

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

**FINANCIAL STATEMENTS
JUNE 30, 2015**

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THOMAS W. KLEINPETER, JR.

CERTIFIED PUBLIC ACCOUNTANT
A PROFESSIONAL CORPORATION
610 NAPOLEON STREET
BATON ROUGE, LOUISIANA 70802

TELEPHONE
(225) 344-0011
FAX
(225) 344-0012
E-MAIL
twk@twkleinpetercpa.com

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of Habitat for Humanity of Greater Baton Rouge, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Greater Baton Rouge, Inc., as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits and Other Payments to the Executive Director, as required by the Louisiana Legislative Auditor, is presented for purposes of additional analysis 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 the 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 my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 15, 2015 on our consideration of Habitat for Humanity of Greater Baton Rouge, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Habitat for Humanity of Greater Baton Rouge, Inc.'s internal control over financial reporting and compliance.



December 15, 2015

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

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS

Cash	\$ 396,498
Certificate of Deposit, pledged	100,000
Prepaid expenses	17,909
Receivables	179,780
Inventories	571,083
Non interest bearing mortgages receivable, net of unamortized discount of \$4,864,771	4,994,223
Property and equipment, net	623,307
Land held for development	249,314
Land available for sale	<u>22,970</u>
 Total Assets	 <u>\$ 7,155,084</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 45,729
Line of Credit	100,000
Accrued payroll expenses	48,270
Escrow deposits	176,127
Advanced payments	6,350
Security deposits	<u>4,085</u>
 Total Liabilities	 <u>380,561</u>
 Net Assets	
Unrestricted	6,566,836
Temporarily restricted	<u>207,687</u>
 Total Net Assets	 <u>6,774,523</u>
 Total Liabilities and Net Assets	 <u>\$ 7,155,084</u>

See accompanying notes to financial statements.

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

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions			
Cash	\$ 110,563	\$ 519,101	\$ 629,664
Construction materials and appliances	81,140		81,140
Services	95,449		95,449
Governmental financial assistance	388,859		388,859
Home sales revenue	1,075,000		1,075,000
ReStore sales	558,920		558,920
Amortization of discount on mortgage loans	395,688		395,688
Rental income and late fees	72,780		72,780
Other	8,209		8,209
Mortgage late fees	7,070		7,070
Interest	355		355
Net assets released from restrictions	<u>605,008</u>	<u>(605,008)</u>	<u>-0-</u>
Total Support and Revenue	<u>3,399,041</u>	<u>(85,907)</u>	<u>3,313,134</u>
EXPENSES			
Program services	3,239,923		3,239,923
Support services			
Management and general	386,093		386,093
Fund-raising	<u>101,138</u>		<u>101,138</u>
Total Expenses	<u>3,727,154</u>	<u>-0-</u>	<u>3,727,154</u>
Changes in Net Assets	(328,113)	(85,907)	(414,020)
Net Assets			
Beginning of Year	<u>6,894,949</u>	<u>293,594</u>	<u>7,188,543</u>
End of Year	<u><u>\$6,566,836</u></u>	<u><u>\$ 207,687</u></u>	<u><u>\$6,774,523</u></u>

See accompanying notes to financial statements.

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

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015**

	<u>PROGRAM SERVICES</u>			<u>Total</u>
	<u>Construction and Family Services</u>	<u>Mortgage Originations</u>	<u>ReStore</u>	
Cost of homes sold				
Materials, supplies and labor	\$ 1,355,699	\$	\$	\$ 1,355,699
Land	218,521			218,521
Contributed services	95,449			95,449
Payroll and related expenses	268,105		273,430	541,535
Mortgage discounts		452,416		452,416
Critical home repair expenses	238,041			238,041
Operational costs	35,345		64,437	99,782
Professional services	10,731			10,731
Rent	33,452			33,452
Insurance	34,427		14,449	48,876
Costs of sales			33,276	33,276
Public relations and advertising			21,339	21,339
Repairs and maintenance	11,648		10,218	21,866
Depreciation			16,824	16,824
Construction costs not charged to homes	22,753			22,753
Miscellaneous	17,182			17,182
Fees paid to Habitat International				-0-
Property taxes			7,296	7,296
Volunteer expenses	4,885			4,885
Total	<u>\$ 2,346,238</u>	<u>\$ 452,416</u>	<u>\$ 441,269</u>	<u>\$ 3,239,923</u>

<u>SUPPORT SERVICES</u>					<u>TOTAL</u>
<u>Management and General</u>			<u>Fund-raising</u>	<u>Total Support</u>	
<u>Administrative</u>	<u>Rental</u>	<u>Total</u>			
\$	\$	\$ -0-	\$	\$ -0-	\$ 1,355,699
		-0-		-0-	218,521
		-0-		-0-	95,449
224,684		224,684	74,496	299,180	840,715
		-0-		-0-	452,416
		-0-		-0-	238,041
44,004	5,691	49,695	4,477	54,172	153,954
46,502	6,000	52,502	2,500	55,002	65,733
20,443		20,443	8,053	28,496	61,948
2,901	3,241	6,142		6,142	55,018
		-0-		-0-	33,276
		-0-	11,612	11,612	32,951
	9,917	9,917		9,917	31,783
4,623	3,697	8,320		8,320	25,144
		-0-		-0-	22,753
1,958		1,958		1,958	19,140
10,000		10,000		10,000	10,000
	2,432	2,432		2,432	9,728
		-0-		-0-	4,885
<u>\$ 355,115</u>	<u>\$ 30,978</u>	<u>\$ 386,093</u>	<u>\$ 101,138</u>	<u>\$ 487,231</u>	<u>\$ 3,727,154</u>

See accompanying notes to financial statements.

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

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in net assets	\$ (414,020)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation	25,144
Amortization of mortgage discount	(395,688)
New mortgages, net of discounts	(633,217)
Collections on mortgage receivables	934,794
Purchase and development of land	(105,495)
Home construction costs	(1,119,644)
Cost of homes transferred	1,574,220
Change in prepaid expenses	8,938
Change in receivables	(78,340)
Change in building supply inventory	(5,975)
Change in purchases for resale	3,893
Change in accounts payable	(31,889)
Change in accrued liabilities	(16,113)
Change in other liabilities	<u>175,627</u>
 Net cash used in operating activities	 (77,765)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of certificate of deposit	(100,000)
Purchase of property and equipment	<u>(5,178)</u>
 Net cash provided by investing activities	 (105,178)
 CASH FLOWS FROM FINANCING ACTIVITIES	
Increase in line of credit	<u>100,000</u>
 Net cash provided by financing activities	 <u>100,000</u>
 NET DECREASE IN CASH	 (82,943)
 CASH AT BEGINNING OF YEAR	 <u>479,441</u>
 CASH AT END OF YEAR	 <u>\$ 396,498</u>

See accompanying notes to financial statements.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

1. Summary of Significant Accounting Policies

ORGANIZATION AND PURPOSE

Habitat for Humanity of Greater Baton Rouge, Inc. ("Habitat") is a non-profit organization incorporated in 1988, with offices in Baton Rouge, Louisiana, and operations in four Louisiana parishes. Habitat is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"), a nondenominational Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need, and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information and funding resources, training, publications, prayer support, and in other ways, Habitat is primarily and directly responsible for its own operations. The accompanying financial statement includes the activities of the Campus Chapter of Habitat for Humanity at Louisiana State University and the Habitat Young Professional Council of Greater Baton Rouge.

Habitat builds homes in partnership with volunteers and low-income families. The homes are sold to qualifying partner families at less than fair market value. Since the homeowners are involved in building their own homes, family support and education activities are inherent in the construction activities. Habitat provides no interest mortgage loans to these homeowners.

Habitat also makes repairs for qualified low-income individuals and families who own a home, but due to their financial circumstances, live in substandard and potentially dangerous conditions. Eligible activities also include weatherization repairs that promote energy efficiency.

Habitat owns and operates ReStore of Baton Rouge, LLC, which sells donated surplus building materials, furniture, appliances, and items purchased in bulk to the general public at below retail prices. In addition, part of the ReStore building is rented. The net proceeds from the ReStore operations and rentals are used to help further the mission of Habitat.

INCOME TAX STATUS

Habitat has received exemption from income taxes under the provisions of Section 501 (c)(3) of the Internal Revenue Code under a group exemption letter granted to Habitat International.

In management's judgment, Habitat does not have any tax positions that would result in a loss contingency considering the facts, circumstances, and information available at the reporting date.

With few exceptions, the statute of limitations for the examination of Habitat's income tax returns is generally three years from the due date of the tax returns including extensions. The tax years open for assessments are the years ending on or after June 30, 2012.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

1. Summary of Significant Accounting Policies - (continued)

BASIS OF PRESENTATION

The financial statements report information regarding financial position and activities by class of net assets.

Unrestricted net assets are those currently available to use in Habitat's mission under the direction of the Board and those resources invested in land, building and equipment.

Temporarily restricted net assets are those stipulated by donors for specific purposes. Temporarily restricted net assets are released to unrestricted net assets when the donor stipulated conditions have been met.

Permanently restricted net assets are those contributed with stipulations that they be held in perpetuity with use of the income for unrestricted or temporarily restricted purposes. Habitat currently has no permanently restricted net assets.

BASIS OF ACCOUNTING

Habitat prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

REVENUE RECOGNITION

Contributions are recognized when received or unconditionally promised. They are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When the donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Home sales revenue and the cost of homes sold are recorded when the title is transferred. The zero interest first mortgages are discounted to their present value by using prevailing market rates at the inception of the mortgages. Discounts are amortized using the straight line method over the lives of the mortgages.

Habitat also executes a supplemental mortgage with homeowners upon sale of the home. The amount of these mortgages is approximately equal to the difference between the sales price and the fair market value of the home. These mortgages bear no interest, and the homeowner is discharged

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

1. Summary of Significant Accounting Policies - (continued)

REVENUE RECOGNITION - (continued)

from his/her annual payment so long as he/she is not in default on the first mortgage. No amount is included in the financial statements for these mortgages as collection is contingent upon future events and is generally unexpected and unintended.

The fair market value of items donated to ReStore is not determinable until the items are sold. Therefore, revenue is recorded at the time of sale and no value is included in inventory for the unsold items.

INVENTORIES

The inventory of new homes is valued at cost. It does not include the cost of land and the value of contributed labor, which are recognized when the home is sold.

Foreclosures included in inventory are valued at cost, which includes the unpaid mortgage and related costs at the time of foreclosure and the cost of repairs after foreclosure.

Construction materials inventory consists of items donated in bulk through a gift-in-kind program established by Habitat International. Items are ordered from the vendor by Habitat, approved by Habitat International, and valued per the fair market value included on the gifts-in-kind receipt sent with the materials. Materials are removed from inventory when used on a specific house.

Purchases for resale at the ReStore are included in inventory at cost.

PROPERTY, EQUIPMENT AND DEPRECIATION

Property and equipment are recorded at acquisition cost if purchased and at fair market value if contributed. Habitat capitalizes additions of property and equipment with a unit cost of \$2,500 or more. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the respective assets, ranging from three to ten years for all fixed assets except buildings and parking lot improvements, which are depreciated over 38 years.

EXPENSE ALLOCATION

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

1. Summary of Significant Accounting Policies - (continued)

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that can affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CONTRIBUTED SERVICES

Volunteers provide substantial services to Habitat. Services provided by volunteers building homes are measured either by the fair value of the services received or by the increase in value of the home, whichever is more objectively determinable. During the year ended June 30, 2015, \$95,449 in services were recognized on homes sold. In addition, Habitat receives administrative and fund-raising services from volunteers. These services are not of a type permitted to be recognized in financial statements; thus no value is recorded.

RESERVED CASH

Reserved cash includes amounts received from homeowners for escrow payments, for payments received prior to closing and for security deposits received from tenants, which equals \$186,562 at June 30, 2015.

Reserved cash also includes a \$100,000 certificate of deposit that is pledged against the \$100,000 line of credit.

2. Concentrations

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

Habitat maintains checking and savings accounts at five banks in Baton Rouge, Louisiana. The accounts were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each bank. None of Habitat's bank accounts exceeded the FDIC insurance limit at the end of the fiscal year.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

3. Receivables

Receivables at June 30, 2015 consist of the following:

Cost reimbursement grants	\$ 158,328
Homeowners escrow shortages	21,319
Interest on CD	<u>133</u>
	<u>\$ 179,780</u>

4. Inventories

Inventories at June 30, 2015, consist of the following:

	Number	Cost
Homes		
New construction	3	\$ 169,724
Repossessions/Dations	2	134,719
Purchases for resales	<u>4</u>	<u>198,821</u>
	9	503,264
Construction materials		64,552
Purchases for resale		<u>3,267</u>
		<u>\$ 571,083</u>

Rentals are repossessions/dations for which Habitat has not been able to find qualified partners to purchase the homes through the Habitat program and has not been able to sell the houses otherwise. The Board has approved the temporary rental of these houses through the U.S. Housing and Urban Development Section 8 rental assistance program. These houses are included in inventory because management's intent in renting them is to offset the costs of vacant houses until a suitable owner is found. At that time, they are reclassified back to repossessions/dations.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

5 . Mortgages Receivable

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

Mortgages are subject to foreclosure if a payment is 90 days or more past due and no revised payment plan has been approved by the Habitat Board of Directors. Homeowners that have not responded to prior notifications and are 120 days late may be presented to the Board for approval of the foreclosure. Foreclosures are only begun with Board approval. If approved, the homeowner's file is turned over to an attorney to send the official notice of default, which states that the homeowner has 30 days to cure the default.

The following schedule shows the past due principal payments as of June 30, 2015. These past due balances are based on the payments required by the mortgages and have not been reduced to reflect modifications made under payments plans.

	<u>Mortgages Past Due</u>	<u>Past Due Amount at 6/30/15</u>
Past due amounts:		
6 months or more	11	39,561
5 months	-0-	-0-
4 months	2	3,221
3 months	7	9,438
2 months	13	11,352
1 month	<u>22</u>	<u>10,369</u>
	<u>55</u>	<u>\$ 73,941</u>

Since management estimates that the fair market value of the homes exceeds the related mortgage balance, no allowance for uncollectible loans has been recorded.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

6. Property and Equipment

Property and equipment at June 30, 2015, consists of the following:

Building and improvements	\$ 625,877
Parking lot improvements	68,213
Furniture and equipment	53,237
Construction and warehouse equipment	27,585
Vehicles	<u>131,875</u>
	906,787
Accumulated depreciation	<u>(345,508)</u>
	561,279
Land	<u>62,028</u>
	<u><u>\$ 623,307</u></u>

7. Line of Credit

On July 30, 2014 Habitat entered into a line of credit agreement with a local bank in the amount of \$100,000, with an interest rate of 2.25%. The line of credit matures on July 18, 2015. The line is secured by the \$100,000 certificate of deposit at the same bank. The entire \$100,000 line was outstanding at June 30, 2015.

8. Governmental Financial Assistance

During the fiscal year 2014, Habitat was awarded two grants through the Office of Community Development of the City of Baton Rouge - Parish of East Baton Rouge (OCD), which were passed through as Community Development Block Grants (CDBG) by the U.S. Department of Housing and Urban Development (HUD). Both grants are on a cost-reimbursement basis and revenue is recognized when qualified expenses are incurred. In the fiscal year 2015, revenue of \$10,760 was recognized from a \$35,000 grant for demolition and site work for property used for qualified houses. Revenue of \$156,262 was recognized from a \$160,000 grant for the Critical Home Repair and Weatherization Program (CHRWP) to provide repairs and improvements for qualified homeowners to enable the housing units to meet the minimum Housing Codes of East Baton Rouge Parish and to increase energy efficiency. Both of these grants were completed in the year ended June 30, 2015.

During the fiscal year 2015, Habitat was awarded an additional cost-reimbursement CHRWP grant for \$100,000, from which \$41,136 was recognized as revenue during the year. In addition, Habitat entered into an agreement with OCD for a maximum funding of \$575,000 to develop six single family housing units. These funds are provided by the HOME program, administered by HUD, on a cost-reimbursement basis. \$180,701 was recognized as revenue for the current fiscal year.

**HABITAT FOR HUMANITY OF GREATER BATON ROUGE, INC.
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

9. Temporarily Restricted Net Assets

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

10. Payments to Habitat International

Habitat voluntarily remits a portion of its contributions to Habitat International. These funds are used to construct homes in economically depressed areas around the world. For the year ended June 30, 2015, contributions of \$7,000 are included in cost of homes sold.

Habitat pays Habitat International an annual Stewardship and Organizational Sustainability Initiative (SOSI) fee based on the population of the geographic area served. This is shown in the Statement of Functional Expenses as "Fees paid to Habitat International".

11. Operating Leases

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

Future minimum lease payments under the operating lease as of June 30, 2015 are as follows:

<u>FY</u>	
2016	\$ 61,948
2017	46,461
	<u>\$ 108,409</u>

12. Supplemental Cash Flow Information

CASH EQUIVALENTS

For purposes of cash flows, Habitat considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

ADDITIONAL CASH FLOW INFORMATION

Interest of \$1,751 was paid during the year. No income taxes were paid.

There were no non-cash investing and financing transactions during the year.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

13. Subsequent Events

Based on the recommendation of the HFHI ReStore Association and the findings of a Market Analysis done in September 2013, the Board of Directors of Habitat for Humanity of Greater Baton Rouge began the search process for a second ReStore location in the southeastern part of Baton Rouge. On July 13, 2015, Habitat signed a five year lease agreement, commencing on the issuing of the Certificate of Occupancy, for 23,154 square feet of space in the targeted area. The Occupancy permit has not yet been attained. The initial rent of \$12,542 per month increases each year to \$13,576 per month for the final year.

On November 16, 2015, Iberia Bank purchased 13 mortgages totaling \$723,524.20 for \$614,995.57, which represents 85% of the loan balances. Habitat will continue to service these loans for a fee of \$10 per month per loan. Habitat is responsible for collection activities and disbursement of property taxes and insurance. Principal payments on loans are remitted to Iberia monthly.

All loans are with recourse. If loan becomes nonperforming Habitat is required to repurchase the mortgage loan and, at Habitat's option, require Iberia Bank to purchase another loan which is acceptable.

Management has evaluated subsequent events through December 15, 2015, the date that the financial statements were available to be issued, and has determined that no additional events or transactions have occurred which require disclosure or recognition in the financial statements.

THOMAS W. KLEINPETER, JR.

CERTIFIED PUBLIC ACCOUNTANT
A PROFESSIONAL CORPORATION
610 NAPOLEON STREET
BATON ROUGE, LOUISIANA 70802

TELEPHONE
(225) 344-0011
FAX
(225) 344-0012
E-MAIL
twk@twkleinpetercpa.com

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S 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 Greater Baton Rouge, Inc.

I 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 Greater Baton Rouge, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated December 15, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Habitat for Humanity of Greater Baton Rouge, 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity of Greater Baton Rouge, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization'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 the entity'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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

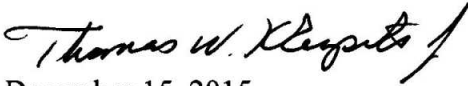
Compliance and Other Matters

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

Purpose of this Report

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

This report is intended for the Board of Directors, management, the Office of the Louisiana Legislative Auditor and any cognizant agency, and is not intended to be and should not be used by anyone other than these specified parties. However, under the provisions of Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document and its distribution is not limited.


December 15, 2015

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

A. Summary of Auditor's Results

Type of auditor's report issued: Unqualified

- ▶ Material weakness(es) identified? Yes No
- ▶ Significant deficiencies identified that are
not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

A management letter was not issued for the current year's audit.

B. Findings and Questioned Costs

None

C. Prior Year Findings and Questioned Costs

None

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

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO EXECUTIVE DIRECTOR
FOR THE YEAR ENDED JUNE 30, 2015**

Executive Director: Lynn Clark

Purpose	Amount
Salary	\$ -0-
Benefits - insurance (Health)	-0-
Benefits - retirement	-0-
Deferred compensation	-0-
Benefits - other (Social Security/medicare taxes)	-0-
Benefits - other (describe) (Life insurance and A/D&D)	-0-
Benefits - other (describe) (Disability insurance)	-0-
Car allowance (Gas cards/repairs - company car)	-0-
Cell phone	-0-
Dues	-0-
Vehicle rental	-0-
Per diem	-0-
Reimbursements	-0-
Travel	-0-
Registration fees	-0-
Conference travel	-0-
Housing	-0-
Unvouchered expenses (example: travel advances, etc.)	-0-
Special meals	-0-
Other (including payments made by other parties on behalf of the Executive Director)	-0-
TOTAL	\$ -0-

Note - All payments to the Executive Director for compensation, benefits and other payments were made from private funds.

See independent auditor's report.