Consolidated Financial Statements and
Report of Independent Certified Public Accountants

Habitat for Humanity International, Inc.

Years ended June 30, 2016 and 2015

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
Habitat for Humanity International, Inc.

We have audited the accompanying consolidated financial statements of **Habitat for Humanity International, Inc.** (Habitat), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free of 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 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 of 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Habitat as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other matter

The consolidated financial statements as of and for the year ended June 30, 2015 were audited by other auditors. Those auditors expressed an unmodified opinion on those 2015 financial statements in their report dated November 19, 2015.

Grant Thornton LLP

Atlanta, Georgia
November 11, 2016

Consolidated statements of financial position

June 30	2016	2015
	$	$
Assets		
Cash and cash equivalents	58,104,458	42,751,172
Investments at fair value	43,852,355	43,097,872
Receivables:		
Contributions and grants, net	44,872,124	35,057,674
Affiliate notes, net	27,342,514	31,636,743
Due from affiliates, net	12,447,301	14,971,348
Loans to microfinance institutions, net	43,814,383	36,471,055
Institutional loans and mortgages receivable, net	751,284	1,119,673
Other, net	2,175,666	2,666,001
Total receivables	131,403,272	121,922,494
Inventories, net	1,750,115	1,484,053
Prepaids and other assets	4,028,923	1,858,434
Land, buildings, and equipment - net of accumulated depreciation and amortization	7,273,327	7,613,667
Total assets	246,412,450	218,727,692
Liabilities and net assets		
Accounts payable and accrued expenses	14,334,941	19,226,855
Project advances from MasterCard Foundation	883,470	1,255,710
Capitalized lease obligations payable	1,321,696	1,444,158
Due to affiliates	1,868,014	1,773,262
Notes payable	46,561,760	37,575,506
Charitable gift arrangements	6,651,725	6,446,520
Investor notes payable	27,476,029	32,143,779
Total liabilities	99,097,635	99,865,790
Net assets:		
Unrestricted:		
Controlling interests	34,168,855	22,407,331
Noncontrolling interests	3,386,852	2,240,819
	37,555,707	24,648,150
Temporarily restricted	107,301,814	92,059,930
Permanently restricted	2,457,294	2,153,822
Total net assets	147,314,815	118,861,902
Total liabilities and net assets	246,412,450	218,727,692

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

Consolidated statements of activities

	Year ended June 30, 2016				Year ended June 30, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	$	$	$	$	$	$	$	$
Revenues and gains								
Contributions	96,626,861	83,293,662	303,472	180,223,995	91,779,302	67,268,236	994	159,048,532
Donations in kind, including PSA' s	12,446,500	24,479,746	-	36,926,246	17,408,670	18,028,243	-	35,436,913
Government grants	17,870,220	-	-	17,870,220	26,211,401	-	-	26,211,401
Other income, net	41,122,180	-	-	41,122,180	39,952,256	-	-	39,952,256
Total revenues and gains	168,065,761	107,773,408	303,472	276,142,641	175,351,629	85,296,479	994	260,649,102
Net assets released from restrictions	89,721,269	(89,721,269)	-	-	87,927,074	(87,927,074)	-	-
Total revenues and gains	257,787,030	18,052,139	303,472	276,142,641	263,278,703	(2,630,595)	994	260,649,102
Expenses								
Program services:								
U.S. affiliates	110,364,534	-	-	110,364,534	119,119,742	-	-	119,119,742
International affiliates	56,795,890	-	-	56,795,890	66,737,102	-	-	66,737,102
Public awareness and education	24,795,065	-	-	24,795,065	25,293,205	-	-	25,293,205
Total program services	191,955,489	-	-	191,955,489	211,150,049	-	-	211,150,049
Supporting services:								
Fundraising	41,751,631	-	-	41,751,631	40,866,224	-	-	40,866,224
Management and general	11,858,765	-	-	11,858,765	12,446,537	-	-	12,446,537
Total supporting services	53,610,396	-	-	53,610,396	53,312,761	-	-	53,312,761
Total expenses	245,565,885	-	-	245,565,885	264,462,810	-	-	264,462,810
Losses on contributions receivable	-	2,810,255	-	2,810,255	-	2,162,261	-	2,162,261
Total expenses and losses on contributions receivable	245,565,885	2,810,255	-	248,376,140	264,462,810	2,162,261	-	266,625,071
Change in net assets before non controlling interests	12,221,145	15,241,884	303,472	27,766,501	(1,184,107)	(4,792,856)	994	(5,975,969)
Purchase of interest by non controlling shareholders	727,419	-	-	727,419	490,000	-	-	490,000
Distributions to non controlling shareholders	(41,007)	-	-	(41,007)	-	-	-	-
Change in net assets	12,907,557	15,241,884	303,472	28,452,913	(694,107)	(4,792,856)	994	(5,485,969)
Net assets at beginning of year	24,648,150	92,059,930	2,153,822	118,861,902	25,342,257	96,852,786	2,152,828	124,347,871
Nets assets at end of year	37,555,707	107,301,814	2,457,294	147,314,815	24,648,150	92,059,930	2,153,822	118,861,902

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

Consolidated statements of functional expenses

For the year ended June 30, 2016:	U.S. Affiliates	International Affiliates	Public Awareness and Education	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total
	$	$	$	$	$	$	$	$
Program and house building transfers	43,201,972	22,381,763	6,709,453	72,293,188	-	-	-	72,293,188
Donated assets distributed, including PSA's	31,714,878	146,571	1,347,427	33,208,876	-	-	-	33,208,876
Salaries and benefits	24,107,676	22,899,943	10,254,929	57,262,548	10,544,817	6,729,472	17,274,289	74,536,837
Professional services	1,661,933	3,109,787	1,886,944	6,658,664	26,423,721	657,495	27,081,216	33,739,880
Travel	1,236,856	2,521,099	654,237	4,412,192	518,443	360,838	879,281	5,291,473
Interest, service charges, and taxes	1,404,620	468,238	740,183	2,613,041	656,228	134,355	790,583	3,403,624
Office expenses	4,338,841	2,509,244	2,100,723	8,948,808	2,694,524	3,210,387	5,904,911	14,853,719
Depreciation and amortization	702,627	562,671	251,703	1,517,001	432,550	326,064	758,614	2,275,615
Other	1,995,131	2,196,574	849,466	5,041,171	481,348	440,154	921,502	5,962,673
Total	110,364,534	56,795,890	24,795,065	191,955,489	41,751,631	11,858,765	53,610,396	245,565,885

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

Consolidated statements of functional expenses (cont'd)

For the year ended June 30, 2015:	U.S. Affiliates	International Affiliates	Public Awareness and Education	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total
	$	$	$	$	$	$	$	$
Program and house building transfers	46,375,402	29,767,176	6,501,079	82,643,657	-	-	-	82,643,657
Donated assets distributed, including PSA's	37,067,536	339,766	1,002,425	38,409,727	-	-	-	38,409,727
Salaries and benefits	22,902,645	23,932,196	10,796,959	57,631,800	10,649,019	6,917,887	17,566,906	75,198,706
Professional services	1,979,798	3,196,070	1,891,564	7,067,432	24,673,677	858,139	25,531,816	32,599,248
Travel	1,363,611	2,771,329	713,404	4,848,344	759,445	541,423	1,300,868	6,149,212
Interest, service charges, and taxes	1,547,812	405,828	607,186	2,560,826	638,860	146,278	785,138	3,345,964
Office expenses	3,736,366	2,623,700	2,067,731	8,427,797	2,964,583	3,188,658	6,153,241	14,581,038
Depreciation and amortization	685,063	654,216	245,411	1,584,690	428,409	363,942	792,351	2,377,041
Other	3,461,509	3,046,821	1,467,446	7,975,776	752,231	430,210	1,182,441	9,158,217
Total	119,119,742	66,737,102	25,293,205	211,150,049	40,866,224	12,446,537	53,312,761	264,462,810

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

Consolidated statements of cash flows

For the year ended June 30:	2016	2015
	$	$
Operating activities		
Change in net assets	28,452,913	(5,485,969)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,275,615	2,377,041
Net loss (gain) on disposal of land, buildings, and equipment	58,327	(148,920)
Program transfer of assets to affiliates	-	70,021
Losses on contributions receivable	2,810,255	2,162,261
Losses on micro-finance institutions	605,836	2,198,834
Losses (recoveries) on other receivables	(39,301)	700,497
Net realized and unrealized gains on investments	(347,578)	(70,008)
Support from the public restricted long-term investments	(303,472)	(994)
Unrealized gain on derivative instrument	(877,102)	(901,271)
Unrealized loss from foreign exchange fluctuations	732,225	898,445
Recoveries of amounts due to affiliates	(1,330,202)	(6,504,691)
Changes in operating assets and liabilities:		
Decrease (increase) in receivables	(12,906,813)	4,830,847
Decrease (increase) in inventories	(266,062)	1,636,420
Decrease (increase) in prepaids and other assets	(2,179,441)	260,430
Increase (decrease) in accounts payable and accrued expenses	(5,183,430)	3,197,509
Decrease in program advances	(372,240)	(695,624)
Net cash provided by operating activities	11,129,530	4,524,828
Investing activities		
Purchases of investments	(6,210,761)	(2,758,748)
Proceeds from sales and maturities of investments	5,803,856	8,716,281
Loans to micro-finance institutions	(12,847,400)	(15,658,375)
Repayments from micro-finance institutions	6,182,511	331,311
Loans to affiliates	(25,945,592)	(22,808,346)
Repayments from affiliates	32,804,603	27,749,706
Purchases of land, buildings, and equipment	(1,271,536)	(1,113,528)
Proceeds from sale of land, buildings, and equipment	23,952	250,000
Net cash used in investing activities	(1,460,367)	(5,291,699)
Financing activities		
Principal repayments on capitalized lease obligations payable	(845,050)	(766,804)
Increase in due to affiliates	2,050,965	3,517,271
Payments on due to affiliates	(39,887)	(174,215)
Support from the public restricted long-term investments	303,472	994
Increase (decrease) in annuity obligation	590,185	(1,167,285)
Payments of annuity obligation	(384,979)	(427,529)
Proceeds from line of credit	-	10,000,000
Payments on line of credit	-	(10,000,000)
Proceeds from issuance of notes payable	14,907,100	14,365,542
Payments on notes payable	(10,897,683)	(12,325,914)
Net cash provided by financing activities	5,684,123	3,022,060
Increase in cash and cash equivalents	15,353,286	2,255,189
Cash and cash equivalents, beginning of year	42,751,172	40,495,983
Cash and cash equivalents, end of year	58,104,458	42,751,172
Supplemental disclosures		
Interest paid	2,166,938	2,106,661
Non-cash purchases of equipment through capital lease obligations	722,588	1,053,861

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

Notes to consolidated financial statements

1 Organization and Purpose

Driven by the vision that everyone needs a decent place to live, Habitat for Humanity International, Inc. (Habitat or the Organization) began in 1976 as a grassroots effort on a community farm in southern Georgia. The Christian housing organization has since grown to become a leading global non-profit working in nearly 1,400 communities throughout the U.S. and in nearly 70 countries. Families and individuals in need of a hand up partner with Habitat for Humanity to build or improve a place they can call home. Habitat homeowners help build their own homes alongside volunteers and pay an affordable mortgage. Through financial support, volunteering or adding a voice to support affordable housing, everyone can help families achieve the strength, stability and self-reliance they need to build better lives for themselves. Through shelter, we empower. To learn more, visit habitat.org.

Habitat is comprised of the organization's headquarters based in Georgia, U.S.A.; its area and regional offices worldwide; and the national organizations that are registered as branches of Habitat.

2 Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements as of and for the years ended June 30, 2016 and 2015, include the activities of:

- Habitat's area and regional offices
- Ten national organizations that are registered as part of Habitat for Humanity International
- Habitat for Humanity, Inc. and Habitat for Humanity-Middle East, which are wholly owned subsidiaries
- MicroBuild I, LLC (MicroBuild) and Habitat Micro Build India Housing Finance Company Private Limited (MicroBuild India), in which Habitat effectively has control and an economic interest.

All material intercompany accounts and transactions have been eliminated.

Cash and Cash Equivalents

Habitat considers all highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents, with the exception of cash held for reinvestment which is included in investments. Included in cash and cash equivalents is restricted cash of $1,970,442 and $2,225,292 at June 30, 2016 and 2015, respectively.

Investments

Realized and unrealized gains and losses on marketable securities are determined by using specific identification.

Investment income and net increase (decrease) on investments of donor restricted endowments are reported as follows:

- As increases in permanently restricted net assets if the terms of the gift or relevant state law require that they be added back to the principal of the permanently restricted contributions.
- As decreases in unrestricted net assets when there are losses that reduce the fair value of the assets of endowment funds below the required level and as increases in unrestricted net assets when there are gains that restore the fair value of the assets of endowment funds to the required level.
- As increases (decreases) in temporarily restricted net assets, in all other cases.

Contributions Receivable

Contributions receivable that are expected to be collected in future years are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at their fair value based on the present value of their estimated future cash flows and are discounted at the rate applicable to the year in which the contribution was made. The discount rates used reflect the assumptions about market risks that are not otherwise considered in the cash flows.

Habitat does not recognize conditional promises to give as a receivable. Habitat recognizes a receivable only to the extent the condition has been satisfied. As of June 30, 2016 and 2015, conditional promises to give amounted to $9,593,326 and $34,604,669, respectively, and are not recorded in the consolidated financial statements.

FlexCAP Program

Investor notes payable are special obligations of Habitat secured solely by affiliate general obligation promissory notes (affiliate notes receivable), which are, in turn, secured by mortgages held by the affiliates. The notes have interest rates ranging from 1% to 6% and are payable over five to ten years. The proceeds received from investor notes payable were disbursed to those affiliates that signed affiliate notes receivable with Habitat. Affiliate notes receivable have interest rates ranging from 1.0% to 6.5% over five to ten years and are secured by mortgages held by those affiliates.

For FlexCAP issuances prior to June 30, 2015, Habitat required that each of its affiliates post a cash reserve equal to one quarter of the annual debt service to safeguard against nonpayment by the affiliate. The reserve funds are invested in money market funds or certificates of deposit and are recorded as cash and cash equivalents and investments in the consolidated statements of financial position. For the year ending June 30, 2016, a grant from a financial institution was used to purchase FlexCAP notes, whose cash flows act as a first loss piece in the event that losses occur.

The real estate securing these mortgages is concentrated in the states of California (15%), Michigan (13%) and Florida (12%). The remaining balance is secured by real estate in cities located throughout the remaining United States, with no city comprising more than 5% of the balance.

Due From/To Affiliates

Due from affiliates consists primarily of non-interest-bearing, unsecured, demand notes from Habitat affiliates in the U.S. An allowance for estimated doubtful accounts is provided, as considered appropriate, based on identification of specific uncollectible receivables and a general reserve that is based on the method of payment by the affiliate and past payment experience. A majority of these loans originated with affiliates that are participating in the Self-help Homeownership Opportunity Program (SHOP) grant. Habitat treats 25% of the grant disbursements as a loan to affiliates that must be paid back to Habitat without interest. The Department of Housing and Urban Development (HUD) has determined that the proceeds from the loans to affiliates must be disbursed as an additional SHOP grant. Amounts loaned and collected under SHOP loans are reflected as a liability (due to affiliates) until these proceeds are appropriately redistributed or until the appropriate financial closeout report is submitted to HUD. During the years ending June 30, 2016 and 2015, financial closeout reports were submitted and accepted by HUD for the SHOP program years 2012 (in the current year) and 2010 and 2011 (in the prior year), allowing $1,330,202 and $6,504,691, respectively, of this balance to be recognized as other income in the consolidated statements of activities.

Loans to Microfinance Institutions

Loans to microfinance institutions are recorded in the consolidated statements of financial position at their unpaid principal amounts. Interest income is accrued based on the outstanding principal amount and contractual terms of each individual loan.

Allowance for Loan Losses

The allowance for loan losses is based on assessments of certain factors, including historical credit loss experience of similar type loans, MicroBuild's credit loss experience, the amount of past due and nonperforming loans, specific known risks, and current and anticipated economic, country, regulatory and interest rate conditions. Evaluation of these factors involves subjective estimates and judgments that may change. Additions to the allowance for loan losses are provided through the consolidated statements of activities. Subsequent recoveries, if any, are credited to the allowance for loan losses.

Derivative Instruments

MicroBuild, when deemed appropriate, uses derivatives as a risk management tool to mitigate the potential impact of certain market risks. The market risks managed by MicroBuild through the derivative instruments are foreign currency exchange rate risk and interest rate risk related to loans that are made in currencies other than the U.S. Dollar. The derivative instrument is carried at fair value in the consolidated statements of financial position and the related change in fair value is reflected in the consolidated statements of activities.

Mortgages Receivable

Mortgage receivable balances represent the amount charged to the homeowners for Habitat houses built and secured with real estate that are to be paid back over a mutually established period of time. These mortgages are typically paid back on a monthly basis.

Generally, Habitat's mortgages are non-interest-bearing. Mortgages in the African countries are effectively discounted to reflect inflation rates. In Asian countries, the mortgage receivable balances are discounted using a bank long-term lending rate in effect at the date the mortgage is issued.

Inventories

Inventories represent building materials and materials to be used in construction of Habitat houses or sold in Habitat affiliate ReStores. Gift-in-kind inventory is recorded at the fair value on the date of receipt, and such items are expensed as program services expense when used or shipped to U.S. affiliates, based upon the specific identification method. Purchased inventory is recorded at the lower of cost or market determined by the specific identification method.

Land, Buildings, Capital Leases, and Equipment

Land, buildings, capital leases, and equipment are recorded at acquisition cost, including costs necessary to get the asset ready for its intended use. Additionally, certain application development costs incurred to develop internal-use software are capitalized and amortized over the expected useful life of the software application. Depreciation expense and amortization expense of assets under capital leases are provided on a straight-line basis over the estimated useful lives of the respective assets, as follows:

	Years
Buildings and leasehold improvements	20-30 years
Furniture and equipment	5-10 years
Computer hardware and software	3 years
Vehicles	3-5 years

Charitable Gift Annuities

Habitat has a gift annuity program whereby it enters into irrevocable contracts with certain donors. Habitat agrees to make payments to donors at prescribed intervals over the life of the donor. The assets received are recorded at their fair value, and the related liability is recorded as an annuity obligation. Annuity obligations are recorded at the present value of expected future payments based on the Annuity 2000 Table and the prevailing interest rate. The difference is classified as unrestricted contributions on the consolidated statements of activities and changes in net assets. Habitat maintains charitable gift annuities in a separate portfolio, and the assets are invested in accordance with applicable state laws. Total cash and investments held in the gift annuity portfolio were $9,791,849 and $9,456,884 at June 30, 2016 and 2015, respectively.

Habitat is required to hold reserves related to the gift annuity program based on the laws in certain states in which the gifts are solicited. Such reserves totaled $8,414,432 and $8,154,847 at June 30, 2016 and 2015, respectively, and are included in gift annuity investments on the accompanying statements of financial position.

Program Advances

Program advances relate to cash received directly from government and nongovernmental agencies, not yet expended on the program. These amounts will be recognized as revenue as the expenses are incurred.

Net Assets

Habitat's revenues and gains are classified as permanently restricted, temporarily restricted, and unrestricted based on the existence or absence of donor-imposed restrictions. These classifications are defined as follows:

> Permanently restricted net assets consist of the principal amount of gifts that are required by donors to be permanently retained.
>
> Temporarily restricted net assets contain donor-imposed restrictions that permit Habitat to use or expend the donated assets as specified and are satisfied either by the passage of time or by actions of Habitat. Temporarily restricted net assets include the portion of perpetual endowment funds subject to a time restriction under an enacted version of the Georgia Uniform Prudent Management of Institutional Funds Act (UPMIFA).
>
> Unrestricted net assets do not contain donor restrictions or the donor-imposed restrictions have expired.

Contributions

Unconditional promises to give are recognized as revenue when the underlying promises are received by Habitat. Gifts of cash and other assets are reported as temporarily restricted contributions if they are received with donor stipulations that limit the use of the donated assets, or restricted as to time.

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 consolidated statements of activities and changes in net assets as a net assets released from restrictions.

Temporarily restricted contributions that are both received and released within the same year are recorded as an increase in temporarily restricted net assets and as a satisfaction of program restrictions.

Government Grants

Habitat receives funding from several federal financial assistance programs that supplement its traditional funding sources. Habitat recognizes the award as government grant revenue as the expenses stipulated in the grant agreement have been incurred.

Grant revenue on cost-reimbursement grants is recognized after the program expenditures have been incurred. As such, Habitat recognizes revenue and records a receivable for the reimbursement amount from the granting agency. Such grant programs are subject to independent audit under the Office of Management and Budget's (OMB's) Uniform Guidance (2 CFR 200) and Circular A-133, as well as review by grantor agencies. Such review could result in disallowance of expenditures under the terms of the grant or reductions in future grant funds. Based on prior experience, Habitat's management believes the costs ultimately disallowed, if any, would not materially affect the consolidated financial statements.

Contributed Goods and Services

Donations in kind revenue related to contributed Public Service Announcements (PSAs) and associated expense in the amount of $1,344,474 and $1,002,425 has been recognized in the consolidated statements of activities for the years ending June 30, 2016 and 2015, respectively. The Organization produces and distributes public service television and radio announcements that focus attention on the programs the Organization provides. These public service announcements are distributed to television stations and radio stations nationwide that then deliver the announcements to assist the Organization in its mission, free of charge. The Organization has contracted with independent outside agencies to track the date and time that each public service announcement displays and to estimate the fair value of the announcement based on the date, time, and market.

Additionally, a substantial number of volunteers have made significant contributions of their time to Habitat's program and supporting services. The value of this contributed time is not reflected in the consolidated financial statements since it does not require a specialized skill. However, certain other contributed services that require specialized skills, where provided by individuals possessing those skills and otherwise needing to be purchased if not provided by donation, are recognized as revenue and expense. Such amounts, which are included in the accompanying consolidated statements of activities, totaled $813,005 and $989,825 for the years ended June 30, 2016 and 2015, respectively.

Program Services

Program services expenses include direct transfers to affiliates and partners of cash and in-kind donations, as well as payments to other vendors made on behalf of affiliates. For cash contributions, program services expenses are recorded when a promise to give is made by Habitat and received by the recipient organization. For in-kind contributions, program services expenses are recorded upon delivery of in-kind transfers to the affiliate by Habitat or the donor.

Estimates in the Financial Statements

The preparation of consolidated financial statements, in conformity with accounting principles generally accepted in the United States, 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Income Taxes

Habitat is organized as a nonprofit corporation under the laws of the State of Georgia and is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and corresponding Georgia provisions. Donors of cash and/or property are entitled to the maximum charitable contribution deduction allowed by law. Habitat follows the guidance of Accounting Standards Codification (ASC) 740, *Accounting for Income Taxes*, related to uncertainties in income taxes, which prescribes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. There are no such uncertain tax positions for Habitat for the years ended June 30, 2016 and 2015.

Reclassifications

Certain amounts within the consolidated statements of functional expenses and disclosures as previously reported have been reclassified in order to conform to the current year presentation. The reclassifications had no impact on the change in net assets as previously presented.

Fair Value Measurements

Habitat has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) 820, which clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

- Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – Other inputs that are directly or indirectly observable in the marketplace.
- Level 3 – Unobservable inputs that are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed from sources independent of the reporting entity, and unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the valuation methods.

Certificates of deposit are recorded based on their carrying value, which approximates fair value.

Common stock and mutual funds are principally valued at the regular trading session closing price on the exchange or market in which such fund are principally traded, using the market approach.

Equity (stock) funds listed or traded on any national market or exchange are valued at the last sales price as of the close of the principal securities exchange on which such securities are traded.

Fixed income (bond) funds, other than money market instruments, are generally valued at the most recent bid price of the equivalent quoted yield for such securities (or those of comparable maturity, quality, and type).

Auction rate securities are valued using a market comparables and/or discounted cash flow valuation approach.

Forward foreign exchange contracts consist of contracts that are valued primarily based on the spot currency exchange rate and the interest rate differential.

Cross-currency interest rate swaps consist of contracts that are valued primarily based on the spot currency exchange rate and discount curves based on local government treasury bill and bond auctions. Cross-currency interest rate swaps consist of both Level 2 and Level 3 inputs, based on the availability of the market data for the underlying currencies.

Annuity obligations are recorded at fair value based on Level 3 inputs and other relevant market data based on the present value of the estimated future cash outflows. For the years ending June 30, 2016 and 2015, the assumptions used in the valuation of the annuity liability include mortality in accordance with the Annuity 2000 Table and a discount rate of 6% for all annuities, compounded annually, net of expenses. These rates are commensurate with the risks associated with the ultimate payment of the obligation.

Fair Value of Financial Instruments

Habitat's financial instruments consist of cash and cash equivalents, investments, receivables, accounts payable and accrued expenses, capitalized lease obligations payable, notes payable, annuity obligations, and investor notes payable. Cash and cash equivalents, receivables, accounts payable and accrued expenses, capitalized lease obligations payable, notes payable, and investor notes payable are stated at cost, which approximates fair value. Investments and the annuity obligations are recorded at their fair values.

New Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*. The amendments in this ASU remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. This guidance also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The amendments in this ASU are effective for fiscal years beginning after December 15, 2016, with early adoption permitted. The information provided in Note 4 in these consolidated financial statements has been updated to comply with the provisions of this ASU.

In April 2015, FASB issued ASU No. 2015-03, Interest-Imputation of Interest (Subtopic 835-30). The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. The amendments in this ASU are effective for fiscal years beginning after December 31, 2015, with early adoption permitted. Management believes the adoption of this guidance does not have a material impact on the consolidated financial statements.

3 Investments

Certain investments are held in debt securities with contractual maturities. Such investments mature as follows:

	2016	2015
	$	$
Due in less than one year	1,423,871	698,734
Due in more than five years	30,427,031	30,785,756
	31,850,902	31,484,490

Investment income and net realized and unrealized gains are included in other income, net, and consist of the following:

	2016	2015
	$	$
Net increase in fair value of investments, including realized and unrealized gains and losses	347,578	70,008
Interest and dividend income	125,311	103,903
Total investment income	472,889	173,911

4 Fair Value Measurements

In accordance with ASC 820, Habitat records cash and cash equivalents and marketable securities at fair value. At June 30, 2016 and 2015, investments in marketable securities include auction rate securities, which are classified within Level 3 due to a lack of a liquid market for such securities. Management determined the value of these securities based on information regarding the quality of the security and the quality of the collateral, among other factors.

In accordance with the fair value hierarchy described above, the following tables show the fair value of Habitat's financial assets that are required to be measured at fair value at June 30, 2016 and 2015:

	Fair Value at June 30, 2016	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	$	$	$	$
Investments:				
Certificates of deposit and other short-term investments	1,323,871	1,185,665	138,206	-
Common stock and mutual funds	3,978,504	3,978,504	-	-
Auction rate securities	30,427,031	-	-	30,427,031
Mortgage backed securities	100,000	-	-	100,000
	35,829,406	5,164,169	138,206	30,527,031
Alternative investments valued at NAV	8,022,949			
Total Investments	43,852,355			
Derivative instruments:				
Forward foreign exchange contracts	(8,796)	-	(8,796)	-
Cross-currency interest rate swaps	1,787,169	-	(2,826)	1,789,995
Total derivative instruments	1,778,373	-	(11,622)	1,789,995
Liabilities:				
Charitable gift arrangements	(6,651,725)	-	-	(6,651,725)

	Fair Value at June 30, 2015	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	$	$	$	$
Investments:				
Certificates of deposit and other short-term investments	897,907	799,412	98,495	-
Common stock and mutual funds	3,129,682	3,129,682	-	-
Auction rate securities	30,785,756	-	-	30,785,756
Mortgage backed securities	49,716	-	-	49,716
	34,863,061	3,929,094	98,495	30,835,472
Alternative investments valued at NAV	8,234,811			
Total Investments	43,097,872			
Derivative instruments:				
Forward foreign exchange contracts	183,745	-	183,745	-
Cross-currency interest rate swaps	717,526	-	297,884	419,642
Total derivative instruments	901,271	-	481,629	419,642
Liabilities:				
Charitable gift arrangements	(6,446,520)	-	-	(6,446,520)

Derivative instruments are included in loans to microfinance institutions, net on the accompanying consolidated statements of financial position.

The following table provides a reconciliation of the beginning and ending balances for assets measured at fair value using significant unobservable inputs (Level 3) as defined in ASC 820 at June 30, 2016:

	$
Balance at July 1, 2015	30,835,472
Sales or redemptions out of Level 3	(559,470)
Net unrealized gains for the year ending June 30, 2016	251,029
Balance at June 30, 2016	30,527,031

The following table provides a reconciliation of the beginning and ending balances for assets measured at fair value using significant unobservable inputs (Level 3) as defined in ASC 820 at June 30, 2015:

	$
Balance at July 1, 2014	33,570,263
Sales or redemptions out of Level 3	(2,570,284)
Net unrealized losses for the year ending June 30, 2015	(164,507)
Balance at June 30, 2015	30,835,472

Marketable securities measured at fair value using Level 3 inputs consist of auction rate securities and certain mortgage-backed securities.

Auction rate securities would typically be measured using Level 2 inputs. The failure of such auctions, beginning in February 2008, and the lack of market activity and liquidity require the use of Level 3 inputs to determine the value. Additionally, should Habitat have to sell the underlying securities prior to their maturity date or in a secondary market, the price received upon sale will be subject to prevailing market conditions. The underlying assets of the auction rate securities are collateralized primarily by the underlying assets of certain AAA, AA, and A-rated securities. Management assessed the value of the auction rate securities as of June 30, 2016 and 2015, using a market comparables and/or discounted cash flow valuation approach. Under the market comparables approach, indications of fair value from the secondary market are used to estimate the discount from par value based on trading activity for similar securities. The discounted cash flow approach utilizes a discounted cash flow model in which the expected future cash flows of the Student Loan Auction Rate Securities are discounted back to the Measurement Date using a yield that compensates for illiquidity. Both of the valuation methods described above take into consideration the risk and uncertainty associated with the pricing, given limited market activity and information. Management assessed the value of these securities as of June 30, 2016 and 2015, using a range of supportable market rates based upon an agreement with a reputable broker or purchaser to buy back these securities at the values stated.

5 Contributions and Grants Receivable

Contributions and grants receivable at June 30 consist of the following:

	2016	2015
	$	$
Contributions	47,337,995	36,780,485
Government grants	1,578,270	2,189,498
	48,916,265	38,969,983
Less unamortized discount	(2,512,518)	(1,587,312)
	46,403,747	37,382,671
Less allowance for uncollectibles	(1,531,623)	(2,324,997)
	44,872,124	35,057,674

These receivables are due as follows at June 30:

	2016	2015
	$	$
Due in less than one year	27,511,905	23,259,093
Due in one to five years	17,360,219	11,798,581
	44,872,124	35,057,674

Contributions receivable include in-kind amounts of $18,078,682 and $20,973,910 as of June 30, 2016 and 2015, respectively.

Net contributions receivable includes one contributor in 2016 and two contributors in 2015 whose individual net outstanding contributions receivable are greater than 10% of the total net outstanding contributions receivable. At June 30, 2016 and 2015, the net contributions receivable associated with these gifts totaled $15,137,474 and $11,055,495, respectively.

On October 1, 2008, a donor signed a gift agreement with Habitat for a legacy commitment of the residual value of the donor's estate at time of death, not to exceed $100,000,000. This gift represents an unconditional promise and will be transferred to Habitat within five years of the donor's death. Seventy percent (70%) of the gift is designated for unrestricted charitable purposes over a five-year period, while the remaining thirty percent (30%) will fund a permanently restricted endowment. Due to uncertainties regarding the residual value of the estate at the donor's death, this gift has not been recognized in the consolidated financial statements.

6 Loans to Microfinance Institutions

Loans to microfinance institutions at June 30, 2016, consist of interest bearing loans, with interest rates ranging from 6% to 12.96% per annum over terms of over five years.

Future principal payments are as follows:

	Amount
	$
2017	16,338,393
2018	16,614,130
2019	8,285,814
2020	1,847,377
2021	378,020
Due in over 5 years	2,999,551
	46,463,285
Add value of derivative instruments	1,778,373
Less unrealized loss for currency exchange fluctuations	(1,627,275)
Less allowance for uncollectibles	(2,800,000)
	43,814,383

MicroBuild makes loans to micro-finance institutions that are working in developing foreign markets and may be subject to increased risks due to political and regulatory environments, and overall market and economic factors in those countries. These risks are magnified in countries with emerging markets, since these countries may have relatively unstable governments and less established markets and economies.

At June 30, 2016, all of MicroBuild's loans to microfinance institutions are with thirty MFI's in twenty countries. The largest concentration in Cambodia, Nicaragua and Peru, with each having holdings of 11% of total loans to microfinance institutions.

At June 30, 2015, all of MicroBuild's loans to microfinance institutions are with twenty-five MFI's in eighteen countries. The largest concentration in any one country is Azerbaijan at 13% of total loans to microfinance institutions. Tajikistan, Ecuador and Peru each have holdings of 11%.

In the event that a microfinance institution is unable to repay its loan according to its original schedule, MicroBuild pursues collection and workout plans including interest only payments, reduced payments and/or moratorium on payments, depending on the individual microfinance institution's circumstances. It is MicroBuild's preference not to provide any concession which reduces the loan's yield; however, there are some situations that warrant discontinuing interest payments for a certain period of time. Generally, MicroBuild discontinues interest accrual for all loans on which collection of interest is not reasonably expected (i.e. once the obligor becomes six months' delinquent in paying its interest payments). Interest income on nonaccrual loans is recognized on a cash basis. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Activity in the allowance for loan losses on loans to microfinance institutions is as follows for the years ending June 30:

	2016	2015
	$	$
Balance at beginning of year	2,198,834	-
Allowance for loan losses	601,166	2,198,834
Recoveries	-	-
Balance at end of year	2,800,000	2,198,834

Under ASC Topic 310-10, *Accounting by Creditors for Impairment of a Loan*, a loan is considered impaired when, based on current information, it is probable that MicroBuild will not receive all amounts due in accordance with the contractual terms of the underlying loan agreement. The fair value of the loan is then compared with the recorded investment in the loan to determine whether or not a specific reserve is necessary.

	2016	Percent Portfolio
	$	
Investment impaired loans	3,649,841	8%
Allowance for loan losses on impaired loans	2,800,000	6%
Remaining potential exposure, as of June 30, 2016	849,941	2%

An additional $249,936 of principal payments have been received on these loans since June 30, 2016 through the date of these consolidated financial statement.

MicroBuild makes loans in foreign currencies, subject to various limitation, to accommodate clients who do not have access to U.S. currency. The portfolio includes loans made in several foreign currencies as listed below with the U.S. Dollar ($) equivalent as of June 30, 2016 as follows:

Curreny	2016
	$
U.S. Dollar	32,566,508
Indian Rupee	2,999,551
Kazakhstan Tenge	2,000,000
Zambian Kwacha	1,500,000
Euro	1,097,400
Sri Lankan Rupee	1,000,000
Peruvian New Sol	1,000,000
Kenyan Shilling	1,000,000
Costa Rican Colon	1,000,000
	44,163,459

7 Due From Affiliates

Due from affiliates at June 30 consist of the following:

	2016	2015
	$	$
SHOP grant	9,991,968	11,133,931
Capital magnet fund grant	2,017,573	2,948,042
SOSI receivable	305,364	535,944
Other	1,014,615	1,224,968
	13,329,520	15,842,885
Less allowance for uncollectibles	(882,219)	(871,537)
	12,447,301	14,971,348

Certain amounts that have been included in the allowance for uncollectible accounts may be forgiven in the future and treated as program transfers to affiliates.

8 Land, Buildings, and Equipment

Land, buildings, and equipment at June 30 consist of the following:

	2016	2015
	$	$
Land	722,387	726,584
Buildings and leasehold improvements	12,088,251	11,326,035
Computer hardware and software	7,866,892	7,746,616
Computer hardware and software under capital leases	4,066,870	3,841,701
Furniture and equipment	3,916,719	3,929,951
Vehicles	2,281,199	2,230,960
	30,942,318	29,801,847
Less accumulated depreciation and amortization	(23,668,991)	(22,188,180)
	7,273,327	7,613,667

Other supplemental disclosures related to land, buildings, and equipment are as follows for the years ended June 30:

	2016	2015
	$	$
Depreciation expense	1,426,441	1,611,545
Amortization expense on assets under capital leases	849,174	765,496
Accumulated amortization on capital leases	2,753,014	2,401,259
Unamortized computer software costs	273,245	295,376

9 Notes Payable

Notes payable at June 30 consist of the following:

	2016	2015
	$	$
Notes payable to Overseas Private Investment Corporation (OPIC), secured by letters of credit, payable in quarterly installments of interest only at rates ranging from 1.48% to 2.72% per anunum, with the principal sum due in full not later than July 15, 2019	45,000,000	35,900,000
1.0% $250,000 construction note repaid in 2016	-	9,402
Notes payable to Atlantic Capital Bank, secured by an interest in the ReStore Support Group loans to affiliates, payable in quarterly installments of various amounts through September 30, 2018, including interest at rates ranging from 3.39% to 3.52%	309,086	-
Non-interest-bearing notes payable to affiliates upon completion of their FlexCap payable	1,252,674	1,666,104
	46,561,760	37,575,506

Future principal payments are as follows:

	Amount
	$
2017	244,622
2018	254,115
2019	186,608
2020	9,554,107
2021	15,733,889
Thereafter	20,588,419
	46,561,760

On June 22, 2012, MicroBuild, a limited liability company in which Habitat has a controlling interest, entered into a $45,000,000 limited liability loan agreement with OPIC, an agency of the United States. MicroBuild's three equity investors must match the remaining $5,000,000 for this $50,000,000 project. Additionally, Habitat must provide $5,000,000 in guarantor letters of credit. These funds are then lent to microfinance institutions in various countries around the world. At June 30, 2016, all of these commitments had been met by the three equity members, and the full amount had been drawn down from OPIC.

Additionally, on May 18, 2016, MicroBuild entered into a second $45,000,000 loan agreement with OPIC. One new investor was added. MicroBuild's equity members have committed to contribute the remaining $5,000,000 for this $50,000,000 project. As of June 30, 2016, no contributed capital had been provided under this agreement and no loan amounts had been advanced by OPIC.

10 FlexCAP Program

Future principal payments on investor notes payable for the years ending June 30 are as follows:

	Amount
	$
2017	4,640,645
2018	4,487,928
2019	4,083,289
2020	3,793,072
2021	3,131,806
Thereafter	7,339,289
	27,476,029

Interest expense during the years ended June 30, 2016 and 2015, was $1,126,609 and $1,357,164, respectively.

Investor notes payable require Habitat to monitor the compliance by each affiliate participating in this program with the terms and conditions of the agreement.

11 Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30:

	2016	2015
	$	$
Geographically restricted	11,260,719	10,231,433
Restricted for mission related projects	13,200,566	12,524,941
Restricted for the purchase of construction materials	39,546,675	36,435,380
Time restricted	43,293,854	32,868,176
	107,301,814	92,059,930

12 Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the passage of time for the years ended June 30, as follows:

	2016	2015
	$	$
Release of:		
Geographic restrictions	10,706,268	11,638,509
Restrictions for mission related projects	13,498,455	12,139,107
Restrictions for the purchase of construction materials	40,647,903	40,926,035
Time restrictions	24,868,643	23,223,423
	89,721,269	87,927,074

13 Revenue From Government Grants

Federal awards received for the years ended June 30 consist of the following:

	2016	2015
	$	$
SHOP	6,388,161	15,255,408
Capacity build	4,390,233	4,900,080
AmeriCorps/Vista	4,729,320	4,371,441
Capital magnet fund	59,346	48,120
USAID	1,720,234	713,980
Centers for Disease Control and Prevention	560,398	745,868
Department of energy	-	134,583
Other	22,528	41,921
Government grants per the consolidated statements of activities	17,870,220	26,211,401
Revenue earned and not expended	92,027	-
Total expenditures of federal awards	17,962,247	26,211,401

14 Employee Benefits

Full-time Habitat employees who elect to participate are provided health and death benefits through the Habitat for Humanity International Welfare Benefit Plan (the Plan). The Plan requires contributions by participants. Expenses incurred by Habitat in connection with the Plan, which is partially self-insured, were $7,070,311 and $7,395,051 for the years ended June 30, 2016 and 2015, respectively.

Habitat provides through the Habitat for Humanity Retirement Plan (the Retirement Plan), a defined contribution retirement plan to eligible plan participants. There are three components to the plan: (1) participant contributions, (2) a Habitat match equal to 100% of the first 4% of wages contributed by participants, and (3) a discretionary annual contribution by Habitat to each eligible participant's account. Participants are fully vested in Habitat's contributions after five years of service. Habitat's contributions to the Retirement Plan were $1,239,439 and $1,035,977 for the years ended June 30, 2016 and 2015, respectively.

15 Leases

Habitat leases certain fixed assets, including office space in Atlanta, Georgia and other locations, under operating and capital leases. Many of these lease agreements contain renewal clauses and yearly escalations in monthly rent payments. At June 30, 2016, future minimum rental payments under the operating and capital leases are as follows:

	Operating	Capital
	$	$
2017	2,629,012	737,761
2018	2,662,146	421,153
2019	2,418,211	222,204
2020	1,319,425	86,975
2021	454,410	4,301
Thereafter	592,648	-
Total minimum payments	10,075,852	1,472,394
Less amounts representing executory costs and interest		(150,698)
Present value of net minimum payments		1,321,696

Rent expense under operating leases amounted to $2,435,454 and $2,000,213 for the years ended June 30, 2016 and 2015, respectively.

16 Affiliate Programs

International and U.S. national organizations and affiliates are independent, not-for-profit groups that are approved by regional, area, or national offices of Habitat and operate under an affiliation agreement with Habitat. All affiliates are encouraged to be self-supporting in their fund-raising efforts; however, Habitat also solicits contributions, both cash and in-kind, on behalf of its affiliates. While Habitat retains variance power in these contributions, the organization has transferred cash and donated assets totaling $104,154,637 and $120,050,959 in 2016 and 2015, respectively, to international and U.S. national organizations and affiliates.

Some affiliates in developing countries, where severely limited resources constrain local fund-raising, receive the majority of their funding from Habitat. All U.S. affiliates are expected to contribute a portion of their unrestricted cash contributions to support Habitat work outside their own country. These contributions totaled $13,799,339 and $13,626,112 in 2016 and 2015, respectively.

17 Commitments

Habitat agreed to guarantee a $590,000 mortgage note made on February 1, 1999, for Uptown Habitat for Humanity, Inc. (Uptown). The obligation is payable to the Illinois Housing Development Authority (IHDA), a body created by and existing pursuant to the Illinois Development Act, and is due and payable on August 1, 2028. The note is secured by mortgages that were assigned by Uptown to IHDA pursuant to a prior loan agreement between Uptown and IHDA.

During the course of business, Habitat routinely enters into grant agreements for federal funds and agreements with other donors for funds to be used to help accomplish the mission of the organization. To the extent that actual costs exceed the planned costs, Habitat may need to provide additional resources to meet the terms of the contracts.

18 Related-Party Transactions

For the years ended June 30, 2016 and 2015, Habitat recorded $6,241,878 and $7,365,932 in contributions, respectively, and $13,486,452 and $14,640,321 in pledge payments, respectively, from members of Habitat's International Board of Directors (IBOD) and Habitat's Officers or from companies that they or their families represent. At June 30, 2016 and 2015, Habitat had $20,505,216 and $7,499,247 of pledges receivable, respectively, from members of Habitat's IBOD or from companies that they or their families represent.

Several members of the IBOD are also on the board of their respective national organizations. They all serve as volunteers and have no financial interest in the national organizations.

19 Subsidiary and Related Entities' Statements of Financial Position and Statements of Activities

On July 15, 2011, MicroBuild was formed. Habitat is a 51% owner of MicroBuild. The purpose of MicroBuild is to make loans to qualified micro-finance institutions for the purpose of lending to housing projects in impoverished communities.

On March 25, 2011, MicroBuild India was formed. Habitat is a 50.97% owner of MicroBuild India. The purpose of MicroBuild India is to make loans to qualified micro-finance institutions for the purpose of lending to housing projects in impoverished communities.

The statements of financial position of Habitat's subsidiary and related entities before elimination and consolidation entries as of June 30, 2016, are as follows:

	Micro Build	Micro Build India	Total
	$	$	$
Assets			
Cash and cash equivalents	7,288,126	807,868	8,095,994
Loans to micro-finance institutions, net	41,514,557	2,299,827	43,814,384
Other receivables and prepaids, net	880,997	60,339	941,336
Property and equipment, net	-	31,979	31,979
Total assets	49,683,680	3,200,013	52,883,693
Liabilities and net assets			
Liabilities:			
Accounts payable and accrued expenses	324,717	9,390	334,107
Due to Habitat for Humanity International	41,007	-	41,007
Loans payable	45,000,000	-	45,000,000
Total liabilities	45,365,724	9,390	45,375,114
Net assets:			
Retained earnings and members' equity:			
Retained earnings and members' equity	2,202,158	1,898,656	4,100,814
Minority interest	2,115,798	1,291,967	3,407,765
Total retained earnings and members' equity	4,317,956	3,190,623	7,508,579
Total liabilities and net assets	49,683,680	3,200,013	52,883,693

The statements of financial position of Habitat's subsidiary and related entities before elimination and consolidation entries as of June 30, 2015, are as follows:

	Micro Build	Micro Build India	Total
	$	$	$
Assets			
Cash and cash equivalents	3,110,220	445,186	3,555,406
Loans to micro-finance institutions, net	35,740,918	1,162,844	36,903,762
Other receivables and prepaids, net	666,330	151,482	817,812
Property and equipment, net	-	10,252	10,252
Total assets	39,517,468	1,769,764	41,287,232
Liabilities and net assets			
Liabilities:			
Accounts payable and accrued expenses	263,568	17,446	281,014
Loans payable	35,900,000	-	35,900,000
Total liabilities	36,163,568	17,446	36,181,014
Net assets:			
Retained earnings and members' equity:			
Retained earnings and members' equity	1,710,489	1,023,324	2,733,813
Minority interest	1,643,411	728,994	2,372,405
Total retained earnings and members' equity	3,353,900	1,752,318	5,106,218
Total liabilities and net assets	39,517,468	1,769,764	41,287,232

The statements of activities (income statements) for Habitat's subsidiary and related entities before elimination and consolidation entries for the year ended June 30, 2016, are as follows:

	Micro Build	Micro Build India	Total
	$	$	$
Operating revenue:			
Interest and other income, net	3,424,716	326,711	3,751,427
Provision for loan loss	(700,000)	-	(700,000)
Total operating revenue, net	2,724,716	326,711	3,051,427
Operating expenses:			
Program services:			
Professional fees	1,054,399	17,707	1,072,106
Interest expense	969,957	-	969,957
Other expenses	4,496	98,533	103,029
Total program services	2,028,852	116,240	2,145,092
Supporting services:			
Fundraising	-	7,150	7,150
Management and general	-	34,128	34,128
Total supporting services	-	41,278	41,278
Total operating expenses	2,028,852	157,518	2,186,370
Net income from operations	695,864	169,193	865,057
Non-operating gains and losses:			
Unrealized gain on derivative instrument	982,596	-	982,596
Unrealized loss from foreign exchange fluctuations	(1,173,397)	-	(1,173,397)
Non-operating loss, net	(190,801)	-	(190,801)
Net income	505,063	169,193	674,256

The statements of activities (income statements) for Habitat's subsidiary and related entities before elimination and consolidation entries for the year ended June 30, 2015, are as follows:

	Micro Build	Micro Build India	Total
	$	$	$
Operating revenue:			
Interest and other income, net	2,552,739	209,506	2,762,245
Provision for loan loss	(2,100,000)	-	(2,100,000)
Total operating revenue, net	452,739	209,506	662,245
Operating expenses:			
Program services:			
Professional fees	479,951	14,385	494,336
Interest expense	658,147	-	658,147
Other expenses	540,724	90,858	631,582
Total program services	1,678,822	105,243	1,784,065
Supporting services:			
Fundraising	-	9,388	9,388
Management and general	-	38,170	38,170
Total supporting services	-	47,558	47,558
Total operating expenses	1,678,822	152,801	1,831,623
Net income (loss) from operations	(1,226,083)	56,705	(1,169,378)
Non-operating gains and losses:			
Unrealized gain on derivative instrument	902,055	-	902,055
Unrealized loss from foreign exchange fluctuations	(454,409)	-	(454,409)
Non-operating loss, net	447,646	-	447,646
Net income (loss)	(778,437)	56,705	(721,732)

Interest and other income are included in other income, net in the accompanying consolidated statements of activities. Professional services are included in professional services – other in the accompanying consolidated statements of functional expenses. Interest expense is included in interest, service charges, and taxes in the accompanying consolidated statements of functional expenses. Program expenses are included in the appropriate natural classification in the accompanying consolidated statements of functional expenses.

20 FlexCap Statements of Financial Position and Statements of Activities

The management of HFHI has set up a related entity, HFHI FlexCap Lender LLC, (FlexCap LLC) that is applying to operate as a community development financial institution (CDFI). As a part of that application process, FlexCap LLC has to reflect the lending activities that currently exist related to the activity separately as a schedule in these consolidated financial statements.

The statements of financial position and statements of activities of Habitat's FlexCap activities as of June 30, 2016 and for the year then ended, are as follows:

	FlexCap
	$
Assets	
Cash and cash equivalents	3,274,180
Loans to affiliates, net	29,269,296
Total assets	32,543,476
Liabilities and net assets	
Liabilities:	
Loans payable to investors and affiliate reserve	28,728,703
Total liabilities	28,728,703
Net assets:	
Unrestricted net assets	3,814,773
Total net assets	3,814,773
Total liabilities and net assets	32,543,476

	FlexCap
	$
Revenues and gains	
Interest income	1,386,833
Other income	171,520
Total revenues and gains	1,558,353
Expenses	
Program services:	
Interest expense	1,126,609
Compensation	112,847
Trustee fees	68,539
Professional services	44,250
Other expenses	8,077
Total expenses	1,360,322
Net increase in net assets	198,031

21 Subsequent Events

Habitat has evaluated the need for adjustments and/or disclosure resulting from subsequent events in these consolidated financial statements through November 11, 2016, the date that the consolidated financial statements were available to be issued. During this period, there were no subsequent events that required recognition in the consolidated financial statements.

A Capital Call Notice dated August 9, 2016 was sent to the members of MicroBuild, and $1,000,000 was collected from two members.