

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

**FINANCIAL STATEMENTS
JUNE 30, 2012**

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INDEPENDENT AUDITOR'S REPORT

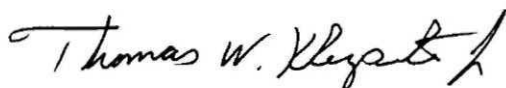
To the Board of Directors
Habitat for Humanity of Greater Baton Rouge, Inc.

I have audited the accompanying statement of financial position of Habitat for Humanity of Greater Baton Rouge, Inc., as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows 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, 2012, 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 report dated September 27, 2012, 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 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* and should be considered in assessing the results of my audit.



September 27, 2012

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

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

ASSETS

Cash	\$ 1,024,945
Prepaid expenses	37,138
Grants and contributions receivable	74,837
Other receivables	14,456
Inventories	1,001,035
Non interest bearing mortgages receivable, net of unamortized discount of \$4,590,981	4,684,933
Property and equipment, net	684,102
Land held for development	494,981
Land available for sale	<u>49,336</u>
 Total Assets	 <u>\$ 8,065,763</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 42,174
Accrued payroll expenses	54,576
Escrow deposits	113,892
Advanced payments	5,600
Security deposits	1,900
Deferred revenue	<u>132,223</u>
 Total Liabilities	 <u>350,365</u>
 Net Assets	
Unrestricted	7,231,929
Temporarily restricted	<u>483,469</u>
 Total Net Assets	 <u>7,715,398</u>
 Total Liabilities and Net Assets	 <u>\$ 8,065,763</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, 2012**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions			
Cash	\$ 77,156	\$ 597,832	\$ 674,988
Equipment and construction materials	54,421		54,421
Services	146,428		146,428
Federal financial assistance	646,104		646,104
Home sales revenue	1,700,440		1,700,440
ReStore sales	616,332		616,332
Amortization of discount on mortgage loans	320,842		320,842
Rental income and late fees	39,944		39,944
Other	18,942		18,942
Mortgage late fees	13,141		13,141
Gain on sale of property	6,270		6,270
Interest income	965		965
Net assets released from restrictions	<u>550,201</u>	<u>(550,201)</u>	<u>-0-</u>
Total Support and Revenue	<u>4,191,186</u>	<u>47,631</u>	<u>4,238,817</u>
EXPENSES			
Program services	4,238,056		4,238,056
Support services			
Management and general	327,521		327,521
Fund-raising	<u>99,468</u>		<u>99,468</u>
Total Expenses	<u>4,665,045</u>	<u>-0-</u>	<u>4,665,045</u>
Changes in Net Assets	(473,859)	47,631	(426,228)
Net Assets			
Beginning of Year	<u>7,705,788</u>	<u>435,838</u>	<u>8,141,626</u>
End of Year	<u>\$7,231,929</u>	<u>\$ 483,469</u>	<u>\$7,715,398</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, 2012**

	PROGRAM SERVICES			
	Construction and Family Services	Mortgage Originations	ReStore	Total
Cost of homes sold				
Materials, supplies and labor	\$ 2,133,444	\$	\$	\$ 2,133,444
Land	328,441			328,441
Contributed services	146,428			146,428
Payroll and related expenses	262,947		237,278	500,225
Mortgage discounts		651,256		651,256
Operational costs	80,017		97,672	177,689
Repairs and maintenance	30,706		41,804	72,510
Construction costs not charged to homes	50,863			50,863
Insurance	44,193		5,708	49,901
Professional services	26,085			26,085
Public relations and advertising			27,011	27,011
Depreciation	10,844		16,926	27,770
Miscellaneous	18,792		4,234	23,026
Volunteer/Americorp expenses	7,039		5,704	12,743
Cost of ReStore sales			9,404	9,404
Special events	1,260	_____	_____	1,260
Total	\$ 3,141,059	\$ 651,256	\$ 445,741	\$ 4,238,056

SUPPORT SERVICES					TOTAL
Management and General			Fund-raising	Total Support	
Administrative	Rental	Total			
\$	\$	\$ -0-	\$	\$ -0-	\$ 2,133,444
		-0-		-0-	328,441
		-0-		-0-	146,428
183,034		183,034	67,107	250,141	750,366
		-0-		-0-	651,256
54,800	11,779	66,579	17,778	84,357	262,046
	46,069	46,069		46,069	118,579
		-0-		-0-	50,863
	806	806		806	50,707
19,920		19,920		19,920	46,005
		-0-	12,751	12,751	39,762
3,030	2,777	5,807		5,807	33,577
3,851	1,455	5,306	1,277	6,583	29,609
		-0-		-0-	12,743
		-0-		-0-	9,404
		-0-	555	555	1,815
<u>\$ 264,635</u>	<u>\$ 62,886</u>	<u>\$ 327,521</u>	<u>\$ 99,468</u>	<u>\$ 426,989</u>	<u>\$ 4,665,045</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, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in net assets	\$ (426,228)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation	33,577
Amortization of mortgage discount	(320,842)
New mortgages, net of discounts	(742,982)
Collections on mortgage receivables	765,053
Donated vehicle	(7,570)
Home construction costs	(1,519,350)
Purchase and development of land	(52,156)
Cost of homes transferred	2,461,885
Gain on sale of property	(6,270)
Increase in prepaid expenses	(14,607)
Decrease in grants and contributions receivable	68,789
Decrease in other receivables	3,259
Decrease in building supply inventory	1,564
Increase in purchases for resale	(16,934)
Decrease in accounts payable	(22,256)
Increase in accrued liabilities	12,500
Increase in other liabilities	1,100
Increase in deferred revenue	<u>(242,831)</u>
Net cash used in operating activities	(24,299)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of property	<u>40,000</u>
Net cash provided by investing activities	40,000
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-0-</u>
NET INCREASE IN CASH	15,701
CASH AT BEGINNING OF YEAR	<u>1,009,244</u>
CASH AT END OF YEAR	<u>\$ 1,024,945</u>

See accompanying notes to financial statements.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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.

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 owns and operates ReStore of Baton Rouge, LLC, which sells donated surplus building materials 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, 2009.

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.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

1. Summary of Significant Accounting Policies - (continued)

BASIS OF ACCOUNTING - (continued)

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 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.

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.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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.

INVENTORIES

The inventory of 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.

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

ReStore inventory is comprised of items purchased for sale. These items are stated at the lower of cost (determined by specific identification) or market. Donated merchandise is not included in inventory.

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, 2012, \$146,428 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

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 payments received prior to closing. In addition, part of the ReStore building is rented and the security deposits received from the tenants are included in reserved cash. Reserved cash at June 30, 2012, was \$121,392.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

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 two of these banks exceeded the FDIC insurance limit at the end of the fiscal year.

3. Mortgages Receivable

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

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.

The following schedule shows the past due principal payments as of June 30, 2012. 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.

Payments were received in June 2012 for 150 of the loans listed below as delinquent.

	<u>Number</u>	<u>Amount</u>
In foreclosure - awaiting Sheriff's sale	2	\$ 6,746
Homeowner paying under bankruptcy plan	5	34,324
Additional past due amounts:		
90 days or greater	46	109,653
60-89 days	13	6,990
Less than 60 days	<u>131</u>	<u>28,990</u>
	<u>197</u>	<u>\$ 186,703</u>

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, 2012**

4. Inventories

Inventories at June 30, 2012, consist of the following:

Homes	\$	917,228
Construction materials		66,873
ReStore purchases for sale		<u>16,934</u>
	\$	<u>1,001,035</u>

5. Inventory of Homes

The following summarizes the changes in inventory of homes for the year ended June 30, 2012:

	<u>New Construction</u>	<u>Repossessions/ Dations</u>	<u>Total</u>
Change in the cost of the inventory of homes:			
Cost as of June 30, 2011	\$ 1,358,805	\$ 172,517	\$ 1,531,322
Current year changes:			
Construction costs incurred	1,253,535	57,847	1,311,382
Unpaid mortgages on repossessions/dations		207,968	207,968
Homes sold	<u>(2,085,815)</u>	<u>(47,629)</u>	<u>(2,133,444)</u>
Cost as of June 30, 2012	<u>\$ 526,525</u>	<u>\$ 390,703</u>	<u>\$ 917,228</u>

	<u>New Construction</u>	<u>Repossessions/ Dations</u>	<u>Total</u>
Change in the number of homes in inventory			
Homes in inventory as of June 30, 2011	19	3	22
Additional new homes started	12		12
Additional foreclosures/dations		5	5
Homes sold	<u>(23)</u>	<u>(1)</u>	<u>(24)</u>
Homes in inventory as of June 30, 2012	<u>8</u>	<u>7</u>	<u>15</u>

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

6. Property and Equipment

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

	<u>6/30/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2012</u>
Building and improvements	\$ 625,876	\$	\$	\$ 625,876
Parking lot improvements	68,213			68,213
Furniture and fixtures	86,170			86,170
Construction and warehouse equipment	41,491			41,491
Vehicles	<u>108,258</u>	<u>7,570</u>	<u>-0-</u>	<u>115,828</u>
	930,008	7,570		937,578
Accumulated depreciation	<u>(281,927)</u>	<u>(33,577)</u>	<u>-0-</u>	<u>(315,504)</u>
	648,081	(26,007)		622,074
Land	<u>62,028</u>		<u>-0-</u>	<u>62,028</u>
	<u>\$ 710,109</u>	<u>\$ (26,007)</u>	<u>\$ -0-</u>	<u>\$ 684,102</u>

7. Federal Financial Assistance

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 number of homes to be built was later increased to ten. 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).

Habitat entered into an additional agreement with OCD to acquire eight foreclosed or abandoned residential properties or vacant lots and to redevelop them to produce eight new homes for very-low income families. The maximum funding is \$910,000 and is paid to Habitat on a cost reimbursements basis. These funds were passed through the Neighborhood Stabilization Program (NSP), which is administered by HUD.

As of June 30, 2012, all homes built with HOME funds have been sold to qualified homeowners. In addition four homes built with NSP funds have been sold to qualified homeowners and construction has begun on an additional three homes.

The amount eligible for reimbursement by OCD for each home, under both of these agreements, is recognized as revenue when that home is sold to a qualified homeowner and the loan is forgiven. Amounts eligible for reimbursement for each home that has not yet been sold to a homeowner are classified as deferred revenue.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

7. Federal Financial Assistance - (continued)

Since revenue from these agreements is not recognized until the homes are sold, the amount of federal financial assistance recognized as revenue (\$646,104) is different than the reimbursable expenditures incurred in the fiscal year. These expenditures are as follows:

HOME	\$ 28,729
NSP	<u>377,266</u>
	<u>\$ 405,995</u>

8. Temporarily Restricted Net Assets

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

9. 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, 2012, contributions of \$17,000 were made. These contributions are included in cost of homes sold.

10. Operating Leases

Habitat leases space for administrative purposes under a non-cancelable operating lease that extends to March 31, 2017.

Future minimum lease payments under the operating lease as of June 30, 2012:

<u>FY</u>	
2013	\$ 59,420
2014	60,052
2015	61,948
2016	61,948
2017	<u>46,461</u>
	<u>\$ 289,829</u>

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

11. Related Party Transactions

Habitat paid \$12,679 for supplies to a company affiliated with an employee during the year ended June 30, 2012. At the end of the year, accounts payable to the related party totaled \$74.

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.

13. Subsequent Events

Management has evaluated subsequent events through September 27, 2012 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, 2012, and have issued my report thereon dated September 27, 2012 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

Management of Habitat for Humanity of Greater Baton Rouge is responsible for establishing and maintaining effective 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 for the information of management, the Board of Directors, others within the entity, federal awarding agencies and pass-through entities, and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Handwritten signature of Thomas W. Kleypeter in cursive script.

September 27, 2012