HABITAT FOR HUMANITY OF OUACHITA, INC.

Audited Financial Statements

As Of And For The Year Ended
June 30, 2012

HABITAT FOR HUMANITY OF OUACHITA, INC.

AUDITED FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED
JUNE 30, 2012

TABLE OF CONTENTS

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, 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 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 previously present fairly, in all material respects, the financial position of Habitat for Humanity of Ouachita, 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*, we have also issued our report dated November 14, 2012, 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.

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Our audit was conducted for the purpose of forming an opinion on the financial statements of Habitat for Humanity Ouachita, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Little & Associates, LLC

Monroe, Louisiana
November 14, 2012

FINANCIAL STATEMENTS

HABITAT FOR HUMANITY OF OUACHITA, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 30,392
Accounts receivable:	
NSP Grant	250,709
Mortgage notes receivable - current portion	105,938
Prepaid expenses	5,977
Investment properties - available for sale	52,098
Total current assets	445,114
RESTRICTED DEPOSITS AND ESCROWS	
Cash and cash equivalents	8,365
Homeowner escrow deposits	5,042
Total restricted deposits and escrows	13,407
CONSTRUCTION IN PROGRESS	920,304
PROPERTY AND EQUIPMENT	
Equipment	6,546
Less accumulated depreciation	(4,247)
Total property and equipment	2,299
LONG-TERM ASSETS	
Long-term portion of mortgage notes receivable	2,174,392
Investment properties - lots and improvements	229,380
Total long-term assets	2,403,772
TOTAL ASSETS	$ 3,784,896

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

HABITAT FOR HUMANITY OF OUACHITA, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

LIABILITIES AND NET ASSETS

LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	$ 6,916
Current portion of long-term debt	50,761
Line of credit	615,671
Total current liabilities	673,348
ESCROW DEPOSITS	
Homeowner escrow deposits	14,857
Property tax escrow	311
Total escrow deposits	15,168
LONG-TERM LIABILITIES	
Long-term portion of notes payable	69,311
Total long-term liabilities	69,311
Total liabilities	757,827
NET ASSETS	
Unrestricted	2,987,362
Temporarily restricted	39,707
Total net assets	3,027,069
TOTAL LIABILITIES AND NET ASSETS	$ 3,784,896

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, 2012

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Sales of houses	$ 426,800	$ -	$ 426,800
Sponsorships and grants	500	1,449,244	1,449,744
Contributed property, services, and materials	138,807	-	138,807
Contributions	50,893	20,100	70,993
Fundraising, net of expense of $1,141	3,836	-	3,836
Interest income	59	-	59
Miscellaneous	280	-	280
Satisfaction of purpose restrictions	1,450,916	(1,450,916)	-
Total Revenues	2,072,091	18,428	2,090,519
Expenses			
Program services:			
Housing	603,852	-	603,852
Supporting services:			
General & Administrative	102,574	-	102,574
Total Expenses	706,426	-	706,426
Change in Net Assets	1,365,665	18,428	1,384,093
Net Assets at Beginning of Year	1,621,697	21,279	1,642,976
Net Assets at End of Year	$ 2,987,362	$ 39,707	$ 3,027,069

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, 2012

	Program Services	Supporting Services	
	Housing	General & Administrative	Total
WAGES	$ 38,797	$ 38,797	$ 77,594
OCCUPANCY			
Lease expense	23,728	18,644	42,372
OPERATING			
Direct construction and lot costs	449,567	-	449,567
Worker's compensation insurance	9,446	-	9,446
Builder's risk and volunteer insurance	10,935	-	10,935
Other operating costs	1,515	-	1,515
Forgiveness of debt	22,934	-	22,934
Interest expense	23,112	-	23,112
Travel and Meetings	-	5,468	5,468
Total Operating	517,509	5,468	522,977
ADMINISTRATIVE			
Advertising	1,950	-	1,950
Payroll taxes and benefits	2,968	2,968	5,936
Office expense	-	12,298	12,298
Computer/IT expense	-	3,462	3,462
Professional fees	10,005	18,635	28,640
Tithe to Habitat for Humanity International	8,217	-	8,217
Miscellaneous	-	2,302	2,302
Total Administrative	23,140	39,665	62,805
DEPRECIATION	678	-	678
Total	$ 603,852	$ 102,574	$ 706,426

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, 2012

Operating Activities	
Change in net assets	$ 1,384,093
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	678
Sales of houses - noncash	(426,800)
Direct land cost - noncash	15,440
Forgiveness of debt on mortgages	22,934
(Increase) decrease in:	
Accounts receivable - Grants	(173,775)
Accounts receivable - HFHI - Lumber Program	16,375
Construction in progress	(618,365)
Prepaid expense	45
Increase (decrease) in:	
Accounts payable	(4,528)
Net Cash Provided by (Used in) Operating Activities	216,097
Investing Activities	
Payments received on mortgage notes receivable	102,024
Payments for investment property and improvements	(95,769)
Net Cash Provided by (Used in) Investing Activities	6,255
Financing Activities	
Net increase (reduction) in JPMorgan Chase Bank line of credit	286,152
Principal payments on debt	(474,962)
Net Cash Provided by (Used in) Financing Activities	(188,810)
Net Increase (Decrease) in Cash and Cash Equivalents	33,542
Cash and Cash Equivalents at Beginning of Year	5,215
Cash and Cash Equivalents at End of Year	$ 38,757

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, 2012

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

Current assets	$	30,392
Restricted deposits and escrows		8,365
	$	38,757

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for interest	$	23,112

Noncash Investing/Financing Transactions

Directly issued mortgage notes receivable	$	426,800

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, 2012, was $678.

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, 2009, 2010, and 2011 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, 2012, totaled $138,807. Donated use of facilities valued at $24,336 has been included in revenue and expenses for the year ended June 30, 2012. Donated services totaling $93,821 and donated materials and supplies totaling $20,650 have been included in revenues and assets as of and for the year ended June 30, 2012.

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, 2012, $2,280,330 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, 2012, totaled $1,816,308 and $464,022 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 $18,899 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, 2012, totaled $22,934. The amount of second mortgage debt forgiven on those second mortgages not reported in the Statement of Financial Position totaled $2,304 for the year ended June 30, 2012.

As of June 30, 2012, mortgage receivable balances of $981,835 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 $920,304 are included as an asset at June 30, 2012. 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, 2012, the Organization had $50,265 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, 2012, 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 $1,429,344 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, 2012, grant and contribution revenues totaled $1,619,044. This represents 77% of revenue and support for 2012.

NOTE 7 – RELATED PARTY TRANSACTIONS

The Executive Director of Habitat for Humanity of Ouachita, Inc. is an immediate family member of the Vice-President of Family Selection/Support of the Organization's Board of Directors. During the year ended June 30, 2012, the Executive Director was compensated in the amount of $47,336 for services provided as an employee of the Organization.

NOTE 8 – DEBT

Long-Term Debt

At June 30, 2012, the Organization had long-term debt as follows:

Holder	Maturity Date	Interest Rate	Total	Current	Long-Term
(1)BancorpSouth Bank	1/19/2027	0.00%	$32,812	$2,250	$30,562
(2)BancorpSouth Bank	12/20/2028	0.00%	$41,249	$2,500	$38,749
(3)BancorpSouth Bank	10/10/2012	5.00%	$46,011	$46,011	$ -

(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.

The Organization renewed the loan with BancorpSouth Bank that matured on October 10, 2012. The renewal note was dated October 26, 2012 in the amount of $45,473 with 5% interest and a new maturity date of November 5, 2017.

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
2013	$ 50,761
2014	$ 4,750
2015	$ 4,750
2016	$ 4,750
2017	$ 4,750
Thereafter	$ 50,311

Line of Credit

On March 29, 2012, 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 $625,000. The line of credit bears interest at a rate of 3.748% above the LIBOR Rate and matured on November 9, 2012. On November 9, 2012, the Organization received a three month extension on the line of credit. The line of credit is collateralized by sixteen mortgages held by the Organization. At June 30, 2012, the principal balance due on the JPMorgan Chase Bank line of credit totaled $615,671.

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. During the year ended June 30, 2012, 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 – GRANTS

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. As of June 30, 2012, the Organization had received funds in the amount of $615,780 and had a receivable of $250,709 for a total of $866,489. The Organization is required to complete all NSP project activities, for which funds have been satisfactorily obligated, which were completed by the required date of September 30, 2012.

The Organization entered into a grant agreement with the Foundation for Louisiana to support the start up costs associated with developing and opening a Habitat ReStore in the amount of $40,000. As of June 30, 2012, the Organization had received the total amount of the grant funds and had expended $5,197 for expenses associated with the Habitat ReStore Project.

NOTE 10 – SUBSEQUENT EVENTS

Subsequent to the year ended June 30, 2012, the Organization received two separate acts of donation for property located at 1183 S. 23rd Street and 3010 Jackson Street, both located in Monroe, Louisiana.

Also, four houses constructed utilizing NSP funds were sold subsequent to the year ended June 30, 2012.

The Organization has evaluated subsequent events through November 14, 2012, the date which the financial statements were available for issue.

SUPPLEMENTARY INFORMATION

LITTLE & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

We have audited the financial statements of Habitat for Humanity of Ouachita, Inc. (a Nonprofit Organization), as of and for the year ended June 30, 2012, and have issued our report thereon dated November 14, 2012. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified one deficiency in internal control over financial reporting as item 2012-1 that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2012-1 to be a material weakness.

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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 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2012-1.

Habitat for Humanity of Ouachita, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Habitat for Humanity of Ouachita, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the members of the Board of Directors, management of Habitat for Humanity of Ouachita, Inc., federal awarding agencies and pass-through entities, other entities granting funds to Habitat for Humanity of Ouachita, Inc., and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Little & Associates, LLC

Monroe, Louisiana
November 14, 2012

LITTLE & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of Habitat for Humanity of Ouachita, Inc.'s (a Nonprofit Organization), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Habitat for Humanity of Ouachita, Inc.'s major federal programs for the year ended June 30, 2012. Habitat for Humanity of Ouachita, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Habitat for Humanity of Ouachita, Inc.'s management. Our responsibility is to express an opinion on Habitat for Humanity of Ouachita, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Habitat for Humanity of Ouachita, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Habitat for Humanity of Ouachita, Inc.'s compliance with those requirements.

In our opinion, Habitat for Humanity of Ouachita, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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Internal Control Over Compliance

Management of Habitat for Humanity of Ouachita, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Habitat for Humanity of Ouachita, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Habitat for Humanity of Ouachita, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the members of the Board of Directors, management of Habitat for Humanity of Ouachita, Inc., federal awarding agencies and pass-through entities, other entities granting funds to Habitat for Humanity of Ouachita, Inc., and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Little & Associates, LLC

Monroe, Louisiana
November 14, 2012

HABITAT FOR HUMANITY OF OUACHITA, INC.

Schedule of Expenditures of Federal Awards and Questioned Costs

For the Year Ended June 30, 2012

Federal Grantor Pass-Through Grantor Program Title	C.F.D.A. Number	Grant Number		Current Year Expenditures
U. S. Department of Housing and Human Development				
Passed through the Louisiana Housing Finance Agency and the City of Monroe.				
Community Development Block Grant	14.228	Not Available	$	866,490
Total U.S. Dept. of Housing and Human Development				866,490
Total Expenditures of Federal Awards			$	866,490

See Notes to Schedule of Expenditures of Federal Awards

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes all Federal grant activity of Habitat for Humanity of Ouachita, Inc. (the Organization) for the year ended June 30, 2012 and is presented on the accrual basis of accounting. The accrual basis of accounting recognizes revenues when they are earned and expenditures when the related liabilities are incurred.

Note 2 – Reconciliation of Federal Revenues with Expenditures

The Community Development Block Grant is for the purposes of undertaking and satisfactorily completing the Neighborhood Stabilization Program activities. As such the expenditures ($866,490) are recognized in the current year on the Schedule of Expenditures of Federal Awards and are recorded as revenues.

HABITAT FOR HUMANITY OF OUACHITA, INC.

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Section I – Summary of Auditor's Results

Financial Statements:

Type of Auditor's Report Issued: _Unqualified_

Internal Control Over Financial Reporting:

Material Weakness(es) identified? _X_ Yes ___ No

Significant Deficiency(s) identified not considered to be material weaknesses? ___ Yes _X_ No

Noncompliance material to financial statements noted? _X_ Yes ___ No

Federal Awards:

Internal Control Over Major Programs:

Material Weakness(es) identified? ___ Yes _X_ No

Significant Deficiency(s) identified not considered to be material weaknesses? ___ Yes _X_ No

Type of auditor's report issued on compliance for major programs: _Unqualified_

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, section 510(a)? ___ Yes _X_ No

Dollar threshold used to distinguish between Type A and Type B programs _$300,000_

Auditee qualified as low-risk auditee? ___ Yes _X_ No

Identification of Major Programs:

CFDA #	PROGRAM TITLE
14.228	Community Development Block Grant

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Section II – Financial Statement Findings and Questioned Costs

2012-1 - Expenditure of Grant Funds for Other than the Restricted Purpose

Condition and Criteria: Grant funds are to be used in accordance with the stipulations noted in the grant agreement. The Foundation for Louisiana grant funds are to be used to support the Habitat ReStore Project. The grant is intended to support the start up costs associated with developing and opening a Habitat ReStore in Monroe, Louisiana. During testing of the Foundation for Louisiana grant, it was noted that the funds were used to pay for construction costs of the current homes being built during the audit period because the organization did not want to draw down their line of credit. The amount available to be drawn on the line of credit was always greater than the restricted unexpended grant amount, so the funds were always available to reimburse the restricted funds account. We have noted subsequent to year end that all of these grant funds have been reimbursed and set aside in a bank account for the Habitat ReStore Project.

Context: This was the only grant of the Organization where grant funds were expended for other than its restricted purpose.

Effect: Although, there were sufficient funds available on the credit line to make up the amount of the grant, the grant funds were used for a purpose other than the restriction placed on the funds.

Cause: In an effort to minimize interest expense to the Organization, the grant funds were used in lieu of drawing down on their line of credit.

Auditors' Recommendation: Refund the amount of the grant not used for the restricted purpose by getting a draw down on the line of credit.

Views of Responsible Officials(Auditors' ***Summary of the Auditee's Comments on the Finding and Recommendation):*** The Organization agreed with the finding and on November 14, 2012, they drew down on their line of credit to replenish the grand funds.

Corrective Plan: In an effort to reduce Line of Credit interest expense that was greater than expected due to very slow expense reimbursement from the Neighborhood Stabilization Program grant, we used funds from the ReStore checking account to pay down the Line of Credit balance. We had no short term projected use of these funds and if needed, we could draw on the Line of Credit at anytime to replenish the ReStore checking account. On November 14, 2012, funds used from the ReStore checking account to pay down the Line of Credit balance were returned to the ReStore checking account.

HABITAT FOR HUMANITY OF OUACHITA, INC.

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

Section III – Federal Awards Findings and Questioned Costs

There were no current findings or questioned costs noted for the year ended June 30, 2012.

HABITAT FOR HUMANITY OF OUACHITA, INC.

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2012

In connection with our audit of Habitat for Humanity of Ouachita, Inc. as of and for the year ended June 30, 2012, we have also reviewed the status of the prior year's findings.

There were no findings reported in the audit for the year ended June 30, 2011.