

SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2012

With Independent Auditors' Report Thereon



CERTIFIED PUBLIC
ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Southern Crescent Habitat for Humanity, Inc.

We have audited the accompanying statement of financial position of Southern Crescent Habitat for Humanity, Inc. (a nonprofit organization) 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 the Organization'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 Southern Crescent Habitat for Humanity, 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 October 5, 2012, on our consideration of Southern Crescent Habitat for Humanity, 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.

A handwritten signature in blue ink, appearing to read "Tut & Co".

Morrow, Georgia

SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

ASSETS

Cash and cash equivalents	\$ 109,734
Investments	784
Accounts receivable	82,451
Grant receivable	130,827
Mortgages receivable, net of unamortized mortgage discount of \$2,977,790	2,661,265
Construction in progress	1,412,395
Prepaid expenses	10,462
Land and lots	34,986
Property and equipment, net	1,145,539
Earnest money	<u>1,500</u>
 TOTAL ASSETS	 <u>\$ 5,589,943</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 50,796
Deposits on house purchases	11,700
Accrued expenses	3,623
Payroll taxes payable	8,093
Due to Clayton County – NSP CIP	1,098,711
Due to Clayton County – NSP Homes Sold	193,877
Note payable	1,298
Short-term notes	55,000
Unearned revenue	<u>193,877</u>
 TOTAL LIABILITIES	 1,616,975
 NET ASSETS	
Unrestricted	3,972,625
Temporarily restricted	<u>343</u>
 TOTAL NET ASSETS	 3,972,968
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 5,589,943</u>

The accompanying notes are an integral part of these financial statements

SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

CHANGES IN UNRESTRICTED NET ASSETS	
CONTRIBUTIONS, RECEIPTS AND OTHER SUPPORTS	
Government grants	\$ 778,123
Home sales	771,749
Discount on notes payable	318,330
Contributions	286,462
Other grants	240,927
Mortgage discount amortization	213,572
Contribution in kind	100,172
NSP funding	73,349
Other income	28,806
Interest income	571
Unrealized gain	248
Net assets released from restriction	<u>52</u>
TOTAL CONTRIBUTIONS, RECEIPTS AND OTHER SUPPORTS	2,812,361
EXPENSES	
Administration	254,965
Construction	1,360,591
Development and fundraising	123,332
Program family services	<u>617,248</u>
TOTAL EXPENSES	<u>2,356,136</u>
CHANGE IN UNRESTRICTED NET ASSETS	456,225
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	
Net assets released from restriction	<u>(52)</u>
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(52)</u>
CHANGE IN NET ASSETS	456,173
NET ASSETS AT THE BEGINNING OF THE YEAR	<u>3,516,795</u>
NET ASSETS AT THE END OF THE YEAR	<u>\$ 3,972,968</u>

The accompanying notes are an integral part of these financial statements

SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	Administration	Construction	Development and fundraising	Program family services	Totals
Cost of homes sold – direct	\$ 0	\$ 1,291,700	\$ 0	\$ 0	\$ 1,291,700
Family service and admin costs	50	0	0	578,200	578,250
Salaries and wage expense	66,669	0	105,527	0	172,196
Professional fees	30,799	1,120	784	31,882	64,585
Facilities	41,001	722	0	7,159	48,882
General and administrative expenses	37,264	815	507	0	38,586
Insurance	16,410	16,410	0	0	32,820
Depreciation	6,542	26,169	0	0	32,711
Tithes	20,000	0	0	0	20,000
Cost of goods sold – indirect	0	17,805	0	0	17,805
Advertising and marketing	5,545	0	9,569	0	15,114
Volunteer appreciation	8,985	277	3,923	7	13,192
Supplies/equipment	7,449	4,962	0	0	12,411
Vehicle expense	4,252	611	0	0	4,863
Travel and seminars	3,977	0	0	0	3,977
Interest expense	3,258	0	0	0	3,258
Fundraising	0	0	2,847	0	2,847
Postage	1,308	0	150	0	1,458
Dues, subscription and publications	1,078	0	0	0	1,078
Taxes and licenses	378	0	25	0	403
TOTAL EXPENSES	<u>\$ 254,965</u>	<u>\$ 1,360,591</u>	<u>\$ 123,332</u>	<u>\$ 617,248</u>	<u>\$ 2,356,136</u>

The accompanying notes are an integral part of these financial statements

SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES		\$ 456,173
Change in net assets		\$ 456,173
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation		32,711
Unrealized (gain) loss		(251)
Non-cash present value discount of note payable		(882,985)
(Increase) decrease in operating assets		
Prepaid expenses		(3,277)
Mortgages receivable		(235,631)
Receivables		(82,970)
Other assets		(1,500)
Construction in progress		(378,937)
Increase (decrease) in operating liabilities		
Accounts payable		(9,133)
Payroll liabilities		(3,543)
Deposits on house purchases		7,129
Unearned revenue		104,766
Payroll taxes payable		<u>3,623</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		(993,825)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets		(255,724)
Purchase of securities		<u>(13)</u>
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(255,737)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of notes payable		1,627,757
Repayments to notes payable		<u>(348,000)</u>
NET CASH FLOWS USED IN FINANCING ACTIVITIES		<u>1,279,757</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS		30,195
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEARS		<u>79,539</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEARS		<u><u>109,734</u></u>
Supplemental disclosure		
Cash paid for:	Interest	<u>3,258</u>
	Income taxes	<u><u>0</u></u>

The accompanying notes are an integral part of these financial statements

SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. ORGANIZATION

The Southern Crescent Habitat for Humanity, Inc. ("SCHFH") is an affiliate of Habitat for Humanity International, Inc. ("Habitat International"). SCHFH is a nondenominational Christian organization dedicated to eliminating poverty housing by building modest but adequate housing in partnership with responsible, low-income families. By having volunteers and the families work together in partnership, SCHFH builds new hope, new relationships, and a new sense of community, as well as new houses. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, SCHFH is primarily and directly responsible for its own operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

• **Basis of accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting and reflect all significant receivables and payables.

• **Basis of presentation of financial statements**

In accordance with FASB ASC 958, the financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets.

• **Cash and cash equivalents**

For financial statement purposes, SCHFH considers all highly liquid investments with an original maturity of three months or less to be cash equivalents

• **Mortgages receivable**

Mortgages receivable consist of noninterest-bearing mortgages which are secured by real estate and payable in monthly installments. Most of the mortgages receivable have an original maturity of 20 to 30 years and arose in connection with SCHFH's homebuilding initiative in the Clayton, Henry and Fayette Counties of Georgia. Consistent with Habitat for Humanity International, these receivables have been discounted using discount rates ranging between 6% and 9%. Interest income is recorded under the interest method of FASB ASC 835-30-45.

SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS – Continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

• **Construction in progress**

Construction in progress represents those houses which are currently under construction for families. Purchased materials for the construction of these houses are recorded at cost. Donated materials and labor, if applicable, are recorded at the fair market value of such.

Substantial improvements were made on land held by SCHFH through an agreement with Atlanta Habitat for Humanity. These improvements were for land development and were paid and recorded by Atlanta Habitat for Humanity.

• **Investments**

Investments are stated at market value in accordance with FASB ASC 958-320-50.

• **Property and equipment**

Property and equipment are recorded at acquisition cost, or if donated, the fair market value of the gift, plus the costs necessary to get the asset ready for its intended use. Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the respective assets.

• **Notes payable**

Notes payable consist of notes payable to a local bank, which carried an interest rate below the prevailing market rates at the time of borrowing. It has been discounted using the same interest rate as the mortgages receivable. Interest expense is recorded under the interest method of FASB ASC 835-30-45.

• **Net assets**

SCHFH's net assets and its revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of SCHFH and changes therein are classified as unrestricted and temporarily restricted as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may be met either by actions of SCHFH or the passage of time.

SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS – Continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

• **Contributions**

In accordance with the provisions of FASB ASC 958-310-25 contributions are recognized when the donor makes a promise to give to SCHFH that is, in substance, unconditional. Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are reported.

• **Government grants**

Grant revenue is deemed to be a fee-for-services transaction and is not considered contribution revenue. Therefore, grant revenue is recognized during the period in which the related grant expenses are incurred. Accordingly, grant revenue is accrued or deferred so as to match grant revenue with the related grant expenses.

• **Transfers to homeowners**

Transfers to homeowners represent the sale of houses built. The resulting mortgages are non-interest bearing and have been discounted based upon the prevailing market rates. The transfers to homeowners presented in the statement of activities are net of this discount.

• **Contributed materials and services**

Materials donated to SCHFH are reflected in the financial statements at the fair value of the materials received. In addition, a substantial number of volunteers have made significant contributions of their time to SCHFH's program and supporting services. The value of this contributed time is not reflected in these financial statements since it does not require a specialized skill. However, from time to time certain other contributed services that require specialized skills are provided by individuals possessing those skills that would otherwise need to be purchased if not provided by donation, are recognized as revenue.

Total contributed materials and services for the year ended June 30, 2012 is as follows:

Donated materials and equipment	\$ 73,009
Donated services	<u>27,163</u>
	<u>\$ 100,172</u>

SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS – Continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont)

• **Estimates in the financial statements**

The preparation of financial statements in conformity with 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 reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

3. MORTGAGES RECEIVABLE

The following table sets forth the face value of the mortgages receivable and the unamortized discount. Consistent with Habitat for Humanity International, mortgages were discounted rates ranging between 6% and 9% to calculate imputed interest:

	<u>2012</u>
Face value	\$ 5,639,055
Less unamortized discount	<u>(2,977,790)</u>
	<u>\$ 2,661,265</u>

The following table sets forth the projected five year maturity schedule for the years ended June 30:

2013	\$	79,389
2014		84,583
2015		89,969
2016		97,358
2017		117,332
Thereafter		<u>2,192,634</u>
		<u>\$ 2,661,265</u>

SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS – Continued

4. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2012 consists of the following:

Buildings	\$ 781,898
Building improvements	202,019
Land	133,565
Warehouse equipment	56,572
Vehicles	37,663
Computer equipment	8,670
Office equipment	5,850
Trailer	<u>1,905</u>
	1,228,142
Less accumulated depreciation	<u>(82,603)</u>
	<u>\$ 1,145,539</u>

5. NOTES PAYABLE

The note payable at June 30, 2012 consisted of an unsecured note payable bearing no interest, payable to Heritage Bank in monthly installments of \$125.

The following table sets forth the face value of the note payable and the unamortized discount. The note payable was discounted using an 8% rate to calculate imputed interest:

	<u>2012</u>
Face value	\$ 1,350
Less unamortized discount	<u>(52)</u>
	<u>\$ 1,298</u>

Future principal payments over the next five years are as follows:

2013	\$ <u>1,298</u>
	<u>\$ 1,298</u>

6. LINE OF CREDIT

SCHFH has a \$200,000 revolving line of credit agreement with Heritage Bank expired September 1, 2011. The organization renewed the line of credit in the subsequent period. The interest rate is a minimum of 5.50%. The outstanding balance on the line of credit was \$55,000 at June 30, 2012. Interest is due monthly and the principal is payable upon the expiration of the agreement. The line of credit is secured by real property owned by SCHFH.

SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS – Continued

7. DUE TO CLAYTON COUNTY

The amounts due to Clayton County at June 30, 2012 consisted of notes payable obtained through the Neighborhood Stabilization Program (NSP). As a qualified vendor under the program SCHFH receives reimbursement for the purchase and rehabilitation costs for approved homes.

Homes that are sold to SCHFH qualified homeowners are financed with non-interest bearing notes through NSP. The following table sets forth the face value of the Due to Clayton County – NSP Homes Sold and the unamortized discount. Consistent with Habitat for Humanity International, the note payable was discounted at rates ranging between 6% and 9% to calculate imputed interest:

Due to Clayton County – NSP Homes Sold

	<u>2012</u>
Face value	\$ 492,810
Less unamortized discount	<u>(298,933)</u>
	<u>\$ 193,877</u>

During the rehabilitation period all amounts are considered short-term loans and as such have not been discounted.

Future principal payments over the next five years for funds Due to Clayton County are as follow:

	<u>NSP Homes Sold</u>	<u>NSP CIP</u>
2013	\$ 4,083	\$ 1,098,711
2014	4,406	0
2015	4,755	0
2016	5,131	0
2017 and thereafter	<u>175,502</u>	<u>0</u>
	<u>\$ 193,877</u>	<u>1,098,711</u>

8. TRANSACTIONS WITH AFFILIATE

In addition to the other transactions described herein, SCHFH annually remits a portion of its contributions (excluding in-kind contributions) to Habitat International. These funds are used to construct homes in economically depressed areas around the world. For the year ended June 30, 2012, SCHFH contributed \$20,000 to Habitat International. Such amount is included in program services expense in the Statement of Functional Expenses.

SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.
NOTES TO FINANCIAL STATEMENTS – Continued

9. INCOME TAXES

SCHFH has received a favorable determination letter dated September 21, 1993 from the Internal Revenue Service (IRS) exempting it from income taxation under Section 501(c)(3) of the Internal Revenue Code (the "IRC") whereby only unrelated business income, as defined by Section 512(a)(1) of the IRC is subject to federal income tax. Therefore no provision for income taxes has been made.

10. RELATED PARTIES

During fiscal year June 30, 2012, SCHFH paid approximately \$26,000 to a company owned by a member of its board of directors. The payments were made for construction costs required to complete homes.

In addition, payments were made to legal counsel for services performed in conjunction with operations of SCHFH. Certain members of management are related to individuals within the firm.

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 10, 2012, which is the date the financial statements were available to be issued.



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
Southern Crescent Habitat for Humanity, Inc.

We have audited and reported separately herein on the financial statements of Southern Crescent Habitat for Humanity, Inc. as of June 30, 2012 and for the year then ended.

Our audit was conducted for the purpose of forming an opinion on the financial statements 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 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in blue ink, appearing to read "Julia E. [unclear]".

Morrow, Georgia
October 10, 2012

SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 JUNE 30, 2012

<u>State Organization</u>	<u>Program Title</u>	<u>Contract Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Passed through to the Georgia Department of Housing and Urban Development	CHDO HOME Program	FFY 2010	14.239	\$ 397,268
Passed through to the Georgia Department of Housing and Urban Development	CHDO HOME Program	FFY 2011	14.239	168,546
Passed through to the Georgia Department of Housing and Urban Development	CHDO Capacity Building		14.239	15,000
Passed through to the Georgia Department of Housing and Urban Development	CDBG	B-10-UC-13-0005	14.218	129,038
Passed through to the Georgia Department of Housing and Urban Development	ARRA CDBG	B-09-UY-13-0005	14.253	30,771
Passed through to the Georgia Department of Housing and Urban Development	ARRA CDBG	B-09-UC-13-0005	14.253	<u>19,038</u>
TOTAL				<u>\$ 759,661</u>

SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2012

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Southern Crescent Habitat for Humanity, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



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

To the Board of Directors and Officers of
Southern Crescent Habitat for Humanity, Inc.

We have audited the financial statements of Southern Crescent Habitat for Humanity, Inc. (a nonprofit agency) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 5, 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 Southern Crescent Habitat for Humanity, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Southern Crescent Habitat for Humanity, 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 Southern Crescent Habitat for Humanity, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Southern Crescent Habitat for Humanity, Inc.'s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southern Crescent Habitat for Humanity, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, the Department of Health & Human Services, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink, appearing to read "JMS 10/10/12", is written over the date.

Morrow, Georgia
October 10, 2012



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 and Officers of
Southern Crescent Habitat for Humanity, Inc.

Compliance

We have audited Southern Crescent Habitat for Humanity, Inc.'s 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 Southern Crescent Habitat for Humanity, Inc.'s major federal program for the year ended June 30, 2012. Southern Crescent Habitat for Humanity, Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying schedule of finding and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Southern Crescent Habitat for Humanity, Inc.'s management. Our responsibility is to express an opinion on Southern Crescent Habitat for Humanity, 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 Nonprofit 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 Southern Crescent Habitat for Humanity, 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 Southern Crescent Habitat for Humanity, Inc.'s compliance with those requirements.

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

Internal Control Over Compliance

Management of Southern Crescent Habitat for Humanity, 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 Southern Crescent Habitat for Humanity, 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 Southern Crescent Habitat for Humanity, 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 management, the Board of Directors, others within the entity, the Department of Housing and Urban Development, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Morrow, Georgia
October 10, 2012

SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Financial Statements

Type of auditor's report issued: **Unqualified**

Internal control over financial reporting:

	<u>Yes</u>	<u>No</u>	<u>None Reported</u>
• Material weaknesses identified?	<u> </u>	<u> X </u>	
• Significant deficiencies identified that are not considered to be material weaknesses?	<u> </u>	<u> </u>	<u> X </u>
Noncompliance material to financial statements noted?	<u> </u>	<u> X </u>	

Federal Awards

Internal control over major programs:

• Material weaknesses identified?	<u> </u>	<u> X </u>	
• Significant deficiencies identified that are not considered to be material weaknesses?	<u> </u>	<u> </u>	<u> X </u>

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 Section 510(a) of Circular A-133?	<u> </u>	<u> X </u>	
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SOUTHERN CRESCENT HABITAT FOR HUMANITY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.239	Department of Housing and Urban Development – CHDO HOME

Dollar threshold used to distinguish between
type A and type B programs:

\$300,000

<u>Yes</u>	<u>No</u>
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Auditee qualified as low-risk auditee?

X

Section II – Federal Statement Findings

No matters were reported

Section III – Federal Award Findings and Questioned Costs

No matters were reported.