HABITAT FOR HUMANITY OF OMAHA, INC.

CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION
AND
ACCOMPANYING INDEPENDENT AUDITORS' REPORTS

YEAR ENDED DECEMBER 31, 2013
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2012)

BLAND & ASSOCIATES, P.C.
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Directors
Habitat for Humanity of Omaha, Inc.
Omaha, Nebraska

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Habitat for Humanity of Omaha, Inc. (the Organization), a Nebraska non-profit corporation, which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

The Organization's management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT MEMBERS OF BKR INTERNATIONAL

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INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2013, and the changes in its net assets and its cash flows for the year than ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 1, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2014 on our consideration of the Organization's internal control over financial reporting and on our testing of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Bland + Associates, P.C.

Omaha, Nebraska
May 29, 2014

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HABITAT FOR HUMANITY OF OMAHA, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(WITH COMPARATIVE FINANCIAL INFORMATION FOR 2012)

	December 31,	
ASSETS	**2013**	**2012**
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,911,271	$ 2,407,212
Cash Restricted for Joint Ventures	383,643	975,381
Investments	2,335,681	1,995,888
Unconditional Promises to Give	753,900	1,241,598
Other Receivables	436,703	307,033
Prepaid Expenses	21,678	17,414
Materials Inventory	89,104	142,448
Total Current Assets	5,931,980	7,086,974
PROPERTY AND EQUIPMENT		
Land	581,431	219,582
Buildings	5,419,598	3,282,356
Leasehold Improvements	-	579,372
Equipment and Furniture	792,007	552,773
Vehicles	151,559	162,511
	6,944,595	4,796,594
Less Accumulated Depreciation	(618,388)	(642,231)
Total Property and Equipment	6,326,207	4,154,363
OTHER ASSETS		
Unconditional Promises to Give, Long-Term Portion	695,950	731,020
Construction in Progress	3,390,820	2,348,975
Mortgage Loans	5,004,134	4,929,118
Roof and Repair Loans	484,538	766,422
Investment in Joint Ventures	4,162,261	4,090,756
Note Receivable from Joint Venture	5,096,045	-
Loan Costs, Net of Accumulated Amortization of $98,272 and $66,760, Respectively	388,479	215,301
Total Other Assets	19,222,227	13,081,592
	$ 31,480,414	**$ 24,322,929**

	December 31,	
LIABILITIES AND NET ASSETS	**2013**	**2012**
CURRENT LIABILITIES		
Accounts Payable	$ 516,209	$ 197,939
Accrued Expenses	40,177	113,692
Accrued Payroll and Compensated Absences	179,743	163,221
Current Portion of Long-Term Debt	319,254	507,536
Total Current Liabilities	1,055,383	982,388
LONG-TERM LIABILITIES		
Long-Term Debt, Less Current Portion	11,978,651	6,281,216
Total Liabilities	13,034,034	7,263,604
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Unrestricted:		
Operating	17,679,288	14,550,290
Designated as Funds Functioning as an Endowment	14,678	13,009
Temporarily Restricted	752,414	2,496,026
Total Net Assets	18,446,380	17,059,325
	$ 31,480,414	**$ 24,322,929**

The accompanying notes to consolidated financial statements
are an integral part of these statements

HABITAT FOR HUMANITY OF OMAHA, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012)

	Years Ended December 31,			
	2013			2012
	Unrestricted	Temporarily Restricted	Total	Total
OPERATING REVENUES AND SUPPORT				
Sales to Homeowners	$ 4,973,301	$ -	$ 4,973,301	$ 2,964,524
Contributions	2,946,411	312,950	3,259,361	6,932,846
Discount Recovery on Sale of Mortgage Loans	2,207,850	-	2,207,850	1,243,626
Grants	1,758,932	-	1,758,932	1,702,549
In-kind Contributions	1,651,016	-	1,651,016	1,788,584
ReStore Sales	1,508,349	-	1,508,349	1,224,007
Loan Discount Interest Income - Homeowner Sales	518,876	-	518,876	529,239
Revenue from Homeowners - Roof and Repair	500,722	-	500,722	597,114
Event Income	290,992	-	290,992	276,744
Investment Income	152,795	-	152,795	56,422
Income from Joint Venture	111,033	-	111,033	98,058
Loan Discount Interest Income - Roof and Repair	45,412	-	45,412	46,170
Other Revenue	29,847	-	29,847	20,089
Loss on Sale of Property and Equipment	(17,014)	-	(17,014)	(6,339)
Satisfaction of Program Restrictions	2,056,562	(2,056,562)	-	-
Total Operating Revenues and Support	18,735,084	(1,743,612)	16,991,472	17,473,633
OPERATING EXPENSES				
Program Services	14,245,111	-	14,245,111	9,827,536
Management and General	757,029	-	757,029	541,541
Fundraising	602,277	-	602,277	594,644
Total Operating Expenses	15,604,417	-	15,604,417	10,963,721
CHANGES IN NET ASSETS	3,130,667	(1,743,612)	1,387,055	6,509,912
NET ASSETS - BEGINNING OF YEAR	14,563,299	2,496,026	17,059,325	10,549,413
NET ASSETS - END OF YEAR	**$ 17,693,966**	**$ 752,414**	**$ 18,446,380**	**$ 17,059,325**

The accompanying notes to consolidated financial statements
are an integral part of these statements

HABITAT FOR HUMANITY OF OMAHA, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2013
(WITH SUMMARIZED FINANCIAL INFORMATION FOR 2012)

	Program Services					Supporting Services			Totals	
	Construction	**Roof and Repair**	**ReStore**	**Discounts on Mortgage Originations**	**Total Program Services**	**Management and General**	**Developmental**	**Total Supporting Services**	**2013**	**2012**
Cost of Homes Sold	$ 5,946,810	$ -	$ -	$ -	$ 5,946,810	$ -	$ -	$ -	$ 5,946,810	$ 3,662,743
Salaries and Benefits	1,463,734	90,488	656,187	-	2,210,409	444,111	444,891	889,002	3,099,411	2,436,970
Mortgage Discounts	-	-	-	2,845,681	2,845,681	-	-	-	2,845,681	1,688,844
Building Costs and Call Backs	242,373	531,970	-	-	774,343	-	-	-	774,343	700,276
Demolition Accomplished	413,999	-	-	-	413,999	-	-	-	413,999	221,924
Depreciation and Amortization	148,954	-	124,372	-	273,326	64,770	-	64,770	338,096	193,600
Tithe to Habitat for Humanity International	177,800	-	-	-	177,800	-	-	-	177,800	94,300
Publicity	31,937	851	72,134	-	104,922	257	64,128	64,385	169,307	140,869
Maintenance and Small Equipment	121,495	-	21,995	-	143,490	5,574	2,860	8,434	151,924	122,988
Merchandise Costs	-	-	151,034	-	151,034	-	-	-	151,034	163,385
Occupancy	29,208	594	68,069	-	97,871	40,877	5,292	46,169	144,040	227,220
Mortgage Discounts - Roof and Repair	-	-	-	135,023	135,023	-	-	-	135,023	149,533
Professional Fees	65,761	410	2,992	-	69,163	51,052	4,253	55,305	124,468	104,929
VISTA/Americorps	112,594	-	3,540	-	116,134	980	-	980	117,114	96,508
Vehicle Expense	78,776	2,098	28,074	-	108,948	2,497	5,484	7,981	116,929	92,389
Miscellaneous	22,868	932	37,832	-	61,632	33,190	10,190	43,380	105,012	98,627
Interest	103,271	-	-	-	103,271	-	-	-	103,271	35,502
Information Technology	33,112	2,325	338	-	35,775	30,521	11,532	42,053	77,828	56,536
International Build	58,631	-	-	-	58,631	-	-	-	58,631	50,250
Supplies	16,221	137	15,649	-	32,007	17,382	1,711	19,093	51,100	61,888
Insurance and Taxes	17,966	-	7,568	-	25,534	25,527	-	25,527	51,061	36,394
Training and Travel	21,326	628	2,307	-	24,261	19,342	6,412	25,754	50,015	45,294
Printing and Postage	11,904	1,379	6,077	-	19,360	4,479	22,139	26,618	45,978	47,846
Family Partners and Public Education	38,374	-	-	-	38,374	82	3,814	3,896	42,270	22,201
Telephone	11,861	900	4,658	-	17,419	16,010	2,291	18,301	35,720	33,698
Bad Debt Expense	-	27,462	-	-	27,462	-	-	-	27,462	11,000
	9,168,975	660,174	1,202,826	2,980,704	14,012,679	756,651	584,997	1,341,648	15,354,327	10,595,714
In-Kind Expense	118,123	33,500	80,809	-	232,432	378	17,280	17,658	250,090	368,007
TOTAL FUNCTIONAL EXPENSES	**$ 9,287,098**	**$ 693,674**	**$ 1,283,635**	**$ 2,980,704**	**$ 14,245,111**	**$ 757,029**	**$ 602,277**	**$ 1,359,306**	**$ 15,604,417**	**$ 10,963,721**

The accompanying notes to consolidated financial statements
are an integral part of these statements

HABITAT FOR HUMANITY OF OMAHA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(WITH COMPARATIVE FINANCIAL INFORMATION FOR 2012)

	Years Ended December 31, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	$ 1,387,055	$ 6,509,912
Adjustments to Reconcile Changes in Net Assets to Net Cash (Used In) Provided By Operating Activities:		
Sales to Homeowners	(4,471,526)	(2,790,917)
Loan Discount Interest Income - Homeowner Sales	(518,876)	(529,239)
Loan Discount Interest Income - Roof & Repair	(45,412)	(46,170)
Realized Loss (Gain) on Investments	1,053	(1,617)
Unrealized Gain on Investments	(110,075)	(22,980)
Income From Joint Venture	(111,033)	(98,058)
Increase in Construction in Progress	(539,914)	(908,845)
Loss on Sale of Property and Equipment	17,014	3,069
Depreciation and Amortization	338,096	193,600
(Increase) Decrease in Current Assets:		
Unconditional Promises to Give	522,768	(1,880,360)
Other Receivables	(129,670)	(46,500)
Prepaid Expenses	(4,264)	13,421
Materials Inventory	53,344	17,385
Increase (Decrease) in Current Liabilities:		
Accounts Payable	318,270	114,385
Accrued Expenses	(73,515)	106,393
Accrued Payroll and Compensated Absenses	16,522	30,043
Net Cash (Used In) Provided By Operating Activities	(3,350,163)	663,522
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (Increase) in Cash Restricted for Joint Venture	591,738	(800,370)
Proceeds from Sale of Investments	1,645,470	960,575
Purchase of Investments	(1,876,241)	(1,688,733)
Purchase of Property and Equipment	(2,476,082)	(3,384,678)
Mortgage Loans Sold, Net	3,214,750	1,963,553
Roof and Repair Loans Sold, Net	727,948	272,934
Mortgage Loans Payments Received	620,723	636,589
Roof and Repair Loans Payments Received	160,315	186,232
Purchase of Joint Venture	-	(1,448,867)
Cash Payments Received From Joint Venture	39,529	33,048
Issuance of Notes Receivable	(5,096,045)	-
Net Cash Used In Investing Activities	(2,447,895)	(3,269,717)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of Loan Costs	(207,036)	(87,386)
Proceeds From Long-Term Debt	6,216,689	3,460,883
Payments on Long-Term Debt	(707,536)	(384,996)
Net Cash Provided By Financing Activities	5,302,117	2,988,501
Net (Decrease) Increase in Cash and Cash Equivalents	(495,941)	382,306
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,407,212	2,024,906
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 1,911,271**	**$ 2,407,212**
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Issuance of Mortgage Loans	$ 5,244,380	$ 3,385,668
Discount on Mortgage Loans	(772,854)	(594,751)
Transfers to Homeowners Subject to Non-Interest Bearing Mortgage Loans	$ 4,471,526	$ 2,790,917
Real Property Received for Outstanding Mortgages	$ 519,000	$ 369,000

The accompanying notes to consolidated financial statements
are an integral part of these statements

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Habitat for Humanity of Omaha, Inc. (the Organization) is presented to assist in understanding the Organization's consolidated financial statements (financial statements). The financial statements and notes are representations of the Organization's management who are responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and have been consistently applied in the preparation of the financial statements.

Reporting Entity

Habitat for Humanity of Omaha, Inc. (Habitat), a Nebraska non-profit company incorporated on January 1, 1984, is an affiliate of Habitat for Humanity International, Inc. (Habitat International). Habitat International was organized for the purpose of creating decent, affordable housing with those in need and to make decent shelter a matter of conscience for all. 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.

Habitat builds and sells new and remodeled homes and also funds certain roof and home repair projects for homeowners. The home sales are typically at or below the total cost of construction while the repair projects are typically completed at cost. Both home sales and repair projects are done in exchange for non-interest bearing mortgage loans provided by Habitat to the homeowner. Habitat also raises and spends funds for acquiring land and blighted structures which are demolished. Such land may be used for future construction or sold to outside parties for redevelopment. Habitat also operates two retail stores (ReStores) designed to provide for resale of primarily used home and office materials – keeping such materials out of landfills and providing low-cost construction materials to the general public.

HFHO Real Estate Holdings, Inc. (HFHO RE), a Nebraska company with a pending application for non-profit status, was incorporated on June 27, 2013. HFHO RE was organized to acquire and operate certain assets previously owned by Habitat, for the purpose of qualifying for the benefits of the New Market Tax Credit (NMTC) transaction that occurred in 2013 (See Notes G and H).

As part of the 2013 NMTC transaction, HFHO RE purchased Habitat's ReStore retail stores and Habitat's main warehouse and office facilities which are being leased back to Habitat.

These entities whose financial statements are included in the consolidated financial statements are collectively referred to as the Organization.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization's financial statements have been prepared in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. The Organization is required to provide financial statements which are prepared to focus on the organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

The Organization maintains its accounts on the accrual basis of accounting.

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets – Net assets which are not subject to any donor-imposed stipulations. Income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets, i.e. the donor-stipulated purposes have been fulfilled and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets.

Principles of Consolidation

The consolidated financial statements include the accounts of Habitat for Humanity of Omaha, Inc. and its affiliate, Habitat for Humanity Real Estate Holdings, Inc. Intercompany transactions and accounts have been eliminated in the accompanying consolidated financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measure of Operations

In the consolidated statements of activities and changes in net assets, the Organization includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Investment income, including net realized and unrealized gains and losses, are recognized as operating support, revenues, gains, and losses.

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 a number of estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash or cash equivalents for purposes of the statements of cash flows.

Restricted Cash

The Organization has classified certain cash that is restricted for specific purposes. At December 31, 2013 and 2012, the Organization has restricted $383,643 and $975,381 for joint venture commitments, respectively.

Unconditional Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Management reports promises to give net of allowance for uncollectible promises on its financial statements. The Organization considers promises to give to be 100% collectible; therefore, no allowance for uncollectible amounts has been established.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Materials Inventory

Materials inventory is recorded using the average cost method, which is not an acceptable method in accordance with accounting principles generally accepted in the United States of America. Management estimates that this does not have a material impact to the financial statements.

Investments and Investment in Joint Ventures

The Organization has adopted FASB ASC 958-320, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statements of financial position. Any unrealized gains and losses are reported in the consolidated statements of activities and changes in net assets as a change in unrestricted net assets.

Investments in joint ventures such as partnerships that are not consolidated, but over which the Organization exercises significant influence, are accounted for under the equity method of accounting. Whether or not the Organization exercises significant influence with respect to a specified investment depends on an evaluation of several factors including, among others, representation on the joint venture partnership's board of directors and ownership level, which is generally a 20% to 50% interest in the voting securities of the respective partnership.

If the Organization's carrying value in an equity method investment is reduced to zero, subsequent losses are not recorded in the Organization's consolidated financial statements unless the Organization guaranteed obligations of the joint venture partnership or has committed additional funding. If the joint venture partnership subsequently reports income, the Organization will not record its share of such income until it equals the amount of its share of losses not previously recognized.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for additions and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. The cost of assets disposed and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses from property disposals are recognized in the year of disposal.

Depreciation is computed using straight-line and accelerated methods over the following useful lives:

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

	Years
Buildings	3-40
Leasehold Improvements	3-15
Equipment and Furniture	3-15
Vehicles	3-5

Construction in Progress

The Organization carries the cost incurred in conjunction with home construction in construction in progress until sold to homeowners.

Loans and Discount

The Organization considers all roof and repair, and mortgage loans to be 100% collectible; therefore, no allowance for uncollectible accounts has been established. These loans are non-interest bearing that are secured by real estate and payable in monthly installments over the life of the loan.

Non-interest bearing loans have been discounted at 7.39% during 2013, 7.50% during 2012, and at various rates ranging from 6.0% to 9.0% in prior years based upon prevailing market rates for low income housing at the inception of the loan. Utilizing a straight-line basis, this discount will be amortized over the term of the loan.

From time to time the Organization will sell mortgages with full recourse to financial institutions. If the loan is sold, the unamortized balance of the loan discount recorded at the inception of the loan is recorded as income in the financial statement as discount recovery on the sale of mortgage loans. The Organization retains full recourse on these mortgages and continues to service and guarantee the mortgages. The Organization retains the right to substitute similar mortgages in case of default by the homeowners to pay the mortgage. At December 31, 2013 the amount of loans sold and still outstanding was approximately $8.5 million.

Loan Costs

The Organization capitalizes the costs of loans obtained in connection with its investment in joint ventures (see Note G). Loan costs are being amortized on a straight-line basis over estimated useful lives of the agreements which are 3 to 15 years.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Employees of the Organization are entitled to certain amounts of paid personal time off. In the event of termination, an employee is reimbursed for accumulated paid time off.

Contingent Equity and Sales to Homeowners

Habitat International requires a $500 cash down payment (contingent equity) that is applied towards the purchase of the home at the time that the purchase contract is signed.

Sales to homeowners are recorded at the gross mortgage amount plus contingent equity payments received.

Revenues and Reclassifications

Support is provided in the form of federal and state grants and grants from non-governmental entities. All support and revenues are considered unrestricted unless stipulated by the grantor.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted revenue and increase unrestricted net assets. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. Third-party reimbursement contracts (grant reimbursements) are recognized as revenue upon submission of the reimbursement request. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

In-Kind Contributions and Donated Services

Contributions of gifts in-kind that can be used by the Organization are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by an individual possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

A substantial number of volunteers have made significant contributions of their time to the Organization's program and supporting services, which do not meet the above criteria. The value of this contributed time is not reflected in these financial statements since there is not an objective measure or valuation of these services.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Program Services

Program services include construction, roof and home repairs, the Organization's ReStore operations, the discount on mortgage originations, support of families, and education of the general public. Program services also include the cost of homes sold to homeowners.

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense was $169,307 and $140,869 for the years ended December 31, 2013 and 2012, respectively.

Income Taxes

Habitat has received exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. HFHO RE is also expected to receive a similar exception. As such, no provision for income taxes is reflected in the financial statements.

The Organization has implemented the accounting requirements associated with uncertainty in income taxes as required by FASB ASC 740, *Income Taxes*. The guidance prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Organization files Form 990, *Return of Organization Exempt from Income Tax*, in the U.S. Federal state jurisdictions. As of December 31, 2013, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax years subsequent to 2009 remain subject to examination by major tax jurisdictions.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The adoptions of FASB ACS 740 did not have a material impact on the Organization's financial statements. The Organization has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits.

Subsequent Events

Management has evaluated subsequent events through May 29, 2014, which is the date the financial statements were available to be issued.

Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

NOTE B – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to credit risk consist of cash, investments, receivables, and unconditional promises to give. The Organization maintains cash balances in financial institutions in which balances sometimes exceed the federally insured limits.

NOTE C – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are as follows at December 31,:

	2013	2012
Corporate and Foundation	$ 128,100	$ 18,880
Capital Campaign Donations	1,321,750	1,953,738
Total Unconditional Promises to Give	$ 1,449,850	$ 1,972,618

The maturities of unconditional promises to give at December 31, 2013 are as follows:

Receivable in Less than One Year	$ 753,900
Receivable in One to Five Years	695,950
Total Unconditional Promises to Give	$ 1,449,850

NOTE C – UNCONDITIONAL PROMISES TO GIVE (Continued)

In 2012, the Organization commenced a capital campaign for the purpose of acquiring certain properties, renovating facilities, and funding strategic land acquisition all for its mission of constructing affordable housing. During 2012 and 2013, the campaign raised approximately $6.5 million in the form of cash and pledges. At December 31, 2013 approximately $1.3 million in pledges remain to be collected.

The campaign has resulted in the investment of approximately $3 million for the acquisition and remodel of the Organization's main warehouse and office, approximately $2 million for the acquisition and remodel of its 2nd Restore location, and approximately $300,000 so far for the acquisition of strategic land for future home construction.

NOTE D – INVESTMENTS

The Organization's investments at December 31, 2013 consist of the following:

	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Cash Equivalents	$ 516,464	$ -	$ 359	$ 516,105
U.S. Treasury and Corporate Notes	1,104,938	-	26,524	1,078,414
Equity Mutual Funds	580,172	146,312	-	726,484
Beneficial Interest in Net Assets Held by Omaha Community Foundation	12,101	2,577	-	14,678
	$2,213,675	$ 148,889	$ 26,883	$2,335,681

The Organization's investments at December 31, 2012 consist of the following:

	Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
Cash Equivalents	$ 122,738	$ -	$ -	$ 122,738
U.S. Treasury Notes	1,476,360	4,314	19,005	1,461,670
Equity Mutual Funds	372,896	25,851	275	398,471
Beneficial Interest in Net Assets Held by Omaha Community Foundation	12,101	908	-	13,009
	$1,984,095	$ 31,073	$ 19,280	$1,995,888

NOTE D – INVESTMENTS (Continued)

The following schedule summarizes the investment return and its classification in the consolidated statements of activities and changes in net assets for the years ended December 31,:

	2013	2012
Interest and Dividend Income	$ 43,773	$ 31,825
Unrealized Gain on Investments	110,075	22,980
Realized (Loss) Gain on Sale of Investments	(1,053)	1,617
	$ 152,795	$ 56,422

In connection with the sale of certain loans, the Organization has granted security interest rights in a portion of its investment portfolio to another party. Such rights restrict the ability of the Organization to use such funds unless and until the associated loans are repaid. The amount subject to these rights was $400,000 and $200,000 of investments as of December 31, 2013 and 2012, respectively.

NOTE E – FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB ASC 820, *Fair Value Measurements*, establishes 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 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below.

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

- Level 2 - Inputs to the valuation methodology include:

    - Quoted prices for similar assets or liabilities in active markets;

    - Quoted prices for identical or similar assets or liabilities in inactive markets;

    - Inputs other than quoted prices that are observable for the asset or liability;

    - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

NOTE E – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2013.

Common stocks, corporate bonds and U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2013 and 2012.

	Assets at Fair Value as of December 31, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and Cash Equivalents	$ 1,911,271	$ -	$ -	$ 1,911,271
Investments:				
Cash Equivalents	516,105	-	-	516,105
U.S. Treasury and Corporate Notes	1,078,414	-	-	1,078,414
Equity Mutual Funds	726,484	-	-	726,484
Beneficial Interest in Net Assets Held by Omaha Community Foundation	-	-	14,678	14,678
Total Assets at Fair Value	$ 4,232,274	$ -	$ 14,678	$ 4,246,952

NOTE E – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	Assets at Fair Value as of December 31, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and Cash Equivalents	$ 2,407,212	$ -	$ -	$ 2,407,212
Investments:				
Cash Equivalents	122,738	-	-	122,738
U.S. Treasury Notes	1,461,670	-	-	1,461,670
Equity Mutual Funds	398,471	-	-	398,471
Beneficial Interest in Net Assets Held by Omaha Community Foundation	-	-	13,009	13,009
Total Assets at Fair Value	$ 4,390,091	$ -	$ 13,009	$ 4,403,100

There were no transfers in and out of Levels 1, 2, and 3 in years 2013 and 2012.

The Organization uses the following methods and significant assumptions to estimate fair value:

Investments: The fair value of investments is determined by obtaining quoted market prices on nationally recognized securities exchanges.

Beneficial interest in net assets held by the Omaha Community Foundation: The fair value of the beneficial interests is determined based on the investments in the underlying portfolio. The fair value of the investments in the underlying portfolio is determined by the Omaha Community Foundation based on quoted market prices from nationally recognized securities exchanges.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

Beneficial Interest in Net Assets Held by the Omaha Community Foundation	
Beginning Fair Value	$ 13,009
Total Gains or Losses (Realized/Unrealized)	1,727
Interest and Dividends	242
Contributions and Distributions, Net	(300)
Ending Fair Value	$ 14,678

NOTE F – ENDOWMENTS

The Organization's endowment consists of a designated endowment managed by the Omaha Community Foundation. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated to function as endowments, are classified and reported based on the existence or absence of restrictions.

Changes in Endowment Net Assets for the December 31, 2013:

	Unrestricted
Endowment Net Assets, January 1, 2013	$ 13,009
Total Gains or Losses (realized/unrealized)	1,727
Interest and Dividends	242
Contributions and Distributions, Net	(300)
Endowment Net Assets, December 31, 2013	$ 14,678

Changes in Endowment Net Assets for the December 31, 2012:

	Unrestricted
Endowment Net Assets, January 1, 2012	$ 11,944
Total Gains or Losses (realized/unrealized)	1,072
Interest and Dividends	293
Contributions and Distributions, Net	(300)
Endowment Net Assets, December 31, 2013	$ 13,009

Investment expenses for the years ended December 2013 and 2012 were $300 and $300, respectively.

NOTE G – NEW MARKET TAX CREDITS AND ASSOCIATED JOINT VENTURES

The Organization has participated in several New Markets Tax Credit (NMTC) transactions. These transactions provide funds to eligible organizations for making qualified low-income community investments. Such funds are the result of outside investors who effectively purchase the tax credits associated with the Organization's community investment.

Transaction requirements for the Organization include the creation of a promissory note (see Note K) and an associated investment in, or associated loan made to, a qualified community development entity through a joint venture. The tax credits produced by the transactions are subject to recapture if compliance requirements are not met over a seven year period.

NOTE G – NEW MARKET TAX CREDITS AND ASSOCIATED JOINT VENTURES (Continued)

In 2010, the Organization recorded its 22.5825% investment in the first joint venture at the cost of $2,514,254 and in 2012, the Organization recorded its 9.9945% investment in the second joint venture at the cost of $1,448,867. After investment earnings and distributions, the investment in joint venture balance totaled $4,162,261 and $4,090,756 as of December 31, 2013 and 2012, respectively. In 2013, the Organization recorded a note receivable of $5,096,045 in connection with the third joint venture transaction (See Note H).

In the future (approximately 7 years from the inception of each of the transactions noted above), the entities that are the effective owner of the Organization's promissory notes are expected to exercise put options whereby the promissory notes will become the property of the associated joint venture. The exercise of the put options will effectively allow the Organization to extinguish the outstanding debt and realize its joint venture investments and note receivable without further cash flow activity.

NOTE H – NOTE RECEIVABLE FROM JOINT VENTURE

During 2013, the Organization entered into a third NMTC transaction. Transaction requirements for the Organization include the recording of a receivable and a promissory note (see note K). The receivable accrues interest at 1.6% per year, payable each quarter, and is due in full January 1, 2042. The balance of the receivable as of December 31, 2013 was $5,096,045.

NOTE I – NON-INTEREST BEARING LOANS

Traditional Home Loans

The Organization sells homes to program participants in exchange for mortgage loans with no interest. These loans are all payable to the Organization, and are shown on the consolidated statement of financial position discounted at various rates ranging from 6.0% to 9.0% at the inception of the mortgages, as dictated by Habitat International. The Organization had 154 and 158 loans outstanding at December 31, 2013 and 2012, respectively. Management feels no provision for loan losses is required because the Organization is a secured creditor and the fair market value of the homes is in excess of the related mortgage loan balance.

NOTE I – NON-INTEREST BEARING LOANS (Continued)

Traditional Home Loans (Continued)

The Organization also sells homes to program participants under the NMTC programs in exchange for mortgage notes with no interest. These notes are all payable to the Organization, and are shown on the consolidated statement of financial position discounted at various rates ranging from 6.0% to 9.0% at the inception of the mortgages, as dictated by Habitat International.

The Organization had 38 and 40 loans outstanding at December 31, 2013 and 2012, respectively. Management feels no provision for loan losses is required because the Organization is a secured creditor and the fair market value of the homes is in excess of the related mortgage note balance.

The Organization's mortgage home loans are as follows at December 31,:

	2013	2012
Mortgage home loans	$ 13,226,610	$ 12,816,904
Loan discount	(8,222,476)	(7,887,786)
Basis in loan	$ 5,004,134	$ 4,929,118

Roof and Repairs Loans

The Organization funds roof and other repairs for program participants in exchange for mortgage loans with no interest. These notes are all payable to the Organization, and are shown on the consolidated statement of financial position discounted at various rates ranging from 6.0% to 9.0% at the inception of the mortgages, as dictated by Habitat International. The Organization had 90 and 126 loans outstanding at December 31, 2013 and 2012, respectively. Management feels no provision for loan losses is required because the Organization is a secured creditor in the form of a second or third position and the fair market value of the homes is in excess of the related mortgage note balance.

The Organization's roof and repair loans are as follows at December 31,:

	2013	2012
Roof and repair loans	$ 689,487	$ 1,097,496
Loan discount	(204,949)	(331,074)
Basis in loan	$ 484,538	$ 766,422

NOTE J – BANK REVOLVING LINE OF CREDIT

At December 31, 2013, the Organization had a bank revolving line of credit in the amount of $300,000, payable on demand or annually on December 6, including interest at .25% below the national prime rate. Interest rate on the line of credit at December 31, 2013 was 3.0%. The Organization had no outstanding balance on the line of credit at December 31, 2013 and 2012, respectively.

NOTE K – LONG-TERM DEBT

Long-term debt consists of the following at December 31,:

	2013	2012
Interest-free promissory notes payable to Habitat International. Monthly payments range from $26 to $520 and due dates range from January 2015-2019.	$ 221,770	$ 107,282
Note payable to HFHI-SA NMTC III, LLC, semi-annual interest only payments until June 2017 at 0.76%, then semi-annual payments in an amount sufficient to fully amortize the remaining balance by June 2025. The note has a put option feature that is exercisable by July 2017. The note is secured by substantially all assets acquired from the project loan proceeds. (See Note G)	3,301,470	3,301,470
Note payable to First National Bank, interest at 2.75%, interest paid monthly with principal payments determined by the Organization such that each year it is reduced by $500,000. The note is due December 2015. The note is secured by a deed of trust.	800,000	1,500,000
Note payable to CCM Community Development XVII, LLC, semi-annual interest only payments until May 2020 at 0.77%, then semi-annual payments of $121,386, until due April 2028. The note has a put option feature that is exercisable by April 2019. The note is secured by substantially all assets acquired from the project loan proceeds. (See Note G)	1,880,000	1,880,000
Note payable to Stonehenge Community Development LXXXVIII, LLC, quarterly interest only payments until January 1, 2020 at 1.606%, then quarterly payments of $64,628, until due October 23, 2043. The note has a put option feature that is exercisable in 2020. The note is secured by substantially all the assets of HFHO Real Estate Holdings, Inc. (See Note G)	5,095,045	-

NOTE K – LONG TERM DEBT (Continued)

	2013	2012
Note payable to Stonehenge Community Development LXXXVIII, LLC, quarterly interest only payments until January 1, 2020 at 1.606%, then quarterly payments of $12,664, until due October 23, 2043. The note has a put option feature that is exercisable in 2020. The note is secured by substantially all the assets of HFHO Real Estate Holdings, Inc. (See Note G)	$ 999,620	$ -
Total Long-Term Debt	12,297,905	6,788,752
Less Current Portion of Long-Term Debt	(319,254)	(507,536)
	$ 11,978,651	$ 6,281,216

The aggregate maturities of long-term debt for the years ending after December 31, 2013 are as follows:

Years Ending December 31,	
2014	$ 319,254
2015	553,106
2016	62,627
2017	52,520
2018	34,071
Thereafter	11,276,327
	$ 12,297,905

NOTE L – TRANSACTIONS WITH HABITAT INTERNATIONAL

The Organization annually remits a portion of its contributions (excluding in-kind contributions) to Habitat International. These funds are used to construct homes in economically depressed areas around the world. For the years ended December 31, 2013 and 2012, the Organization contributed $177,800 and $94,300 to Habitat International, respectively. This amount is included in the program services expense in the consolidated statement of activities.

NOTE M – OPERATING LEASES

The Organization leases various office equipment under operating lease agreements expiring at various times through October 2016. The future minimum lease payments required under the above operating leases as of December 31, 2013 are as follows.

Years Ending December 31,	Amount
2014	$ 7,398
2015	2,544
2016	2,234
	$ 12,176

NOTE N – IN-KIND CONTRIBUTIONS

Included in the financial statements are in-kind contributions and corresponding expenses, which consisted of the following at December 31,:

	2013		2012	
	Contribution	Expense	Contribution	Expense
Construction in Progress	$ 1,214,455	$ -	$ 1,252,694	$ -
Property and Equipment	168,203	-	164,343	-
Professional Fees	143,638	143,638	250,387	250,387
Occupancy	79,680	79,680	42,180	42,180
Investments	18,268	-	-	-
Publicity	16,000	16,000	35,666	35,666
Miscellaneous	10,772	10,772	28,918	28,918
Inventory	-	-	3,540	-
Maintenance and Small Equipment	-	-	10,856	10,856
Total In-Kind Contribution	$ 1,651,016	$ 250,090	$ 1,788,584	$ 368,007

NOTE O – RETIREMENT PLAN

The Organization participates in a 403(b) retirement savings plan covering substantially all employees. The Organization contributions are discretionary. There were Company contributions of $61,041 and $28,173 for the years ended December 31, 2013 and 2012, respectively.

NOTE P – RECLASSIFICATIONS

Certain reclassifications were made to the 2012 financial statements to conform to the 2013 presentation.

SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

HABITAT FOR HUMANITY OF OMAHA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2013

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number		Total Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Self-Help Homeownership Opportunity Program	14.247	1/	$ 488,095
PASS-THROUGH PROGRAM FROM THE CITY OF OMAHA			
Neighborhood Stabilization Program	14.228		91,000
Community Development Block Grant	14.218		183,387
Home Investment Partnership Program	14.239		240,000
Total Expenditures of Federal Awards			**$ 1,002,482**

1/ Major program tested

The accompanying notes to Schedule of Expenditures
of Federal Awards are an integral part of this schedule

HABITAT FOR HUMANITY OF OMAHA, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2013

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Habitat for Humanity of Omaha, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the consolidated financial statements.

NOTE B – TYPE A PROGRAM THRESHOLD

The threshold of Type A and Type B programs was $300,000 for the year ended December 31, 2013.

NOTE C – MAJOR PROGRAM

CFDA Number	Program Name
14.247	Self-Help Homeownership Opportunity Program

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Habitat for Humanity of Omaha, Inc.
Omaha, Nebraska

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Habitat for Humanity, Inc. (the Organization), which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 29, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BLAND + ASSOCIATES, P.C.

Omaha, Nebraska
May 29, 2014

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Habitat for Humanity of Omaha, Inc.
Omaha, Nebraska

Report on Compliance for the Major Federal Program

We have audited Habitat for Humanity of Omaha, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended December 31, 2013. The Organization's major federal program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Organization's compliance.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (Continued)

Opinion on the Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion of the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BLAND + ASSOCIATES, P.C.

Omaha, Nebraska
May 29, 2014

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HABITAT FOR HUMANITY OF OMAHA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2013

A. SUMMARY OF AUDIT RESULTS

CONSOLIDATED FINANCIAL STATEMENTS AUDIT

Type of auditors' report issued:	**Unmodified**	
Internal control over financial reporting:		
Material weakness (es) identified?:	Yes ________	No ___X___
Significant deficiency (ies) identified that are not considered to be material weakness (es)?:	Yes ________	No ___X___
Noncompliance material to the consolidated financial statements noted?:	Yes ________	No ___X___

MAJOR FEDERAL AWARDS PROGRAM AUDIT

Internal control over major programs:		
Material weakness(es) identified?:	Yes ________	No ___X___
Significant deficiency (ies) identified that are not considered to be material weakness (es)?:	Yes ________	No ___X___
Type of auditors' report issued on compliance for major programs:	**Unmodified**	
Any audit findings disclosed that are required to be reported in accordance with 510(a) OMB Circular A-133?:	Yes ________	No ___X___

HABITAT FOR HUMANITY OF OMAHA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended December 31, 2013

A. SUMMARY OF AUDIT RESULTS (Continued)

Program considered to be a major program of the Organization include:

	CFDA No.
Self-Help Homeownership Opportunity Program	14.247

Threshold used for distinguishing between Type A and B programs: $300,000

Is the Organization considered to be a low-risk auditee?: Yes __X__ No _____

B. FINDINGS – CONSOLIDATED FINANCIAL STATEMENTS AUDIT

No findings that apply to the consolidated financial statements audit were noted.

C. FINDINGS AND QUESTIONED COSTS – FEDERAL AWARD PROGRAM AUDIT

No findings that apply to the federal award program audit were noted.

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

HABITAT FOR HUMANITY OF OMAHA, INC.
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended December 31, 2013

CONSOLIDATED FINANCIAL STATEMENTS AUDIT

No prior year findings.

MAJOR FEDERAL AWARDS PROGRAM AUDIT

No prior year findings.