Consolidated Financial Statements and
Report of Independent Certified Public Accountants

Habitat for Humanity International, Inc.

Years ended June 30, 2019 and 2018

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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 statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

GrantThornton

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity International, Inc. as of December June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Columbia, South Carolina
November 15, 2019

Consolidated statements of financial position

(in thousands)

June 30		2019		2018
Assets				
Cash and cash equivalents	$	54,380	$	103,742
Investments at fair value		178,951		98,562
Receivables:				
Contributions and grants, net		32,069		37,154
Affiliate notes, net		19,276		25,508
Due from affiliates, net		7,897		10,762
Loans to microfinance institutions, net		104,171		79,085
Institutional loans and mortgages receivable, net		678		762
Other, net		7,951		6,541
Total receivables		172,042		159,812
Inventories		13,468		9,092
Prepaids and other assets		3,057		9,112
Land, buildings, and equipment - net of accumulated depreciation and amortization		10,983		5,797
Total assets	$	432,881	$	386,117
Liabilities and net assets				
Accounts payable and accrued expenses	$	19,842	$	17,694
Program advances		46,723		35,463
Capitalized lease obligations payable		1,790		1,378
Due to affiliates		2,139		1,352
Notes payable, net of unamortized debt issuance costs		92,982		67,635
Charitable gift annuities		7,223		6,585
Investor notes payable		18,701		25,386
Total liabilities		189,400		155,493
Net assets:				
Without donor restrictions:				
Controlling interests		111,626		90,692
Noncontrolling interests		8,361		6,767
		119,987		97,459
With donor restrictions		123,494		133,165
Total net assets		243,481		230,624
Total liabilities and net assets	$	432,881	$	386,117

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

Consolidated statements of activities

(in thousands)

	Year ended June 30, 2019			Year ended June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and gains						
Contributions	$ 104,126	$ 93,228	$ 197,354	$ 118,361	$ 121,791	$ 240,152
Donated product, services and advertising	33,110	9,081	42,191	36,754	17,936	54,690
Government grants	15,753	-	15,753	16,235	-	16,235
Other income, net	45,221	-	45,221	38,858	-	38,858
Total revenues and gains	198,210	102,309	300,519	210,208	139,727	349,935
Net assets released from restrictions	111,804	(111,804)	-	104,992	(104,992)	-
Total revenues and gains	310,014	(9,495)	300,519	315,200	34,735	349,935
Expenses						
Program services:						
U.S. affiliates	121,512	-	121,512	117,432	-	117,432
International affiliates	85,843	-	85,843	68,781	-	68,781
Public awareness and education	16,647	-	16,647	28,047	-	28,047
Total program services	224,002	-	224,002	214,260	-	214,260
Supporting services:						
Fundraising	49,265	-	49,265	45,480	-	45,480
Management and general	14,986	-	14,986	12,966	-	12,966
Total supporting services	64,251	-	64,251	58,446	-	58,446
Total expenses	288,253	-	288,253	272,706	-	272,706
(Recoveries) Losses on contributions receivable	-	176	176	-	90	90
Total expenses and (recoveries) losses on contributions receivable	288,253	176	288,429	272,706	90	272,796
Change in net assets before non controlling interests	21,761	(9,671)	12,090	42,494	34,645	77,139
Purchase of interest by non controlling shareholders	779	-	779	735	-	735
Distributions to non controlling shareholders	(12)	-	(12)	(16)	-	(16)
Change in net assets	22,528	(9,671)	12,857	43,213	34,645	77,858
Net assets at beginning of year	97,459	133,165	230,624	54,246	98,520	152,766
Nets assets at end of year	$ 119,987	$ 123,494	$ 243,481	$ 97,459	$ 133,165	$ 230,624

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

Consolidated statements of functional expenses

(in thousands)

For the year ended June 30, 2019:	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	$ 45,871	$ 40,637	$ 1,045	$ 87,553	$ -	$ -	$ -	$ 87,553
Donated products and advertising distributed	32,904	1,108	2,563	36,575	-	-	-	36,575
Salaries and benefits	27,530	27,625	6,207	61,362	15,042	10,342	25,384	86,746
Professional services	2,621	5,058	2,096	9,775	27,886	1,281	29,167	38,942
Travel	1,295	2,626	349	4,270	761	546	1,307	5,577
Interest, service charges, and taxes	1,017	1,944	1,713	4,674	738	260	998	5,672
Office expenses	5,241	3,648	1,413	10,302	3,685	1,809	5,494	15,796
Depreciation and amortization	1,213	1,045	246	2,504	566	424	990	3,494
Other	3,820	2,152	1,015	6,987	587	324	911	7,898
Total	$ 121,512	$ 85,843	$ 16,647	$ 224,002	$ 49,265	$ 14,986	$ 64,251	$ 288,253

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

Consolidated statements of functional expenses (cont'd)

(in thousands)

For the year ended June 30, 2018:	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	$ 39,837	$ 32,829	$ 7,209	$ 79,875	$ -	$ -	$ -	$ 79,875
Donated products and advertising distributed	41,764	96	2,219	44,079	-	-	-	44,079
Salaries and benefits	24,299	23,627	11,050	58,976	11,697	7,289	18,986	77,962
Professional services	2,188	4,424	1,909	8,521	28,518	714	29,232	37,753
Travel	1,155	2,536	862	4,553	539	363	902	5,455
Interest, service charges, and taxes	1,430	821	1,296	3,547	900	140	1,040	4,587
Office expenses	4,230	2,477	2,188	8,895	2,856	3,480	6,336	15,231
Depreciation and amortization	527	433	189	1,149	330	324	654	1,803
Other	2,002	1,538	1,125	4,665	640	656	1,296	5,961
Total	$ 117,432	$ 68,781	$ 28,047	$ 214,260	$ 45,480	$ 12,966	$ 58,446	$ 272,706

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

Consolidated statements of cash flows

(in thousands)

For the year ended June 30:	2019	2018
Operating activities		
Change in net assets	$ 12,857	$ 77,858
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,494	1,803
Net (gain) loss on disposal of land, buildings, and equipment	5	(84)
Transfer of fixed assets	13	-
Losses (recoveries) on contributions receivable	176	90
Losses on loans to micro-finance institutions	294	406
Losses (recoveries) on other receivables	137	79
Net realized and unrealized losses (gains) on investments	2,633	3,129
Support from the public restricted for long-term investments	(52)	(104)
Net realized and unrealized (gain) loss on derivative instrument	(784)	(298)
Unrealized loss (gain) from foreign exchange fluctuations	1,457	282
Contribution of securities	(1,488)	(17,313)
Recoveries of amounts due to affiliates	-	(1,221)
Changes in operating assets and liabilities:		
Decrease (increase) in receivables	4,142	(5,399)
Increase in inventories	(4,376)	(6,538)
Decrease (increase) in prepaids and other assets	6,089	(2,731)
Increase in accounts payable and accrued expenses	2,148	3,581
Increase in program advances	11,260	28,712
Net cash provided by operating activities	38,005	82,252
Investing activities		
Purchases of investments	(271,182)	(45,368)
Proceeds from sales and maturities of investments	189,648	5,634
Loans to micro-finance institutions	(38,001)	(31,884)
Repayments from micro-finance institutions	11,948	12,188
Loans to affiliates	(25,959)	(35,739)
Repayments from affiliates	34,360	33,550
Purchases of land, buildings, and equipment	(7,389)	(547)
Proceeds from sale of land, buildings, and equipment	125	144
Net cash used in investing activities	(106,450)	(62,022)
Financing activities		
Principal repayments on capitalized lease obligations payable	(1,013)	(778)
Increase in due to affiliates	1,201	1,368
Payments on due to affiliates	(414)	(342)
Support from the public restricted for long-term investments	52	104
Increase in annuity obligation	1,054	370
Payments of annuity obligation	(416)	(376)
Proceeds from issuance of notes payable	28,416	14,860
Payments on notes payable	(9,797)	(7,260)
Net cash provided by financing activities	19,083	7,946
(Decrease) increase in cash and cash equivalents	(49,362)	28,176
Cash and cash equivalents, beginning of year	103,742	75,566
Cash and cash equivalents, end of year	$ 54,380	$ 103,742
Supplemental disclosures		
Interest paid	$ 3,089	$ 2,517
Non-cash purchases of equipment through capital lease obligations	$ 1,221	$ 788
Non-cash contribution of securities	$ 1,488	$ 17,313
Non-cash refinancing of loans to micro-finance institutions	$ 6,737	$ 3,869

The accompanying notes are an integral part of these 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) 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 1,300 communities throughout the U.S. and in more than 70 countries. Families and individuals in need of a hand-up partner with Habitat 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, 2019 and 2018, include the activities of:

- Habitat's area and regional offices;
- Thirteen and eleven national organizations that are registered as part of Habitat for Humanity International as of June 30, 2019 and 2018, respectively;
- Habitat for Humanity, Inc., Habitat Mortgage Solutions (for the year ended June 30, 2019 only) and Habitat for Humanity-Middle East, which are wholly owned subsidiaries; and
- 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. Habitat maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. Habitat has not experienced any losses in such accounts. Included in cash and cash equivalents is restricted cash of $30,416,000 and $7,816,000 as of June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, $24,647,000 and $25,518,000, respectively, was held in banks outside of the United States, and these amounts are not covered by insurance.

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 net assets with donor restrictions if the terms of the gift or relevant state law require that they be added back to the principal of the contributions with donor restrictions held in perpetuity.
- As decreases in net assets without donor restrictions when there are losses that reduce the fair value of the assets of endowment funds below the required level and as increases in net assets without donor restrictions when there are gains that restore the fair value of the assets of endowment funds to the required level.
- As increases (decreases) in net assets with donor restrictions, in all other cases.

Contributions Receivable

Contributions receivable that are expected to be collected within one year 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, 2019 and 2018, conditional promises to give amounted to $22,448,000 and $30,420,000, 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 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 are collectible over five to ten years and are secured by mortgages held by those affiliates. The investor notes payable and affiliate notes receivable have interest rates ranging as follows:

	2019	2018
Investor notes payable	2.8% to 5.0%	2.8% to 6.0%
Affiliate notes receivable	3.0% to 6.5%	3.0% to 6.5%

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.

The real estate securing these mortgages is concentrated in the states of North Carolina (17%) and Florida (17%). The remaining balance is secured by real estate in cities located throughout the 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 year ended June 30, 2018, financial closeout reports were submitted and accepted by HUD for the SHOP program year 2014, allowing $1,221,000 of this balance to be recognized as other income in the consolidated statements of activities.

Other amounts due from affiliates consist of advances made to participating beneficiaries for European Union (EU) grants. The advances for EU grants are held as a receivable until the beneficiary provides satisfactory reporting of the program expenditures incurred, at which point the program transfer and related revenue is recognized.

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. Interest is collected quarterly. Once a loan becomes six months delinquent in paying their obligations, interest is no longer accrued on that obligation until such time as the delinquency is cleared.

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. Donated product 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. Inventory is recorded net of any allowance for obsolescence on the consolidated balance sheets. For the years ended June 30, 2019 and 2018, a loss for obsolescence of $379,000 and $1,439,000, respectively, is recorded as donated assets distributed in the accompanying consolidated statements of functional expenses.

Land, Buildings, Capital Leases, and Equipment

Land, buildings, capital leases, and equipment over $5,000 are recorded at acquisition cost for purchased items and fair value for contributed items, 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. These costs are included in prepaids and other assets until they are placed in service. Depreciation expense and amortization expense of assets 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. For the year June 30, 2019, annuity obligations are recorded at the present value of expected future payments based on the 2012 Individual Annuity Reserving Table and the prevailing interest rate. For the year ended June 30, 2018, 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 contributions without donor restrictions on the consolidated statements of activities. 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 $11,077,000 and $10,356,000 as of June 30, 2019 and 2018, 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 $9,137,000 and $8,331,000 as of June 30, 2019 and 2018, respectively, and are included in gift annuity investments on the accompanying consolidated 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. As of June 30, 2019 and 2018, Habitat has recorded a program advance of $42,600,000 and $26,700,000, respectively, from a single-nongovernmental agency.

Net Assets

Habitat's revenues and gains are classified as net assets with donor restrictions and net assets without donor restrictions based on the existence or absence of donor-imposed restrictions. These classifications are defined as follows:

> Net assets with donor restrictions are subject to donor-imposed restrictions. The restrictions can 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. Net assets with donor restrictions also contain the principal amount of gifts that are required by donors to be permanently retained.
>
> Net assets without donor restrictions 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 contributions with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as a net assets released from restrictions.

Contributions with donor restrictions that are both received and released within the same year are recorded as an increase in net assets with donor restrictions 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), 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 Services

Habitat produces and distributes public service television and radio announcements that focus attention on the programs Habitat provides. These Public Service Announcements (PSAs) are distributed to television stations and radio stations nationwide that then deliver the announcements to assist Habitat in its mission, free of charge. Habitat has contracted with independent outside agencies to track the date and time that each PSA displays and to estimate the fair value of the announcement based on the date, time, and market. Donated product revenue related to contributed PSAs and associated expense in the amount of $4,660,000 and $2,607,000 has been recognized in the consolidated statements of activities for the years ended June 30, 2019 and 2018, respectively.

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 $441,000 and $519,000 for the years ended June 30, 2019 and 2018, respectively.

Program Services

Program services expenses include direct transfers to affiliates and partners of cash and donated product, 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 donated product contributions, program services expenses are recorded upon delivery of donated product to the affiliate by Habitat or the donor.

Methods Used for Allocation of Expenses

The consolidated statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of Habitat are reported as expenses of those functional areas. A portion of management and general costs that benefit multiple functional areas have been allocated across program and other supporting services based on estimates of time and effort spent by staff and resources. Depreciation and amortization expense are allocated using an allocation developed based on a review of the assets in service compared to the functions they support.

Estimates in the Financial Statements

The preparation of consolidated financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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, 2019 and 2018.

Fair Value Measurements

Habitat reports financial instruments at fair value in accordance with Financial Accounting Standards Board 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 year ended June 30, 2019, the assumptions used in the valuation of the annuity liability include mortality in accordance with the 2012 Individual Annuity Reserving Table and a discount rate of 6% for all annuities, compounded annually, net of expenses. For the year ended June 30, 2018, 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. For the years ended June 30, 2019 and 2018, Habitat recorded losses from the remeasurement of the gift annuity obligation to fair value of $654,000 and $143,000, respectively, included as other income in the accompanying consolidated statements of activities.

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, except for the Level 3 common stock and mutual fund investments, which are recorded at cost.

New Accounting Pronouncements

In August, 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, ***Presentation of Financial Statements for Not-for-Profit Entities***. This guidance is intended to improve the net asset classification requirements and the information presented in the consolidated financial statements and notes about a not-for-profit's liquidity and availability of resources, expenses and investment returns, and cash flows. The main provisions of this guidance include: (a) presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions"; (b) modifying the presentation of underwater endowment funds and related disclosures; (c) requiring that all not-for-profits present an analysis of expenses by function and nature and disclose a summary of the allocation methods used to allocate costs; (d) presenting investment return net of external and direct internal investment expenses; and (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources. Habitat has implemented ASU 2016-14 as of and for the year ended June 30, 2019, with retrospective application as of and for the year ended June 30, 2018.

Investments

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

	2019	2018
Due in less than one year	$ 125,127	$ 42,881
Due in more than five years	31,201	31,524
	$ 156,328	$ 74,405

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

	2019	2018
Net decrease in fair value of investments, including realized and unrealized gains and losses	$ (2,633)	$ (3,129)
Interest and dividend income	2,891	262
Total investment income (losses)	$ 258	$ (2,867)

3 Fair Value Measurements

In accordance with ASC 820, Habitat records cash and cash equivalents and marketable securities at fair value. As of June 30, 2019 and 2018, 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 and liabilities that are required to be measured at fair value as of June 30, 2019 and 2018 (in thousands):

	Fair Value at June 30, 2019	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	$ 125,069	$ 124,817	$ 252	$ -
Common stock and mutual funds	22,623	20,135	1,488	1,000
Auction rate securities	31,201	-	-	31,201
Mortgage-backed securities	58	-	-	58
	$ 178,951	$ 144,952	$ 1,740	$ 32,259
Derivative instruments:				
Forward foreign exchange contracts	$ 457	$ -	$ 457	$ -
Cross-currency interest rate swaps	(360)	-	(16)	(344)
Total derivative instruments	$ 97	$ -	$ 441	$ (344)
Liabilities:				
Charitable gift arrangements	$ (7,223)	$ -	$ -	$ (7,223)

	Fair Value at June 30, 2018	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	$ 42,840	$ 42,594	$ 246	$ -
Common stock and mutual funds	24,157	23,606	1	550
Auction rate securities	31,524	-	-	31,524
Mortgage-backed securities	41	-	-	41
	$ 98,562	$ 66,200	$ 247	$ 32,115
Derivative instruments:				
Forward foreign exchange contracts	$ (324)	$ -	$ (111)	$ (213)
Cross-currency interest rate swaps	(175)	-	(175)	-
Total derivative instruments	$ (499)	$ -	$ (286)	$ (213)
Liabilities:				
Charitable gift arrangements	$ (6,585)	$ -	$ -	$ (6,585)

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 as of June 30, 2019 and 2018 (in thousands):

	2019	2018
Balance at July 1	$ 32,115	$ 30,309
Purchases of assets	450	550
Sales or redemptions of assets	(300)	(400)
Net unrealized (losses) gains	(6)	1,656
Balance at June 30	$ 32,259	$ 32,115

The following table provides a reconciliation of the beginning and ending balances for liabilities measured at fair value using significant unobservable inputs (Level 3) as defined in ASC 820 for the years ended June 30 2019 and 2018:

	2019	2018
Balance at July 1	$ (6,585)	$ (6,592)
Additions to liabilities	(614)	(310)
Payments to annuitants	416	376
Terminations of liabilities	215	82
Net unrealized losses	(655)	(141)
Balance at June 30	$ (7,223)	$ (6,585)

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

Auction rate securities require the use of Level 3 inputs to determine their value due to the lack of market activity and liquidity. 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, 2019 and 2018, 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, 2019 and 2018, 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.

4 Contributions and Grants Receivable

Contributions and grants receivable as of June 30 consist of the following (in thousands):

	2019	2018
Contributions	$ 33,263	$ 39,114
Government grants	1,167	1,222
	34,430	40,336
Less unamortized discount	(1,316)	(2,109)
	33,114	38,227
Less allowance for uncollectibles	(1,045)	(1,073)
	$ 32,069	$ 37,154

These receivables are due as follows as of June 30 (in thousands):

	2019	2018
Due in less than one year	$ 15,134	$ 14,665
Due in one to five years	16,935	22,489
	$ 32,069	$ 37,154

Contributions receivable include donated product amounts of $6,698,000 and $11,403,000 as of June 30, 2019 and 2018, respectively.

Net contributions receivable includes one contributor in 2019 and two contributors in 2018 whose individual net outstanding contributions receivable are greater than 10% of the total net outstanding contributions receivable. As of June 30, 2019 and 2018, the net contributions receivable associated with these gifts totaled $8,669,000 and $16,648,000, 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 an endowment with donor restrictions to be held in perpetuity. 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. Through June 30, 2019, Habitat has received $13,531,000 from the donor.

5 Loans to Microfinance Institutions

Loans to microfinance institutions as of June 30, 2019, consist of interest bearing loans, with interest rates ranging from 4.30% to 17.85% per annum over terms of over five years.

Future principal payments are as follows (in thousands):

	Amount
2020	$ 34,810
2021	29,997
2022	34,828
2023	5,976
2024	2,300
	107,911
Add value of derivative instruments	97
Less unrealized loss for currency exchange fluctuations	(1,298)
Less allowance for uncollectibles	(2,539)
	$ 104,171

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, 2019 and 2018, all of MicroBuild's loans to microfinance institutions are with forty-four MFI's in twenty-eight countries. As of June 30, 2019 and 2018, loans to microfinance institutions in India comprised 18% and 17%, respectively, of the total outstanding portfolio.

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. As of June 30, 2019 and 2018, MicroBuild had five and three loans of approximately $1,700,000 and $2,800,000, respectively, which are greater than 180 days outstanding.

Activity in the allowance for loan losses on loans to microfinance institutions is as follows for the years ended June 30 (in thousands):

	2019	2018
Balance at beginning of year	$ 3,322	$ 2,916
Allowance for loan losses	375	423
Recovery of previous loan provision	(81)	(17)
Loan forgiveness	(1,077)	-
Balance at end of year	$ 2,539	$ 3,322

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.

The percentage of portfolio analysis for the impaired loans as of June 30, 2019 and 2018 is as follows (in thousands):

	June 30, 2019	Percent of Portfolio	June 30, 2018	Percent of Portfolio
Investment in impaired loans	$ 5,933	6%	$ 4,604	6%
Allowance for loan losses on impaired loans	2,539	3%	3,322	4%
Remaining potential exposure, as of June 30	3,394	3%	1,282	2%

An additional $1,076,507 of principal payments have been received on these loans since June 30, 2019 through the date of these consolidated financial statements.

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, 2019 and 2018 as follows (in thousands):

Currency	2019	2018
U.S. Dollar	$ 46,400	$ 41,506
Indian Rupee	17,136	13,808
Euro	13,580	8,464
Kazakhstan Tenge	7,000	1,000
Colombian Peso	6,000	2,000
Georgian Lari	4,000	4,000
Honduran Lempira	3,000	2,000
Guatemalan Quetzal	3,000	2,000
Moldovan Leu	2,426	2,426
Peruvian New Sol	2,000	1,000
Jordanian Dinar	1,500	1,500
Dominican Peso	1,000	1,000
Kenyan Shilling	869	869
Sri Lankan Rupee	-	1,000
Costa Rican Colon	-	500
	$ 107,911	$ 83,073

6 Due From Affiliates

Due from affiliates as of June 30 consist of the following (in thousands):

	2019	2018
SHOP grant	$ 5,268	$ 6,600
Advances for EU grants	1,882	1,865
Capital magnet fund grant	120	950
Note receivable from national organization	-	876
Other	1,424	1,450
	8,694	11,741
Less allowance for uncollectibles	(797)	(979)
	$ 7,897	$ 10,762

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.

7 Availability of Assets

Habitat's financial assets available within one year as of June 30, 2019 and 2018 for general expenditure are as follows (in thousands):

		2019		2018
Cash and cash equivalents	$	54,380	$	103,742
Investments		125,127		42,881
Receivables		15,134		14,665
Total finanacial assets available within one year		194,641		161,288
Less:				
Board designated for operating reserve unavailable to management without Board approval		(28,613)		(6,023)
Net assets with donor purpose restrictions		(89,970)		(94,664)
Program advances		(46,723)		(35,463)
Restricted cash		(1,803)		(1,792)
	$	27,532	$	23,346

Habitat structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, Habitat maintains a line of credit in the amount of \$1,000,000, which can be drawn upon. Further, Habitat maintains an operating reserve included as part of cash and cash equivalents on the accompanying consolidated statements of financial position.

8 Land, Buildings, and Equipment

Land, buildings, and equipment as of June 30 consist of the following (in thousands):

		2019		2018
Land	$	649	$	714
Buildings and leasehold improvements		12,194		11,949
Computer hardware and software		12,375		6,201
Computer hardware and software under capital leases		3,536		3,366
Furniture and equipment		3,640		3,414
Vehicles		2,257		2,237
		34,651		27,881
Less accumulated depreciation and amortization		(23,668)		(22,084)
	$	10,983	$	5,797

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

		2019		2018
Depreciation expense	$	2,686	$	1,031
Amortization expense on assets under capital leases	$	808	$	772
Accumulated amortization on capital leases	$	1,747	$	1,991
Unamortized computer software costs	$	4,559	$	30

9 Notes Payable

Notes payable as of June 30 consist of the following (in thousands):

	2019	2018
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 3.26% per anunum, with the principal sum due full no later than January 15, 2025	$ 85,500	$ 65,500
Non-interest bearing performance based note payable	4,900	1,000
Non-interest-bearing notes payable to affiliates upon completion of their FlexCap payable	352	724
Note payable to A.K. Capital Finance Private Limited, secured by the receivables of Microbuild India, payable in monthly installments of principal and variable interest based on the three month Marginal Cost of Fund Based Lending Rate (MCLR) of the State Bank of India (SBI) beginning July 1, 2018 with the final payment due April 16, 2021	470	729
Note payable to Nabsamruddhi Finance Limited, secured by the receivables of Microbuild India, payable in quarterly installments of principal and interest of 11% beginning February 28,2019 with the final payment due November 30, 2022	655	-
Note payable to State Bank of India, secured by the receivables of Microbuild India, payable in monthly installments of principal and variable interest based on the one year MCLR of the SBI beginning April 30, 2019 with the final payment due February 28, 2022	683	-
Note payable to Tata Capital Financial Services Limited, secured by the receivables of Microbuild India, payable in monthly installments of principal and variable interest based on the Long-Term Lending Rate less 7.75% beginning April 20, 2019 with the final payment due March 20, 2021	697	-
	93,257	67,953
Less: unamortized debt issuance costs	(275)	(318)
Notes payable, net of unamortized debt issuance costs	$ 92,982	$ 67,635

Future principal payments are as follows (in thousands):

	Amount
2020	$ 10,514
2021	16,623
2022	11,397
2023	9,235
2024	31,538
Thereafter	13,950
	$ 93,257

The notes payable to A.K. Capital Finance Private Limited, Nabsamruddhi Finance Limited, State Bank of India, and Tata Capital Financial Services Limited are payable in the Indian Rupee (INR) and has been converted to United States Dollar (USD) for disclosure.

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. As of June 30, 2018, 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 during the year ended June 30, 2016. MicroBuild's equity members have committed to contribute the remaining $5,000,000 for this $50,000,000 project. Additionally, Habitat must provide $5,000,000 in guarantor letters of credit for the full loan agreement. As of June 30, 2019, $40,500,000 had been drawn against this second loan agreement, $5,000,000 of additional capital has been contributed by Habitat and MetLife and $4,500,000 in guarantor letters of credit have been provided. As of June 30, 2019 and 2018, Habitat provided $9,500,000 and $8,700,000, respectively, in total guarantor letters of credit associated with the notes payable to OPIC.

10 FlexCAP Program

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

	Amount
2020	$ 3,185
2021	2,492
2022	2,201
2023	2,135
2024	2,043
Thereafter	6,645
	$ 18,701

Interest expense during the years ended June 30, 2019 and 2018, was $824,000 and $893,000, 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 Net Assets

Net assets with donor restrictions consist of the following as of June 30 (in thousands):

	2019	2018
Geographically restricted	$ 14,697	$ 13,435
Programmatic restrictions for mission related projects	75,273	81,229
Time restricted	30,902	35,932
Endowment investment in perpetuity, the earnings thereon restricted to mission related projects	2,622	2,569
	$ 123,494	$ 133,165

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

	2019	2018
Release of:		
Geographic restrictions	$ 15,156	$ 16,409
Programmatic restrictions for mission related projects	76,247	63,417
Time restrictions	20,401	25,166
	$ 111,804	$ 104,992

On May 12, 2016, the IKEA Foundation committed contributions to fund a project to improve the health and well-being of families with children by stimulating an affordable, accessible and environmentally responsible housing demand and supply chain in India and Kenya. The project is being completed in two phases, and for the years ended June 30, 2019 and 2018, the activity of the project was as follows (in thousands):

	2019	2018
Phase 1		
Committed by IKEA Foundation	$ 70	$ 167
Less: received for project	-	(93)
Less: direct mission support	-	(4)
Balance remaining on commitment	$ 70	$ 70
Released from restrictions	$ 54	$ 172

For the year ended June 30	2019	2018
Phase 2		
Committed by IKEA Foundation	$ 1,360	$ 2,411
Less: received for project	-	(1,010)
Less: direct mission support	-	(41)
Balance remaining on commitment	$ 1,360	$ 1,360
Released from restrictions	$ 643	$ 46

Net assets without donor restrictions consist of the following as of June 30 (in thousands):

	2019	2018
Undesignated controlling interests	$ 83,013	$ 84,669
Noncontrolling interests	8,361	6,767
Board designated for operating reserve unavailable to management without Board approval	28,613	6,023
	$ 119,987	$ 97,459

12 Revenue From Government Grants

Federal awards received for the years ended June 30 consist of the following (in thousands):

	2019	2018
SHOP	$ 4,865	$ 5,789
Capacity Build	5,576	4,358
AmeriCorps/Vista	4,459	4,964
USAID	853	1,124
Government grants per the consolidated statements of activities	15,753	16,235
Revenue earned and not expended	24	15
Total expenditures of federal awards	$ 15,777	$ 16,250

13 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 $7,418,000 and $6,878,000 for the years ended June 30, 2019 and 2018, 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 6% 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 $2,204,000 and $1,479,000 for the years ended June 30, 2019 and 2018, respectively.

14 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. As of June 30, 2019, future minimum rental payments under the operating and capital leases are as follows (in thousands):

	Operating	Capital
2020	$ 2,355	$ 834
2021	2,314	558
2022	2,094	305
2023	1,865	175
2024	1,916	147
Thereafter	11,379	-
Total minimum payments	$ 21,923	2,019
Less amounts representing executory costs and interest		(229)
Present value of net minimum payments		$ 1,790

Rent expense under operating leases amounted to $2,018,000 and $2,393,000 for the years ended June 30, 2019 and 2018, respectively.

15 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 donated product, on behalf of its affiliates. While Habitat retains variance power in these contributions, Habitat has transferred cash and donated assets totaling $120,520,000 and $121,735,000 in 2019 and 2018, 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 $14,632,000 and $14,600,000 in 2019 and 2018, respectively.

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.

Habitat offers a program to U.S. Affiliates to guarantee certain bond issuances in the event of default by an affiliate. The total amount guaranteed by Habitat under the program at June 30, 2019 and 2018 was $13,945,000 and $14,608,000, respectively.

16 Related-Party Transactions

For the years ended June 30, 2019 and 2018, Habitat recorded $18,080,000 and $19,343,000 in contributions, respectively, and $7,335,000 and $9,607,000 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. As of June 30, 2019 and 2018, Habitat had $11,639,000 and $9,724,000 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.

17 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. As of June 30, 2019 and 2018, Habitat is a 74.79% 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, 2019, are as follows (in thousands):

	Micro Build	Micro Build India	Total
Assets			
Cash and cash equivalents	$ 3,598	$ 1,168	$ 4,766
Loans to micro-finance institutions, net	93,406	10,002	103,408
Derivative Instruments, at fair value	96	-	96
Other receivables and prepaids, net	1,709	435	2,144
Property and equipment, net	-	18	18
Total assets	$ 98,809	$ 11,623	$ 110,432
Liabilities and net assets			
Liabilities:			
Accounts payable and accrued expenses	$ 847	$ 43	$ 890
Loans payable	85,225	2,613	87,838
Total liabilities	86,072	2,656	88,728
Net assets:			
Retained earnings and members' equity:			
Retained earnings and members' equity	6,553	6,790	13,343
Minority interest	6,184	2,177	8,361
Total retained earnings and members' equity	12,737	8,967	21,704
Total liabilities and net assets	$ 98,809	$ 11,623	$ 110,432

The statements of financial position of Habitat's subsidiary and related entities before elimination and consolidation entries as of June 30, 2018, are as follows (in thousands):

	Micro Build	Micro Build India	Total
Assets			
Cash and cash equivalents	$ 3,167	$ 828	$ 3,995
Loans to micro-finance institutions, net	71,623	7,810	79,433
Other receivables and prepaids, net	1,277	369	1,646
Property and equipment, net	-	22	22
Total assets	$ 76,067	$ 9,029	$ 85,096
Liabilities and net assets			
Liabilities:			
Accounts payable and accrued expenses	$ 520	$ 13	$ 533
Derivative Instruments, at fair value	499	-	499
Loans payable	65,182	729	65,911
Total liabilities	66,201	742	66,943
Net assets:			
Retained earnings and members' equity:			
Retained earnings and members' equity	5,105	6,281	11,386
Minority interest	4,761	2,006	6,767
Total retained earnings and members' equity	9,866	8,287	18,153
Total liabilities and net assets	$ 76,067	$ 9,029	$ 85,096

The statements of activities (income statements) for Habitat's subsidiary and related entities before elimination and consolidation entries for the year ended June 30, 2019, are as follows (in thousands):

	Micro Build	Micro Build India	Total
Operating revenue:			
Interest and other income, net	$ 6,889	$ 1,185	$ 8,074
Provision for loan loss	(294)	(15)	(309)
Total operating revenue, net	6,595	1,170	7,765
Operating expenses:			
Program services:			
Professional fees	1,186	31	1,217
Interest expense	3,197	127	3,324
Other expenses	199	248	447
Total program services	4,582	406	4,988
Supporting services:			
Fundraising	-	22	22
Management and general	-	61	61
Total supporting services	-	83	83
Total operating expenses	4,582	489	5,071
Net income from operations	2,013	681	2,694
Non-operating gains and losses:			
Unrealized gain on derivative instrument	784	-	784
Unrealized loss from foreign exchange fluctuations	(1,457)	-	(1,457)
Non-operating loss, net	(673)	-	(673)
Net income	$ 1,340	$ 681	$ 2,021

The statements of activities (income statements) for Habitat's subsidiary and related entities before elimination and consolidation entries for the year ended June 30, 2018, are as follows (in thousands):

	Micro Build	Micro Build India	Total
Operating revenue:			
Interest and other income, net	$ 5,293	$ 553	$ 5,846
Provision for loan loss	(406)	(14)	(420)
Total operating revenue, net	4,887	539	5,426
Operating expenses:			
Program services:			
Professional fees	915	23	938
Interest expense	2,139	-	2,139
Other expenses	198	216	414
Total program services	3,252	239	3,491
Supporting services:			
Fundraising	-	9	9
Management and general	-	46	46
Total supporting services	-	55	55
Total operating expenses	3,252	294	3,546
Net income from operations	1,635	245	1,880
Non-operating gains and losses:			
Unrealized gain on derivative instrument	298	-	298
Unrealized loss from foreign exchange fluctuations	(281)	-	(281)
Non-operating loss, net	17	-	17
Net income	$ 1,652	$ 245	$ 1,897

Interest and other income, net 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.

18 Consolidating Statement of Financial Position

As of June 30, 2019, the consolidating statement of financial position of Habitat is as follows (in thousands):

June 30, 2019	Habitat for Humanity International, Inc.	Affiliates	Eliminations	Consolidated
Assets				
Cash and cash equivalents	$ 41,789	$ 12,591	$ -	$ 54,380
Investments at fair value	178,951	-	-	178,951
Receivables:				
Contributions and grants, net	32,069	-	-	32,069
Affiliate notes, net	19,276	-	-	19,276
Due from affiliates, net	7,897	-	-	7,897
Loans to microfinance institutions, net	667	103,504	-	104,171
Institutional loans and mortgages receivable, net	-	678	-	678
Other, net	5,265	3,147	(461)	7,951
Total receivables	65,174	107,329	(461)	172,042
Inventories, net	13,294	174	-	13,468
Prepaids and other assets	8,270	509	(5,722)	3,057
Land, buildings, and equipment - net of accumulated depreciation and amortization	10,330	653	-	10,983
Total assets	$ 317,808	$ 121,256	$ (6,183)	$ 432,881
Liabilities and net assets				
Accounts payable and accrued expenses	$ 17,553	$ 2,289	$ -	$ 19,842
Program advances	46,017	706	-	46,723
Capitalized lease obligations payable	1,790	-	-	1,790
Due to affiliates	2,476	-	(337)	2,139
Notes payable, net of unamortized debt issuance costs	4,977	88,005	-	92,982
Charitable gift arrangements	7,223	-	-	7,223
Investor notes payable	18,701	-	-	18,701
Total liabilities	98,737	91,000	(337)	189,400
Net assets:				
Without donor restrictions:				
Controlling interests	95,577	21,895	(5,846)	111,626
Noncontrolling interests	-	8,361	-	8,361
	95,577	30,256	(5,846)	119,987
With donor restrictions	123,494	-	-	123,494
Total net assets	219,071	30,256	(5,846)	243,481
Total liabilities and net assets	$ 317,808	$ 121,256	$ (6,183)	$ 432,881

"Affiliates" as used in the supplemental consolidating schedule presented above includes the following entities: thirteen national organizations that are registered as part of Habitat, Habitat for Humanity, Inc., Habitat Mortgage Solutions, Habitat for Humanity – Middle East, MicroBuild, and MicroBuild India.

19 Subsequent Events

Habitat has evaluated the need for adjustments and/or disclosure resulting from subsequent events in these consolidated financial statements through November 15, 2019, 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.