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HABITAT FOR HUMANITY OF OUACHITA, INC.

Audited Financial Statements

As Of And For The Year Ended
June 30, 2011

HABITAT FOR HUMANITY OF OUACHITA, INC.

AUDITED FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED
JUNE 30, 2011

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Independent Auditors' Report

LITTLE & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA
CHARLES R. MARCHBANKS, JR., CPA

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Habitat for Humanity of Ouachita, Inc. as of June 30, 2011, 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 Ouachita, Inc.'s management. 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 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Ouachita, Inc. as of June 30, 2011, 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*, we have also issued our report dated December 22, 2011, on our consideration of Habitat for Humanity of Ouachita, 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* and should be considered in assessing the results of our audit.

Little + Associates, LLC

Monroe, Louisiana
December 22, 2011

PHONE (318) 361-9600 • FAX (318) 361-9620 • 805 NORTH 31ST STREET • MONROE, LA 71201
MAILING ADDRESS: P. O. BOX 4058 • MONROE, LA 71211-4058

Financial Statements

HABITAT FOR HUMANITY OF OUACHITA, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011

ASSETS

CURRENT ASSETS	
Accounts receivable:	
CDBG Grant - City of Monroe	$ 3,945
HFHI- Lumber Program	16,375
LHFA - Faletta Family Project	72,989
Mortgage notes receivable - current portion	88,660
Prepaid expenses	6,022
Total current assets	187,991
RESTRICTED DEPOSITS AND ESCROWS	
Cash and cash equivalents	5,215
Homeowner escrow deposits	1,849
Total restricted deposits and escrows	7,064
CONSTRUCTION IN PROGRESS	301,939
PROPERTY AND EQUIPMENT	
Equipment	6,546
Less accumulated depreciation	(3,569)
Total property and equipment	2,977
LONG-TERM ASSETS	
Long-term portion of mortgage notes receivable	1,941,926
Investment properties - lots and improvements	149,051
Total long-term assets	2,090,977
TOTAL ASSETS	$ 2,590,948

The accompanying notes are an integral part of this financial statement.

HABITAT FOR HUMANITY OF OUACHITA, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2011

LIABILITIES AND NET ASSETS

LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	$ 11,444
Current portion of long-term debt	6,398
Line of credit	329,519
Note payable - LHFA (Faletta)	468,599
Total current liabilities	815,960
ESCROW DEPOSITS	
Homeowner escrow deposits	11,664
Property tax escrow	311
Total escrow deposits	11,975
LONG-TERM LIABILITIES	
Long-term portion of notes payable	120,037
Total long-term liabilities	120,037
Total liabilities	947,972
NET ASSETS	
Unrestricted	1,621,697
Temporarily restricted	21,279
Total net assets	1,642,976
TOTAL LIABILITIES AND NET ASSETS	$ 2,590,948

The accompanying notes are an integral part of this financial statement.

HABITAT FOR HUMANITY OF OUACHITA, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Sales of houses	$ 842,200	$ -	$ 842,200
Sponsorships and grants	11,500	436,210	447,710
Contributed property, services, and materials	212,680	-	212,680
Contributions	47,142	20,000	67,142
Fundraising, net of expense of $1,141	3,124	-	3,124
Interest income	118	-	118
Miscellaneous	330	-	330
Satisfaction of purpose restrictions	439,836	(439,836)	-
Total Revenues	1,556,930	16,374	1,573,304
Expenses			
Program services:			
Housing	952,892	-	952,892
Supporting services:			
General & Administrative	101,712	-	101,712
Total Expenses	1,054,604	-	1,054,604
Change in Net Assets	502,326	16,374	518,700
Net Assets at Beginning of Year	1,119,371	4,905	1,124,276
Net Assets at End of Year	$ 1,621,697	$ 21,279	$ 1,642,976

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

HABITAT FOR HUMANITY OF OUACHITA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2011

	Program Services	Supporting Services	
	Housing	General & Administrative	Total
WAGES	$ 40,213	$ 40,213	$ 80,426
OCCUPANCY			
Lease expense	23,728	18,644	42,372
OPERATING			
Direct construction and lot costs	822,175	-	822,175
Worker's compensation insurance	18,888	-	18,888
Builder's risk and volunteer insurance	7,490	-	7,490
Other operating costs	3,177	-	3,177
Forgiveness of debt	10,907	-	10,907
Interest expense	12,517	-	12,517
Travel and Meetings	-	3,507	3,507
Total Operating	875,154	3,507	878,661
ADMINISTRATIVE			
Advertising	2,400	-	2,400
Payroll taxes and benefits	3,077	3,077	6,153
Office expense	-	14,275	14,275
Computer/IT expense	-	3,669	3.669
Professional fees	1,500	17,758	19,258
Tithe to Habitat for Humanity International	6,143	-	6,143
Miscellaneous	-	570	570
Total Administrative	13,120	39,349	52,468
DEPRECIATION	677	-	677
Total	$ 952,892	$ 101,712	$ 1,054,604

The accompanying notes are an integral part of this financial statement.

HABITAT FOR HUMANITY OF OUACHITA, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

Operating Activities	
Change in net assets	$ 518,700
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	677
Development grant subsidy	(334,713)
Sales of houses - noncash	(837,200)
Direct land cost - noncash	59,310
Forgiveness of debt on mortgages	10,907
Donated land	(33,500)
(Increase) decrease in:	
Accounts receivable - HFHI - Lumber Program	(16,375)
Construction in progress	80,731
Prepaid expense	(22)
Increase (decrease) in:	
Accounts payable	(27,369)
Net Cash Provided by (Used in) Operating Activities	(578,854)
Investing Activities	
Payments received on mortgage notes receivable	83,227
Payments for investment property and improvements	(4,199)
Net Cash Provided by (Used in) Investing Activities	79,028
Financing Activities	
Proceeds from issuance of short-term debt	456,715
Decrease in homeowner escrow deposits	9,815
Net reduction in JPMorgan Chase Bank line of credit	(26,505)
Principal payments on debt	(6,151)
Net Cash Provided by (Used in) Financing Activities	433,874
Net Increase (Decrease) in Cash and Cash Equivalents	(65,952)
Cash and Cash Equivalents at Beginning of Year	71,167
Cash and Cash Equivalents at End of Year	$ 5,215

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

HABITAT FOR HUMANITY OF OUACHITA, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2011

Cash and Cash Equivalents as Reported in the Statement of Financial Position:

Restricted deposits and escrows	$ 5,215

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for interest	$ 12,517

Noncash Investing/Financing Transactions

Directly issued mortgage notes receivable	$ 837,200
Cancellation of LHFA promissory notes and mortgages	$ 334,713

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

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Habitat for Humanity of Ouachita, Inc. (the "Organization") is a recognized affiliate of Habitat for Humanity International and follows the accounting procedures and practices for voluntary health and welfare organizations established by the American Institute of Certified Public Accountants as published in the Industry Audit Guide on "Audits of Voluntary Health and Welfare Organizations," which constitutes accounting principles generally accepted in the United States of America. The Organization helps provide housing for low-income families by identifying potential home sites, constructing new homes, or refurbishing existing structures. These homes, located in Ouachita Parish, are financed to qualified families with mortgage notes carrying a zero percent interest rate. The Organization relies heavily on volunteer efforts and various contributions and sponsorships to complete the construction projects.

Contribution Recognition

The Organization is required to record contributions in accordance with the provisions of Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 958, *Not-for-Profit Entities*. Under FASB ASC 958, contributions are recorded as restricted if they are received with donor stipulations that limit the use of the donation. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted assets are reclassified to unrestricted net assets and reported in the Statement of Activities as Net Assets Released from Restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, as well as gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. If there are not explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Basis of Presentation

The Organization presents its financial statements in accordance with the provisions of Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

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

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Mortgage Notes Receivable

Mortgage notes receivable are carried at unpaid principal balances. Past due status is determined based on contractual terms. Mortgage notes are considered impaired if full principal payments are not anticipated in accordance with the contractual terms, and the amount of the mortgage notes exceeds the fair market value of the property collateralizing the mortgage notes. The Organization's practice is to charge off that portion of any defaulted mortgage note which is not collected from the sale of the property collateralized by the mortgage note.

The Organization uses the direct write-off method to provide for uncollectible mortgage notes. Use of this method does not result in a material difference from the valuation method required by accounting principles generally accepted in the United States of America.

Building Supplies Inventory

Building supplies inventory is stated at the lower of cost or market as determined by the first-in, first-out (FIFO) method.

Property, Equipment and Depreciation

Property and equipment are stated at cost, with the exception of donated items, which are stated at fair market value at date of donation. Property and equipment acquisitions or donations in excess of $500 are capitalized. Maintenance and repairs are charged to occupancy when incurred. Betterments and renewals are capitalized. The Organization uses the straight-line depreciation method over the useful lives of its property and equipment. Buildings and improvements are depreciated over 5 to 30 years. Vehicles and equipment are depreciated over 5 years. Depreciation expense for the year ended June 30, 2011, was $677.

In past years, the Organization acquired properties, both donated and purchased, to be used as future home sites. These investment properties are stated at cost, with the exception of donated items, which are stated at fair market value at the date of donation.

Classes of Net Assets

Revenues and gains are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

a) Unrestricted net assets represent the portion of net assets that are not subject to donor restrictions.
b) Temporarily restricted net assets arise from contributions that are restricted by donors for specific purposes or time periods.
c) Permanently restricted net assets are assets which are not expendable. Only the income and appreciation from the investment of these assets are expendable.

All contributions are considered available for unrestricted use, unless specifically restricted by donors. All expenses are reported as changes in unrestricted net assets.

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. During the year ended June 30, 2010, the Organization adopted the provisions of FASB ASC 740, *Income Taxes*. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organizations' Federal Return of Organization Exempt from Income Tax (Form 990) for the years ended June 30, 2008, 2009, and 2010 are subject to examination by the IRS, generally for three years after they were filed.

Advertising Costs

The Organization uses advertising to promote its programs among the audiences it serves. In addition, the process to acquire an adjudicated property requires certain postings in the local newspaper. Also, some project funding has detailed requirements to advertise for bids. Advertising costs are expensed as incurred.

Contributed Land, Materials and Services

Significant services, materials, and use of facilities are contributed to the Organization by various individuals and companies. Contributed services are recognized at fair value if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The value of contributed services, materials, and use of facilities meeting the requirements for recognition in the financial statements for the year ended June 30, 2011, totaled $212,680. Donated use of facilities valued at $24,336 has been included in revenue and expenses for the year ended June 30, 2011. Donated services totaling $154,844 and donated land totaling $33,500 have been included in revenues and assets as of and for the year ended June 30, 2011.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

Construction in Progress

Construction in progress represents all direct material and labor costs incurred to construct family housing per the provisions of Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 970, *Real Estate*. The proceeds from the sale of the completed houses and the total costs incurred in the construction and development of the houses are recognized in revenues and expenses, respectively, under the full accrual method when the houses are sold to the homeowners.

NOTE 2 – MORTGAGE NOTES RECEIVABLE

Upon completion of construction, the Organization grants credit to new homeowners through mortgage notes collateralized by the house with typical repayment terms over 20 or 25 years at zero percent interest. The Organization holds a first mortgage and a second mortgage on each residence. The first mortgage amount is equal to the Organization's total cost of developing and constructing the house as of the date of the sale to the new homeowner. The second mortgage amount is based on the difference in the appraised value of the house at the time of sale and the first mortgage amount. At June 30, 2011, $2,030,586 in non-interest bearing loans was outstanding. The amount attributable to the first mortgages and the second mortgages as reported in the Statement of Financial Position at June 30, 2011, totaled $1,661,176 and $369,410 respectively. Generally, each house is sold to the new homeowner at each house's appraised value. However, in several instances in prior years, houses were sold to the new homeowners at the Organization's total cost of developing and constructing the houses. As a result, second mortgages totaling $21,203 are not reported in the Statement of Financial Position.

The second mortgages are being forgiven each year based on the principal reduction of the first mortgage. The amount of second mortgage debt forgiven and included in forgiveness of debt for the year ended June 30, 2011, totaled $10,907. The amount of second mortgage debt forgiven on those second mortgages not reported in the Statement of Financial Position totaled $1,375 for the year ended June 30, 2011.

As of June 30, 2011, mortgage receivable balances of $513,312 have been pledged against the Organization's notes payable and line of credit. See Note 8 – Debt for additional information regarding the Organization's indebtedness.

Management feels no provision for loan losses is required because the fair market value of the homes exceeds the related outstanding mortgage note balances.

NOTE 3 – CONSTRUCTION IN PROGRESS

Costs on uncompleted projects of $301,939 are included as an asset at June 30, 2011. These costs consist of labor and materials costs related to the construction of homes that will be made available for sale to low-income families.

NOTE 4 – CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash balances at several financial institutions located in North Louisiana. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 at each institution. At June 30, 2011, the Organization had $15,855 in deposits (bank balances). These deposits are adequately secured by the FDIC.

Financial instruments that potentially subject the Organization to credit risk include mortgage notes receivable as described in Note 2 – Mortgage Notes Receivable. The Organization requires collateral to support mortgage notes receivable. The Organization does not require collateral to support other financial instruments that are subject to credit risk.

NOTE 5 – RESTRICTIONS ON NET ASSETS

At June 30, 2011, temporarily restricted net assets in the amount of $21,279 are available for the construction and development of houses. Net assets in the amount of $439,836 were released from donor restrictions by incurring expenses satisfying the restricted purposes as specified by the donors.

NOTE 6 – CONCENTRATION OF REVENUES

The Organization receives grants and contributions primarily from nonfederal sources. For the year ended June 30, 2011, grant and contribution revenues totaled $727,532. This represents 47% of revenue and support for 2011.

NOTE 7 – RELATED PARTY TRANSACTIONS

The Executive Director of Habitat for Humanity of Ouachita, Inc. is an immediate family member of the Secretary of the Organization's Board of Directors. During the year ended June 30, 2011, the Executive Director was compensated in the amount of $47,158 for services provided as an employee of the Organization.

NOTE 8 – DEBT

Long-Term Debt

At June 30, 2011, the Organization had long-term debt as follows:

Holder	Maturity Date	Interest Rate	Total	Current	Long-Term
(1)BancorpSouth Bank	1/19/2027	0.01%	$35,062	$2,250	$32,812
(2)BancorpSouth Bank	12/20/2028	0.01%	$43,750	$2,500	$41,250
(3)BancorpSouth Bank	10/10/2012	5.00%	$47,623	$1,648	$45,975

(1) BancorpSouth Bank – The loan is payable in monthly principal payments of $187 and is collateralized primarily by a mortgage held by the Organization.

(2) BancorpSouth Bank – The loan is payable in monthly principal payments of $208 and is collateralized primarily by a mortgage held by the Organization.

(3) BancorpSouth Bank – The loan is payable in monthly principal and interest payments of $332 and is collateralized primarily by two mortgages held by the Organization.

NOTE 8 – DEBT (CONTINUED)

Maturities of Long-Term Debt:

Aggregate principle payments over the next five years and thereafter are as follows:

Year Ending June 30,	Amount
2012	$ 6,398
2013	$ 50,725
2014	$ 4,750
2015	$ 4,750
2016	$ 4,750
Thereafter	$ 55,062

Lines of Credit

On January 19, 2011, the Organization renewed its $400,000 line of credit agreement with JPMorgan Chase Bank. The interest rate to be applied to the unpaid principal balance of the line of credit is computed at a rate of 2.749% above the LIBOR Rate. Interest on the line of credit is payable monthly until the line of credit matures on January 15, 2012, at which time, all unpaid interest and principal are due and payable. The line of credit is collateralized by nine mortgages held by the Organization. At June 30, 2011, the principal balance due on the JPMorgan Chase Bank line of credit totaled $329,519.

On December 13, 2011, the Organization renewed its line of credit with JPMorgan Chase Bank. With this renewal, the Organization increased its maximum borrowing amount on the line of credit to $550,000. The line of credit bears interest at a rate of 3.641% above the LIBOR Rate and matures on August 19, 2012. The line of credit is collateralized by sixteen mortgages held by the Organization.

Louisiana Housing Finance Agency Loans

Faletta Family Project Loan

The Organization entered into a loan agreement with LHFA in November 2009 for the purpose of financing the development and construction of the Faletta Family Project (the "Project"). The source of the financing is the Louisiana Housing Trust Fund. The maximum amount that can be drawn on this loan is $803,312. The loan bears an interest rate of 0.00% and is collateralized primarily by the Project's real estate and improvements, thereon. Other collateral for the loan is detailed in the UCC Financing Statement filed and recorded with the Ouachita Parish Clerk of Court. At June 30, 2011, the principal balance due on the Faletta Family Project Loan totaled $468,599.

NOTE 9 – SUBSEQUENT EVENTS

Subsequent to year end, the Organization received $72,989 in loan proceeds from LHFA for the Faletta Family Project. Also, the Organization completed the Faletta Family Project and sold the remaining Faletta Family Project homes to qualified homebuyers. As of November 7, 2011, all second mortgages held by LHFA on the Faletta Family Project properties had been cancelled.

NOTE 9 – SUBSEQUENT EVENTS (CONTINUED)

The Organization entered into a Neighborhood Stabilization Program ("NSP") grant agreement in the amount of $992,607 with the City of Monroe. The NSP funds are to be utilized by the Organization for the purpose of developing eleven affordable homeownership housing units. The Organization is required to complete all NSP project activities, for which funds have been satisfactorily obligated, by no later than September 30, 2012.

The Organization has evaluated subsequent events through December 22, 2011, the date which the financial statements were available for issue.

Other Reports and Schedules

Independent Auditors' Report Required
by *Government Auditing Standards*

The following independent Auditors' report on compliance with laws and regulations and internal control are presented in compliance with the requirements of *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*, issued by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor.

LITTLE & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA
CHARLES R. MARCHBANKS, JR., CPA

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 of
Habitat for Humanity of Ouachita, Inc.
Monroe, Louisiana

We have audited the financial statements of Habitat for Humanity of Ouachita, Inc. as of and for the year ended June 30, 2011, and have issued our report thereon dated December 22, 2011. 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.

Internal Control Over Financial Reporting

Management of Habitat for Humanity of Ouachita, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Habitat for Humanity of Ouachita, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity of Ouachita, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Habitat for Humanity of Ouachita, 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.

Our 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Habitat for Humanity of Ouachita, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain

PHONE (318) 361-9600 • FAX (318) 361-9620 • 805 NORTH 31ST STREET • MONROE, LA 71201
MAILING ADDRESS: P. O. BOX 4058 • MONROE, LA 71211-4058

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*.

We noted certain matters that we reported to Management of Habitat for Humanity of Ouachita, Inc. in a separate letter dated December 22, 2011.

This report is intended solely for the information and use of the members of the Board of Directors and Management of Habitat for Humanity of Ouachita, Inc. and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Little + Associates, LLC

Monroe, Louisiana
December 22, 2011

HABITAT FOR HUMANITY
MONROE, LOUISIANA

Schedule of Findings and Responses
As of and For the Year Ended June 30, 2011

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	____ yes _X_ no
• Significant deficiency(ies) identified?	____ yes _X_ none reported
Noncompliance material to financial statements noted?	____ yes _X_ no

SECTION II - FINANCIAL STATEMENT FINDINGS

None

Schedule 4

HABITAT FOR HUMANITY
MONROE, LOUISIANA

Summary Schedule of Prior Audit Findings
As of and For the Year Ended April 30, 2011

There were no findings or questioned costs for the year ended June 30, 2010.

LITTLE & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA
CHARLES R. MARCHBANKS, JR., CPA

December 22, 2011

Board of Directors
Habitat for Humanity of Ouachita, Inc.
1220 North 18th Street, Suite 303
Monroe, Louisiana 71207

In planning and performing our audit of the financial statements of Habitat for Humanity of Ouachita, Inc. ("Organization") as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of a certain matter that we deemed necessary to discuss with you. A summary of our comments regarding such matter are included in ML 2011-01 below. A separate report dated December 22, 2011, contains our report on the Organization's internal control. This letter does not affect our report dated December 22, 2011, on the financial statements of the Organization.

We will review the status of these comments during our next audit engagement. We have already discussed the matter noted below with various Organization personnel, and we will be pleased to discuss them in further detail at your convenience.

Sincerely,

Little & Associates, LLC

PHONE (318) 361-9600 • FAX (318) 361-9620 • 805 NORTH 31ST STREET • MONROE, LA 71201
MAILING ADDRESS: P. O. BOX 4058 • MONROE, LA 71211-4058

ML 2011-01

Habitat for Humanity, Inc. maintains the property tax and property insurance escrow accounts for each of its mortgagors. As of June 30, 2011, the Organization's total cash balance was less than the total balance of the tax and insurance escrow liabilities, which resulted in the tax and insurance escrows being underfunded. Such underfunding of the escrows violates the Organization's fiduciary responsibility for maintaining the escrow accounts.

Auditee Response and Corrective Action: Management of the Organization agrees with the comments noted above. Management is aware of its fiduciary responsibilities with respect to the tax and insurance escrow accounts. The Organization maintains both its operating cash and its tax and insurance escrow cash in an operating bank account. As a result, management did not detect that escrow funds had been utilized to fund operations. In order to correct this matter, the Organization will transfer the escrow funds from the operating bank account to a separate bank account. The amount of funds to be transferred will be sufficient to adequately fund the escrow liabilities. In addition, management will monitor the escrow cash balances on a monthly basis to ensure that sufficient escrow cash is available to fund the escrow liabilities.

Person Responsible for Corrective Action:

Mr. Larry Head
Executive Director
1220 North 18th Street, Suite 303
Monroe, Louisiana 71207