HABITAT FOR HUMANITY
OF GEORGIA, INC.
COLUMBUS, GEORGIA

* 

AUDIT REPORT

* 

June 30, 2014
TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Auditor’s Report</td>
<td>1</td>
</tr>
<tr>
<td>Statement of Financial Position</td>
<td>2</td>
</tr>
<tr>
<td>Statement of Activities</td>
<td>3</td>
</tr>
<tr>
<td>Statement of Functional Expenses</td>
<td>4</td>
</tr>
<tr>
<td>Statement of Cash Flows</td>
<td>5</td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>6-7</td>
</tr>
</tbody>
</table>
Independent Auditor's Report

To The Board of Directors
Habitat for Humanity
    of Georgia, Inc.
Columbus, Georgia

We were engaged to audit the accompanying financial statements of Habitat for Humanity of Georgia, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2014, 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

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for the audit opinion.

Basis for Disclaimer of Opinion

In the prior year the Organization was assigned mortgages receivable that were previously owned by Burke County Habitat for Humanity, Inc. Burke County was unable to provide the Organization with complete records to substantiate the loan balances assigned to the Organization, as well as the existing escrow balances. The Organizations records do not permit the application of other auditing procedures to mortgages receivable and escrow liabilities.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements referred to in the first paragraph.

January 13, 2015

[Signature]

January 13, 2015

(1)
### Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>90,538</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>1,165</td>
</tr>
<tr>
<td>Mortgages receivable (net of unamortized discount)</td>
<td>84,899</td>
</tr>
</tbody>
</table>

**Total assets**  

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>176,602</td>
</tr>
</tbody>
</table>

### Liabilities and Net Assets

#### Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>6,212</td>
</tr>
<tr>
<td>Payroll taxes payable</td>
<td>1,317</td>
</tr>
</tbody>
</table>

**Total liabilities**  

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>7,529</td>
</tr>
</tbody>
</table>

#### Net assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>169,073</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>-</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>-</td>
</tr>
</tbody>
</table>

**Total net assets**  

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>169,073</td>
</tr>
</tbody>
</table>

**Total liabilities and net assets**  

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>176,602</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
HABITAT FOR HUMANITY OF GEORGIA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

Changes in net assets:
Support and revenue
   Contributions, grants and gifts  42,852
   Mortgage transfer from affiliate  16,450
   Member dues  10,750
   Program fees  5,970
   Mortgage discount  5,573
   **Total support and revenue**  81,595

Expenses
   Program services  47,109
   Supporting services
      Management and general  2,564
      Fundraising  20,925
   **Total expenses**  70,598

Increase in net assets  10,997

Net assets at beginning of year  158,076

Net assets at end of year  169,073

The accompanying notes are an integral part of these financial statements
<table>
<thead>
<tr>
<th></th>
<th>Management &amp;</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Program</td>
<td>General</td>
<td>Fundraising</td>
<td>Total</td>
</tr>
<tr>
<td>Personnel Expense</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries</td>
<td>3,408</td>
<td>426</td>
<td>426</td>
<td>4,260</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>260</td>
<td>33</td>
<td>33</td>
<td>326</td>
</tr>
<tr>
<td>Total personnel expense</td>
<td>3,668</td>
<td>459</td>
<td>459</td>
<td>4,586</td>
</tr>
<tr>
<td>Conference</td>
<td>16,625</td>
<td>-</td>
<td>-</td>
<td>16,625</td>
</tr>
<tr>
<td>Contract services</td>
<td>13,529</td>
<td>-</td>
<td>20,000</td>
<td>33,529</td>
</tr>
<tr>
<td>Dues</td>
<td>-</td>
<td>175</td>
<td>-</td>
<td>175</td>
</tr>
<tr>
<td>International tithe</td>
<td>500</td>
<td>-</td>
<td>-</td>
<td>500</td>
</tr>
<tr>
<td>Insurance</td>
<td>-</td>
<td>918</td>
<td>-</td>
<td>918</td>
</tr>
<tr>
<td>Legal fees</td>
<td>540</td>
<td>-</td>
<td>-</td>
<td>540</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>-</td>
<td>255</td>
<td>-</td>
<td>255</td>
</tr>
<tr>
<td>Mortgage escrow</td>
<td>5,896</td>
<td>-</td>
<td>-</td>
<td>5,896</td>
</tr>
<tr>
<td>Mortgage service fees</td>
<td>705</td>
<td>-</td>
<td>-</td>
<td>705</td>
</tr>
<tr>
<td>Office supplies and expense</td>
<td>1,134</td>
<td>220</td>
<td>20</td>
<td>1,374</td>
</tr>
<tr>
<td>Postage and delivery</td>
<td>-</td>
<td>148</td>
<td>-</td>
<td>148</td>
</tr>
<tr>
<td>Repairs to mortgagee homes</td>
<td>4,031</td>
<td>-</td>
<td>-</td>
<td>4,031</td>
</tr>
<tr>
<td>Telephone</td>
<td>40</td>
<td>5</td>
<td>5</td>
<td>50</td>
</tr>
<tr>
<td>Travel</td>
<td>441</td>
<td>384</td>
<td>441</td>
<td>1,266</td>
</tr>
<tr>
<td>Total functional expenses</td>
<td>47,109</td>
<td>2,564</td>
<td>20,925</td>
<td>70,598</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements

(4)
HABITAT FOR HUMANITY OF GEORGIA, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014

Cash flows from (for) operating activities
Change in net assets 10,997
Adjustments to reconcile change in net assets to
net cash provided by operating activities:
Mortgage discount amortization (5,573)
Mortgage transfer from affiliate (16,450)
Net change in operating assets and liabilities:
 Accounts receivable (1,165)
 Mortgages receivable 8,102
 Accounts payable 3,712
 Payroll taxes payable 1,317
Net cash from operating activities 940

Cash flows from investing activities

- 

Cash flows from financing activities

- 

Net increase in cash and cash equivalents 940

Beginning cash and cash equivalents 89,598

Ending cash and cash equivalents 90,538

Supplemental cash flow information
Interest paid
Income taxes paid

The accompanying notes are an integral part of these financial statements

(5)
Note 1 - Nature of Activities

Habitat for Humanity of Georgia, Inc. is the state support organization (SSO) for Habitat for Humanity affiliates in Georgia. It exists to advocate and act on behalf of member affiliates throughout the state of Georgia. Habitat for Humanity of Georgia, Inc. is aligned with the global Habitat for Humanity movement. The purpose of the SSO is to provide services and benefits to Georgia affiliates that are not available from other sources.

The primary sources of revenue are corporate contributions, grants from Habitat of Humanity International, Inc. and member dues.

Note 2 - Summary of Significant Accounting Policies

Accounting Method – The Organization uses the accrual method of accounting, recognizing revenues when earned and expenses when incurred.

Basis of Presentation - 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.

Accounts Receivables - Accounts receivable are stated at the amount management expects to collect from outstanding balances. No allowance for uncollectible accounts has been recorded since management considers all outstanding balances to be collectible.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a 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 are reported in the statement of activities as net assets released from restriction.

Mortgages Receivable – Non-interest bearing mortgages received from the sale of Habitat homes are discounted at rates established by Habitat for Humanity International. Revenue is recognized each year by amortizing the original discount on a straight-line basis over the term of the mortgage. There is no provision for uncollectible mortgages, as Habitat makes every effort to keep Habitat families in their homes. Should a foreclosure become necessary, Habitat would refurbish the home for a new Habitat family, and recover all cost incurred.
Note 2 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents – For purposes of reporting cash flows, cash and cash equivalents include cash on hand and cash in banks, including certificates of deposit with maturities of three months or less.

Income Tax – Habitat for Humanity of Georgia, Inc. is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and has been determined by the Internal Revenue Service not to be a private foundation under Section 509(a) of the Code. Contributions to the organization are deductible within the limitations of the Code.

As of June 30, 2014, the tax years that remain subject to examination by taxing authorities begin with the year ended June 30, 2011. Management believes that all positions taken in those years would be sustained should those years be examined.

Subsequent Events – Management has evaluated subsequent events through January 13, 2015, the date the financial statements were available to be issued. Management was not aware of any subsequent events through this date that would have a material effect on these financial statements.

Note 3 - Use of Estimates

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 disclosures 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 these estimates.

Note 4 - Transfer of Mortgages Receivable from Burke County Habitat for Humanity

In the prior year Burke County Habitat for Humanity ceased operations. On June 25, 2013, six mortgages receivable were transferred from Burke County Habitat for Humanity to Habitat for Humanity of Georgia, Inc. On February 21, 2014 the seventh and final mortgage was transferred. Mortgages were recorded as revenue when transferred. Revenue recorded in the current year in the amount of $16,450 represents the outstanding principal balance less the unamortized discount on the mortgage transferred in the current year.

Note 5 - Mortgages Receivable

Mortgages receivable as of June 30, 2014 were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgages receivable</td>
<td>167,012</td>
</tr>
<tr>
<td>Less unamortized discount</td>
<td>(82,113)</td>
</tr>
<tr>
<td></td>
<td>84,899</td>
</tr>
</tbody>
</table>

Mortgage notes are secured by the related real estate.
January 13, 2015

To the Board of Directors
Habitat for Humanity of Georgia, Inc.
P.O. Box 4143
Columbus, GA 31914

We have audited the financial statements of Habitat for Humanity of Georgia, Inc. for the year ended June 30, 2014 and have issued our report thereon dated January 13, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 26, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Habitat for Humanity of Georgia, Inc. are described in Note 2 to the financial statements.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

Management’s estimate of the unamortized loan discounts based on rates provided by Habitat International. We evaluated the key factors and assumptions used to develop the unamortized loan discount in determining that it is reasonable in relation to the financial statements taken as a whole.

Modification to the Opinion in the Independent Auditor’s Report

In the prior year the Organization was assigned mortgages receivable that were previously owned by Burke County Habitat for Humanity, Inc. Burke County was unable to provide the Organization with complete records to substantiate the loan balances assigned to the Organization, as well as the existing escrow balances. The Organizations records did not permit the application of other auditing procedures to mortgages receivable and escrow liabilities. Because of the significance of the mortgage and escrow balances, we were not able to obtain sufficient evidence to provide a basis for an audit opinion. Accordingly, we did not express an opinion on the financial statements.
Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Some of the misstatements detected as a result of audit procedures and corrected by management were material to the financial statements taken as a whole.

Disagreements with Management

For purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 13, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Organization’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

This information is intended solely for the use of the board and management of Habitat for Humanity of Georgia, Inc. and is not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

[Signature]

CANADY, RICHBOURG & WOODWARD, LLP
To Management and the Board of Directors
of Habitat for Humanity of Georgia, Inc.
Columbus, Georgia

In planning and performing our audit of the financial statements of Habitat for Humanity of Georgia, Inc. as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered Habitat for Humanity of Georgia, Inc.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in Habitat for Humanity of Georgia, Inc.’s internal control to be both a significant deficiency and a material weakness:

Segregation of Duties

The size of the Organization’s staff limits the extent of segregation of duties. Although the Organization has implemented policies and procedures designed to maximize segregation of duties by utilizing Board members, adequate segregation of duties does not exist for all accounting functions.

Recording of Unamortized Mortgage Discounts

Generally Accepted Accounting Principles require that the Organization report mortgages receivable net of their unamortized mortgage discounts. Currently the Organization is not recording unamortized mortgage discounts are required.
This communication is intended solely for the information and use of management, Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Canady, Richbourg & Woodward, LLP
Savannah, Georgia

January 13, 2015