

**HABITAT FOR HUMANITY
OF GREATER INDIANAPOLIS, INC.**

FINANCIAL REPORT

December 31, 2019



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Habitat for Humanity of Greater Indianapolis, Inc.
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity of Greater Indianapolis, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2019 and 2018, the related statements of activities, functional expenses 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.

Auditor's 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 audit 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 auditor's 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 accounting 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.

INDEPENDENT AUDITOR'S REPORT - continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2019 and 2018, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Pile CPAs

Indianapolis, Indiana

May 19, 2020

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
<u>ASSETS</u>		
Unrestricted cash	\$ 2,317,437	\$ 3,358,568
Cash limited as to use and timing	500,301	525,501
TOTAL CASH	<u>2,817,738</u>	<u>3,884,069</u>
Grants, sponsorships, and other receivables	1,311,048	675,477
Mortgage loans receivable, net	10,320,788	9,404,313
Inventory	248,052	211,814
Prepayments	93,065	121,163
Construction in progress	187,677	97,727
Land and homes available for resale and future builds	584,025	89,629
Property and equipment, net	3,852,650	2,822,507
Beneficial interest in assets held by others	83,837	74,058
	<u>\$ 19,498,880</u>	<u>\$ 17,380,757</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES</u>		
Mortgage service agreement, current portion	\$ 31,607	\$ 10,491
Notes payable, current portion	465,160	51,545
Accounts payable	380,787	306,550
Accrued expenses and other liabilities	110,247	118,184
Escrow liability, net	169,832	160,833
Deferred revenue	194,605	25,619
TOTAL CURRENT LIABILITIES	<u>1,352,238</u>	<u>673,222</u>
<u>LONG-TERM LIABILITIES</u>		
Mortgage service agreement, less current portion	254,692	260,972
Notes payable, less current portion	859,140	444,005
	<u>1,113,832</u>	<u>704,977</u>
<u>NET ASSETS</u>		
Without donor restrictions	16,730,295	15,328,403
With donor restrictions		
Time restrictions	260,467	632,107
Perpetual in nature	42,048	42,048
	<u>302,515</u>	<u>674,155</u>
TOTAL NET ASSETS	<u>17,032,810</u>	<u>16,002,558</u>
TOTAL NET ASSETS AND LIABILITIES	<u>\$ 19,498,880</u>	<u>\$ 17,380,757</u>

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

STATEMENTS OF ACTIVITIES

Year ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>REVENUES AND SUPPORT</u>			
Contributions	\$ 2,354,252	\$ 155,043	\$ 2,509,295
Private grants	1,216,448	-	1,216,448
In-kind contributions	897,501	-	897,501
Panel builds	182,076	15,000	197,076
	<u>4,650,277</u>	<u>170,043</u>	<u>4,820,320</u>
Home sales	2,472,308	-	2,472,308
ReStore income	2,470,812	-	2,470,812
	<u>4,943,120</u>	<u>-</u>	<u>4,943,120</u>
Mortgage loan discount amortization	622,112	-	622,112
Investment income gain (loss)	(8,225)	9,779	1,554
Gain on sale of mortgages	64,937	-	64,937
Other income, net	112,658	-	112,658
Gain on unification of Hamilton County	297,015	-	297,015
Net assets released from restrictions	551,462	(551,462)	-
	<u>1,639,959</u>	<u>(541,683)</u>	<u>1,098,276</u>
TOTAL SUPPORT AND REVENUE	<u>11,233,356</u>	<u>(371,640)</u>	<u>10,861,716</u>
<u>EXPENSES</u>			
Program services	8,578,197	-	8,578,197
Supporting activities	1,253,267	-	1,253,267
TOTAL EXPENSES	<u>9,831,464</u>	<u>-</u>	<u>9,831,464</u>
CHANGE IN NET ASSETS	1,401,892	(371,640)	1,030,252
<u>NET ASSETS</u>			
Beginning of year	<u>15,328,403</u>	<u>674,155</u>	<u>16,002,558</u>
End of year	<u>\$ 16,730,295</u>	<u>\$ 302,515</u>	<u>\$ 17,032,810</u>

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

STATEMENTS OF ACTIVITIES - continued

Year ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>REVENUES AND SUPPORT</u>			
Contributions	\$ 2,401,463	\$ 361,371	\$ 2,762,834
Private grants	749,620	-	749,620
In-kind contributions	554,370	-	554,370
Panel builds	286,729	60,000	346,729
	<u>3,992,182</u>	<u>421,371</u>	<u>4,413,553</u>
Home sales	2,412,550	-	2,412,550
ReStore income	2,126,788	-	2,126,788
	<u>4,539,338</u>	<u>-</u>	<u>4,539,338</u>
Mortgage loan discount amortization	552,057	-	552,057
Investment income gain (loss)	4,594	(2,911)	1,683
Gain on sale of mortgages	-	-	-
Other income, net	178,494	-	178,494
Gain on unification of Hamilton County	-	-	-
Net assets released from restrictions	503,293	(503,293)	-
	<u>1,238,438</u>	<u>(506,204)</u>	<u>732,234</u>
TOTAL SUPPORT AND REVENUE	<u>9,769,958</u>	<u>(84,833)</u>	<u>9,685,125</u>
<u>EXPENSES</u>			
Program services	7,574,727	-	7,574,727
Supporting activities	1,016,830	-	1,016,830
TOTAL EXPENSES	<u>8,591,557</u>	<u>-</u>	<u>8,591,557</u>
CHANGE IN NET ASSETS	1,178,401	(84,833)	1,093,568
<u>NET ASSETS</u>			
Beginning of year	<u>14,150,002</u>	<u>758,988</u>	<u>14,908,990</u>
End of year	<u>\$ 15,328,403</u>	<u>\$ 674,155</u>	<u>\$ 16,002,558</u>

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended December 31, 2019

	Program Services					Supporting Activities				
	Construction Program	Home-ownership Services	Volunteer Services	Home Repairs	ReStore Services	Total Program	Fundraising Resource Development	Mgmt. and General	Total Supporting	Total
Costs of homes	\$ 2,311,913	\$ -	\$ -	\$ -	\$ -	\$ 2,311,913	\$ -	\$ -	\$ -	\$ 2,311,913
Mortgage discount	1,063,247	-	-	-	-	1,063,247	-	-	-	1,063,247
Salaries and wages	472,198	248,911	130,497	186,819	1,229,692	2,268,117	443,010	225,729	668,739	2,936,856
Retirement	7,319	4,255	2,551	2,367	8,095	24,587	8,016	3,507	11,523	36,110
Travel, seminars, and meetings	7,062	5,028	3,704	931	35,608	52,333	12,148	17,132	29,280	81,613
Maintenance and utilities	64,680	1,365	-	2,297	174,172	242,514	-	41,900	41,900	284,414
Telephone and communications	10,236	6,438	4,790	5,253	32,077	58,794	12,233	5,736	17,969	76,763
Bank and credit card fees	-	25,746	-	-	53,117	78,863	18,278	3,627	21,905	100,768
Computer and technology	6,987	8,164	6,902	882	4,918	27,853	14,856	4,710	19,566	47,419
Advertising	-	17,895	-	-	20,026	37,921	3,600	-	3,600	41,521
Printing, publications, and postage	2,320	8,041	2,376	1,128	1,289	15,154	14,859	4,918	19,777	34,931
Fundraising and promotional events	-	5,672	-	-	3,141	8,813	197,027	-	197,027	205,840
Depreciation	107,878	-	-	-	72,444	180,322	-	31,620	31,620	211,942
Tithings to Habitat International	100,000	-	-	-	-	100,000	-	-	-	100,000
Professional fees	-	80	-	-	1,387	1,467	-	40,770	40,770	42,237
Indirect construction costs	211,077	-	36,697	9,085	4,621	261,480	18,014	1,425	19,439	280,919
Mortgage service expense	-	98,373	-	-	-	98,373	-	(6,070)	(6,070)	92,303
Interest	-	-	-	-	29,548	29,548	-	-	-	29,548
Contracted services	1,014	6,726	-	-	9,836	17,576	4,025	150	4,175	21,751
Miscellaneous	27,419	15,111	16,524	1,248	180,800	241,102	24,370	19,398	43,768	284,870
In-kind	643,231	-	-	-	31,560	674,791	-	900	900	675,691
Acquisition expense	-	-	-	-	1,356	1,356	-	30,125	30,125	31,481
Insurance	166,010	23,798	15,623	8,568	99,450	313,449	41,636	15,618	57,254	370,703
Repair expense	-	-	-	468,624	-	468,624	-	-	-	468,624
	<u>\$ 5,202,591</u>	<u>\$ 475,603</u>	<u>\$ 219,664</u>	<u>\$ 687,202</u>	<u>\$ 1,993,137</u>	<u>\$ 8,578,197</u>	<u>\$ 812,072</u>	<u>\$ 441,195</u>	<u>\$ 1,253,267</u>	<u>\$ 9,831,464</u>

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES - continued

Year ended December 31, 2018

	Program Services					Supporting Activities				
	Construction Program	Home-ownership Services	Volunteer Services	Home Repairs	ReStore Services	Total Program	Fundraising Resource Development	Mgmt. and General	Total Supporting	Total
Costs of homes	\$ 2,482,094	\$ -	\$ -	\$ -	\$ -	\$ 2,482,094	\$ -	\$ -	\$ -	\$ 2,482,094
Mortgage discount	974,515	-	-	-	-	974,515	-	-	-	974,515
Salaries and wages	406,281	235,056	129,782	192,226	974,371	1,937,716	398,076	203,900	601,976	2,539,692
Retirement	6,442	3,448	2,406	1,956	9,118	23,370	6,605	3,959	10,564	33,934
Travel, seminars, and meetings	1,242	4,464	2,746	124	34,016	42,592	7,826	29,277	37,103	79,695
Maintenance and utilities	61,607	-	-	5,754	112,536	179,897	-	48,909	48,909	228,806
Telephone and communications	11,131	6,376	5,852	5,507	17,196	46,062	10,211	6,146	16,357	62,419
Bank and credit card fees	-	18,736	-	-	35,162	53,898	11,397	3,869	15,266	69,164
Computer and technology	2,671	10,031	1,970	1,217	4,785	20,674	15,559	5,723	21,282	41,956
Advertising	-	14,050	-	-	15,686	29,736	3,600	-	3,600	33,336
Printing, publications, and postage	2,057	6,771	2,058	1,025	4,952	16,863	15,660	5,181	20,841	37,704
Fundraising and promotional events	-	3,708	-	-	2,475	6,183	110,314	-	110,314	116,497
Depreciation	92,875	-	-	-	66,383	159,258	-	29,338	29,338	188,596
Tithings to Habitat International	75,000	-	-	-	-	75,000	-	-	-	75,000
Professional fees	-	-	-	-	26,720	26,720	-	26,286	26,286	53,006
Indirect construction costs	280,730	-	14,140	23,546	1,658	320,074	16,721	860	17,581	337,655
Mortgage service expense	-	88,429	-	-	-	88,429	-	(10,088)	(10,088)	78,341
Interest	-	-	-	-	19,001	19,001	-	-	-	19,001
Contracted services	896	2,988	-	-	55,018	58,902	4,135	-	4,135	63,037
Miscellaneous	102,352	17,197	4,351	538	45,259	169,697	6,130	9,500	15,630	185,327
In-kind	498,562	-	-	-	-	498,562	-	-	-	498,562
Acquisition expense	-	-	-	-	-	-	-	-	-	-
Insurance	124,089	22,952	16,616	13,131	49,825	226,613	33,689	14,047	47,736	274,349
Repair expense	-	-	-	118,871	-	118,871	-	-	-	118,871
	<u>\$ 5,122,544</u>	<u>\$ 434,206</u>	<u>\$ 179,921</u>	<u>\$ 363,895</u>	<u>\$ 1,474,161</u>	<u>\$ 7,574,727</u>	<u>\$ 639,923</u>	<u>\$ 376,907</u>	<u>\$ 1,016,830</u>	<u>\$ 8,591,557</u>

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

STATEMENTS OF CASH FLOWS

Years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 1,030,252	\$ 1,093,568
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
(Gain) loss on disposal of property and equipment	-	929
(Gain) loss on sale of property	-	22,237
(Gain) loss on the sale of mortgages	(64,937)	-
Depreciation	211,942	188,596
Mortgage discount expense	1,063,247	974,515
Amortization of discount on mortgage loans receivable	(644,181)	(286,915)
Unrealized (gain) loss on beneficial interest	(9,779)	2,911
Donated housing supplies and property	(897,501)	(554,370)
(Increase) decrease in:		
Grants, sponsorships, and other receivables	(635,571)	485,852
Inventory	12,668	(7,039)
Prepayments	28,098	(107,735)
Increase (decrease) in:		
Accounts payable	74,237	(11,495)
Accrued expenses and other liabilities	161,049	21,102
Mortgage service agreement	14,836	(10,089)
Escrow liability	8,999	27,044
Net cash provided by operating activities	<u>353,359</u>	<u>1,839,111</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Collections of mortgage loans receivable	977,931	981,457
Purchases of property and equipment	(1,242,085)	(224,880)
Purchase of vacant lots	(474,696)	(224,356)
Construction in progress additions	<u>(1,704,334)</u>	<u>(2,007,976)</u>
Net cash (used in) investing activities	<u>(2,443,184)</u>	<u>(1,475,755)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Proceeds from the sale of mortgages	194,744	-
Proceeds from notes payable	880,000	-
Payments on notes payable	<u>(51,250)</u>	<u>(49,215)</u>
Net cash provided by (used in) financing activities	<u>1,023,494</u>	<u>(49,215)</u>
Increase (decrease) in cash and cash equivalents	(1,066,331)	314,141
<u>CASH AND CASH EQUIVALENTS</u>		
Beginning	<u>3,884,069</u>	<u>3,569,928</u>
Ending	<u>\$ 2,817,738</u>	<u>\$ 3,884,069</u>

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

STATEMENT OF CASH FLOWS - continued

Years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<u>SUPPLEMENTAL DISCLOSURE OF NON-CASH</u>		
<u>INVESTING AND FINANCING ACTIVITIES</u>		
Change in donated ReStore inventory	\$ 48,906	\$ 8,017
Donated vacant lots	175,900	20,300
Donated home and foreclosed homes available	142,166	17,828
Donated housing supplies	530,529	508,225
	<u>\$ 897,501</u>	<u>\$ 554,370</u>

See Notes to Financial Statements.

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Habitat for Humanity of Greater Indianapolis, Inc., d/b/a Greater Indy Habitat, (the "Organization") 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"). The Organization is a nondenominational Christian organization whose purpose is to collaborate 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. We envision a world where everyone has a decent place to live. The Organization operates throughout Marion, Hendricks, Hamilton and Hancock County.

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

A summary of the Organization's significant accounting policies is as follows:

A. Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting.

B. Basis of Presentation

These financial statements have been prepared to focus on the entity as a whole and to present transactions according to the existence or absence of donor-imposed restrictions in conformity with accounting principles generally accepted in the United States of America. This has been done by classification of fund transactions and balances into two categories of net assets:

Net Assets without donor restrictions: These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net Assets with Donor Restrictions: These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

C. Cash

The Organization maintains cash balances at two commercial banks. The Organization maintains its cash in banks accounts which, at times, may exceed federally insured limits. To date, there have been no losses on such accounts.

D. 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 the Organization's various ReStores. ReStore inventory is valued based on an average month of ReStore sales.

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - continued

E. 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.

The Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying value may not be fully recoverable. If impairment is present, the carrying value of the impaired asset is reduced to its fair value. During the years ended December 31, 2019 and 2018, there was no impairment loss recognized on long-lived assets.

F. Support and Revenue

The Organization 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 net assets without donor restriction support by the Organization.

G. 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, the Organization receives in-kind contributions, primarily construction materials and parcels of land, from various donors. It is the policy of the Organization 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 the Organization's program services. While the Organization does not have a method to value volunteers' time on an hourly basis, it has reflected the increased value of installed materials versus uninstalled materials as an in-kind contribution.

H. Fundraising Activities

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

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - continued

I. Advertising Expense

Advertising costs are expensed as incurred. Advertising expense was \$41,521 and \$33,336 for the years ended December 31, 2019 and 2018, respectively.

J. Sales Tax Collected

The State of Indiana imposes a sales tax on all of the Organization's ReStore sales. The Organization collects that sales tax from customers and remits the entire amount to the State. The Organization's accounting policy is to exclude the tax collected and remitted to the State from revenues and cost of sales.

K. Expense Allocation

Expenses have been classified as programing and support services based on the actual direct expenditures and cost allocation based on estimates of time and usage by Organization personnel and programs.

L. Tax Status

The Organization is exempt from federal and state income taxes on its related activities under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal and state income taxes has been made

The Organization files the required federal and state information returns. Whenever tax returns are filed, the filing Organization must evaluate the merits of its tax positions and determine if they will be ultimately sustained. Those tax positions for the Organization include maintaining their tax-exempts status and the taxability of any unrelated business income. The Organization believes these positions are sustainable. Although the Organization has not incurred any interest and penalties associated with these positions, it is their policy to expense them in the statement of activities.

M. Use of Estimates

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.

N. Subsequent Events

The Organization has evaluated subsequent events through May 19, 2020, which is the date the financial statements where available to be issued.

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - continued

N. Subsequent Events - continued

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the company, to date, the Organization is expecting to experience a decline in revenue and possible significant changes in the fair value of assets or liabilities. Our concentrations due to grantor or contributor; concentrated revenue from particular programs, services or fund-raising events; and the market or geographic area in which the Organization conducts operations make it reasonably possible that we are vulnerable to the risk of a near-term severe impact.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions, including credit losses on receivables and investments.

NOTE 2 RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, Presentation of Financial Statements of Not-For-Profit Entities. The standard aims to improve nonprofit financial statements in an effort to provide more useful information to donors, grantors, creditors and other users. Major components of this standard include: net asset classifications, liquidity and availability of cash and consistency in reporting expenses. Net asset classifications has been reduced from three classes (unrestricted, temporarily restricted and permanently restricted to two: net assets with donor restrictions and net assets without donor restrictions. Updated disclosure requirements are presented regarding risk exposure and availability of cash for short term use. Expenses are reported by both their natural and functional classification to aid in the usefulness of financial statements. The Organization adopted this standard for the year ending December 31, 2018 and applied it retrospectively.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contract with customers. The Organization adopted this standard for the year ending December 31, 2019. These changes did not have an impact on the financial statements.

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 3 RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, Leases. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and corresponding lease liability on the statement of financial position at the date of the lease commencement. Leases will be classified as either finance or operating, and this distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the entity for the year ending December 31, 2021. The Organization is currently in the process of evaluating the effect of adoption of this ASU on its financial statements.

NOTE 4 HABITAT FOR HUMANITY OF HAMILTON COUNTY ACQUISITION

On June 28, 2019, Habitat for Humanity of Hamilton County ("HHHC") transferred and assigned all of its rights, title and interest in and to the HHHC assets to the Organization in connection with the dissolution of HHHC.

The fair values of the assets acquired are assigned as follows:

Cash accounts received	\$	20,262
Accounts receivable		6,344
Security deposit for ReStore		11,267
Mortgages receivable		142,514
Vacant land		187,200
Vehicles and equipment		34,644
	\$	<u>402,231</u>

As part of the agreement, the Organization assumed the obligation for all unpaid liabilities of HHHC, which amount to \$105,216. The Organization also assumed a sub-lease for office and warehouse space and vehicle lease.

NOTE 5 INVENTORY

Inventory consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Construction materials and supplies	\$ 22,802	\$ 35,470
Restore inventory	<u>225,250</u>	<u>176,344</u>
	<u>\$ 248,052</u>	<u>\$ 211,814</u>

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2019</u>	<u>2018</u>
Land	\$ 709,750	\$ 529,850
Buildings, warehouse, and improvements	3,691,248	2,750,620
Construction equipment	188,135	131,612
Office equipment	265,515	238,397
Vehicles	<u>276,006</u>	<u>253,506</u>
	5,130,654	3,903,985
Accumulated depreciation	<u>(1,278,004)</u>	<u>(1,081,478)</u>
	<u>\$ 3,852,650</u>	<u>\$ 2,822,507</u>

NOTE 7 LIQUIDITY AND AVAILABILITY

The Organization has diverse revenue streams that include contributions, income from ReStore operations, and sale of homes. In 2020, the Organization will be working on a new strategic plan to direct focus and expend capital in key areas such as ReStore growth, land acquisition, and increasing housing solutions.

The Organization's financial health is monitored through monthly reporting to the Board of Directors. The Organization maintains an operating reserve and investment policy, gift acceptance policy, and mortgage leveraging policy to help ensure proper management of financial assets.

The table below represents financial assets available for general expenditures within one year at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 2,817,738	\$ 3,884,069
Grants, sponsorships, and other receivables	1,311,048	675,477
Mortgage loans receivable, net	10,320,788	9,404,313
Prepayments	93,065	121,163
Beneficial interest in assets held by others	<u>83,837</u>	<u>74,058</u>
Total financial assets	<u>14,626,476</u>	<u>14,159,080</u>
Less amounts not available to be used within one year:		
Cash limited to as to use and timing	(500,301)	(525,501)
Beneficial interest in assets held by others	(83,837)	(74,058)
Estimated principal payments to be received after one year	(9,426,667)	(8,612,380)
Donor-imposed restrictions	<u>(218,678)</u>	<u>(600,097)</u>
Financial assets not available to be used within one year	<u>(10,229,483)</u>	<u>(9,812,036)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 4,396,993</u>	<u>\$ 4,347,044</u>

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 8 BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Organization maintains an Endowment Fund (the "Fund") with the Central Indiana Community Foundation ("CICF"). The primary purpose of the Fund is to provide support to the Organization to carry out its role and mission. All gifts, bequests and devises to this Fund shall be irrevocable once accepted by CICF. The Organization believes the fair value of the future cash flows to be received from its beneficial interest in assets held by CICF approximates the fair value of the underlying assets held by CICF. The assets held at CICF are entirely comprised of pooled investment funds held and managed by CICF. Fair value is based on the net asset value per share as determined by CICF and provided to the Organization.

The Fund consists of equities, fixed income, venture capital and private equity, marketable alternatives, real assets, and cash equivalent funds. The investment is directed by CICF and the portfolio is designed to achieve returns consistent with CICF's adopted investment policies. The Organization is the only beneficiary of the investment earnings, which are distributed in accordance with the agreements between CICF and the Organization.

NOTE 9 FAIR VALUE MEASUREMENTS

The Organization utilizes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- **Level 1** Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.
- **Level 2** Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.
- **Level 3** Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. While the Organization believes its valuation methods are appropriate and consistent with the other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 9 FAIR VALUE MEASUREMENTS - continued

During the years ended December 31, 2019 and 2018, there were no changes to the Organization's valuation techniques that had, or are expected to have, a material impact on its financial position or results of operations.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

Beneficial interest in assets held by others: Determined by Organization's proportionate share of the CICF's pooled investment portfolio. The Organization does not receive a detailed listing of the portfolio's assets. The Organization uses the net asset value to determine the CICF valuation using the market approach.

Mortgage service agreement liability: Valued at the gross costs to service the mortgages less an estimated discount to present value at year-end.

Assets and liabilities measured at fair value as of December 31, 2019 and 2018 are summarized as follows:

	2019			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest in assets held by others	\$ 83,837	\$ -	\$ 83,837	\$ -
Mortgage service agreement liability	\$ 286,299	\$ -	\$ 286,299	\$ -
	2018			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial interest in assets held by others	\$ 74,058	\$ -	\$ 74,058	\$ -
Mortgage service agreement liability	\$ 271,463	\$ -	\$ 271,463	\$ -

Management evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total assets. For the years ended December 31, 2019 and 2018, there were no transfers in or out of Levels 1, 2 or 3.

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 10 RETIREMENT PLAN

The Organization provides a simple IRA plan to eligible full-time employees. The Organization contributes 2% of annual compensation of each participant in the plan. Total employer contributions for the years ended December 31, 2019 and 2018 was \$36,110 and \$33,934, respectively.

NOTE 11 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 the Organization 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 the appraised value of each home. Original mortgages range from \$50,000 to \$145,000. Mortgage terms range from 15 to 30 years.

Second mortgages are placed on the Organization's homes as needed to ensure affordability. 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 the Organization 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 or default on the mortgage to which they relate.

Mortgage loan receivables from homeowners that have filed for bankruptcy or where foreclosure proceedings have been filed are \$62,922 and \$67,890 at December 31, 2019 and 2018, respectively.

Other past due mortgage loans receivable from homeowners as of December 31 are as follows:

	<u>1 - 60 Days Past Due</u>	<u>60 - 90 Days Past Due</u>	<u>+90 Days Past Due</u>	<u>Total</u>
2019	\$ <u>13,783</u>	\$ <u>5,424</u>	\$ <u>5,637</u>	\$ <u>24,844</u>
2018	\$ <u>16,220</u>	\$ <u>1,080</u>	\$ <u>-</u>	\$ <u>17,300</u>

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 11 MORTGAGE LOANS RECEIVABLE - continued

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

	<u>2019</u>	<u>2018</u>
Mortgage loans receivable	\$ 16,518,863	\$ 15,192,857
Less: mortgage discounts	<u>(6,198,075)</u>	<u>(5,788,544)</u>
Mortgage loans receivable, net	<u>\$ 10,320,788</u>	<u>\$ 9,404,313</u>

NOTE 12 SALE OF MORTGAGE RECEIVABLES

At times, the Organization will sell certain mortgage loans receivable to banks. The Organization 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. The Organization 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 90 days, the Organization will replace the nonperforming loan with a substitute loan.

The Organization 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, the Organization 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 year ended December 31:

	<u>2019</u>	<u>2018</u>
Cash proceeds from sale	\$ 194,744	\$ -
Less: fair value of loans transferred	(108,902)	-
loan servicing obligation	<u>(20,905)</u>	<u>-</u>
Gain recognized on sale	<u>\$ 64,937</u>	<u>\$ -</u>

There were no delinquencies on the mortgage loans sold at December 31, 2019 and 2018. There were no credit losses during 2019 or 2018.

Assumptions as of sale date are as follows:

	<u>2019</u>	<u>2018</u>
Discount rate	4.5%	N/A
Weighted-average life of loans	30 years	N/A
Annual service cost per loan	\$ 647	N/A

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 12 SALE OF MORTGAGE RECEIVABLES - continued

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:

	<u>2019</u>	<u>2018</u>
Discount rate	4.5%	4.5%
Effect of:		
10% adverse change	\$ 52,172	\$ 42,059
20% adverse change	62,784	52,241
Annual service costs per loan	647	610
Effect of:		
10% adverse change	17,514	7,747
20% adverse change	4,677	15,725

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.

Future servicing liabilities are as follows at December 31:

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 22,644	\$ 21,350
One to five years	110,170	104,310
More than five years	<u>298,162</u>	<u>289,140</u>
Total mortgage service guarantees	430,976	414,800
Less: discounts to present value (4.50%)	<u>(144,677)</u>	<u>(143,337)</u>
Net mortgage service guarantees	<u>\$ 286,299</u>	<u>\$ 271,463</u>

NOTE 13 ESCROW LIABILITY

At December 31, 2019 and 2018, the Organization 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 \$156,797 and \$145,383, respectively, has been recorded as a liability in the statements of financial position as of December 31, 2019 and 2018, respectively.

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 14 LINE OF CREDIT

The Organization has a line of credit with a financial institution with a maximum debt facility of \$250,000. Amounts borrowed are secured by a commercial security agreement securing all assets of the Organization. There were no borrowings on the line of credit in 2019 and 2018. Interest is assessed at the prime rate. The effective rate at December 31, 2019 and 2018 was 4.75% and 5.50%, respectively.

On September 6, 2019, the Organization opened a construction line of credit with a second financial institution with a maximum debt facility of \$250,000. Amounts borrowed are secured by a commercial security agreement securing all assets of the Organization. Interest is assessed at a rate of 3.89%. The line of credit matures on March 6, 2027. There were no borrowings on the line of credit in 2019.

On January 23, 2020, the Organization closed the \$250,000 construction line of credit and opened a new construction line of credit with a maximum debt facility of \$570,000. Amounts borrowed are secured by a commercial security agreement securing all assets of the Organization. Interest is assessed at a rate of 3.89%. the line of credit matures April 23, 2027.

On January 23, 2020, the Organization opened a line of credit with a financial institution with a maximum debt facility of \$250,000. Amounts borrowed are secured by a commercial security agreement securing all assets of the Organization. Interest is assessed at 1.0% under the prime rate. The line of credit matures on January 23, 2022.

NOTE 15 NOTES PAYABLE

Notes payable consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Installment note, payable \$4,087 per month plus interest at 3.49% through June 2020, secured by building and land	\$ 430,173	\$ 463,360
Installment note, payable \$1,605 per month plus interest at 4.95% through September 2020, secured by building and land	14,128	32,190
Installment note, payable \$5,437 per month plus interest at 4.22% through March 2027, secured by building and land	880,000	-
	1,324,301	495,550
Less current maturities	(465,161)	(51,545)
	<u>\$ 859,140</u>	<u>\$ 444,005</u>

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 15 NOTES PAYABLE - continued

Scheduled maturities as of December 31, 2019 are as follows:

2020	\$	465,161
2021		29,050
2022		30,318
2023		31,641
2024		32,929
Thereafter		<u>735,202</u>
	\$	<u>1,324,301</u>

The installment note requires the Organization to maintain specified financial covenants. At December 31, 2019 and 2018, the Organization was in compliance with these covenants.

On January 23, 2020, the Organization refinanced and consolidated the notes with monthly payments of \$4,087 and \$1,605 with a different bank. The new note calls for monthly payments of \$4,519 per month with interest of 4.04%. The note matures January 23, 2030 and is secured by the building and land.

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NOTE 16 OPERATING LEASES

The Organization leases Hendricks barn storage and ReStore warehouse space on a month to month basis. Monthly payments under these leases total \$1,050. Both leases were terminated in 2019.

The Organization leases office equipment under operating leases which expire at various dates through July 2023. Monthly payments under these leases total \$686 per month. The Organization also leases trucks under operating leases which expire at various dates through September 2022. Monthly lease payments for the trucks total \$4,671.

The Organization leases warehouse space in Marion County through April 2023. Monthly payments range from \$8,284 to \$9,323 over the life of the lease. The monthly payment includes common area maintenance charges. The Organization assumed a sub-lease for office and warehouse space from HHHC. The sub-lease requires monthly payments of \$11,416 through August 2020.

Total lease expense included in the statements of activities was \$231,958 and \$140,239 for the years ended December 31, 2019 and 2018, respectively.

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

NOTE 16 OPERATING LEASES - continued

Future minimum lease payments under these obligations are as follows:

	<u>Storage & Warehouse</u>	<u>Equipment</u>	<u>Trucks</u>	<u>Total</u>
2020	\$ 195,765	\$ 8,231	\$ 48,454	\$ 252,450
2021	107,566	6,711	24,887	139,164
2022	110,793	2,568	12,331	125,692
2023	37,293	1,498	-	38,791
2024	-	-	-	-
	<u>\$ 451,417</u>	<u>\$ 19,008</u>	<u>\$ 85,672</u>	<u>\$ 556,097</u>

NOTE 17 RELATED PARTY TRANSACTIONS

The Organization remits annually a portion of its contributions to Habitat International. These funds are used to construct homes in economically depressed areas around the world. The Organization contributed \$100,000 and \$75,000 in 2019 and 2018 respectively.

During 2019 and 2018, the Organization paid \$25,000 of annual affiliate fees to Habitat International.

Total amounts paid to Habitat International as of December 31, 2019 and 2018 was \$125,000 and \$100,000, respectively.

NOTE 18 NET ASSETS

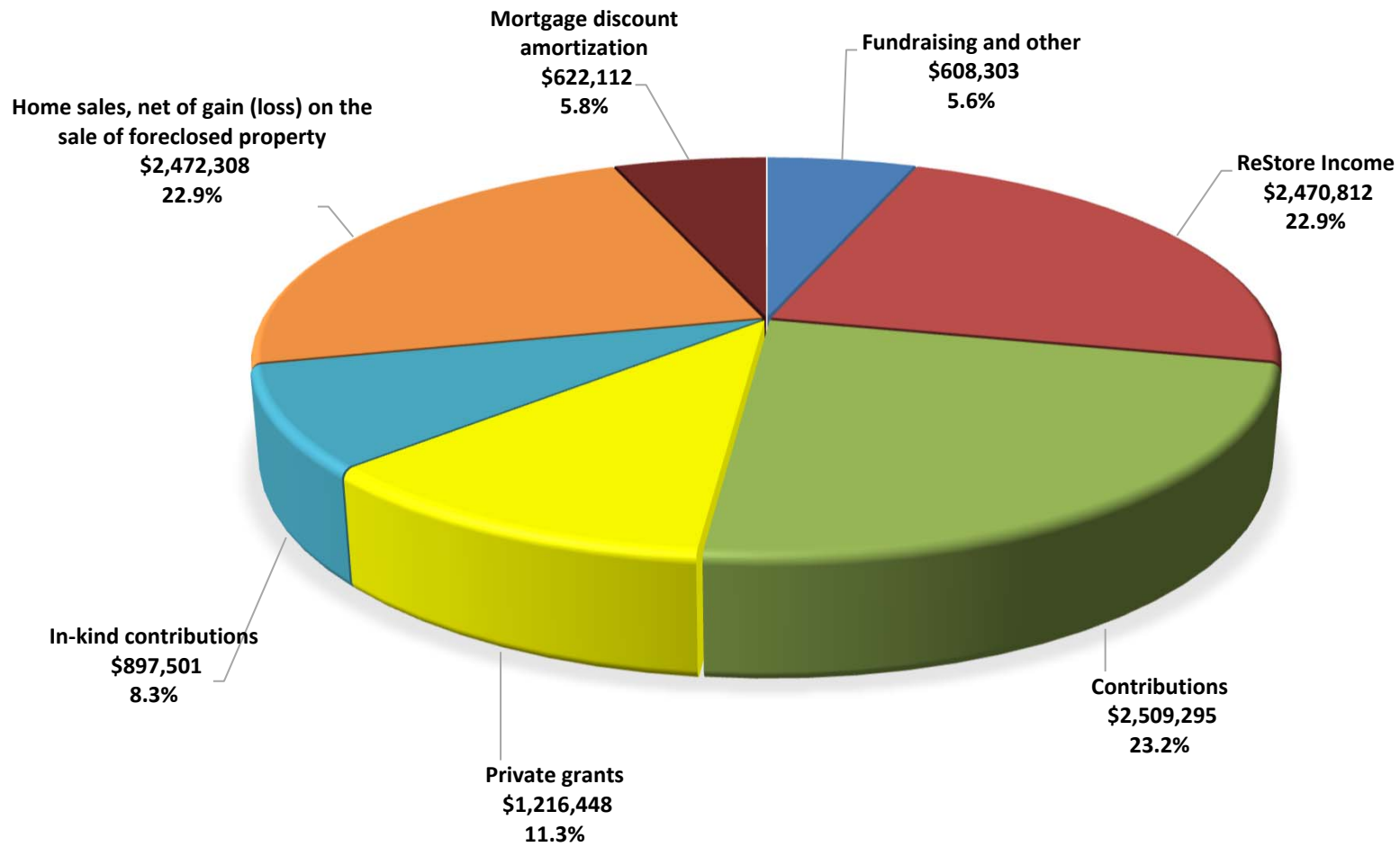
Net assets consist of the following:

	<u>2019</u>	<u>2018</u>
Without donor restrictions:	\$ 16,730,295	\$ 15,328,403
With donor restrictions:		
Time restrictions:		
Household sponsorships - future builds	\$ 170,043	\$ 166,371
Operating and housing support	48,635	433,726
Beneficial interest in assets held by CICF	41,789	32,010
Perpetual in nature:		
Beneficial interest in assets held by CICF	42,048	42,048
	<u>\$ 302,515</u>	<u>\$ 674,155</u>

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

REVENUE GRAPHS

Year ended December 31, 2019
See Independent Auditor's Report

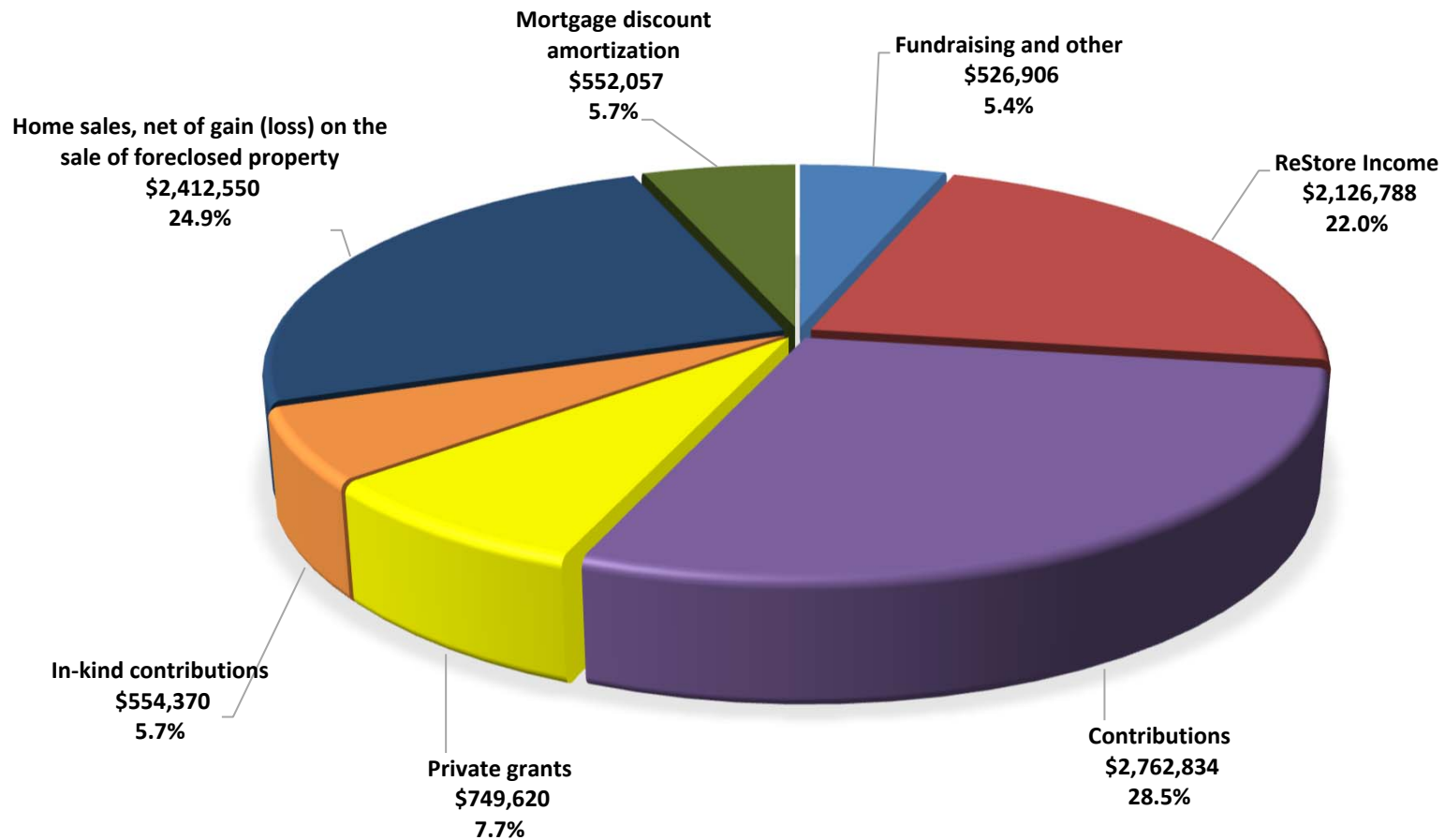


HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

REVENUE GRAPHS - continued

Year ended December 31, 2018

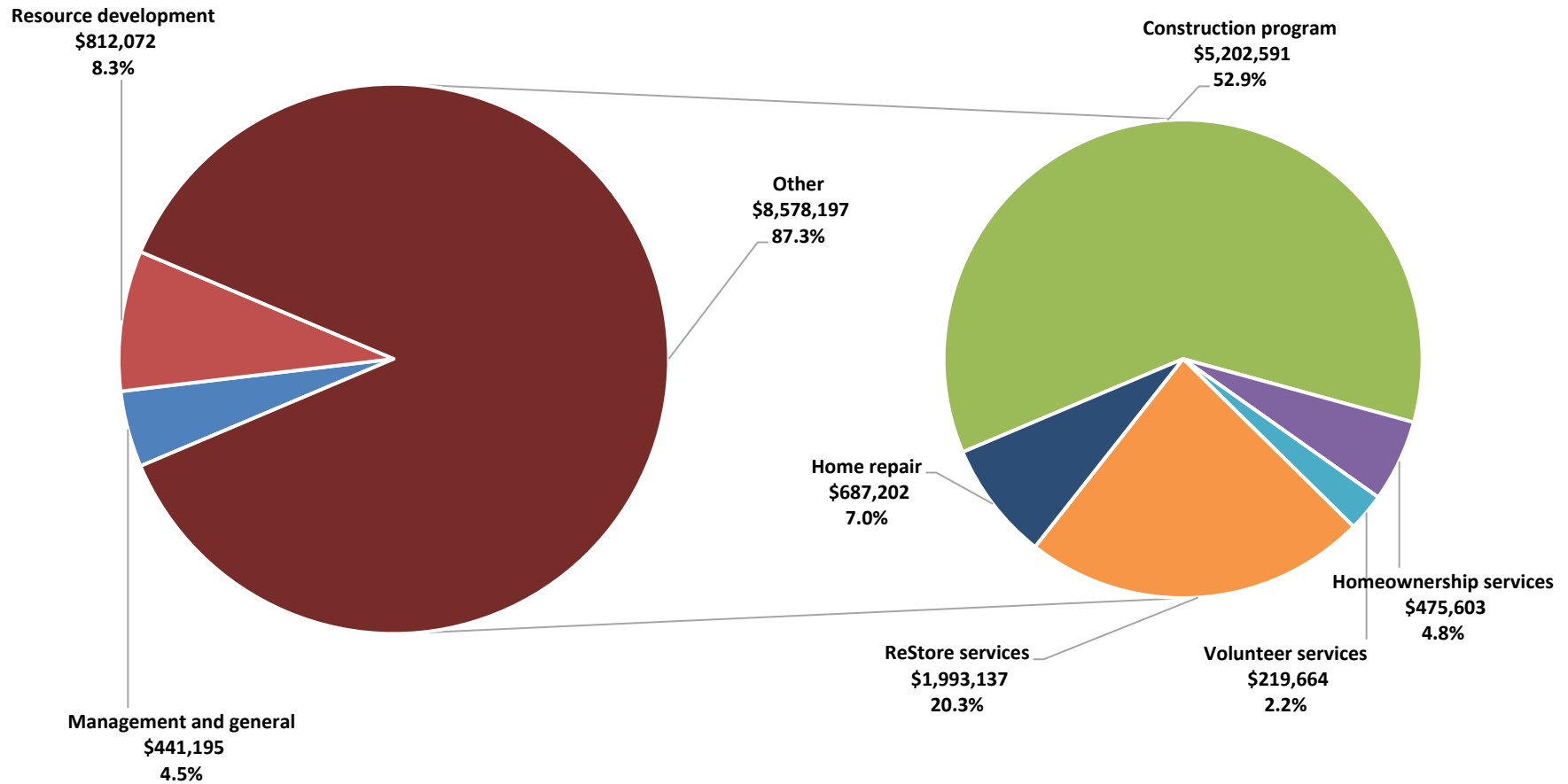
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HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

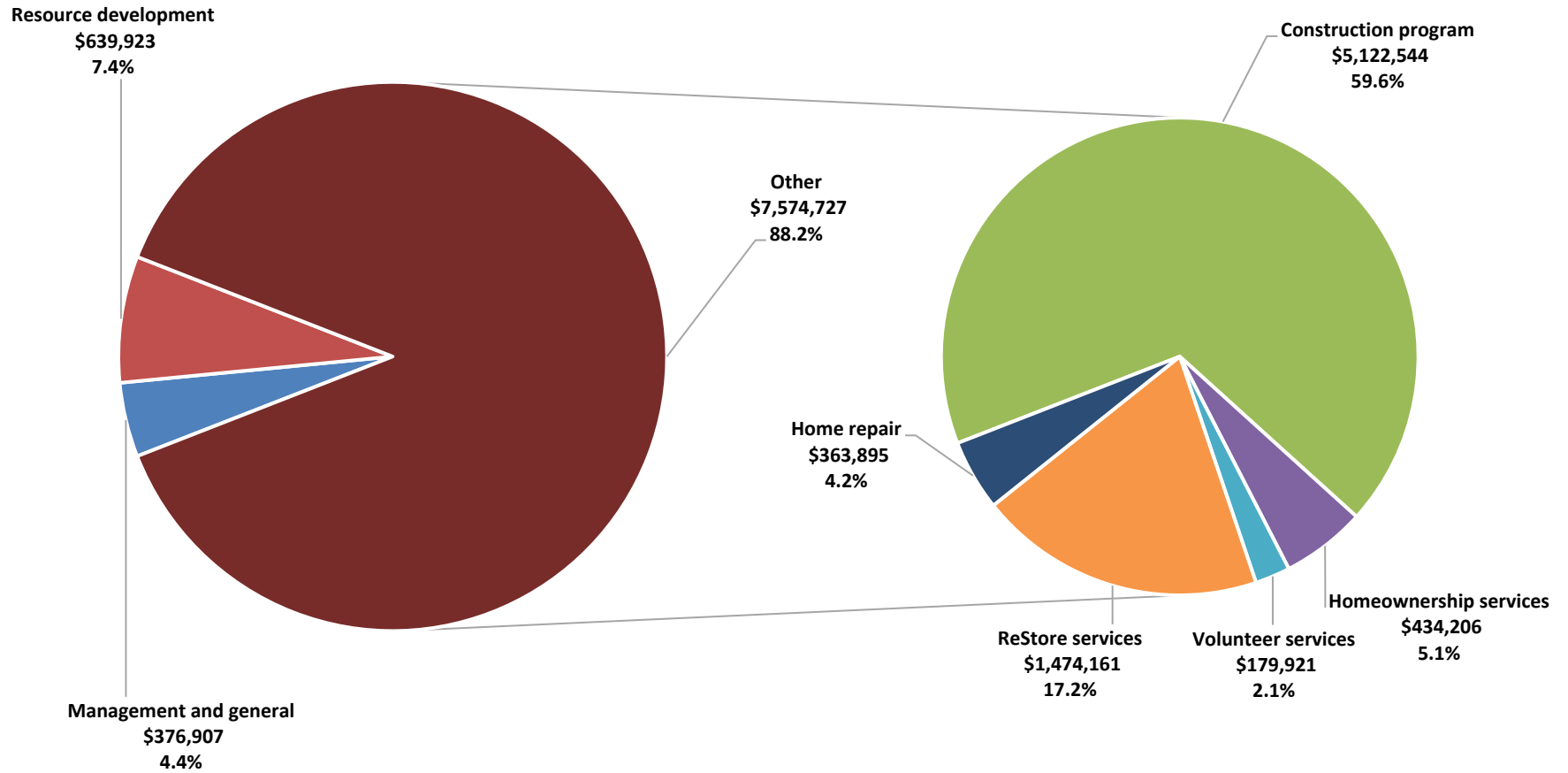
EXPENSE GRAPHS

Year ended December 31, 2019
See Independent Auditor's Report



HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

EXPENSE GRAPHS - continued
Year ended December 31, 2018
See Independent Auditor's Report



HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

NUMBER OF HOUSES BUILT AND REHABBED (UNAUDITED)

Year ended December 31, 2019

See Independent Auditor's Report

