HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

DECEMBER 31, 2015 AND 2014

GREENWALT CPAs

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GREENWALT CPAs

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, 2015 and 2014, 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 fraud or error.

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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, 2015 and 2014, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Greenwalt CPAs, Inc.

June 7, 2016

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
ASSETS		
Unrestricted cash	$ 1,242,707	$ 965,484
Cash limited as to use and timing	345,524	354,459
Total cash	1,588,231	1,319,943
Grants, sponsorships, and other receivables	586,347	378,584
Mortgage loans receivable, net	7,246,005	6,901,525
Inventory	155,691	117,281
Prepayments	14,897	13,514
Construction in progress	224,413	162,367
Homes available for resale	64,182	278,403
Land available for future builds	116,178	67,233
Property and equipment, net	2,847,071	2,703,141
CICF Endowment Fund	56,001	57,582
Total assets	$ 12,899,016	$ 11,999,573
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 212,567	$ 180,435
Current portion of mortgage service agreement	15,860	12,810
Current portion of notes payable	45,732	16,183
Accrued expenses	69,307	112,808
Escrow liability, net	129,506	110,422
Total current liabilities	472,972	432,658
LONG - TERM LIABILITIES		
Mortgage service agreement, net - long term	206,061	167,846
Notes payable, net - long term	591,625	555,317
Total long-term liabilities	797,686	723,163
Total liabilities	1,270,658	1,155,821
COMMITMENTS (NOTES 4 AND 8)		
NET ASSETS		
Unrestricted	11,251,304	10,669,088
Temporarily restricted	345,006	142,616
Permanently restricted	32,048	32,048
Total net assets	11,628,358	10,843,752
Total net assets and liabilities	$ 12,899,016	$ 11,999,573

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014

	2015				2014
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUES, GAINS, AND OTHER SUPPORT					
Contributions	$ 1,640,583	$ 221,053	$ -	$ 1,861,636	$ 1,498,194
Private grants	520,133	100,000	-	620,133	696,553
In-kind contributions	545,622	-	-	545,622	787,919
Home sales	1,410,635	-	-	1,410,635	1,862,392
Mortgage loan discount amortization	512,528	-	-	512,528	529,923
Fundraising events	166,320	-	-	166,320	198,438
ReStore income	1,431,673	-	-	1,431,673	1,036,439
Investment income (loss)	1,182	(1,581)	-	(399)	3,994
Loss from sale of stock	(366)	-	-	(366)	(96)
Gain (loss) on disposal of vacant lots	2,691	-	-	2,691	(102,250)
Gail on sale of mortgages	32,942	-	-	32,942	-
Loss on disposal of property and equipment	(3,372)	-	-	(3,372)	(2,527)
Other income, net	67,711	-	-	67,711	47,457
Net assets released from restrictions	117,082	(117,082)	-	-	-
Total revenues, gains, and other support	6,445,364	202,390	-	6,647,754	6,556,436
EXPENSES					
Construction program	3,401,471	-	-	3,401,471	3,982,466
Family services	191,039	-	-	191,039	141,739
Volunteer services	215,378	-	-	215,378	172,935
Mortgage services	248,530	-	-	248,530	254,697
ReStore services	948,153	-	-	948,153	697,540
Total program services	5,004,571	-	-	5,004,571	5,249,377
Resource development	552,967	-	-	552,967	434,821
Management and general	305,610	-	-	305,610	445,858
Total expenses	5,863,148	-	-	5,863,148	6,130,056
CHANGE IN NET ASSETS	582,216	202,390	-	784,606	426,380
NET ASSETS, BEGINNING OF YEAR	10,669,088	142,616	32,048	10,843,752	10,417,372
NET ASSETS, END OF YEAR	$ 11,251,304	$ 345,006	$ 32,048	$ 11,628,358	$ 10,843,752

See accompanying notes to financial statements.

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	2014 Total
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	$ 1,465,599	$ 32,595	$ -	$ 1,498,194
Private grants	689,053	7,500	-	696,553
In-kind contributions	787,919	-	-	787,919
Home sales	1,862,392	-	-	1,862,392
Mortgage loan discount amortization	529,923	-	-	529,923
Fundraising events	198,438	-	-	198,438
ReStore income	1,036,439	-	-	1,036,439
Investment income	977	3,017	-	3,994
Loss from sale of stock	(96)	-	-	(96)
Loss on disposal of vacant lots	(102,250)	-	-	(102,250)
Loss on disposal of property and equipment	(2,527)	-	-	(2,527)
Other income, net	47,457	-	-	47,457
Net assets released from restrictions	86,200	(86,200)	-	-
Total revenues, gains, and other support	6,599,524	(43,088)	-	6,556,436
EXPENSES				
Construction program	3,982,466	-	-	3,982,466
Family services	141,739	-	-	141,739
Volunteer services	172,935	-	-	172,935
Mortgage services	254,697	-	-	254,697
ReStore services	697,540	-	-	697,540
Total program services	5,249,377	-	-	5,249,377
Resource development	434,821	-	-	434,821
Management and general	445,858	-	-	445,858
Total expenses	6,130,056	-	-	6,130,056
CHANGE IN NET ASSETS	469,468	(43,088)	-	426,380
NET ASSETS, BEGINNING OF YEAR	10,199,620	185,704	32,048	10,417,372
NET ASSETS, END OF YEAR	$ 10,669,088	$ 142,616	$ 32,048	$ 10,843,752

CHANGE IN CASH

	2015	2014
CHANGE IN NET ASSETS	$ 784,606	$ 426,380
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Loss on the sale of stock	366	96
Gain on sale of mortgages	(32,942)	-
(Gain) loss on the disposal of vacant lots	(2,691)	102,250
Loss on disposal of property and equipment	3,372	2,527
Depreciation	131,772	98,770
Mortgage discount expense	559,901	717,330
Amortization of discount on mortgage loans receivable	(512,528)	(529,923)
Bad debt expense	-	80,000
Donated housing supplies and property	(545,622)	(787,919)
(Increase) decrease in operating assets:		
Grants, sponsorships, and other receivables	(207,763)	67,925
Inventory	1,974	(5,304)
Prepayments	(1,383)	1,675
Increase (decrease) in operating liabilities:		
Accounts payable	32,132	50,332
Accrued expenses	(43,501)	28,818
Mortgage service agreement	41,265	(5,659)
Escrow liability	19,084	37,435
Total adjustments	(556,564)	(141,647)
Net cash provided by operating activities	228,042	284,733
CASH FLOWS FROM INVESTING ACTIVITIES		
Collections of mortgage loans receivable	767,515	722,539
Purchases of property and equipment	(194,074)	(218,406)
Proceeds from sale of vacant lots	24,043	-
Purchase of vacant lots	(43,289)	(35,533)
Construction in progress additions	(709,419)	(688,217)
Net cash used in investing activities	(155,224)	(219,617)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the sale of mortgages	214,613	-
Payments on notes payable	(19,143)	-
Net cash used in financing activities	195,470	-
NET CHANGE IN CASH	268,288	65,116
CASH, BEGINNING OF YEAR	1,319,943	1,254,827
CASH, END OF YEAR	$ 1,588,231	$ 1,319,943
NONCASH ACTIVITIES		
Donated ReStore inventory	$ 40,384	$ 86,370
Donated vacant lots	$ 76,200	$ 148,000
Building acquired through note payable	$ 85,000	$ 571,500

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 Use of 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:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2015				
CICF Endowment Fund	$ 56,001	$ -	$ 56,001	$ -
Mortgage service agreement liability	221,921	-	221,921	-
2014				
CICF Endowment Fund	$ 57,582	$ -	$ 57,582	$ -
Mortgage service agreement liability	180,656	-	180,656	-

The fair value of 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 were no changes in the methods used to determine fair value during 2015. See Note 2.

Cash

Habitat maintains cash balances at commercial banks. At December 31, 2015, Habitat maintained balances in excess of the Federal Deposit Insurance Corporation (FDIC) limit of $250,000.

1. Summary of Significant Accounting Policies, Continued

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:

	2015	2014
Land	$ 529,850	$ 529,850
Buildings, warehouse, and improvements	2,473,573	2,328,999
Construction equipment	75,455	62,869
Office equipment	199,992	170,849
Vehicles	255,500	185,302
	3,534,370	3,277,869
Accumulated depreciation	(687,299)	(574,728)
	$ 2,847,071	$ 2,703,141

Inventory

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

Inventory also consists of donated items for sale at Habitat's ReStores. ReStore inventory is valued based on an average month of ReStore sales.

Inventory consisted of the following at December 31:

	2015	2014
Construction materials and supplies	$ 26,330	$ 30,911
ReStore inventory	129,361	86,370
	$ 155,691	$ 117,281

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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:

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:

	2015	2014
Household sponsorships	$ 321,053	$ 115,095
Service Learning Partnership	-	1,987
Endowment assets available for expenditure	23,953	25,534
	$ 345,006	$ 142,616

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, 2015 and 2014. See Note 2.

1. Summary of Significant Accounting Policies, Continued

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.

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 2015 and 2014 was $20,717 and $18,933, 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. All tax periods prior to 2012 are no longer subject to examination.

Subsequent Events

Subsequent events have been evaluated by management through June 7, 2016, 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:

2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 25,534	$ 32,048	$ 57,582
Investment loss	-	(1,581)	-	(1,581)
Endowment net assets, end of year	$ -	$ 23,593	$ 32,048	$ 56,001

2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 22,517	$ 32,048	$ 54,565
Investment income	-	3,017	-	3,017
Endowment net assets, end of year	$ -	$ 25,534	$ 32,048	$ 57,582

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.

New mortgage loans are based on 80% of the appraised value of each home. Original mortgages range from $35,000 to $96,000. 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, 2015 and 2014.

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
2015	$ 32,282	$ 6,902	$ 29,417	$ 68,601
2014	$ 133,125	$ 2,352	$ 25,639	$ 161,116

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

	2015	2014
Mortgage loans receivable	$ 12,384,301	$ 12,072,239
Less: mortgage discounts	(5,013,296)	(5,045,714)
allowance for doubtful accounts	(125,000)	(125,000)
Mortgage loans receivable, net	$ 7,246,005	$ 6,901,525

4. Sale of Mortgage Receivables and Mortgage Service Agreement Liability

At times, Habitat will sell certain mortgage loans receivable to banks. Habitat receives from the bank proceeds for the aggregate principal balance of the mortgage loans receivable sold and recognizes a liability amount to the bank for the present value of the servicing costs over the life of the loan. Habitat then administers these loans through their original maturities on behalf of the respective bank. In the event that a loan is delinquent by more than 60 days, Habitat will replace the nonperforming loan with a substitute loan.

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 Level 2 fair value measurement.

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

	2015	2013
Cash proceeds from sale	$ 214,613	$ 995,883
Less: fair value of loans transferred	(134,823)	(687,638)
Less: loan servicing obligation	(46,848)	(186,315)
Gain recognized on sale	$ 32,942	$ 121,930

There were no delinquencies on the mortgage loans sold at December 31, 2015 and 2014. There were no credit losses during 2015 or 2014.

4. Sale of Mortgage Receivables and Mortgage Service Agreement Liability, Continued

Assumptions as of sale date:

	2015	2013
Discount rate	4%	4%
Weighted-average life of loans	24.11 years	22.16 years
Annual service cost per loan	$ 610	$ 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 are as follows:

	2015	2013
Discount rate	4%	4%
Effect of:		
10% adverse change	$8,118	$26,116
20% adverse change	$15,695	$50,723
Annual service costs per loan	$610	$610
Effect of:		
10% adverse change	$22,107	$18,631
20% adverse change	$44,211	$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.

4. Sale of Mortgage Receivables and Mortgage Service Agreement Liability, Continued

Mortgage Servicing Liability

Future servicing liabilities are as follows at December 31:

	2015	2014
Less than one year	$ 15,860	$ 12,810
One to five years	79,300	64,050
More than five years	240,950	200,389
Total mortgage service guarantees	336,110	277,249
Less discounts to present value (4%)	(114,189)	(96,593)
Net mortgage service guarantees	$ 221,921	$ 180,656

5. Escrow Liability

At December 31, 2015 and 2014, 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 $129,506 and $110,422 has been recorded as a liability in the statements of financial position as of December 31, 2015 and 2014, respectively.

6. Notes Payable

Notes payable consist of the following at December 31:

	2015	2014
Installment note, payable $4,087 per month plus interest at 3.49% through June 2020, secured by building and land	$ 556,119	$ 571,500
Installment note, payable $1,605 per month plus interest at 4.95% through September 2020, secured by building and land.	81,238	-
	637,357	571,500
Less – current portion	(45,732)	(16,183)
Long-term portion	$ 591,625	$ 555,317

6. NOTES PAYABLE, CONTINUED

Maturities of the notes payable are as follows for the years ending December 31:

2016	$	45,732
2017		47,590
2018		49,527
2019		51,545
2020		442,963
	$	637,357

The installment note requires Habitat to maintain specified financial covenants. At December 31, 2015, Habitat was in compliance with these covenants or had received a waiver.

7. 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 (3.50% at December 31, 2015 and 2014) determined by the bank and are secured by substantially all cash balances of Habitat. At December 31, 2015 and 2014, Habitat had no amounts outstanding on the line of credit.

8. OPERATING LEASES

Habitat leases Hendricks barn storage and ReStore warehouse space on a month to month basis. Monthly payments under these leases total $1,050. Habitat leases various office equipment under operating leases which expire at various dates through January 2019. Monthly payments under these leases total $3,275.

Total lease expense included in the statements of activities was $50,729 and $49,269 for the years ended December 31, 2015 and 2014, respectively.

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

2016	$	38,198
2017		15,865
2018		2,682
	$	56,745

9. 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 2015 and 2014 were $26,229 and $20,072, respectively.

10. 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 $84,575 and $66,400 in 2015 and 2014, respectively. Such amounts are included in home construction expenses in the statement of activities.

During 2015 and 2014, Habitat paid $25,000 of annual affiliate fees to Habitat International.

Total amounts payable to Habitat for Humanity International as of December 31, 2015 and 2014 were $84,575 and $67,500, respectively.

11. Reclassifications

Certain items in the 2014 financial statements have been reclassified to conform to the December 31, 2015 presentation. These reclassifications had no effect on the net assets as of December 31, 2014.

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GREENWALT CPAs

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

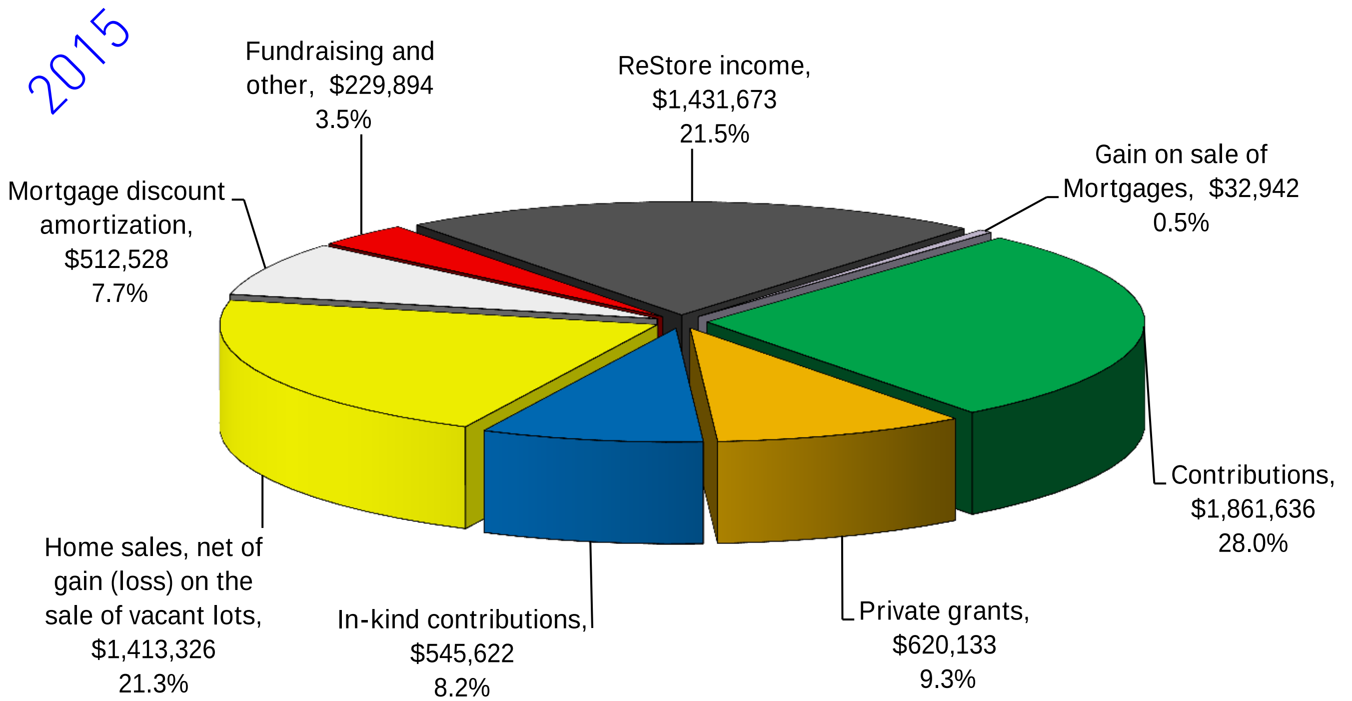
To the Board of Directors of
Habitat for Humanity of Greater Indianapolis, Inc.:

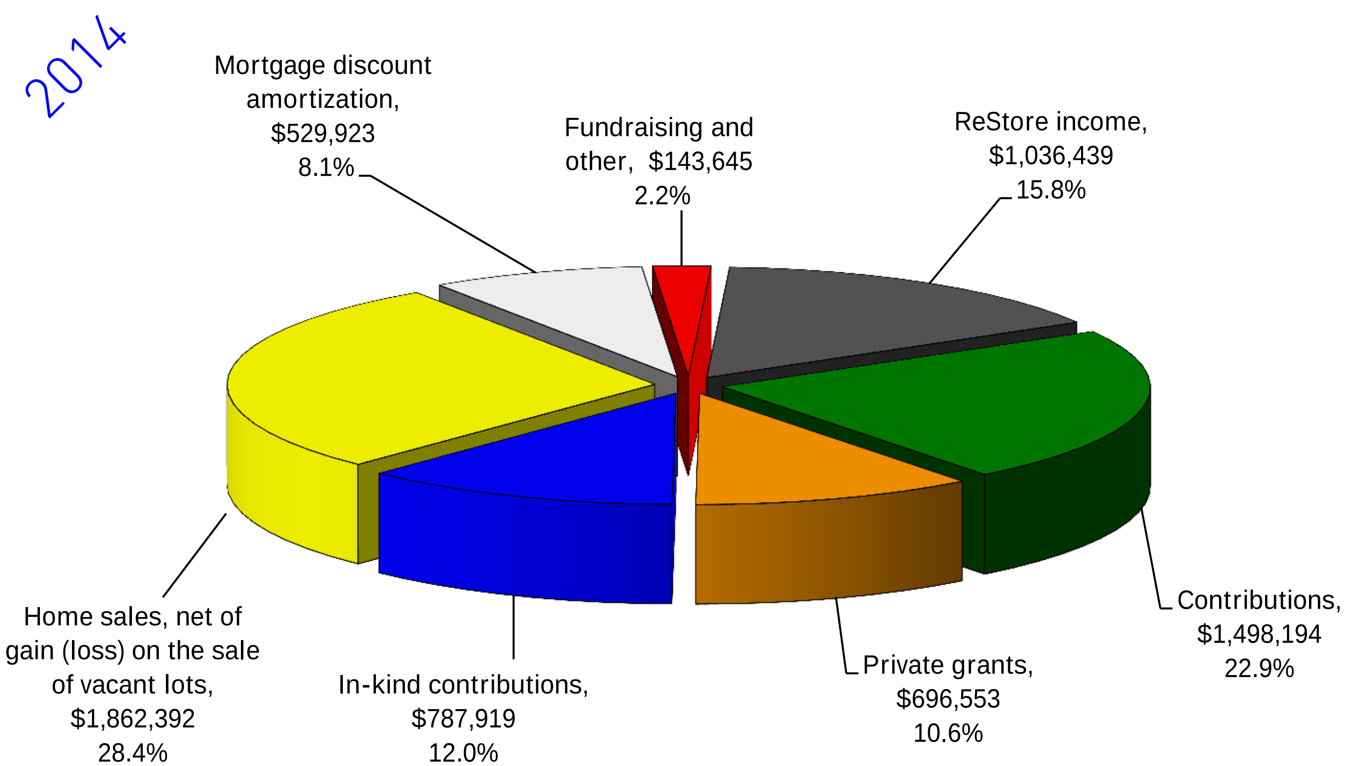
We have audited the financial statements of Habitat for Humanity of Greater Indianapolis, Inc. as of and for the years ended December 31, 2015 and 2014, and our report thereon dated June 7, 2016, which expressed an unmodified opinion on those financial statements, appears on page one. Our audits were 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.

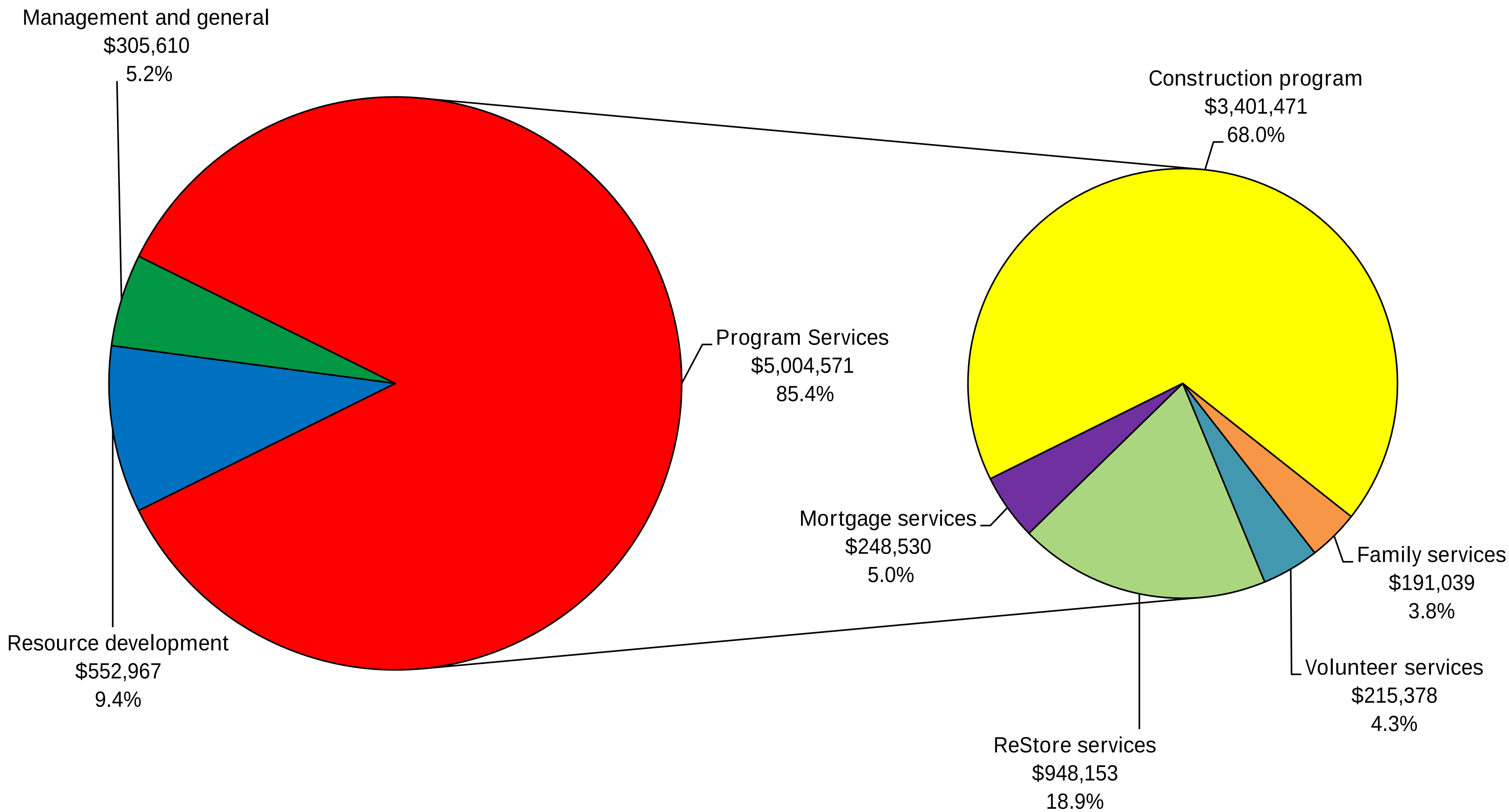
The information presented in Exhibit III has not been subjected to the same auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion or provide any assurance on it.

Greenwalt CPAs, Inc.

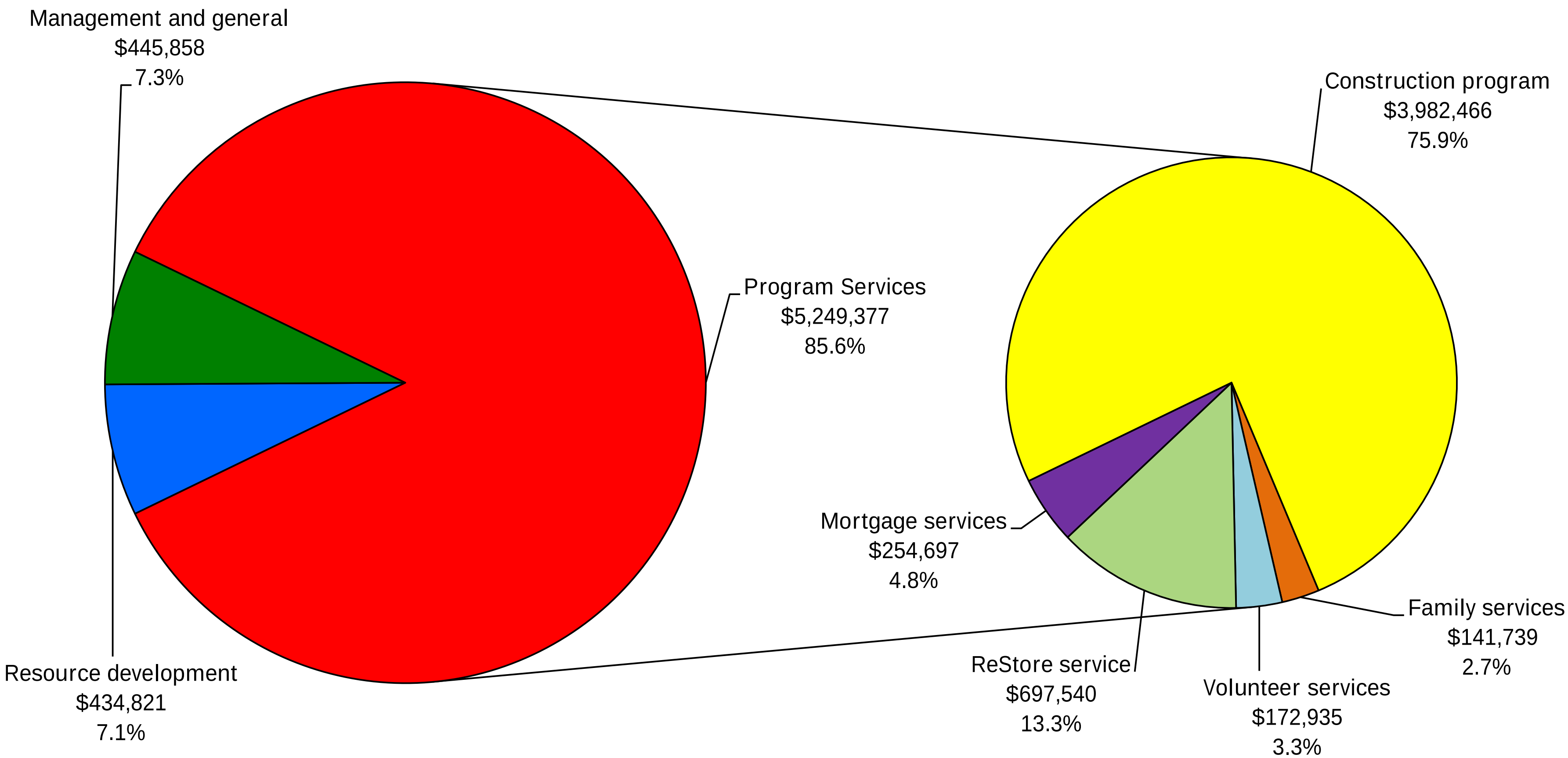
June 7, 2016


2015
Fundraising and other, $229,894 3.5%
ReStore income, $1,431,673 21.5%
Gain on sale of Mortgages, $32,942 0.5%
Mortgage discount amortization, $512,528 7.7%
Contributions, $1,861,636 28.0%
Home sales, net of gain (loss) on the sale of vacant lots, $1,413,326 21.3%
In-kind contributions, $545,622 8.2%
Private grants, $620,133 9.3%


2014
Mortgage discount amortization, $529,923 8.1%
Fundraising and other, $143,645 2.2%
ReStore income, $1,036,439 15.8%
Contributions, $1,498,194 22.9%
Home sales, net of gain (loss) on the sale of vacant lots, $1,862,392 28.4%
In-kind contributions, $787,919 12.0%
Private grants, $696,553 10.6%



Management and general
$305,610
5.2%
Program Services
$5,004,571
85.4%
Resource development
$552,967
9.4%
Construction program
$3,401,471
68.0%
Mortgage services
$248,530
5.0%
Family services
$191,039
3.8%
Volunteer services
$215,378
4.3%
ReStore services
$948,153
18.9%


Management and general
$445,858
7.3%
Program Services
$5,249,377
85.6%
Resource development
$434,821
7.1%
Construction program
$3,982,466
75.9%
Mortgage services
$254,697
4.8%
ReStore service
$697,540
13.3%
Volunteer services
$172,935
3.3%
Family services
$141,739
2.7%

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.
NUMBER OF HOUSES BUILT AND RECYCLED (UNAUDITED)
FOR THE TEN YEARS ENDED DECEMBER 31, 2015

Exhibit III