HABITAT FOR HUMANITY OF OUACHITA, INC.

Audited Financial Statements

As Of And For The Year Ended
June 30, 2013

HABITAT FOR HUMANITY OF OUACHITA, INC.

AUDITED FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED
JUNE 30, 2013

TABLE OF CONTENTS

Independent Auditors' Report

LITTLE & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, CPA

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity of Ouachita, Inc. (a Louisiana Company), which comprise the statement of financial position as of June 30, 2013 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Ouachita, Inc. as of June 30, 2013, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2014, 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* in considering Habitat for Humanity of Ouachita, Inc.'s internal control over financial reporting and compliance.

Little & Associates, LLC

Monroe, LA
January 2, 2014

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, 2013

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 57,619
Mortgage notes receivable - current portion	136,022
Prepaid expenses	4,271
Investment properties - available for sale	178,016
Total current assets	375,928
RESTRICTED DEPOSITS AND ESCROWS	
Cash and cash equivalents	11,048
Homeowner escrow deposits	10,102
Total restricted deposits and escrows	21,150
PROPERTY AND EQUIPMENT	
Equipment	6,546
Less accumulated depreciation	(4,925)
Total property and equipment	1,621
LONG-TERM ASSETS	
Long-term portion of mortgage notes receivable	2,701,087
Investment properties - lots and improvements	128,916
Total long-term assets	2,830,003
TOTAL ASSETS	$ 3,228,702

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

HABITAT FOR HUMANITY OF OUACHITA, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2013

LIABILITIES AND NET ASSETS

LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$	3,928
Accrued payroll and payroll liabilities		8,852
Current portion of long-term debt		26,016
Total current liabilities		38,796
ESCROW DEPOSITS		
Homeowner escrow deposits		10,102
Property tax escrow		311
Total escrow deposits		10,413
LONG-TERM LIABILITIES		
Long-term portion of notes payable		483,407
Total long-term liabilities		483,407
Total liabilities		532,616
NET ASSETS		
Unrestricted		2,686,053
Temporarily restricted		10,033
Total net assets		2,696,086
TOTAL LIABILITIES AND NET ASSETS	$	3,228,702

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, 2013

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Sales of houses	$ 705,000	$ -	$ 705,000
Sponsorships and grants	15,000	146,916	161,916
Contributed property, services, materials, and inventory	78,227	-	78,227
Contributions	50,569	-	50,569
ReStore Income	9,680	-	9,680
Fundraising	14,416	-	14,416
Interest income	104	-	104
Miscellaneous	275	-	275
Satisfaction of purpose restrictions	176,590	(176,590)	-
Total Revenues	1,049,861	(29,674)	1,020,187
Expenses			
Program services:			
Housing	1,249,855	-	1,249,855
Supporting services:			
General & Administrative	101,315	-	101,315
Total Expenses	1,351,170	-	1,351,170
Change in Net Assets	(301,309)	(29,674)	(330,983)
Net Assets at Beginning of Year	2,987,362	39,707	3,027,069
Net Assets at End of Year	$ 2,686,053	$ 10,033	$ 2,696,086

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, 2013

	Program Services	Supporting Services	
	Housing	General & Administrative	Total
WAGES	$ 45,047	$ 45,047	$ 90,094
OCCUPANCY			
Lease expense	26,718	20,993	47,711
OPERATING			
Direct construction and lot costs	1,079,995	-	1,079,995
Cost of Goods Sold - Inventory	9,680	-	9,680
Worker's compensation insurance	11,190	-	11,190
Builder's risk and volunteer insurance	10,182	-	10,182
Other operating costs	1,220	-	1,220
Forgiveness of debt	27,162	-	27,162
Interest expense	17,557	-	17,557
Facilities and Equipment	10,497	-	10,497
Travel and Meetings	-	2,993	2,993
Total Operating	1,167,483	2,993	1,170,476
ADMINISTRATIVE			
Advertising	688	-	688
Payroll taxes and benefits	3,446	3,446	6,892
Office expense	-	10,468	10,468
Computer/IT expense	-	3,678	3,678
Professional fees	1,500	14,172	15,672
Tithe to Habitat for Humanity International	4,295	-	4,295
Miscellaneous	-	518	518
Total Administrative	9,929	32,282	42,211
DEPRECIATION	678	-	678
Total	$ 1,249,855	$ 101,315	$ 1,351,170

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, 2013

Operating Activities		
Change in net assets	$	(330,983)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation		678
Sales of houses - noncash		(705,000)
Direct land cost - noncash		28,283
Forgiveness of debt on mortgages		27,162
(Increase) decrease in:		
Accounts receivable - Grants		250,709
Construction in progress		920,304
Prepaid expense		1,706
Increase (decrease) in:		
Accounts payable		(2,988)
Payroll liabilities		8,852
Net Cash Provided by (Used in) Operating Activities		198,723
Investing Activities		
Payments received on mortgage notes receivable		183,011
Proceeds from sales of investment property and improvements		414
Increase in Investment Properties		(125,918)
Net Cash Provided by (Used in) Investing Activities		57,507
Financing Activities		
Net increase (reduction) in JPMorgan Chase Bank line of credit		(615,671)
Acquisition of debt		400,000
Principal payments on debt		(10,649)
Net Cash Provided by (Used in) Financing Activities		(226,320)
Net Increase (Decrease) in Cash and Cash Equivalents		29,910
Cash and Cash Equivalents at Beginning of Year		38,757
Cash and Cash Equivalents at End of Year	$	68,667

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, 2013

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

Current assets	$	57,619
Restricted deposits and escrows		11,048
	$	68,667

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for interest	$	17,557

Noncash Investing/Financing Transactions

Directly issued mortgage notes receivable	$	705,000

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, 2013, 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, 2010, 2011, and 2012 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, Services and Inventory

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, inventory, and use of facilities meeting the requirements for recognition in the financial statements for the year ended June 30, 2013, totaled $78,227. Donated use of facilities valued at $24,336 and donated inventory valued at $9,680 have been included in revenue and expenses for the year ended June 30, 2013. Donated services totaling $40,377 and donated materials and supplies totaling $3,834 have been included in revenues and assets as of and for the year ended June 30, 2013.

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, 2013, $2,837,109 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, 2013, totaled $2,399,047 and $438,062 respectively. Generally, each house is sold to the new homeowner at each house's appraised value.

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, 2013, totaled $27,162.

As of June 30, 2013, mortgage receivable balances of $920,945 have been pledged against the Organization's notes payable and line of credit. See Note 7 – 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 are recorded as an asset. 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. There were no costs included at June 30, 2013.

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, 2013, the Organization had $79,102 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, 2013, temporarily restricted net assets in the amount of $5,833 are available for ReStore operations and net assets in the amount of $4,200 are available for Apostle Build. Net assets in the amount of $176,590 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, 2013, grant and contribution revenues totaled $290,712. This represents 28.50% of revenue and support for 2013.

NOTE 7 – DEBT

Long-Term Debt

At June 30, 2013, 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%	$30,562	$2,250	$28,312
(2) BancorpSouth Bank	12/20/2028	0.00%	$38,749	$2,500	$36,249
(3) BancorpSouth Bank	11/05/2017	5.00%	$44,536	$1,821	$42,715
(4) JPMorgan Chase Bank, NA	3/15/2018	4.54%	$395,576	$19,445	$376,131

(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 $334 and is collateralized primarily by two mortgages held by the Organization.

(4) JPMorgan Chase Bank – The loan is payable in monthly principal and interest payments of $3,084 and is collateralized primarily by sixteen 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 25, 2012 in the amount of $45,473 with 5% interest and a new maturity date of November 5, 2017.

NOTE 7 – 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	$ 26,016
2014	$ 27,011
2015	$ 28,052
2016	$ 29,142
2017	$ 353.642
Thereafter	$ 45,560

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. On March 22, 2013, the remaining balance was paid off.

On March 11, 2013, the Organization entered in to a line of credit with JPMorgan Chase Bank. The Organization's maximum borrowing amount on the line of credit was $175,000. The line of credit bears interest at a rate of 4.298% above the LIBOR Rate and matures on March 15, 2015. The line of credit is collateralized by sixteen mortgages held by the Organization. At June 30, 2013, the Organization has not drawn on the line of credit.

NOTE 8 – 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. 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. During October 2012, the NSP grant agreement was extended and amended to include an additional amount of $27,776 with the City of Monroe. As of June 30, 2013, the Organization had received total NSP funds in the amount of $1,013,406. For the year ended June 30, 2013, the Organization had received funds in the amount of $146,916.

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. As of June 30, 2013, the Organization had expended $33,874 for expenses associated with the Habitat ReStore Project, leaving $5,833 remaining to be expended for the Habitat ReStore Project.

NOTE 9 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 2, 2014, the date which the financial statements were available for issue.

Other Reports and Schedules

LITTLE & ASSOCIATES LLC
CERTIFIED PUBLIC ACCOUNTANTS

Wm. TODD LITTLE, 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*

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Habitat for Humanity of Ouachita, Inc., as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Habitat for Humanity of Ouachita, Inc.'s basic financial statements, and have issued our report thereon dated January 2, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Habitat for Humanity of Ouachita, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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. Accordingly, we do not express an opinion on the effectiveness of Habitat for Humanity of Ouachita, Inc.'s internal control.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Habitat for Humanity of Ouachita, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Habitat for Humanity of Ouachita, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Habitat for Humanity of Ouachita, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Little & Associates, LLC

Monroe, Louisiana
January 2, 2014

HABITAT FOR HUMANITY OF OUACHITA, INC.

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

There were no current findings or questioned costs noted for the year ended June 30, 2013.

HABITAT FOR HUMANITY OF OUACHITA, INC.

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2013

In connection with our audit of Habitat for Humanity of Ouachita, Inc. as of and for the year ended June 30, 2013, we have also reviewed the status of the prior year's findings.

Reference Number: 2012-1

Status Indicator: Cleared

Condition: 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.

Response: The Organization agreed with the finding and on November 14, 2012, they drew down on their line of credit to replenish the grand funds.

Narrative: Corrective action was taken.