HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

DECEMBER 31, 2013 AND 2012

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PH 317 241 2999
FAX 317 240 4485

GREENWALT CPAs

Greenwalt CPAs, Inc.
5342 W. Vermont Street
Indianapolis, IN 46224
www.greenwaltcpas.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Habitat for Humanity of Greater Indianapolis, Inc.:

We have audited the accompanying financial statements of Habitat for Humanity of Greater Indianapolis, Inc. which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years 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 error or fraud.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 Greater Indianapolis, Inc. as of December 31, 2013 and 2012, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Greenwalt CPAs, Inc.

June 6, 2014

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
ASSETS		
Unrestricted cash	$ 930,681	$ 1,088,506
Cash limited as to use and timing	324,146	202,949
Total cash	1,254,827	1,291,455
Grants, sponsorships, and other receivables	446,509	577,240
Mortgage loans receivable, net	6,353,683	6,358,159
Inventory	25,607	13,311
Prepayments	15,189	13,749
Construction in progress	200,031	45,612
Homes available for resale	418,851	15,409
Land available for future builds	109,500	109,000
Property and equipment, net	2,012,005	570,924
CICF Endowment Fund	54,565	48,346
Total assets	$ 10,890,767	$ 9,043,205
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 130,103	$ 145,961
Current portion of mortgage service agreement	12,810	-
Accrued expenses	83,990	75,562
Escrow liability, net	72,987	72,139
Total current liabilities	299,890	293,662
LONG - TERM LIABILITIES		
Mortgage service agreement, net - long term	173,505	-
Total liabilities	473,395	293,662
COMMITMENTS (NOTES 4 AND 7)		
NET ASSETS		
Unrestricted	10,199,620	8,497,614
Temporarily restricted	185,704	219,881
Permanently restricted	32,048	32,048
Total net assets	10,417,372	8,749,543
Total net assets and liabilities	$ 10,890,767	$ 9,043,205

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012

	2013				2012
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUES, GAINS, AND OTHER SUPPORT					
Contributions	$ 1,198,147	$ 161,200	$ -	$ 1,359,347	$ 1,534,175
Private grants	821,786	-	-	821,786	569,526
In-kind contributions	870,570	-	-	870,570	250,899
Home sales	1,301,462	-	-	1,301,462	1,200,472
Mortgage loan discount amortization	716,179	-	-	716,179	568,840
Fundraising events	222,586	-	-	222,586	398,535
ReStore income	763,059	-	-	763,059	657,714
Investment income	914	6,219	-	7,133	5,581
Gain (loss) on sale of foreclosed property, net	46,102	-	-	46,102	(132,990)
Gain on sale of mortgages	121,930	-	-	121,930	-
Contribution received in the acquisition of Habitat of Hendricks County	234,091	-	-	234,091	-
Other income, net	21,715	-	-	21,715	23,567
Net assets released from restrictions	201,596	(201,596)	-	-	-
Total revenues, gains, and other support	6,520,137	(34,177)	-	6,485,960	5,076,319
EXPENSES					
Construction program	3,122,995	-	-	3,122,995	2,965,033
Family services	121,536	-	-	121,536	262,929
Volunteer services	135,838	-	-	135,838	138,357
Mortgage services	218,586	-	-	218,586	149,682
ReStore services	405,113	-	-	405,113	345,155
Total program services	4,004,068	-	-	4,004,068	3,861,156
Resource development	349,716	-	-	349,716	441,658
Management and general	464,347	-	-	464,347	402,803
Total expenses	4,818,131	-	-	4,818,131	4,705,617
CHANGE IN NET ASSETS	1,702,006	(34,177)	-	1,667,829	370,702
NET ASSETS, BEGINNING OF YEAR	8,497,614	219,881	32,048	8,749,543	8,378,841
NET ASSETS, END OF YEAR	$ 10,199,620	$ 185,704	$ 32,048	$ 10,417,372	$ 8,749,543

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	$ 1,351,175	$ 183,000	$ -	$ 1,534,175
Private grants	569,526	-	-	569,526
In-kind contributions	250,899	-	-	250,899
Home sales	1,200,472	-	-	1,200,472
Mortgage loan discount amortization	568,840	-	-	568,840
Fundraising events	398,535	-	-	398,535
ReStore income	657,714	-	-	657,714
Investment income	992	4,589	-	5,581
Loss on sale of foreclosed property, net	(132,990)	-	-	(132,990)
Other income, net	23,567	-	-	23,567
Net assets released from restrictions	272,045	(272,045)	-	-
Total revenues, gains, and other support	5,160,775	(84,456)	-	5,076,319
EXPENSES				
Construction program	2,965,033	-	-	2,965,033
Family services	262,929	-	-	262,929
Volunteer services	138,357	-	-	138,357
Mortgage services	149,682	-	-	149,682
ReStore services	345,155	-	-	345,155
Total program services	3,861,156	-	-	3,861,156
Resource development	441,658	-	-	441,658
Management and general	402,803	-	-	402,803
Total expenses	4,705,617	-	-	4,705,617
CHANGE IN NET ASSETS	455,158	(84,456)	-	370,702
NET ASSETS, BEGINNING OF YEAR	8,042,456	304,337	32,048	8,378,841
NET ASSETS, END OF YEAR	$ 8,497,614	$ 219,881	$ 32,048	$ 8,749,543

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

CHANGE IN CASH

	2013	2012
CHANGE IN NET ASSETS	$ 1,667,829	$ 370,702
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	51,034	45,402
Mortgage discount expense	488,786	506,072
Amortization of discount on mortgage loans receivable	(716,179)	(568,840)
Contribution received in the acquisition of Habitat of Hendricks County	(234,091)	-
Bad debt expense	-	111
Donated housing supplies and property	(870,570)	(250,899)
Gain on the sale of mortgage loans	(121,930)	-
(Gain) loss on sale of foreclosed property	(46,102)	132,990
(Increase) decrease in operating assets:		
Grants, sponsorships, and other receivables	130,731	(107,773)
Inventory	(12,296)	6,093
Prepayments	(1,440)	(6,202)
Increase (decrease) in operating liabilities:		
Accounts payable	(15,858)	9,226
Accrued expenses	8,428	(11,482)
Mortgage service agreement	186,315	-
Escrow liability	848	(4,431)
Total adjustments	(1,152,324)	(249,733)
Net cash provided by operating activities	515,505	120,969
CASH FLOWS FROM INVESTING ACTIVITIES		
Collections of mortgage loans receivable	763,964	674,410
Purchases of property and equipment	(1,492,115)	(62,353)
Purchase of vacant lots	(10,000)	(16,400)
Construction in progress additions	(809,865)	(614,174)
Net cash used in investing activities	(1,548,016)	(18,517)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the sale of mortgages	995,883	-
Payments on notes payable	-	(4,555)
Net cash provided by (used in) financing activities	995,883	(4,555)
NET CHANGE IN CASH	(36,628)	97,897
CASH, BEGINNING OF YEAR	1,291,455	1,193,558
CASH, END OF YEAR	$ 1,254,827	$ 1,291,455

See accompanying notes to financial statements.

1. Summary of Significant Accounting Policies

Description of Operations

Habitat for Humanity of Greater Indianapolis, Inc., d/b/a Greater Indy Habitat, (Habitat) was incorporated as a not-for-profit organization in 1987 under the laws of the State of Indiana and is an affiliate of Habitat for Humanity International, Inc. (Habitat International), a nondenominational Christian not-for-profit organization whose purpose is to join with low-income families and other community partners to provide home ownership opportunities and build communities of hope as an expression of God's love. Habitat operates throughout Marion County, Hendricks County, and Hancock County, Indiana.

Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, Habitat is primarily and directly responsible for its own operations. Major sources of revenue for Habitat include contributions from the general public and sales of homes.

Basis of Accounting and Estimates

The accompanying financial statements have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

Accounting Standards for Fair Value Measurement defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. These standards also establish a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, giving highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and lowest priority to unobservable inputs (level 3 measurements).

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

1. Summary of Significant Accounting Policies, Continued

Fair Value Measurements, Continued

Fair values measured on a recurring basis at December 31 are as follows:

2013	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Discounted homes available for resale	$ 261,754	$ -	$ 261,754	$ -
CICF Endowment Fund	54,565	-	54,565	-
Mortgage service agreement liability	186,315	-	186,315	-

2012	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
CICF Endowment Fund	$ 48,346	$ -	$ 48,346	$ -

The fair value of the discounted homes available for resale was determined by the assessed value of the homes. These values are reflected in construction in progress and homes available for resale. The mortgage servicing agreement liability is valued at the gross costs to service the mortgages less an estimated discount to present value as described in Note 4. Fair value of the CICF Endowment Fund is determined based on the fund value reported by CICF. CICF allocates investment income to the fund based on the unitized value of the assets held by each individual fund within the overall portfolio. There was no change in the method used to determine fair value during 2013. See Note 2.

1. Summary of Significant Accounting Policies, Continued

Cash

Habitat maintains cash balances at commercial banks. At December 31, 2013, Habitat maintained balances in excess of the Federal Deposit Insurance Corporation (FDIC) limit of $250,000.

Property and Equipment

Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost. Donated property and equipment are recorded at fair market value as of the date received. Depreciation is provided utilizing the straight line method over the estimated useful lives from 3 to 40 years of the depreciable assets. Maintenance and repairs are charged to expense as incurred.

Property and equipment is comprised of the following at December 31:

	2013	2012
Land	$ 307,600	$ 105,200
Buildings, warehouse, and improvements	1,839,096	609,479
Construction equipment	52,054	49,916
Office equipment	167,155	139,104
Vehicles	129,200	144,889
	2,495,105	1,048,588
Accumulated depreciation	(483,100)	(477,664)
	$ 2,012,005	$ 570,924

Inventory

Inventory consists of assorted building materials and supplies and is valued at cost using the specific identification method.

Net Assets

The financial statements have been prepared in accordance with Accounting Standards for the preparation of Financial Statements of Not-for-Profit Organizations. These standards require the financial statements to report information regarding its assets, liabilities, and net assets and its revenue, expense, and other changes in net assets according to class. Net assets are classified as unrestricted, temporarily restricted, and permanently restricted. Habitat maintains the following classifications of net assets:

1. Summary of Significant Accounting Policies, Continued

Net Assets, Continued

Unrestricted

These include revenue and expenses from the regular operations of Habitat which are at the discretion of the Board of Directors and management.

Temporarily Restricted

These include contributions and grant revenues used to meet expenses in accordance with restrictions specified by the donors or grantors and appropriations of interest on permanently restricted endowment assets for expenditures (See Note 2). 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.

Temporarily restricted net assets are comprised of the following at December 31:

	2013	2012
Household sponsorships	$ 161,200	$ 183,000
Hurricane Katrina relief	-	13,243
Service Learning Partnership	1,987	7,340
Endowment assets available for expenditure	22,517	16,298
	$ 185,704	$ 219,881

Permanently Restricted

Habitat has an endowment with the Central Indiana Community Foundation (CICF). The principal of this investment will remain in perpetuity. The interest and dividends are available to pay the expenses of Habitat. Permanently restricted net assets were $32,048 at December 31, 2013 and 2012. See Note 2.

Support and Revenue

Habitat reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Restricted contributions received for which the restrictions are met in the same year are reported as unrestricted support by Habitat.

1. Summary of Significant Accounting Policies, Continued

Donated Services and Contributions

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills and are provided by individuals possessing those skills that would typically need to be purchased if not provided by donation.

In addition to receiving contributions of service, Habitat receives in-kind contributions, primarily construction materials and parcels of land, from various donors. It is the policy of Habitat to record the estimated fair market value of certain in-kind donations as an expense in its statements of activities or as construction in progress in the statements of financial position and similarly increase contributions by a like amount. These amounts have been treated as non-cash transactions and excluded from the accompanying statements of cash flows.

A substantial number of volunteers have donated significant amounts of their time to Habitat's program services. While Habitat does not have a method to value volunteers time on an hourly basis, Habitat has reflected the increased value of installed materials versus uninstalled materials as an in-kind contribution.

Fundraising Activities

Habitat has an ongoing resource development program to secure contributions from corporations, churches, and individuals.

Expense Allocation

Expenses have been classified as program services, resource development, and management and general based on the actual direct expenditures and cost allocation based on estimates of time and usage by Habitat personnel and programs.

Advertising Expense

Total advertising expense for 2013 and 2012 was $4,607 and $11,061, respectively. These costs were expensed as incurred.

1. Summary of Significant Accounting Policies, Continued

Income Taxes

Habitat is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code under a group exemption letter granted to Habitat International and has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

Accounting Standards for Income Taxes require financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an enterprise's financial statements. Habitat individually evaluates its activities to determine that they are in compliance with its tax-exempt purposes. Habitat management does not believe it is engaged in any activities that would create uncertain tax positions. All tax periods prior to 2010 are no longer subject to examination.

Subsequent Events

Subsequent events have been evaluated by management through June 6, 2014, which is the date the financial statements were available to be issued.

2. CICF Endowment Fund

Habitat holds an endowment through the CICF (see Note 1). The principal amount will permanently remain with CICF, with investment income earned on the investment to be paid back to Habitat. The maximum amount that Habitat may withdraw in a year is 5% of the prior fund balance plus any carryover spendable amount. Future donations made to the endowment will continue to remain permanently with CICF, with income earned on those donations to be paid to Habitat as described above.

Habitat's endowment funds consist of donor-restricted contributions that were made to provide a source of income for operations. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of Habitat has interpreted the *State Prudent Management of Institutional Funds Act* (SPMIFA) as requiring the preservation of the purchasing power of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Habitat classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. In accordance with SPMIFA, Habitat considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of Habitat and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of Habitat
(7) The investment policies of Habitat.

2. CICF ENDOWMENT FUND, CONTINUED

Changes in endowment net assets for the years ended December 31:

2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 16,298	$ 32,048	$ 48,346
Investment income	-	6,219	-	6,219
Endowment net assets, end of year	$ -	$ 22,517	$ 32,048	$ 54,565

2012	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 11,709	$ 32,048	$ 43,757
Investment income	-	4,589	-	4,589
Endowment net assets, end of year	$ -	$ 16,298	$ 32,048	$ 48,346

RETURN OBJECTIVES AND RISK PARAMETERS

Habitat has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its Endowment while seeking to maintain the purchasing power of the endowment assets.

STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objectives, Habitat relies on a total return strategy administered by CICF in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). CICF targets a diversified asset allocation that places a greater emphasis on long-term growth and a reasonable return.

2. CICF Endowment Fund, Continued

Spending Policy and How the Investment Objectives Relate to Spending Policy

CICF has a policy that Habitat can disburse from the endowment up to 5% of the endowment's previous year fund balance for Habitat operating expenditures. This is consistent with Habitat's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through investment return.

3. Mortgage Loans Receivable

Mortgage loans receivable are non-interest bearing and have been discounted at a rate which approximates the average prevailing market rate for these loans at their inception. Discounts are amortized, using the effective interest method, over the lives of the mortgages at 4.5%.

Mortgage loans are secured by related real estate. Every effort is made to assist homeowners who have become delinquent in their mortgage payments. However, foreclosure proceedings may be initiated and/or Habitat may accept back the deed in lieu of foreclosure when homeowner mortgage payments are deemed seriously delinquent. Properties acquired through foreclosure or received by accepting a deed in lieu of foreclosure may be refurbished in partnership with and sold to other families in need of decent, affordable housing. Homes available for sale are stated at the lower of cost or market. Management estimates an allowance for doubtful mortgage receivables based on an evaluation of current economic conditions, historical trends, and past experience with homeowners.

Current mortgage amounts are based on 80% of the appraised value of each home. Mortgage amounts range from $35,000 to $85,000. Mortgage terms range from 20 to 30 years.

Second mortgages are placed on all Habitat homes. Second mortgages are made up of the difference between the appraised value of the home and the first mortgage amount. It is the policy of Habitat not to recognize the second mortgages in their accounting records. However, the second mortgages are reduced, on a pro rata basis, over the life of the first mortgage and will only be due on demand upon the sale of the home to which they relate.

The allowance for doubtful accounts is maintained at a level that, in management's judgment, is adequate to absorb credit losses inherent to the mortgages balance. The amount of the allowance is based on management's evaluation of the collectability of the mortgages, including the nature of the portfolio, trends in historical loss experience, specific impaired mortgages, economic conditions and other risks inherent in the mortgage portfolio. Allowances for impaired loans are generally determined based on estimated value of the home tied to the mortgage. The allowance for doubtful mortgages was $125,000 at December 31, 2013 and 2012. Management does not believe any of the mortgage loans receivable to be impaired as of December 31, 2013 and 2012.

3. Mortgage Loans Receivable, Continued

Mortgage loans receivable balances past due as of December 31 are as follows:

	1 – 60 Days Past Due	60 – 90 Days Past Due	+90 Days Past Due	Total
2013	$ 63,682	$ 5,081	$ 92,041	$ 160,804
2012	$ 29,577	$ 3,158	$ 71,194	$ 104,571

Mortgage loans receivable balances as of December 31 are as follows:

	2013	2012
Mortgage loans receivable	$ 11,336,989	$ 11,749,610
Less: mortgage discounts	(4,858,306)	(5,266,451)
allowance for doubtful accounts	(125,000)	(125,000)
Mortgage loans receivable, net	$ 6,353,683	$ 6,358,159

4. Sale of Mortgage Receivables and Mortgage Service Agreement Liability

During 2013, Habitat sold 21 mortgage loans. Under the terms of the transaction, Habitat received 100% of aggregate outstanding principal, fees, and other charges on the loans. In addition, Habitat agreed to provide the administration service on the loans sold through their corresponding maturity. In the event that a loan is delinquent by more than 60 days, Habitat will replace the nonperforming loan with a substitute loan. The proceeds of the sale were used to finance the purchase of a new corporate headquarters.

Habitat determines the fair value of the servicing obligation based on cash flow models that incorporate, among other things, assumptions including discount rates. See below. Accordingly, Habitat classifies the fair value portion of its mortgage service agreement liability as a nonrecurring Level 2 fair value measurement.

The following table summarizes data related to the sale of mortgage receivables for the year ended December 31, 2013:

Cash proceeds from sale	$ 995,883
Less: fair value of loans transferred	(687,638)
Less: loan servicing obligation	(186,315)
Gain recognized on sale	$ 121,930

The amount delinquent on the mortgage loans sold at December 31, 2013 was $727. There were no credit losses during 2013.

4. SALE OF MORTGAGE RECEIVABLES AND MORTGAGE SERVICE AGREEMENT LIABILITY, CONTINUED

Assumptions as of sale date:

Discount rate		4%
Weighted-average life of loans		22.16 years
Annual service cost per loan	$	610

Key assumptions used in measuring the fair value of mortgage service agreement liability and the sensitivity of the current fair value to immediate 10% and 20% changes at December 31, 2013 are as follows:

Discount rate	4%
Effect of:	
10% adverse change	$26,116
20% adverse change	$50,723
Annual service costs per loan	$610
Effect of:	
10% adverse change	$18,631
20% adverse change	$59,620

These sensitivities are hypothetical and should not be considered to be predictive of future performance. Changes in fair value generally cannot be extrapolated because the relationship of change in assumption to change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated independently from any change in another assumption. In reality, changes in one factor may contribute to changes in another, which may magnify or counteract the sensitivities.

MORTGAGE SERVICING LIABILITY

Future servicing liabilities are as follows at December 31:

Less than one year	$	12,810
One to five years		64,050
More than five years		213,500
Total mortgage service guarantees		290,360
Less discounts to present value (4%)		(104,045)
Net mortgage service guarantees	$	186,315

5. Escrow Liability

At December 31, 2013 and 2012, Habitat maintained a bank account at a financial institution holding escrow payments for taxes and insurance made on behalf of homeowners. The account has been included in cash limited as to use and timing and a corresponding escrow balance of $72,987 and $72,139 has been recorded as a liability in the statements of financial position as of December 31, 2013 and 2012, respectively.

6. Bank Line of Credit

Habitat has a line of credit with a financial institution. The maximum amount available under the line of credit is $250,000. Borrowings bear interest at the prime rate (3.25% at December 31, 2013 and 2012) determined by the bank and are secured by substantially all cash balances of Habitat. As of December 31, 2013 and 2012, Habitat has not drawn on the line of credit.

7. Operating Leases

Habitat leases office equipment under three operating leases which expire between August 2014 and December 2016. Habitat also leases office space in Hendricks County and ReStore Warehouse space under operating leases that expire in April 2014. Monthly payments under these leases total $4,066.

Total lease expense included in the statements of activities was $38,096 and $38,357 for the years ended December 31, 2013 and 2012, respectively.

Future minimum lease commitments under operating leases are as follows for the years ending December 31:

2014	$	31,693
2015		14,295
2016		13,195
	$	59,183

8. Retirement Plan

Habitat provides a simple IRA plan to eligible full time employees. Habitat contributes 2% of annual compensation of each participant in the plan. Total employer contributions for the years ended 2013 and 2012 were $16,760 and $18,508, respectively.

9. Related Party Transactions

Habitat remits annually a portion of its contributions to Habitat International. These funds are used to construct homes in economically depressed areas around the world. Habitat contributed $60,715 and $63,433 in 2013 and 2012, respectively. Such amounts are included in home construction expenses in the statement of activities.

10. Reclassification

Certain balances in the prior year financial statements have been retroactively reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications had no impact on net assets.

11. Acquisition

On March 31, 2013, Habitat for Humanity of Greater Indianapolis (Habitat) acquired the assets of Habitat for Humanity of Hendricks County, an affiliated organization. Subject to the agreement, Habitat for Humanity of Hendricks County transferred all assets except for $100 in cash, to Habitat, which was used for closing expenses for dissolution.

As a result of the acquisition, Habitat assumes the responsibilities of providing home ownership opportunities, resources and training throughout Hendricks County, Indiana. The acquisition created new opportunities within Hendricks County, enabling Habitat to provide services with greater efficiency and economies of scale.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the acquisition date:

Assets		
Cash	$	7,319
Investments		25,522
Mortgages receivable		194,169
Construction inventory		6,843
Property and equipment		3,311
Total assets	$	237,164
Liabilities		
Accrued expenses	$	3,073
Net Assets		
Unrestricted net assets		234,091
Total liabilities and net assets	$	237,164

The fair value of the financial assets acquired includes 4 mortgage receivables with a fair value of $194,169.

The net impact of this acquisition has been reported in the statement of activities as a contribution.

PH 317 241 2999
FAX 317 240 4485

GREENWALT CPAs

Greenwalt CPAs, Inc.
5342 W. Vermont Street
Indianapolis, IN 46224
www.greenwaltcpas.com

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

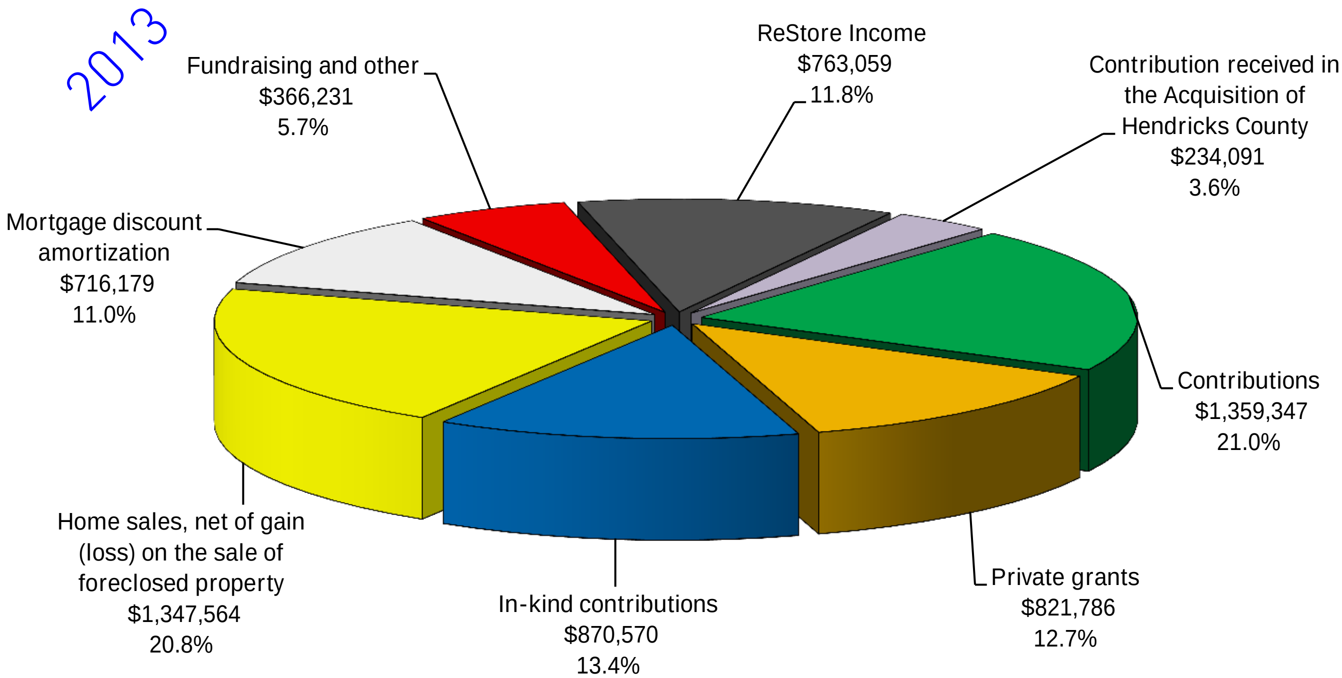
To the Board of Directors of
Habitat for Humanity of Greater Indianapolis, Inc.:

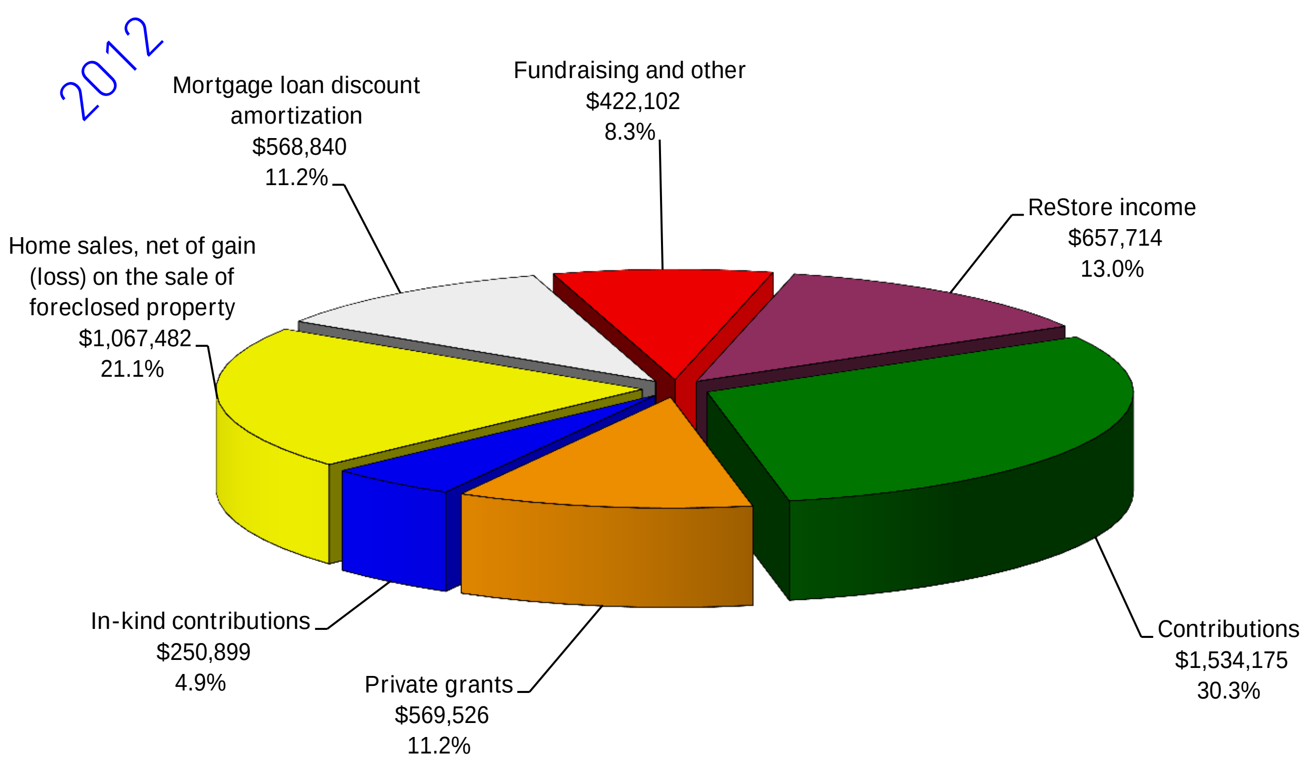
We have audited the financial statements of Habitat for Humanity of Greater Indianapolis, Inc. as of and for the years ended December 31, 2013 and 2012, and our report thereon dated June 6, 2014, which expressed an unmodified opinion on those financial statements, appears on page one. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information shown in Exhibits I and II is presented for the purpose 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 records 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.

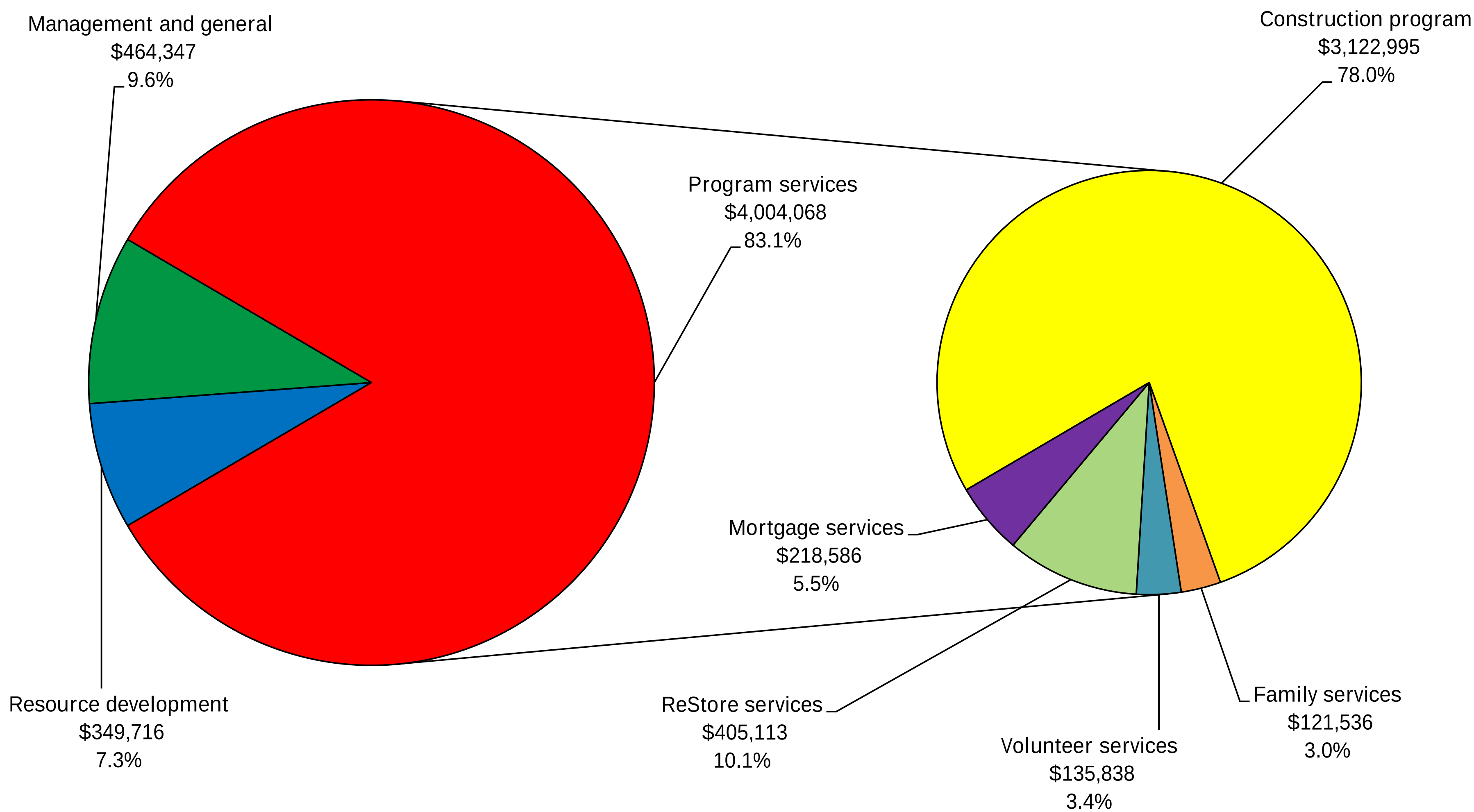
The information presented in Exhibit III has not been subjected to the same auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion or provide any assurance on it.

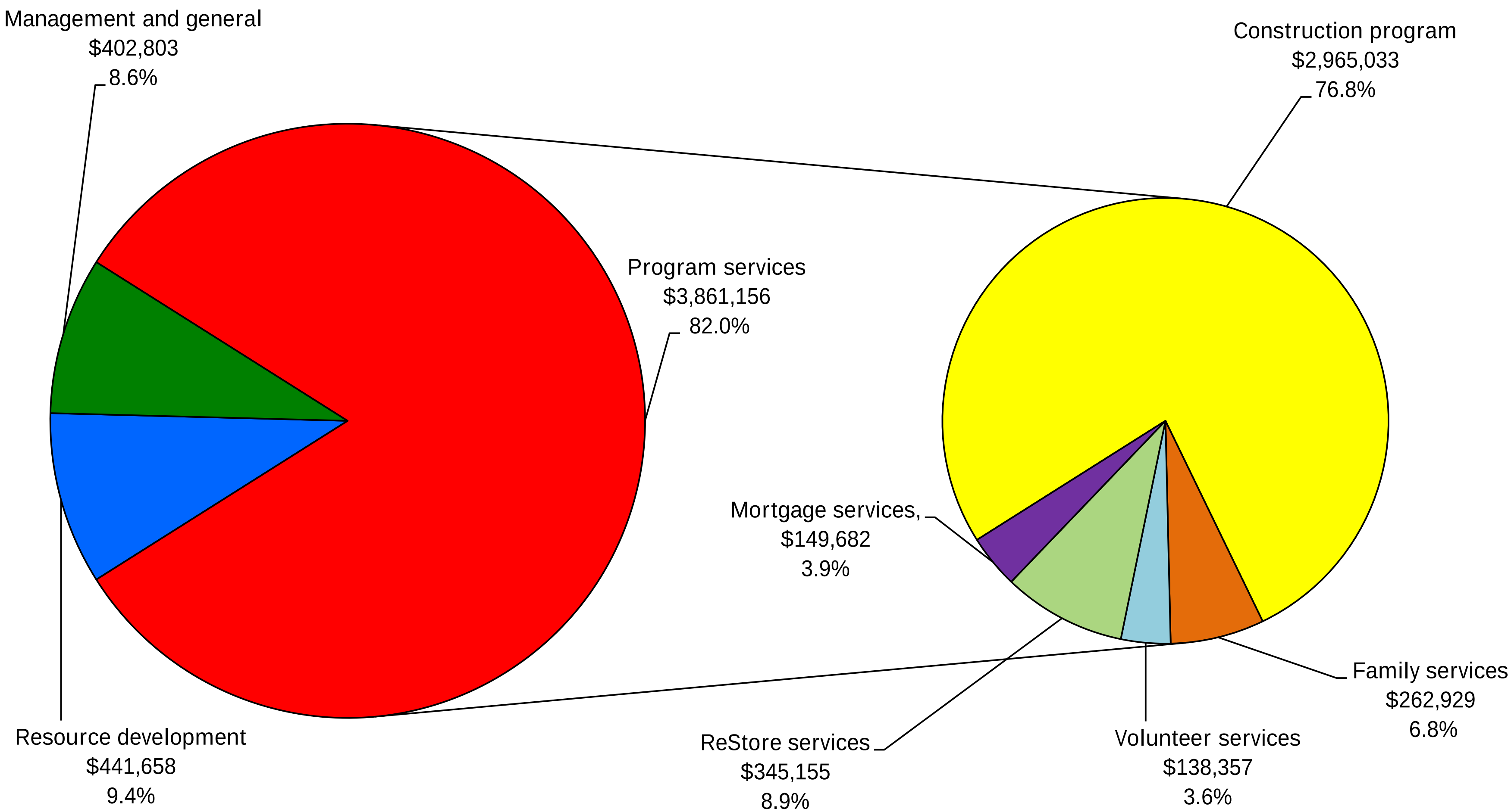
Greenwalt CPAs, Inc.

June 6, 2014


2013
Fundraising and other
$366,231
5.7%
ReStore Income
$763,059
11.8%
Contribution received in
the Acquisition of
Hendricks County
$234,091
3.6%
Mortgage discount
amortization
$716,179
11.0%
Contributions
$1,359,347
21.0%
Home sales, net of gain
(loss) on the sale of
foreclosed property
$1,347,564
20.8%
In-kind contributions
$870,570
13.4%
Private grants
$821,786
12.7%


2012
Mortgage loan discount
amortization
$568,840
11.2%
Fundraising and other
$422,102
8.3%
ReStore income
$657,714
13.0%
Home sales, net of gain
(loss) on the sale of
foreclosed property
$1,067,482
21.1%
In-kind contributions
$250,899
4.9%
Private grants
$569,526
11.2%
Contributions
$1,534,175
30.3%


Management and general
$464,347
9.6%
Construction program
$3,122,995
78.0%
Program services
$4,004,068
83.1%
Mortgage services
$218,586
5.5%
Resource development
$349,716
7.3%
ReStore services
$405,113
10.1%
Family services
$121,536
3.0%
Volunteer services
$135,838
3.4%


Management and general
$402,803
8.6%
Program services
$3,861,156
82.0%
Resource development
$441,658
9.4%
Construction program
$2,965,033
76.8%
Mortgage services,
$149,682
3.9%
ReStore services
$345,155
8.9%
Volunteer services
$138,357
3.6%
Family services
$262,929
6.8%

NUMBER OF HOUSES BUILT AND RECYCLED (UNAUDITED)

FOR THE TEN YEARS ENDED DECEMBER 31, 2013

Exhibit III