

LAFAYETTE HABITAT FOR HUMANITY, INC.

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2013

LAFAYETTE HABITAT FOR HUMANITY, INC.

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INDEPENDENT AUDITORS' REPORT

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* A PROFESSIONAL CORPORATION
** A LIMITED LIABILITY COMPANY

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To the Board of Directors of
Lafayette Habitat for Humanity, Inc.
Lafayette, Louisiana

We have audited the accompanying financial statements of Lafayette Habitat for Humanity, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expense, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our 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 we 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 auditors' judgment, 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 organization'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 organization's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lafayette Habitat for Humanity, Inc. as of June 30, 2013, 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 Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2013, on our consideration of Lafayette Habitat for Humanity, 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 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 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 Lafayette Habitat for Humanity, Inc.'s internal control over financial reporting and compliance.

Wright, Moore, DeHart,
Dupuis & Hutchinson, LLC
WRIGHT, MOORE, DEHART,
DUPUIS & HUTCHINSON, L.L.C.
Certified Public Accountants

December 27, 2013
Lafayette, Louisiana

LAFAYETTE HABITAT FOR HUMANITY, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

ASSETS

CURRENT ASSETS

Cash	\$	230,669
Escrow Deposits		16,821
Non-Interest Bearing Mortgages Receivable		388,446
Less: Discount for Interest Rates		(127,449)
Grant Receivable		106,881
Prepaid Insurance		14,779
Inventories		787,946
Total Current Assets		<u>1,418,093</u>

PROPERTY AND EQUIPMENT (NET)

18,460

OTHER ASSETS

Non-Interest Bearing Mortgages Receivable - Long-Term		2,811,021
Less: Discount for Interest Rates		<u>(1,878,642)</u>
Total Other Assets		<u>932,379</u>

TOTAL ASSETS

\$ 2,368,932

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	53,212
Accrued Payroll and Related Liabilities		8,367
Current Maturities of Long-Term Debt		526,848
Other Current Liabilities		2,556
Escrow Deposits Payable		15,417
Rent Payable		4,331
Total Current Liabilities		<u>610,731</u>

LONG-TERM LIABILITIES

Grant Payable		774,294
Long-Term Debt (Less Current Maturities)		<u>19,517</u>
Total Long-Term Liabilities		<u>793,811</u>

TOTAL LIABILITIES

1,404,542

NET ASSETS

Unrestricted		949,390
Temporarily Restricted		<u>15,000</u>
Total Net Assets		<u>964,390</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 2,368,932

The Accompanying Notes are an Integral Part of These Statements.

LAFAYETTE HABITAT FOR HUMANITY, INC.

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013**

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT			
Contributions and Grants			
Cash	\$ 577,302	\$ 15,000	\$ 592,302
Services and Materials	102,591	-	102,591
Special Event Revenue	13,125	-	13,125
Total Public Support	693,018	15,000	708,018
REVENUES			
Sales to Homeowners	1,088,394	-	1,088,394
Amortization of Mortgage Discounts	99,178	-	99,178
ReStore Revenues	259,769	-	259,769
Other Income	6,187	-	6,187
Total Revenues	1,453,528	-	1,453,528
NET ASSETS RELEASED FROM RESTRICTIONS			
Restrictions Satisfied by Payments	-	-	-
TOTAL PUBLIC SUPPORT, REVENUES AND NET ASSETS RELEASED FROM RESTRICTIONS	2,146,546	15,000	2,161,546
EXPENSES AND LOSSES			
Program Services			
Construction	1,405,673	-	1,405,673
ReStore	160,123	-	160,123
Supporting Services			
Management and General	1,013,452	-	1,013,452
Fundraising	5,385	-	5,385
Total Expenses	2,584,633	-	2,584,633
INCREASE (DECREASE) IN NET ASSETS	(438,087)	15,000	(423,087)
NET ASSETS AT BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	2,729,847	-	2,729,847
PRIOR PERIOD ADJUSTMENT	(1,342,370)	-	(1,342,370)
NET ASSETS AT BEGINNING OF YEAR, AS RESTATED	1,387,477	-	1,387,477
NET ASSETS AT END OF YEAR	\$ 949,390	\$ 15,000	\$ 964,390

The Accompanying Notes are an Integral Part of These Statements.

LAFAYETTE HABITAT FOR HUMANITY, INC.

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2013**

CASH FLOWS FROM OPERATING ACTIVITIES

Decrease in Net Assets	\$	(423,087)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Depreciation		6,149
Transfers to Homeowners Net of Discounts		(531,809)
Amortization of Mortgage Discounts		(99,178)
Changes in Assets and Liabilities:		
Escrow Deposits		12,725
Grants and Contributions Receivable		(106,881)
Other Receivable		21,672
Prepaid Insurance		(3,429)
Inventories		277,339
Accounts Payable		18,488
Accrued Payroll and Related Liabilities		2,850
Other Current Liabilities		2,556
Escrow Deposits Payable		(11,903)
Grant Payable		164,385
		<hr/>
Net Cash Used In Operating Activities		(670,123)

CASH FLOWS FROM INVESTING ACTIVITIES

Collections on Mortgage Receivables		529,607
Purchase of Fixed Assets		<hr/> -
		<hr/>
Net Cash Provided By Investing Activities		529,607

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of Long-Term Debt		<hr/> (36,404)
		<hr/>
Net Cash Used In Financing Activities		(36,404)

NET DECREASE IN CASH AND EQUIVALENTS		(176,920)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		<hr/> 407,589
CASH AND CASH EQUIVALENTS, END OF YEAR	\$	<hr/> <hr/> 230,669

The Accompanying Notes are an Integral Part of These Statements.

LAFAYETTE HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Form of Operations – Lafayette Habitat for Humanity, Inc. (Habitat) (a non-profit organization) was incorporated in 1992, with offices in Lafayette, Louisiana. Habitat is an affiliate of Habitat for Humanity International, Inc. (Habitat International), a non denominational, Christian, nonprofit organization whose purpose is to create decent, affordable housing for those in need. 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.

As an extension of its primary purpose, Habitat operates a ReStore in Lafayette, Louisiana. The ReStore obtains donated materials, and sells the materials at a significant discount from retail prices. Proceeds from the sales of donated items are used to support the programs which carry out the primary purpose of the organization.

Revenue Recognition – Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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 7.39% to 8.78%, based upon prevailing market rates at the inception of the mortgages.

Habitat also executes a second or third mortgage, depending on the applicability of existing programs, 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 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.

Income Taxes – The Organization is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code. Income determined to be unrelated business income is taxable.

Escrow Deposits – Habitat currently services the mortgages on the homes it sells. Payments received from families for their closing costs or escrow items are segregated into a non-interest bearing cash account. Escrow balances are maintained for funds paid to satisfy future insurance and property tax obligations. The current balance in the escrow account is \$16,821, with related escrow liabilities totaling \$15,417.

LAFAYETTE HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Inventories – Inventories consist of occupied homes not closed and homes under construction valued at costs incurred, exclusive of contributed labor. The following is a summary of home building activity for the year ended June 30, 2013:

	<u>Number</u>	<u>Costs</u>
Occupied homes not closed and homes under construction, June 30, 2012	16	\$1,065,285
Costs incurred during year ended June 30, 2013:		
New homes started	7	360,651
Homes transferred	(14)	(1,137,666)
Work done to existing homes		178,460
Repossessions/Dations	<u>7</u>	<u>321,216</u>
Occupied homes not closed and homes under construction, June 30, 2013	<u>16</u>	<u>\$ 787,946</u>

ReStore inventory mostly consists of donated building materials available for sale. The value of the items received for resale is not accurately known, thus Habitat recognizes the value of the item when it is sold, and chooses not to carry the inventory of donated items in the financial statements. The value of the donated items is recognized at the time of sale, with no corresponding cost of sale recognized.

Property and Equipment – Property and equipment are valued at historical cost for assets purchased and at fair market value at the time of donation for donated assets. Habitat capitalizes additions of property and equipment that exceed \$2,500. The equipment is depreciated on a straight-line basis over the assets useful lives. Depreciation expense was \$6,149 for the year ended June 30, 2013.

Contributions – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as unrestricted contributions.

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 the increase in value of the home, whichever is more objectively determinable. During the year ended June 30, 2013, \$102,591 in services and donated materials were recognized on homes transferred.

LAFAYETTE HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising – The cost of advertising is expensed as incurred. Advertising expense for the year ended June 30, 2013 was \$8,406.

(B) CASH AND INTEREST BEARING ACCOUNTS

Cash and interest bearing accounts consisted of the following at June 30, 2013:

<u>Unrestricted</u>	
Home Bank	\$ 222,323
JPMorgan Chase	5,464
Raymond James	2,832
MidSouth Bank	<u>50</u>
Total	<u>\$ 230,669</u>
 <u>Reserved</u>	
Iberia Bank Escrow Account	<u>\$16,821</u>

(C) MORTGAGES RECEIVABLE

At June 30, 2013, there were 69 1st mortgages outstanding totaling \$3,199,467. Mortgage payments are due on the first of each month and considered late if not received by the 16th of the month. All reasonable efforts are made by Habitat to bring a mortgage back into good standing if it becomes delinquent. If those efforts are unsuccessful, Habitat may initiate foreclosure proceedings to be handled by an attorney. Habitat allows the homeowner to relinquish the home back to Habitat with a deed in lieu of foreclosure. Since the fair market value of the houses exceeds the related mortgage balance, no allowance for uncollectible loans has been recorded.

LAFAYETTE HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(C) MORTGAGES RECEIVABLE – continued

The following schedule summarized the payment status of the mortgage loans at June 30, 2013:

	<u>Number Of Loans</u>	<u>Loan Amount</u>
Current	31	\$ 1,720,548
30 days past due	5	207,437
31-60 days past due	4	153,685
More than 60 days past due	<u>29</u>	<u>1,117,797</u>
Total	<u>69</u>	<u>\$ 3,199,467</u>

Maturities of mortgages receivable are as follows:

Years Ended June 30,	
2014	\$ 308,821
2015	179,086
2016	184,173
2017	182,804
2018	180,803
Thereafter	<u>2,163,781</u>
Total	<u>\$3,199,467</u>

(D) PROPERTY AND EQUIPMENT

A summary of property and equipment is as follows:

Trucks	\$ 73,000
Tractor	<u>18,895</u>
	91,895
Less: Accumulated Depreciation	<u>(73,435)</u>
Net Property and Equipment	<u>\$ 18,460</u>

(E) LONG-TERM DEBT

Long-term debt consisted of the following as of June 30, 2013:

Note payable to bank due September 30, 2013, payable in monthly interest only payments bearing interest at 3.75 % with the final lump sum payment due at maturity. \$ 522,848

Note payable to bank due November 1, 2018, payable in monthly installments of \$67 bearing no interest, and secured by the pledge mortgage receivable. 4,253

LAFAYETTE HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(E) LONG-TERM DEBT – continued

Note payable to bank due December 1, 2019, payable in monthly installments of \$67, bearing no interest, and secured by the pledge mortgage receivable.	\$ 5,266
Note payable to bank due June 1, 2019, payable in monthly installments of \$67 bearing no interest, and secured by the pledge mortgage receivable.	4,799
Note payable to bank due December 1, 2018, payable in monthly installments of \$67 bearing no interest, and secured by the pledge mortgage receivable.	4,266
Note payable to bank due August 1, 2019, payable in monthly installments of \$67 bearing no interest, and secured by the pledge mortgage receivable.	<u>4,933</u>
Total	546,365
Less: Current Maturities	<u>(526,848)</u>
Total Long-Term Debt	<u>\$ 19,517</u>

Maturities of long-term debt are as follows:

Years Ended June 30,	
2014	\$ 526,848
2015	4,000
2016	4,000
2017	4,000
2018	4,000
Thereafter	<u>3,516</u>
Total	<u>\$ 546,365</u>

(F) CASH FLOW DISCLOSURES

Interest paid for the year ended June 30, 2013 totaled \$24,995.

Non-cash investing and financing transactions for the year ended June 30, 2013 consisted of the issuance of non-interest bearing mortgage loans on home sales as follows:

Non-interest bearing mortgage loans issued	\$ 1,087,584
Discount of non-interest bearing mortgage loans	<u>555,775</u>
Transfers to homeowners subject to non-interest mortgage loans, net of discount	<u>\$ 531,809</u>

LAFAYETTE HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(G) CONCENTRATION OF CREDIT RISK

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

Habitat maintains checking and savings accounts with four institutions in Lafayette, Louisiana. The accounts were insured by Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2013, Habitat had an uninsured cash balance of \$7,937 at one institution.

(H) OPERATING LEASE

In December 2011, the Organization entered into an operating lease for office space in Lafayette, Louisiana. The agreement commenced on January 1, 2012 and shall terminate December 31, 2013. Fee for the use of this space is \$500 plus a utility usage fee which for 2013 was \$75 per month.

In April 2013, the Organization renewed its operating lease for retail space in Lafayette, Louisiana. The renewed agreement commenced on April 1, 2013 and shall terminate March 31, 2014. Fee for the use of this space is \$2,166 per month.

Future Lease Obligation:

2014	\$20,328
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Rent expense related to this lease for the year ended June 30, 2013 was \$31,987.

In December 2011, the Organization entered into an operating lease to rent the home at 708 Louisiana Avenue to Blake Sanders for \$550 a month. This is a month to month agreement.

Rent income related to this lease for the year ended June 30, 2013 was \$4,700.

(I) FINANCIAL INSTRUMENTS

The fair values of Habitat's financial instruments are as follows:

Cash and short-term investments – The carrying amount approximates fair value because of the short maturities of those investments.

Bank loans payable – Fair value approximates carrying value since stated rates are similar to rates currently available to the Organization for debt with similar terms and remaining maturities.

(J) PRIOR PERIOD ADJUSTMENT

For the year ended June 30, 2013, it was noted that incorrect discount rates had been applied to the non-interest bearing mortgage loans receivable in years prior to 2012. This resulted in a decrease of \$1,342,370 to unrestricted net assets.

LAFAYETTE HABITAT FOR HUMANITY, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

(K) SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 27, 2013, the date which the financial statements were available to be issued. The note payable which matured on September 30, 2013 terms changed from an open line to a term loan.

LAFAYETTE HABITAT FOR HUMANITY, INC.

SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013

	PROGRAM SERVICES		SUPPORTING SERVICES		TOTAL
	CONSTRUCTION	RESTORE	MANAGEMENT AND GENERAL	FUNDRAISING	
Compensation and Related Expenses					
Salaries	\$ 106,282	\$ 61,839	\$ 230,257	\$ -	\$ 398,378
Employee Benefits					
Medical	10,359	8,599	34,106	-	53,064
Payroll Taxes	7,887	3,452	19,137	-	30,476
	<u>124,528</u>	<u>73,890</u>	<u>283,500</u>	-	<u>481,918</u>
Building Materials and Supplies	1,240,257	-	-	-	1,240,257
Administrative Cost	-	5,769	1,380	-	7,149
Advertising Cost	-	8,243	164	-	8,407
Depreciation	2,699	3,450	-	-	6,149
Contract Labor	2,203	-	2,400	-	4,603
Food and Lodging	-	342	3,082	-	3,424
Fuel	5,218	1,789	-	-	7,007
Fundraising	-	-	-	5,385	5,385
Insurance	1,632	1,278	44,083	-	46,993
Interest Expense	-	-	24,995	-	24,995
Membership Fees	495	-	3,282	-	3,777
Miscellaneous	-	1,460	-	-	1,460
Mortgage Discount	-	-	555,775	-	555,775
Office Expense	379	3,566	12,291	-	16,236
Postage and Printing	53	1,830	2,678	-	4,561
Professional Services	3,000	-	53,636	-	56,636
Rent	-	25,987	6,000	-	31,987
Repairs and Maintenance	4,173	8,159	140	-	12,472
Sales Tax	-	15,063	-	-	15,063
Supplies and Tools	9,589	-	-	-	9,589
Taxes	-	-	1,430	-	1,430
Technology	65	-	3,691	-	3,756
Telephone	677	3,627	7,974	-	12,278
Training	15	-	1,210	-	1,225
Travel	50	1,040	630	-	1,720
Utilities	3,140	4,630	5,111	-	12,881
Volunteer Costs	7,500	-	-	-	7,500
TOTAL	<u>\$ 1,405,673</u>	<u>\$ 160,123</u>	<u>\$ 1,013,452</u>	<u>\$ 5,385</u>	<u>\$ 2,584,633</u>

See Independent Auditors' Report.

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INDEPENDENT AUDITORS' 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
Lafayette Habitat for Humanity, Inc.
Lafayette, Louisiana

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 Lafayette Habitat for Humanity, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 27, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lafayette Habitat for Humanity, 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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lafayette Habitat for Humanity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 organization's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, 2013-1.

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lafayette Habitat for Humanity, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

Organization's Response to Findings

Lafayette Habitat for Humanity, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lafayette Habit for Humanity, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it

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.

*Wright, Moore, DeHart,
Dupuis & Hutchinson, LLC*
WRIGHT, MOORE, DEHART,
DUPUIS & HUTCHINSON, L.L.C.
Certified Public Accountants

December 27, 2013
Lafayette, Louisiana

LAFAYETTE HABITAT FOR HUMANITY, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

We have audited the financial statements of Lafayette Habitat for Humanity, Inc. as of and for the year ended June 30, 2013, and have issue our report thereon dated December 27, 2013. We conducted our 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 Comptroller General of the United States. Our audit of the financial statements of June 30, 2013 resulted in an unqualified opinion.

Section I – Summary of Auditors’ Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses	<u> X </u> Yes	<u> </u> No
Significant Deficiencies	<u> X </u> Yes	<u> </u> No

Compliance

Compliance Material to Financial Statements	<u> </u> Yes	<u> X </u> No
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Section II – Financial Statement Findings

Finding No. 2013-1

Statement of Condition:

Significant number of adjusting journal entries which had a material effect on the financial statements.

Effect of Condition:

The condition resulted in the auditors proposing numerous and material adjusting journal entries.

Cause of Condition:

Management did not establish an effective structure of internal control and did not maintain effective oversight to assure that controls were in place and functioning as designed.

Recommendation:

Management should implement procedures to insure that an adequate structure of internal control is in place and functioning as designed.

Section III – Federal Award Findings and Questioned Costs

This section in not applicable.

LAFAYETTE HABITAT FOR HUMANITY, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

ML2012 – 1

Finding:

Significant number of adjusting journal entries which had a material effect on the financial statements.

Follow-up:

Unresolved.

CORRECTIVE ACTION PLAN

JUNE 30, 2013

Louisiana Legislative Auditor

Lafayette Habitat for Humanity, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2013.

Finding No. 2013-1

Recommendation: Management should implement procedures to insure that all accounts are reconciled at year end and all activity is recorded to limit the amount of audit entries necessary.

Action Taken: Management has implemented procedures to monitor their internal controls in order to reduce significant and material reconciling items at year end.

If the Louisiana Legislative Auditor has questions regarding this plan, please call Adrian Boyle, Finance Director of Lafayette Habitat for Humanity, Inc. at (337) 261-5041.

Sincerely yours,



Melinda Taylor, Executive Director
Lafayette Habitat for Humanity, Inc.