
HABITAT FOR HUMANITY OF GREATER
INDIANAPOLIS, INC.

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

DECEMBER 31, 2012 AND 2011

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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, 2012 and 2011, 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, 2012 and 2011, 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.

May 28, 2013

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2012 AND 2011

| <u>ASSETS</u> | <u>2012</u> | <u>2011</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| Unrestricted cash | \$ 1,088,506 | \$ 1,032,531 |
| Cash limited as to use and timing | 202,949 | 161,027 |
| | <hr/> | <hr/> |
| <i>Total cash</i> | 1,291,455 | 1,193,558 |
| Grants, sponsorships, and other receivables | 577,240 | 469,467 |
| Mortgage loans receivable, net | 6,358,159 | 5,901,939 |
| Inventory | 13,311 | 19,404 |
| Prepayments | 13,749 | 7,547 |
| Construction in progress | 45,612 | 60,028 |
| Homes available for resale | 15,409 | 261,689 |
| Land available for future builds | 109,000 | 171,439 |
| Property and equipment, net | 570,924 | 554,917 |
| CICF Endowment Fund | 48,346 | 43,757 |
| | <hr/> | <hr/> |
| <i>Total assets</i> | <u>\$ 9,043,205</u> | <u>\$ 8,683,745</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| LIABILITIES | | |
| Accounts payable | \$ 145,961 | \$ 136,735 |
| Accrued expenses | 75,562 | 87,044 |
| Escrow liability, net | 72,139 | 76,570 |
| Notes payable | - | 4,555 |
| | <hr/> | <hr/> |
| <i>Total liabilities</i> | 293,662 | 304,904 |
| | <hr/> | <hr/> |
| COMMITMENTS (NOTE 7) | | |
| NET ASSETS | | |
| Unrestricted | 8,497,614 | 8,042,456 |
| Temporarily restricted | 219,881 | 304,337 |
| Permanently restricted | 32,048 | 32,048 |
| | <hr/> | <hr/> |
| <i>Total net assets</i> | 8,749,543 | 8,378,841 |
| | <hr/> | <hr/> |
| <i>Total net assets and liabilities</i> | <u>\$ 9,043,205</u> | <u>\$ 8,683,745</u> |

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2012

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2011

| | 2012 | | | 2011 Total |
|---|---------------------|---------------------------|---------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| 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 disposal of property and equipment | - | - | - | (1,836) |
| Gain (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) | - | - |
| <i>Total revenues, gains, and other support</i> | <u>5,160,775</u> | <u>(84,456)</u> | <u>-</u> | <u>5,076,319</u> |
| 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 |
| <i>Total program services</i> | <u>3,861,156</u> | <u>-</u> | <u>-</u> | <u>3,861,156</u> |
| Resource development | 441,658 | - | - | 441,658 |
| Management and general | 402,803 | - | - | 402,803 |
| <i>Total expenses</i> | <u>4,705,617</u> | <u>-</u> | <u>-</u> | <u>4,705,617</u> |
| CHANGE IN NET ASSETS | 455,158 | (84,456) | - | 370,702 |
| NET ASSETS, BEGINNING OF YEAR | <u>8,042,456</u> | <u>304,337</u> | <u>32,048</u> | <u>8,378,841</u> |
| NET ASSETS, END OF YEAR | <u>\$ 8,497,614</u> | <u>\$ 219,881</u> | <u>\$ 32,048</u> | <u>\$ 8,749,543</u> |

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2011

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>2011 Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|-----------------------|
| REVENUES, GAINS, AND OTHER SUPPORT | | | | |
| Contributions | \$ 1,415,941 | \$ 264,554 | \$ - | \$ 1,680,495 |
| Private grants | 544,189 | - | - | 544,189 |
| In-kind contributions | 350,396 | - | - | 350,396 |
| Home sales | 1,447,399 | - | - | 1,447,399 |
| Mortgage loan discount amortization | 405,174 | - | - | 405,174 |
| Fundraising events | 228,420 | - | - | 228,420 |
| ReStore income | 571,667 | - | - | 571,667 |
| Investment income (loss) | 635 | (355) | - | 280 |
| Loss on disposal of property and equipment | (1,836) | - | - | (1,836) |
| Sale of foreclosed property, net | 22,928 | - | - | 22,928 |
| Other income, net | 8,681 | - | - | 8,681 |
| Net assets released from restrictions | 250 | (250) | - | - |
| | <u>4,993,844</u> | <u>263,949</u> | <u>-</u> | <u>5,257,793</u> |
| <i>Total revenues, gains, and other support</i> | | | | |
| EXPENSES | | | | |
| Construction program | 2,874,366 | - | - | 2,874,366 |
| Family services | 251,607 | - | - | 251,607 |
| Volunteer services | 115,626 | - | - | 115,626 |
| Mortgage services | 148,120 | - | - | 148,120 |
| ReStore services | 313,491 | - | - | 313,491 |
| | <u>3,703,210</u> | <u>-</u> | <u>-</u> | <u>3,703,210</u> |
| <i>Total program services</i> | | | | |
| Resource development | 262,368 | - | - | 262,368 |
| Management and general | 392,494 | - | - | 392,494 |
| | <u>4,358,072</u> | <u>-</u> | <u>-</u> | <u>4,358,072</u> |
| <i>Total expenses</i> | | | | |
| CHANGE IN NET ASSETS | 635,772 | 263,949 | - | 899,721 |
| NET ASSETS, BEGINNING OF YEAR | <u>7,406,684</u> | <u>40,388</u> | <u>32,048</u> | <u>7,479,120</u> |
| NET ASSETS, END OF YEAR | <u>\$ 8,042,456</u> | <u>\$ 304,337</u> | <u>\$ 32,048</u> | <u>\$ 8,378,841</u> |

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

| | <u>2012</u> | <u>2011</u> |
|---|----------------------|----------------------|
| CHANGE IN NET ASSETS | <u>\$ 370,702</u> | <u>\$ 899,721</u> |
| ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Depreciation | 45,402 | 36,874 |
| Mortgage discount expense | 506,072 | 636,135 |
| Amortization of discount on mortgage loans receivable | (568,840) | (405,174) |
| Bad debt expense | 111 | - |
| Donated housing supplies and property | (250,899) | (350,396) |
| Loss on disposal of property and equipment | - | 1,836 |
| Loss on sale of foreclosed property | 132,990 | 13,343 |
| Gain on CICF Endowment Fund | - | 355 |
| <i>(Increase) decrease in operating assets:</i> | | |
| Grants, sponsorships, and other receivables | (107,773) | (98,411) |
| Inventory | 6,093 | (8,490) |
| Prepayments | (6,202) | (4,084) |
| <i>Increase (decrease) in operating liabilities:</i> | | |
| Accounts payable | 9,226 | (112,234) |
| Accrued expenses | (11,482) | (14,209) |
| Escrow liability | (4,431) | (14,379) |
| <i>Total adjustments</i> | <u>(249,733)</u> | <u>(318,834)</u> |
| <i>Net cash provided by operating activities</i> | <u>120,969</u> | <u>580,887</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Collections of mortgage loan receivable | 674,410 | 576,753 |
| Proceeds from the sale of foreclosed property | - | 35,995 |
| Purchases of property and equipment | (62,353) | (59,646) |
| Purchase of vacant lots | (16,400) | - |
| Construction in progress additions | (614,174) | (719,236) |
| <i>Net cash used in investing activities</i> | <u>(18,517)</u> | <u>(166,134)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on notes payable | (4,555) | (4,302) |
| NET CHANGE IN CASH | 97,897 | 410,451 |
| CASH, BEGINNING OF YEAR | <u>1,193,558</u> | <u>783,107</u> |
| CASH, END OF YEAR | <u>\$ 1,291,455</u> | <u>\$ 1,193,558</u> |

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF OPERATIONS

Habitat for Humanity of Greater Indianapolis, Inc. (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, 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.

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

| <u>2011</u> | <u>Fair Value</u> | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
|------------------------|-------------------|---|--|--|
| CICF Endowment Fund | <u>\$ 43,757</u> | <u>\$ -</u> | <u>\$ 43,757</u> | <u>\$ -</u> |

Fair value for beneficial interest in assets held at Central Indiana Community Foundation (CICF) 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 2012. See Note 2.

CASH

Habitat maintains cash balances at commercial banks. At December 31, 2012, 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.

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

PROPERTY AND EQUIPMENT, CONTINUED

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

| | <u>2012</u> | <u>2011</u> |
|---------------------------------------|-------------------|-------------------|
| Land | \$ 105,200 | \$ 105,200 |
| Building, warehouse, and improvements | 609,479 | 601,708 |
| Construction equipment | 49,916 | 22,184 |
| Office equipment | 139,104 | 130,698 |
| Vehicles | <u>144,889</u> | <u>127,389</u> |
| | 1,048,588 | 987,179 |
| Accumulated depreciation | <u>(477,664)</u> | <u>(432,262)</u> |
| | <u>\$ 570,924</u> | <u>\$ 554,917</u> |

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:

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.

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

NET ASSETS, CONTINUED

Temporarily Restricted, Continued

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

| | <u>2012</u> | <u>2011</u> |
|---|-------------------|-------------------|
| Household sponsorships | \$ 183,000 | \$ 272,045 |
| Hurricane Katrina relief | 13,243 | 13,243 |
| Service Learning Partnership | 7,340 | 7,340 |
| Endowment assets available for expenditure | <u>16,298</u> | <u>11,709</u> |
| | <u>\$ 219,881</u> | <u>\$ 304,337</u> |

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, 2012 and 2011. 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.

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.

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

DONATED SERVICES AND CONTRIBUTIONS, CONTINUED

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 the years ended December 31, 2012 and 2011 was \$11,061 and \$53,064, respectively. These costs were expensed as incurred.

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 2009 are no longer subject to examination.

SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through May 28, 2013, which is the date the financial statements were available to be issued. See Note 11.

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

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.

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

| <u>2012</u> | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|------------------|
| Endowment net assets, beginning of year | \$ - | \$ 11,709 | \$ 32,048 | \$ 43,757 |
| Investment gain | - | 4,589 | - | 4,589 |
| Endowment net assets, end of year | <u>\$ -</u> | <u>\$ 16,298</u> | <u>\$ 32,048</u> | <u>\$ 48,346</u> |

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

2. CICF ENDOWMENT FUND, CONTINUED

| <u>2011</u> | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|------------------|
| Endowment net assets, beginning of year | \$ - | \$ 12,064 | \$ 32,048 | \$ 44,112 |
| Investment loss | - | (355) | - | (355) |
| Endowment net assets, end of year | <u>\$ -</u> | <u>\$ 11,709</u> | <u>\$ 32,048</u> | <u>\$ 43,757</u> |

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.

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.

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

3. MORTGAGE LOANS RECEIVABLE, CONTINUED

Current mortgage amounts are based on 80% of the appraised value of each home. Mortgage amounts range from \$26,100 for a three bedroom home to \$96,000 for a five bedroom home. Mortgage terms range from 20 to 30 years. During November 2011, Habitat concluded the outsourcing of the mortgage administration services and began performing the administration internally.

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, 2012 and 2011. Management does not believe any of the mortgage loans receivable to be impaired as of December 31, 2012 and 2011.

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

| | <u>1 – 60 Days</u> <u>Past Due</u> | <u>60 – 90 Days</u> <u>Past Due</u> | <u>+90 Days Past</u> <u>Due</u> | <u>Total</u> |
|------|---------------------------------------|--|------------------------------------|--------------|
| 2012 | \$ 29,577 | \$ 3,158 | \$ 71,194 | \$ 104,571 |
| 2011 | \$ 29,416 | \$ 14,596 | \$ 17,446 | \$ 61,458 |

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

| | <u>2012</u> | <u>2011</u> |
|---------------------------------|---------------------|---------------------|
| Mortgage loans receivable | \$ 11,749,610 | \$ 11,356,158 |
| Less: mortgage discounts | (5,266,451) | (5,329,219) |
| allowance for doubtful accounts | <u>(125,000)</u> | <u>(125,000)</u> |
| Mortgage loans receivable, net | <u>\$ 6,358,159</u> | <u>\$ 5,901,939</u> |

4. ESCROW LIABILITY

At December 31, 2012 and 2011, 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 \$72,139 and \$76,570 has been recorded as a liability in the statements of financial position as of December 31, 2012 and 2011, respectively.

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

5. 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, 2012 and 2011) determined by the bank and are secured by substantially all cash balances of Habitat. As of December 31, 2012 and 2011, Habitat has not drawn on the line of credit.

6. NOTES PAYABLE

Notes payable as of December 31 are comprised as follows:

| | <u>2012</u> | <u>2011</u> |
|---|-------------|-----------------|
| Installment contracts bearing no interest, payable in monthly installments of \$287, through July 2013, unsecured | <u>\$ -</u> | <u>\$ 4,555</u> |

Habitat paid off the outstanding balance in December of 2012.

7. OPERATING LEASES

Habitat leases office equipment under five operating leases which expire between January 2013 and December 2016. Monthly payments under these leases total \$3,081.

Total lease expense included in the statements of activities was \$38,357 and \$20,546 for the years ended December 31, 2012 and 2011, respectively.

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

| | |
|------|------------------|
| 2013 | \$ 30,860 |
| 2014 | 24,626 |
| 2015 | 12,828 |
| 2016 | <u>12,828</u> |
| | <u>\$ 81,142</u> |

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 December 31, 2012 and 2011 were \$18,508 and \$16,879, 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 \$63,433 and \$52,000 for the years ended December 31, 2012 and 2011, respectively. Such amounts are included in home construction expenses in the statement of activities. At December 31, 2012 and 2011, Habitat had installment notes payable to Habitat International totaling \$0 and \$4,555, respectively.

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

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. SUBSEQUENT EVENT

On March 31, 2013, Habitat for Humanity of Greater Indianapolis (Habitat) entered into an agreement to acquire the assets of Habitat for Humanity of Hendricks County, an affiliated organization. Subject to the agreement, Habitat for Humanity of Hendricks County will transfer all assets except for cash in the amount of \$100, which is to be used for closing expenses for dissolution, to Habitat. Habitat will assume four mortgages receivable and three operating lease agreements.

As a result of the acquisition, Habitat is expected to assume the responsibilities of providing home ownership opportunities, resources and training throughout Hendricks County, Indiana. The acquisition will create synergy within Hendricks County, enabling Habitat to provide services with greater efficiency and economies of scale.

The acquisition of Habitat for Humanity of Hendricks County had the following impact on the financial statements of Habitat as of March 31, 2013:

| | |
|----------------------------------|-------------------|
| Assets | |
| Cash | \$ 8,921 |
| Investments | 16,518 |
| Prepaid expenses | 1,441 |
| Mortgages receivable | 325,046 |
| Construction inventory | 5,548 |
| Property and equipment | <u>4,377</u> |
| Total assets | <u>\$ 361,851</u> |
| Liabilities | |
| Accrued expenses | \$ 7,444 |
| Net Assets | |
| Unrestricted net assets | <u>354,407</u> |
| Total liabilities and net assets | <u>\$ 361,851</u> |



Greenwalt CPAs, Inc.
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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, 2012 and 2011, and our report thereon dated May 28, 2013, 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.

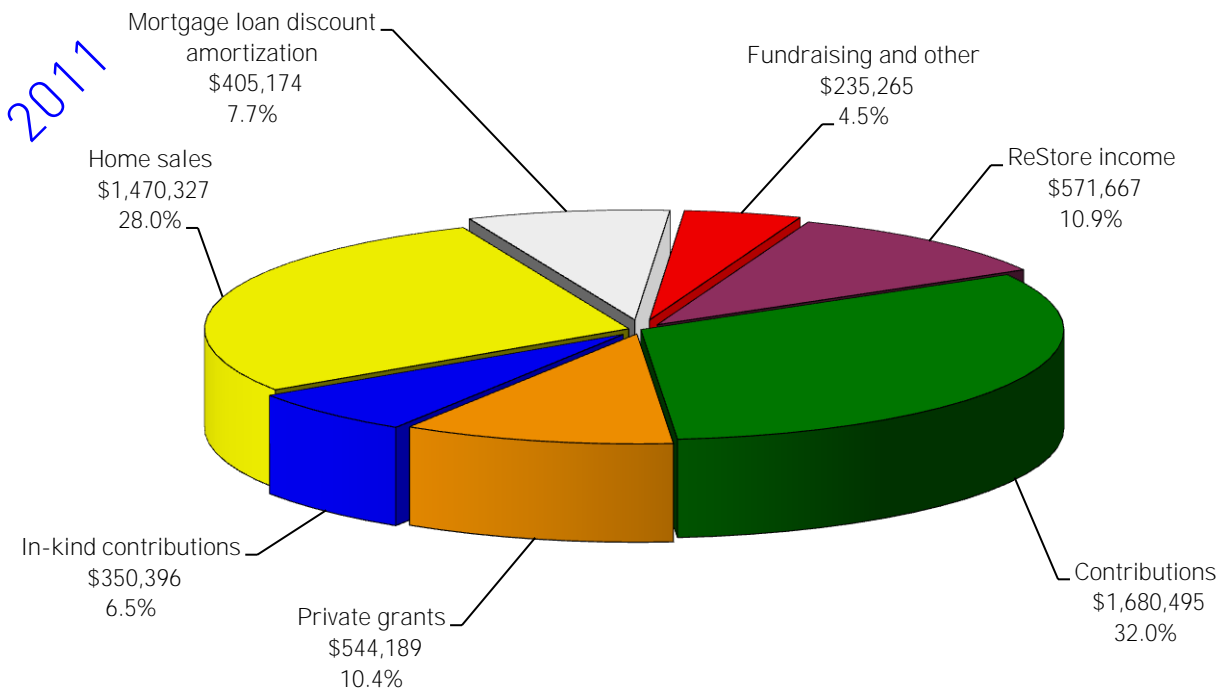
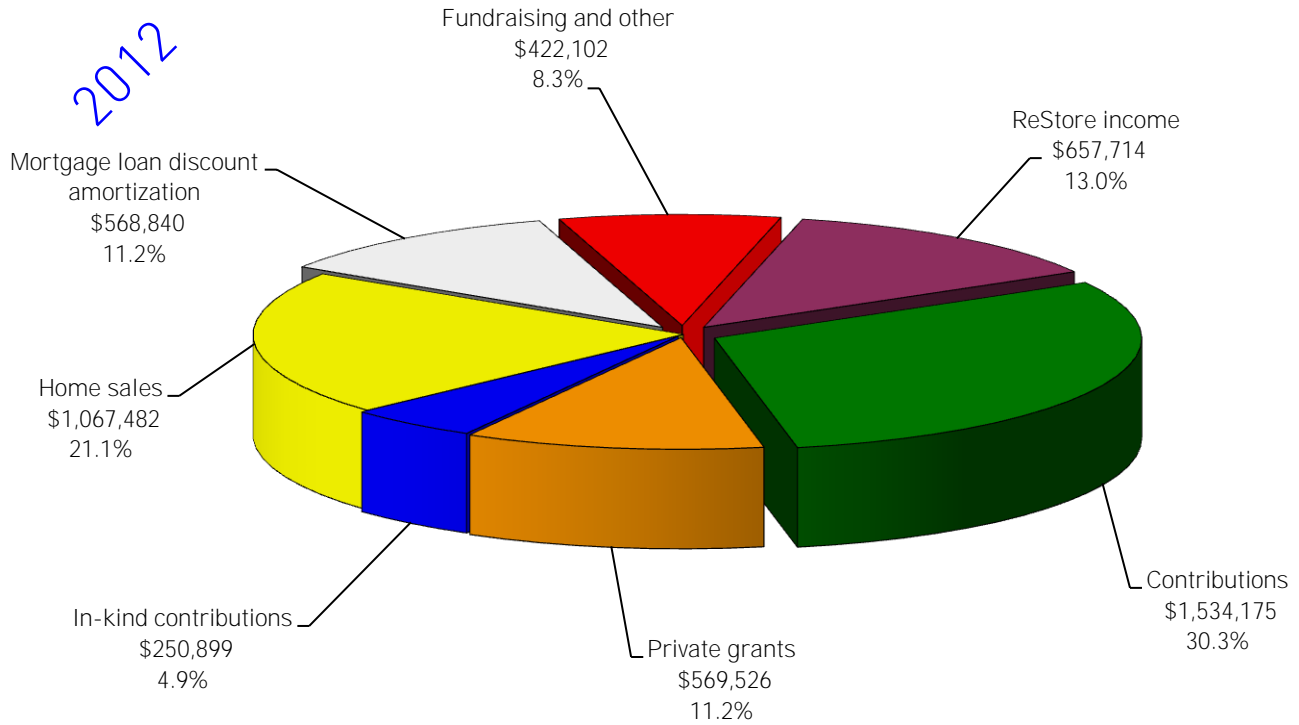
May 28, 2013

HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

REVENUE GRAPHS, EXCLUDING INVESTMENT INCOME

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

Exhibit I



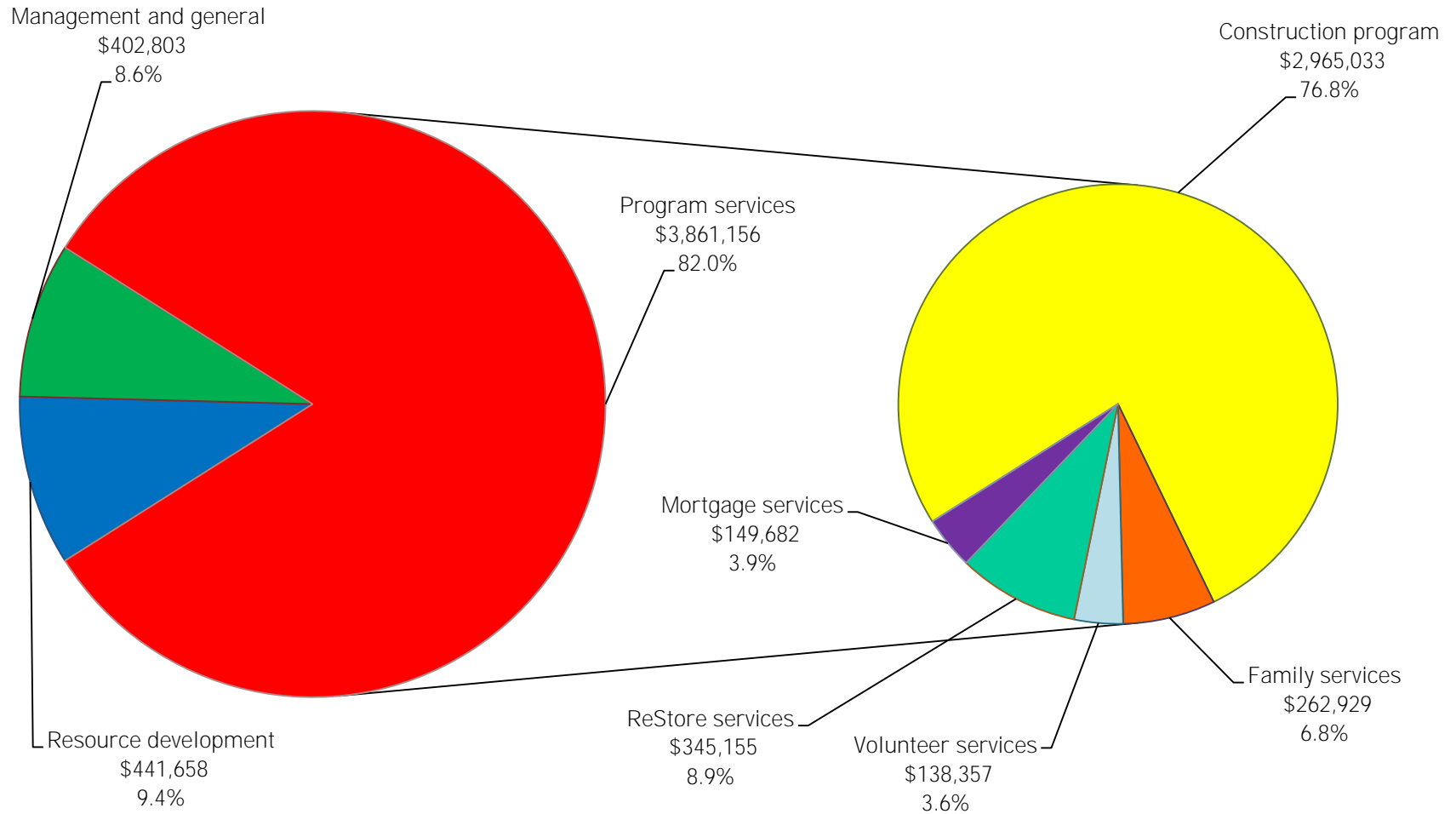
HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

EXPENSE GRAPH

FOR THE YEAR ENDED DECEMBER 31, 2012

Exhibit II

Page 1 of 2



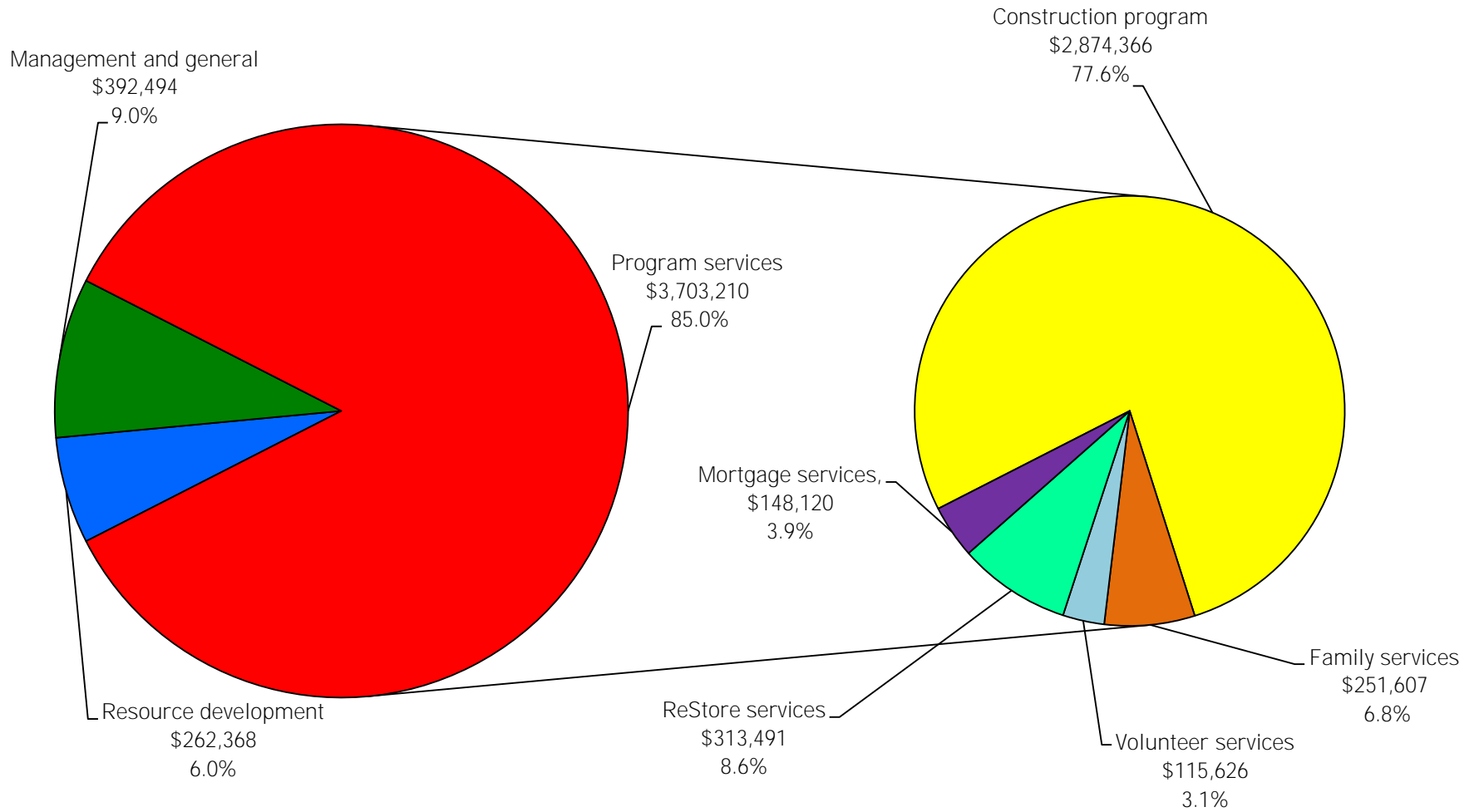
HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.

EXPENSE GRAPH

FOR THE YEAR ENDED DECEMBER 31, 2011

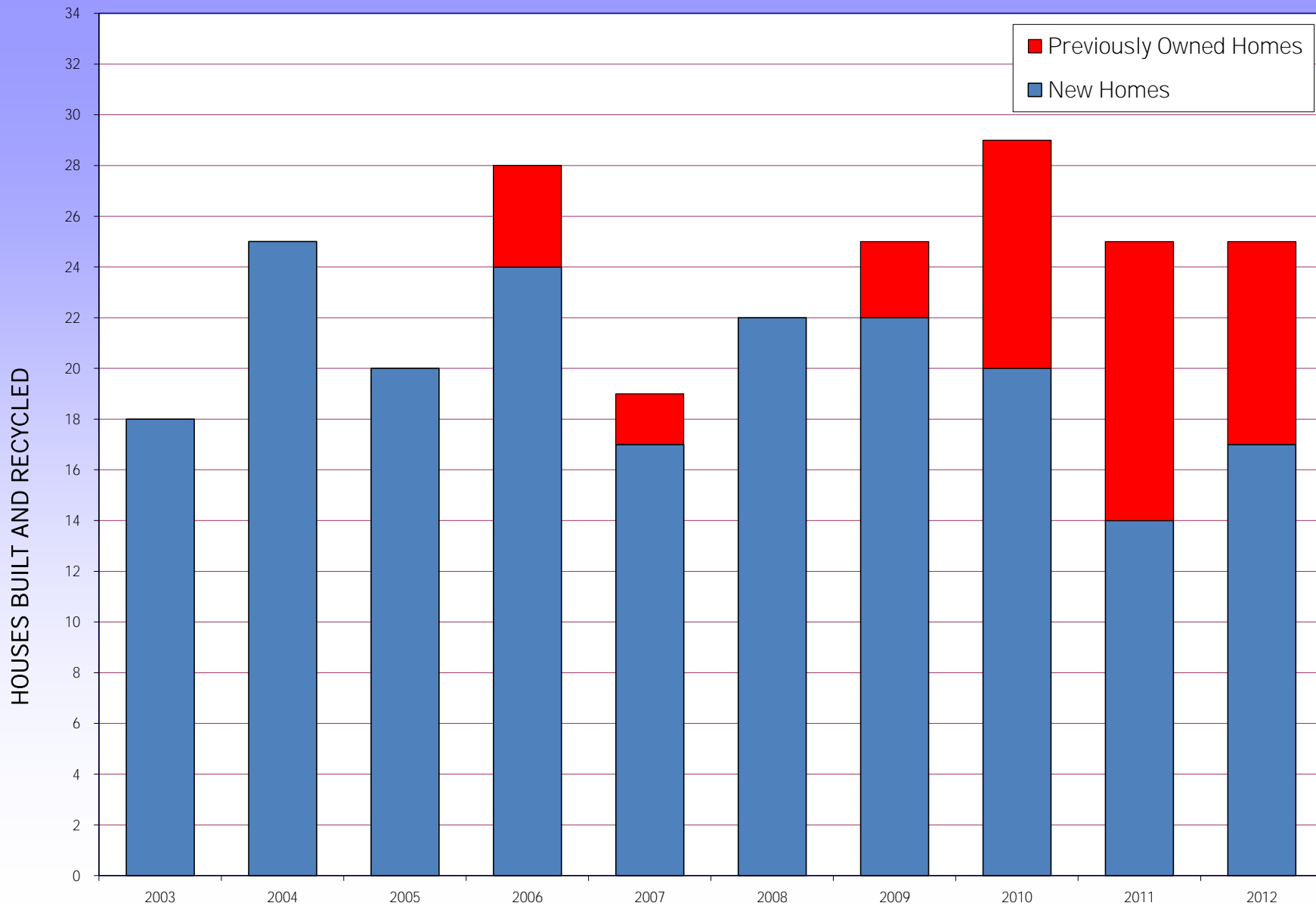
Exhibit II

Page 2 of 2



HABITAT FOR HUMANITY OF GREATER INDIANAPOLIS, INC.
NUMBER OF HOUSES BUILT AND RECYCLED (UNAUDITED)
FOR THE TEN YEARS ENDED DECEMBER 31, 2012

Exhibit III



See independent auditors' report on supplementary information.