u>	<u>-0-</u>
Total Support and Revenue	<u>2,842,912</u>	<u>51,746</u>	<u>2,894,658</u>
EXPENSES			
Program services	2,725,108		2,725,108
Support services			
Management and general	423,859		423,859
Fund-raising	<u>129,014</u>		<u>129,014</u>
Total Expenses	<u>3,277,981</u>	<u>-0-</u>	<u>3,277,981</u>
Changes in Net Assets	(435,069)	51,746	(383,323)
Net Assets			
Beginning of Year	<u>7,330,018</u>	<u>241,848</u>	<u>7,571,866</u>
End of Year	<u>\$6,894,949</u>	<u>\$ 293,594</u>	<u>\$7,188,543</u>

See accompanying notes to financial statements.

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

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014**

	PROGRAM SERVICES			
	Construction and Family Services	Mortgage Originations	ReStore	Total
Cost of homes sold				
Materials, supplies and labor	\$ 1,151,959	\$	\$	\$ 1,151,959
Land	190,888			190,888
Contributed services	35,150			35,150
Payroll and related expenses	263,299		272,838	536,137
Mortgage discounts		420,242		420,242
Operational costs	32,898		54,343	87,241
Rent and utilities	30,026		20,148	50,174
Professional services	19,349			19,349
Insurance	40,350		10,293	50,643
Repairs and maintenance	21,026		14,430	35,456
Public relations and advertising			18,086	18,086
Miscellaneous	20,928		16,345	37,273
Depreciation	1,514		18,866	20,380
Construction costs not charged to homes	23,693			23,693
Critical home repair expenses	17,033			17,003
Dues and fees paid to Habitat International			9,621	9,621
Costs of sales			8,091	8,091
Corrosive drywall expenses	7,974			7,974
Volunteer/Americorp expenses	4,292	_____	1,456	5,748
Total	\$ 1,860,349	\$ 420,242	\$ 444,517	\$ 2,725,108

<u>SUPPORT SERVICES</u>					<u>TOTAL</u>
<u>Management and General</u>			<u>Fund-raising</u>	<u>Total Support</u>	
<u>Administrative</u>	<u>Rental</u>	<u>Total</u>			
\$	\$	\$	\$	\$	\$
		-0-		-0-	1,151,959
		-0-		-0-	190,888
		-0-		-0-	35,150
261,505		261,505	90,260	351,765	887,902
		-0-		-0-	420,242
43,903		43,903	4,133	48,036	135,277
22,820	5,748	28,568	7,206	35,774	85,948
53,615	6,032	59,647		59,647	78,996
	1,661	1,661		1,661	52,304
	12,041	12,041		12,041	47,497
		-0-	27,415	27,415	45,501
2,450	2,074	4,524		4,524	41,797
3,314	3,696	7,010		7,010	27,390
		-0-		-0-	23,693
		-0-		-0-	17,003
5,000		5,000		5,000	14,621
		-0-		-0-	8,091
		-0-		-0-	7,974
		-0-		-0-	5,748
<u>\$ 392,607</u>	<u>\$ 31,252</u>	<u>\$ 423,859</u>	<u>\$ 129,014</u>	<u>\$ 552,873</u>	<u>\$ 3,277,981</u>

See accompanying notes to financial statements.

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

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in net assets	\$ (383,323)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation	27,390
Amortization of mortgage discount	(348,159)
Value of contributed services	(35,150)
New mortgages, net of discounts	(481,758)
Collections on mortgage receivables	813,803
Purchase and development of land	(59,510)
Home construction costs	(1,082,952)
Cost of homes transferred	1,377,997
Change in prepaid expenses	(4,444)
Change in receivables	(88,851)
Change in building supply inventory	(785)
Change in purchases for resale	(7,160)
Change in accounts payable	26,376
Change in accrued liabilities	(461)
Change in other liabilities	(127,451)
Change in deferred revenue	<u>(53,678)</u>
Net cash used in operating activities	(428,116)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	<u>(22,242)</u>
Net cash provided by investing activities	(22,242)
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-0-</u>
NET DECREASE IN CASH	(450,358)
CASH AT BEGINNING OF YEAR	<u>929,799</u>
CASH AT END OF YEAR	<u>\$ 479,441</u>

See accompanying notes to financial statements.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

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 four 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 and funding 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 Louisiana State University and the Habitat Young Professional Council of Greater Baton Rouge.

Habitat builds homes in partnership with volunteers and low-income families. The homes are sold to qualifying partner families at less than fair market value. Since the homeowners are involved in building their own homes, family support and education activities are inherent in the construction activities. Habitat also provides no interest mortgage loans to these homeowners.

Habitat also makes repairs for qualified low-income individuals and families who own a home, but due to their financial circumstances, live in substandard and potentially dangerous conditions. Eligible activities also include weatherization repairs that promote energy efficiency.

Habitat owns and operates ReStore of Baton Rouge, LLC, which sells donated surplus building materials, furniture, appliances, and items purchased in bulk to the general public at below retail prices. In addition, part of the ReStore building is rented. The net proceeds from the ReStore operations and rentals are used to help further the mission of Habitat.

INCOME TAX STATUS

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

In management’s judgment, 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, 2011.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. Summary of Significant Accounting Policies - (continued)

BASIS OF PRESENTATION

The financial statements report information regarding financial position and activities 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.

BASIS OF ACCOUNTING

Habitat prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

REVENUE RECOGNITION

Contributions are recognized when received or unconditionally promised. They 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.

Home sales revenue and the cost of homes sold are recorded when the title is transferred. The zero interest first mortgages are discounted to their present value by using 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 supplemental mortgage with homeowners upon sale 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, 2014**

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.

The fair market value of items donated to ReStore is not determinable until the items are sold. Therefore, revenue is recorded at the time of sale and no value is included in inventory for the unsold items.

INVENTORIES

The inventory of new homes is valued at cost. It does not include the cost of land and the value of contributed labor, which are recognized when the home is sold.

Foreclosures included in inventory are valued at cost, which includes the unpaid mortgage and related costs at the time of foreclosure and the cost of repairs after foreclosure.

Construction materials inventory consists of items donated in bulk through a gift-in-kind program established by Habitat International. Items are ordered from the vendor by Habitat, approved by Habitat International, and valued per the fair market value included on the gifts-in-kind receipt sent with the materials. Materials are removed from inventory when used on a specific house.

Purchases for resale at the ReStore are included in inventory at cost.

PROPERTY, EQUIPMENT AND DEPRECIATION

Property and equipment are recorded at acquisition cost if purchased and at fair market value if contributed. Habitat capitalizes additions of property and equipment with a unit cost of \$2,500 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.

EXPENSE ALLOCATION

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. Summary of Significant Accounting Policies - (continued)

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.

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, 2014, \$35,150 in services were recognized on homes sold. 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

Reserved cash includes amounts received from homeowners for payments received prior to closing and for security deposits received from tenants. Reserved cash at June 30, 2014, was \$10,935.

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 sold 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 one of these banks exceeded the FDIC insurance limit at the end of the fiscal year by \$6,029.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

3. Receivables

Receivables at June 30, 2014 consist of the following:

From mortgage servicing company for June 2014	\$ 66,705
From homeowners for escrow shortages	22,119
From cost reimbursement grants	<u>12,616</u>
	<u>\$ 101,440</u>

4. Inventories

Inventories at June 30, 2014, consist of the following:

Homes	\$ 739,319
Construction materials	58,577
Purchases for resales	<u>7,160</u>
	<u>\$ 805,056</u>

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

5. Inventory of Homes

The following summarizes the changes in inventory of homes for the year ended June 30, 2014:

	<u>New Construction</u>	<u>Repossessions/ Dations</u>	<u>Rentals</u>	<u>Total</u>
Change in the cost of the inventory of homes:				
Cost as of June 30, 2013	\$ 487,880	\$ 320,446		\$ 808,326
Current year changes:				
Construction costs incurred	928,896	72,604		1,001,500
Unpaid mortgages on repossessions/dations		81,453		81,453
Homes sold - cost	(1,012,388)	(139,572)		(1,151,960)
Homes reclassified to rentals		(250,687)	250,687	-0-
Cost as of June 30, 2014	<u>\$ 404,388</u>	<u>\$ 84,244</u>	<u>250,687</u>	<u>\$ 739,319</u>

	<u>New Construction</u>	<u>Repossessions/ Dations</u>	<u>Rentals</u>	<u>Total</u>
Change in the number of homes in inventory				
Homes in inventory as of June 30, 2013	7	7		14
Additional new homes started	11			11
Additional foreclosures/dations		2		2
Homes sold	(12)	(3)		(15)
Homes reclassified to rentals	—	(4)	4	-0-
Homes in inventory as of June 30, 2014	<u>6</u>	<u>2</u>	<u>4</u>	<u>12</u>

Rentals are repossessions/dations for which Habitat has not been able to find qualified partners to purchase the homes through the Habitat program and has not been able to sell the houses otherwise. The Board has approved the temporary rental of these houses through the U.S. Housing and Urban Development Section 8 rental assistance program. These houses are included in inventory because management's intent in renting them is to offset the costs of vacant houses until a suitable owner is found.

6. Mortgages Receivable

Mortgages receivable consist of non-interest bearing mortgage notes which are collateralized by real estate in the Baton Rouge area.

Mortgages are subject to foreclosure if a payment is 90 days or more past due and no revised payment plan has been approved by the Habitat Board of Directors. Homeowners that have not responded to prior notifications and are 120 days late may be presented to the Board for approval of the foreclosure. Foreclosures are only begun with Board approval. If approved, the homeowner's file is turned over to an attorney to send the official notice of default, which states that the homeowner has 30 days to cure the default.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

6. Mortgages Receivable (continued)

The following schedule shows the past due principal payments as of June 30, 2014. These past due balances are based on the payments required by the mortgages and have not been reduced to reflect modifications made under payments plans.

	<u>Mortgages Past Due</u>	<u>Past Due Amount at 6/30/14</u>
Homes in process of foreclosure	2	\$ 41,122
Additional past due amounts:		
6 months or more	15	68,576
5 months	5	10,316
4 months	2	2,839
3 months	7	9,453
2 months	15	11,970
1 month	<u>32</u>	<u>14,250</u>
	<u>78</u>	<u>\$ 158,526</u>

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

7. Property and Equipment

The following is a summary of the changes in the components of property and equipment.

	<u>6/30/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2014</u>
Building and improvements	\$ 625,877	\$	\$	\$ 625,877
Parking lot improvements	68,213			68,213
Furniture and equipment	53,503			53,503
Construction and warehouse equipment	27,585			27,585
Vehicles	<u>114,049</u>	<u>22,242</u>	<u> </u>	<u>136,291</u>
	889,227	22,242	-0-	911,469
Accumulated depreciation	<u>(302,834)</u>	<u>(27,390)</u>	<u> </u>	<u>(330,224)</u>
	586,393	(5,148)	-0-	581,245
Land	<u>62,028</u>	<u> </u>	<u> </u>	<u>62,028</u>
	<u>\$ 648,421</u>	<u>\$ (5,148)</u>	<u>\$ -0-</u>	<u>\$ 643,273</u>

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

8. Governmental Financial Assistance

In fiscal year 2010, Habitat entered into an agreement with the Office of Community Development of the City of Baton Rouge - Parish of East Baton Rouge (OCD) for a maximum funding of \$910,000 to acquire eight foreclosed or abandoned residential properties or vacant lots and develop them to provide eight new homes for very-low income families. Habitat was able to build nine homes with these funds and to apply the remaining balance to partially fund another home for another very-low income family. These funds were passed through from the Neighborhood Stabilization Program (NSP), which is administered by the U.S. Department of Housing and Urban Development (HUD).

All NSP funds were expended by the end of fiscal year 2013, but \$53,678 of the related revenue was not recognized until fiscal year 2014, when the final house was sold to a qualified homeowner.

During the fiscal year 2014, Habitat was awarded two additional grants through the OCD, which were passed through as Community Development Block Grants (CDBG) by HUD. Both grants are on a cost-reimbursement basis and revenue is recognized when qualified expenses are incurred. Revenue of \$24,239 was recognized from a \$35,000 grant for demolition and site work for property that will be used for qualified houses. Revenue of \$11,616 was recognized from a \$160,000 grant for the Critical Home Repair and Weatherization Program (CHRWP) to provide repairs and improvements for qualified homeowners to enable the housing units to meet the minimum Housing Codes of East Baton Rouge Parish and to increase energy efficiency.

9. Temporarily Restricted Net Assets

Temporarily restricted net assets consist primarily of cash donated for the construction of new homes.

10. Payments to Habitat International

Habitat voluntarily 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, 2014, contributions of \$5,500 are included in cost of homes sold.

Habitat pays Habitat International an annual Stewardship and Organizational Sustainability Initiative (SOSI) fee based on the population of the geographic area served. Habitat also pays dues, based on a percentage of ReStore sales, to Habitat International for its membership in the ReStore Association. These are both shown in the Statement of Functional Expenses as "dues and fees paid to Habitat International".

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

11. Operating Leases

Habitat leases space for administrative purposes under a non-cancelable operating lease that extends to March 31, 2017. Rent expense for the fiscal year is included in rent and utilities in the Statement of Functional Expenses, as follows:

Program Construction & Family Services	\$ 30,026
Management & General Administration	22,820
Fund-Raising	<u>7,206</u>
	<u>\$ 60,052</u>

Future minimum lease payments under the operating lease as of June 30, 2014:

<u>FY</u>	
2015	\$ 61,948
2016	61,948
2017	<u>46,461</u>
	<u>\$ 170,357</u>

12. 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

No interest or income taxes were paid during the year.

There were no non-cash investing and financing transactions during the year.

13. Subsequent Events

Management has evaluated subsequent events through December 17, 2014, 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.

CERTIFIED PUBLIC ACCOUNTANT
A PROFESSIONAL CORPORATION
610 NAPOLEON STREET
BATON ROUGE, LOUISIANA 70802

TELEPHONE
(225) 344-0011
FAX
(225) 344-0012
E-MAIL
twk@twkleinpetercpa.com

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

**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 of Greater Baton Rouge, Inc.

I 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 of Greater Baton Rouge, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, 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 my report thereon dated December 17, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Habitat for Humanity of Greater Baton Rouge, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

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

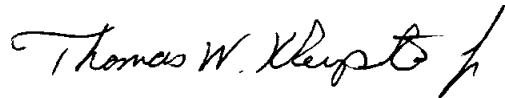
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Habitat for Humanity of Greater Baton Rouge, Inc. financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

A handwritten signature in black ink that reads "Thomas W. Klepko" followed by a stylized flourish.

December 17, 2014

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

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COST
FOR THE YEAR ENDED JUNE 30, 2014**

2013-1 Financial Statements were not sent to the Louisiana Legislative Auditor within six months of the end of the fiscal year.

Criteria- R.S. 24:513 requires that financial statements for not-for-profit organizations that receive or expend local or state assistance be submitted to the Louisiana Legislative Auditor within six months of the end of the fiscal year.

Condition- Habitat for Humanity of Greater Baton Rouge, Inc. is subject to R.S. 24:513 because the organization received governmental financial assistance under an agreement with the Office of Community Development of the City of Baton Rouge - Parish of East Baton Rouge. The financial statements were not submitted on a timely basis.

Current Status- Financial statements for the fiscal year ended June 30, 2013, were submitted to the Louisiana Legislative Auditor within the three month extension that was approved by the Legislative Auditor. The financial statements for the fiscal year ended June 30, 2014, will be submitted within six months of the end of fiscal year.