Consolidated Financial Statements

Habitat for Humanity International, Inc.
Years Ended June 30, 2013 and 2012
With Report of Independent Auditors

Ernst & Young LLP

Habitat for Humanity International, Inc.

Consolidated Financial Statements

Years Ended June 30, 2013 and 2012

Contents

Ernst & Young LLP
Suite 1000
55 Ivan Allen Jr. Boulevard
Atlanta, GA 30308

Tel: +1 404 874 8300
Fax: +1 404 817 5589
www.ey.com

Report of Independent Auditors

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, 2013 and 2012, and the related consolidated statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain 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 and 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 consolidated financial position of Habitat as of June 30, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

November 8, 2013

Habitat for Humanity International, Inc.

Consolidated Statements of Financial Position

	June 30	
	2013	**2012**
Assets		
Cash and cash equivalents	**$ 31,668,340**	$ 42,263,322
Investments at fair value	**46,247,332**	43,757,640
Program investments in microfinance institutions, at fair value	**8,600,000**	–
Receivables:		
Contributions and grants, net	**35,181,405**	56,713,711
Affiliate notes, net	**41,525,488**	44,966,201
Due from affiliates, net	**14,278,386**	9,923,517
Mortgages receivable, net	**2,898,819**	4,540,789
Other, net	**2,065,361**	1,346,274
Total receivables	**95,949,459**	117,490,492
Inventories, net	**1,864,217**	2,478,423
Construction in progress	**223,076**	1,281,141
Prepaids and other assets	**1,686,255**	2,059,086
Land, buildings, and equipment, net of accumulated depreciation and amortization	**9,590,079**	11,206,461
Total assets	**$ 195,828,758**	$ 220,536,565
Liabilities and net assets		
Accounts payable and accrued expenses	**$ 16,495,755**	$ 18,514,874
Program advances	**3,277,837**	4,765,565
Capitalized lease obligations payable	**1,205,018**	1,829,327
Due to affiliates	**2,609,826**	1,786,390
Notes payable – OPIC	**9,300,000**	–
Notes payable – other	**2,562,563**	2,843,930
Annuity obligation	**7,893,672**	8,329,905
Investor notes payable	**44,096,189**	50,449,767
Total liabilities	**87,440,860**	88,519,758
Net assets:		
Unrestricted:		
Controlling interests	**17,852,223**	9,671,896
Noncontrolling interests	**1,425,421**	–
	19,277,644	9,671,896
Temporarily restricted	**87,743,946**	120,986,335
Permanently restricted	**1,366,308**	1,358,576
Total net assets	**108,387,898**	132,016,807
Total liabilities and net assets	**$ 195,828,758**	$ 220,536,565

See accompanying notes.

Habitat for Humanity International, Inc.

Consolidated Statements of Activities and Changes in Net Assets

	Year Ended June 30, 2013				Year Ended June 30, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and gains								
Contributions	**$ 90,393,262**	**$ 63,803,789**	**$ 7,732**	**$ 154,204,783**	$ 82,583,887	$ 58,938,272	$ 135,592	$ 141,657,751
Contributed advertising – PSAs	**7,167,944**	**–**	**–**	**7,167,944**	5,775,554	–	–	5,775,554
Donations in kind, excluding PSAs	**33,672,911**	**8,174,485**	**–**	**41,847,396**	16,450,841	35,014,419	–	51,465,260
Government grants:								
NSP2	**44,819,109**	**–**	**–**	**44,819,109**	54,797,294	–	–	54,797,294
Government grants, excluding NSP2	**29,411,626**	**–**	**–**	**29,411,626**	22,515,871	–	–	22,515,871
Total government grants	**74,230,735**	**–**	**–**	**74,230,735**	77,313,165	–	–	77,313,165
Other income, net	**35,314,152**	**–**	**–**	**35,314,152**	23,335,034	–	–	23,335,034
Total revenues and gains	**240,779,004**	**71,978,274**	**7,732**	**312,765,010**	205,458,481	93,952,691	135,592	299,546,764
Satisfaction of program restrictions	**102,139,538**	**(102,139,538)**	**–**	**–**	108,229,684	(108,229,684)	–	–
Total revenues and gains	**342,918,542**	**(30,161,264)**	**7,732**	**312,765,010**	313,688,165	(14,276,993)	135,592	299,546,764
Expenses								
Program services:								
U.S. affiliates	**192,479,410**	**–**	**–**	**192,479,410**	176,744,355	–	–	176,744,355
International affiliates	**63,055,175**	**–**	**–**	**63,055,175**	73,391,385	–	–	73,391,385
Public awareness and education	**29,348,293**	**–**	**–**	**29,348,293**	27,168,400	–	–	27,168,400
Total program services	**284,882,878**	**–**	**–**	**284,882,878**	277,304,140	–	–	277,304,140
Supporting services:								
Fund-raising	**36,804,463**	**–**	**–**	**36,804,463**	38,252,681	–	–	38,252,681
Management and general	**13,465,761**	**–**	**–**	**13,465,761**	14,045,584	–	–	14,045,584
Total supporting services	**50,270,224**	**–**	**–**	**50,270,224**	52,298,265	–	–	52,298,265
Total expenses	**335,153,102**	**–**	**–**	**335,153,102**	329,602,405	–	–	329,602,405
Losses on contributions receivable	**–**	**3,081,125**	**–**	**3,081,125**	–	2,198,918	–	2,198,918
Total expenses and losses on contributions receivable	**335,153,102**	**3,081,125**	**–**	**338,234,227**	329,602,405	2,198,918	–	331,801,323
Change in net assets before noncontrolling interests	**7,765,440**	**(33,242,389)**	**7,732**	**(25,469,217)**	(15,914,240)	(16,475,911)	135,592	(32,254,559)
Purchase of interest by noncontrolling shareholder	**1,425,421**	**–**	**–**	**1,425,421**	–	–	–	–
Noncontrolling interest in subsidiary losses	**414,887**	**–**	**–**	**414,887**	–	–	–	–
Change in net assets	**9,605,748**	**(33,242,389)**	**7,732**	**(23,628,909)**	(15,914,240)	(16,475,911)	135,592	(32,254,559)
Net assets at beginning of year	**9,671,896**	**120,986,335**	**1,358,576**	**132,016,807**	25,586,136	137,462,246	1,222,984	164,271,366
Net assets at end of year	**$ 19,277,644**	**$ 87,743,946**	**$ 1,366,308**	**$ 108,387,898**	$ 9,671,896	$ 120,986,335	$ 1,358,576	$ 132,016,807

See accompanying notes.

Habitat for Humanity International, Inc.

Consolidated Statements of Cash Flows

	Year Ended June 30 2013	2012
Operating activities		
Change in net assets	**$ (23,628,909)**	$ (32,254,559)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	**2,931,901**	2,948,976
Net (gain) loss on disposal of land, buildings, and equipment	**(10,950)**	42,859
Losses on contributions receivable	**3,081,125**	2,198,918
Losses on other receivables	**1,005,354**	904,663
Net realized and unrealized (gains) losses on investments	**(5,340,675)**	1,942,478
Recoveries of amounts due to affiliates	**(2,369,623)**	(2,823,049)
Changes in operating assets and liabilities:		
Decrease (increase) in receivables	**9,994,036**	(472,969)
Decrease in inventories	**614,206**	793,989
Decrease (increase) in construction in progress	**1,058,065**	(585,540)
Decrease (increase) in prepaids and other assets	**453,400**	188,720
Decrease in accounts payable and accrued expenses	**(2,019,119)**	(1,561,595)
(Decrease) increase in program advances	**(1,487,728)**	2,488,387
Net cash used in operating activities	**(15,718,917)**	(26,188,722)
Investing activities		
Purchases of investments	**(22,606,276)**	(65,676,262)
Proceeds from sales and maturities of investments	**25,457,259**	65,829,406
Loans to affiliates	**(24,385,858)**	(49,264,535)
Repayments from affiliates	**23,246,376**	47,121,102
Purchases of land, buildings, and equipment	**(1,158,041)**	(1,029,080)
Proceeds from sale of land, buildings, and equipment	**135,660**	119,508
Net cash provided by (used in) investing activities	**689,120**	(2,899,861)
Financing activities		
Principal repayments on capitalized lease obligations payable	**(987,066)**	(1,140,004)
Increase in due to affiliates	**3,210,821**	2,163,062
Payments on due to affiliates	**(17,762)**	(157,526)
Principal repayments on notes payable	**(183,848)**	(379,967)
Increase in annuity obligation	**180,989**	1,442,077
Payments of annuity obligation	**(617,222)**	(589,684)
Proceeds from draws on OPIC note payable	**9,300,000**	–
Proceeds from draws on line of credit	**14,650,000**	–
Payments on line of credit	**(14,650,000)**	–
Proceeds from issuance of investor notes payable	**7,717,985**	20,686,764
Payments on investor notes payable	**(14,169,082)**	(21,113,376)
Net cash provided by financing activities	**4,434,815**	911,346
Net decrease in cash and cash equivalents	**(10,594,982)**	(28,177,237)
Cash and cash equivalents:		
Beginning of year	**42,263,322**	70,440,559
End of year	**$ 31,668,340**	$ 42,263,322
Supplemental disclosures		
Interest paid	**$ 2,091,118**	$ 2,088,581
Noncash purchases of equipment through capital lease obligations	**$ 362,757**	$ 621,219

See accompanying notes.

Habitat for Humanity International, Inc.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2013

	U.S. Affiliates	International Affiliates	Public Awareness and Education	Total Program Services	Fund-Raising	Management and General	Total Supporting Services	Total
Program and house building transfers	$ 62,517,616	$ 28,524,875	$ 6,888,176	$ 97,930,667	$ –	$ –	$ –	$ 97,930,667
Program and house building transfers – NSP2	43,306,713	–	–	43,306,713	–	–	–	43,306,713
Donated contributed advertising – PSAs	–	–	7,167,944	7,167,944	–	–	–	7,167,944
Donated assets distributed, excluding PSAs	54,945,032	109,658	–	55,054,690	–	–	–	55,054,690
Salaries and benefits	18,791,070	22,072,618	8,526,126	49,389,814	8,429,827	6,929,790	15,359,617	64,749,431
Payroll tax	1,182,898	536,360	533,410	2,252,668	507,153	367,903	875,056	3,127,724
Professional services – direct mail	–	–	–	–	20,205,425	–	20,205,425	20,205,425
Professional services – other	1,686,275	3,540,186	2,290,069	7,516,530	2,075,435	1,139,489	3,214,924	10,731,454
Postage and freight	74,272	51,659	530,471	656,402	1,099,025	24,065	1,123,090	1,779,492
Travel	1,522,035	2,601,606	923,518	5,047,159	681,220	581,791	1,263,011	6,310,170
Printing	170,334	68,612	144,659	383,605	243,980	6,102	250,082	633,687
Service agreements and utilities	1,356,524	1,138,474	917,976	3,412,974	1,268,980	1,948,210	3,217,190	6,630,164
Insurance	827,609	268,408	210,663	1,306,680	195,086	216,500	411,586	1,718,266
Interest, service charges, and taxes	1,896,192	216,480	296,210	2,408,882	601,301	155,167	756,468	3,165,350
Office and equipment	725,408	1,340,539	347,156	2,413,103	199,077	1,149,322	1,348,399	3,761,502
Depreciation and amortization	813,612	789,634	291,461	1,894,707	518,146	519,048	1,037,194	2,931,901
Other	2,663,820	1,796,066	280,454	4,740,340	779,808	428,374	1,208,182	5,948,522
Total	$ 192,479,410	$ 63,055,175	$ 29,348,293	$ 284,882,878	$ 36,804,463	$ 13,465,761	$ 50,270,224	$ 335,153,102

See accompanying notes.

Habitat for Humanity International, Inc.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2012

	U.S. Affiliates	International Affiliates	Public Awareness and Education	Total Program Services	Fund-Raising	Management and General	Total Supporting Services	Total
Program and house building transfers	$ 60,724,677	$ 32,636,485	$ 5,043,127	$ 98,404,289	$ –	$ –	$ –	$ 98,404,289
Program and house building transfers – NSP2	52,581,288	–	–	52,581,288	–	–	–	52,581,288
Donated contributed advertising – PSAs	–	–	5,775,554	5,775,554	–	–	–	5,775,554
Donated assets distributed, excluding PSAs	33,296,030	331,047	–	33,627,077	–	–	–	33,627,077
Salaries and benefits	18,459,342	23,122,011	9,147,455	50,728,808	8,810,318	7,707,343	16,517,661	67,246,469
Payroll tax	1,169,152	576,753	565,875	2,311,780	540,731	426,925	967,656	3,279,436
Professional services – direct mail	–	–	–	–	21,521,319	–	21,521,319	21,521,319
Professional services – other	1,597,468	4,624,060	2,384,032	8,605,560	2,508,129	1,010,841	3,518,970	12,124,530
Postage and freight	66,071	71,792	595,996	733,859	1,113,098	40,887	1,153,985	1,887,844
Travel	1,647,838	4,459,409	805,161	6,912,408	557,746	336,453	894,199	7,806,607
Printing	207,442	95,147	330,043	632,632	243,342	9,401	252,743	885,375
Service agreements and utilities	1,060,648	1,348,815	826,589	3,236,052	1,056,176	1,732,166	2,788,342	6,024,394
Insurance	748,590	390,293	201,758	1,340,641	187,963	207,255	395,218	1,735,859
Interest, service charges, and taxes	2,010,976	121,722	220,694	2,353,392	569,899	124,066	693,965	3,047,357
Office and equipment	457,016	1,508,748	504,741	2,470,505	189,441	1,263,855	1,453,296	3,923,801
Depreciation and amortization	797,468	939,805	285,678	2,022,951	495,183	430,842	926,025	2,948,976
Other	1,920,349	3,165,298	481,697	5,567,344	459,336	755,550	1,214,886	6,782,230
Total	$ 176,744,355	$ 73,391,385	$ 27,168,400	$ 277,304,140	$ 38,252,681	$ 14,045,584	$ 52,298,265	$ 329,602,405

See accompanying notes.

1. Organization and Purpose

Habitat for Humanity International, Inc. (Habitat) is a Christian not-for-profit organization whose purposes are to partner with Habitat programs worldwide in making decent, affordable housing available to more families and to associate with other organizations that have a kindred purpose. Habitat seeks to eliminate poverty housing from the world and to make decent shelter a matter of conscience and action.

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.

Habitat's mission is fulfilled primarily through the work of affiliated organizations and resource centers in approximately 70 countries around the globe.

Habitat is exempt from federal income taxation under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, pursuant to a group exemption letter received from the Internal Revenue Service.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements as of and for the years ended June 30, 2013 and 2012, include the activities of Habitat's area and regional offices, eleven national organizations that are registered as part of Habitat for Humanity International, as well as the activities of Habitat for Humanity, Inc. and Habitat for Humanity-Middle East, which are wholly owned subsidiaries, Nadacia Foundation HFHI, and Habitat for Humanity-Haiti, in which Habitat effectively has control and an economic interest. Additionally, as described further in Note 20, the consolidated financial statements for the year ended June 30, 2013, include the activities of 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.

2. Summary of Significant Accounting Policies (continued)

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 contributions are reported as follows: an increase (decrease) in temporarily restricted net assets if the terms of the gift or Habitat's interpretation of relevant state law imposes a restriction on the current use of the investment income or net increase (decrease); otherwise, such increase (decrease) is reported in unrestricted net assets.

Contributions Receivable

Contributions receivable that are expected to be collected in future years are recorded at fair value. Contributions receivable are reflected net of an allowance for uncollectible amounts based on management's judgment and analysis of the creditworthiness of the donors, past payment experience, and other relevant factors and have been discounted at rates equivalent to the ten-year Treasury bill rate in effect at the date the contribution is made. In accordance with Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, management computed and booked an additional risk-adjusted discount factor on the new cash and gift-in-kind pledge receivables recorded during the year.

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, 2013 and 2012, conditional promises to give amounted to $924,888 and $2,412,000, 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 have interest rates ranging from 1% to 6% and are payable over seven 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 seven to ten years and are secured by mortgages held by those affiliates.

2. Summary of Significant Accounting Policies (continued)

Habitat requires 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 Florida (15%), and Michigan (11%). The remaining balance is secured by real estate in cities located throughout the remaining United States, with no city comprising more than 6% 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 ending June 30, 2013, financial closeout reports were submitted and accepted by HUD for the SHOP program year 2008, allowing $2,369,623 of this balance to be recognized as other income in the consolidated statement of activities and changes in net assets.

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.

2. Summary of Significant Accounting Policies (continued)

Inventories

Inventories represent building materials. 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.

Construction in Progress

Construction in progress represents materials, labor, and other costs incurred for houses being constructed in various branch countries included in the consolidated statements of financial position.

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:

Buildings	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 IRS mortality tables and the prevailing interest rate. A discount rate of 6% was used as of June 30, 2013. The difference is classified as unrestricted contributions on the

2. Summary of Significant Accounting Policies (continued)

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 $11,873,095 and $12,233,972 for the years ending June 30, 2013 and 2012, respectively.

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 net assets, revenues and gains, and expenses 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.
>
> 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.

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 satisfaction of program restrictions.

2. Summary of Significant Accounting Policies (continued)

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.

Contributed Goods and Services

During the years ended June 30, 2013 and 2012, Habitat conducted a general advertising campaign targeting individuals to volunteer with their local affiliate. The total commercial value of these public service announcements (PSAs) was $70,939,436 and $57,755,539 for the years ending June 30, 2013 and 2012, respectively. However, the majority of the value of the general campaign is received by local affiliates that are not consolidated by Habitat. As such, Habitat has estimated only 10% of the value of the general campaign is a contributed asset for Habitat.

Advertising revenue related to contributed PSAs for the campaigns and associated expense in the amount of $7,167,944 and $5,775,554 has been recognized in the consolidated statement of activities and changes in net assets for the years ending June 30, 2013 and 2012, respectively. Habitat has engaged a third party to assist in determining the value of the airings.

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 and changes in net assets, totaled $683,697 and $988,902 for the years ended June 30, 2013 and 2012, respectively.

2. Summary of Significant Accounting Policies (continued)

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.

Fair Value Measurements

Habitat has adopted 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.

2. Summary of Significant Accounting Policies (continued)

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.

Equity securities 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. Such marketable securities are classified as Level 1 of the valuation hierarchy.

Debt securities, 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). Debt securities are generally classified within Level 2 of the valuation hierarchy.

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, annuity obligations, and investor notes payable are stated at cost, which approximates fair value. Investments are recorded at their fair values.

Subsequent Events

ASC 855, *Subsequent Events*, requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. That is, whether that date represents the date the financial statements were issued or were available to be issued. Habitat has evaluated subsequent events for potential recognition and/or disclosure in these consolidated financial statements through November 8, 2013, the date that the consolidated financial statements were available to be issued.

3. Investments

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

	2013	2012
Due in less than one year	**$ 993,843**	$ 1,786,337
Due in one to five years	**–**	–
Due in more than five years	**32,443,976**	29,435,289
	$ 33,437,819	$ 31,221,626

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

	2013	2012
Net increase (decrease) in fair value of investments, including realized and unrealized gains and losses	**$ 5,340,675**	$ (1,942,478)
Interest and dividend income	**152,554**	965,572

4. Fair Value Measurements

In accordance with ASC 820, Habitat measures cash and cash equivalents and marketable securities at fair value. At June 30, 2013, investments in marketable securities include $32,443,796 of 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.

4. Fair Value Measurements (continued)

Loans to micro-finance institutions at June 30, 2013, consist of the following:

	2013
Vision Fund Azercredit	$ 4,000,000
Imon International	2,000,000
Banco D-Miro S.A.	1,000,000
Other micro-finance institutions	1,600,000
	8,600,000
Less allowance for uncollectibles	–
	$ 8,600,000

These loans are interest bearing, with interest rates ranging from 6% to 7% per annum over terms of three to four years.

Future principal payments are as follows:

2016	$ 2,175,000
2017	6,425,000
	$ 8,600,000

No provision for loan impairment has been recorded in the accompanying consolidated financial statements. Due diligence has been performed by the fund manager in selecting the micro-finance institutions to which these funds have been loaned, and all interest payments are current through the date of the consolidated financial statements.

4. Fair Value Measurements (continued)

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, 2013 and 2012:

Description	Fair Value at June 30, 2013	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 31,668,340	$ 31,668,340	$ –	$ –
Investments:				
Certificates of deposit and other short-term investments	990,117	787,056	203,061	–
Bonds – U.S., state government, and corporate	3,726	–	3,726	–
Common stock and mutual funds	2,258,287	2,258,287	–	–
Commingled funds:				
Equity (stock) funds	4,324,145	–	4,324,145	–
Fixed income (bond) funds	6,227,261	–	6,227,261	–
Auction rate securities	32,443,796	–	–	32,443,796
Debt investments	8,600,000	–	–	8,600,000
Total investments	54,847,332	3,045,343	10,758,193	41,043,796
Total cash and investments	$ 86,515,672	$ 34,713,683	$ 10,758,193	$ 41,043,796

4. Fair Value Measurements (continued)

Description	Fair Value at June 30, 2012	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 42,263,322	$ 42,263,322	$ –	$ –
Investments:				
Certificates of deposit and other short-term investments	1,177,540	942,705	234,835	–
Bonds – U.S., state government, and corporate	590,808	–	398,812	191,996
Common stock and mutual funds	1,884,010	1,884,010	–	–
Commingled funds:				
Equity (stock) funds	4,528,728	–	4,528,728	–
Fixed income (bond) funds	6,123,276	–	6,123,276	–
Mortgage-backed securities	1,223,278	–	1,141,222	82,056
Auction rate securities	28,230,000	–	–	28,230,000
Total investments	43,757,640	2,826,715	12,426,873	28,504,052
Total cash and investments	$ 86,020,962	$ 45,090,037	$ 12,426,873	$ 28,504,052

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, 2013:

Description	
Balance at July 1, 2012	**$ 28,504,052**
Sales or redemptions out of Level 3	**(240,780)**
Net unrealized gains for the year ending June 30, 2012	**4,180,524**
Loans to micro-finance institutions	**8,600,000**
Balance at June 30, 2013	**$ 41,043,796**

4. Fair Value Measurements (continued)

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, 2012:

Description	
Balance at July 1, 2011	$ 31,306,397
Sales or redemptions out of Level 3	(600,868)
Net unrealized gains for the year ending June 30, 2012	(2,201,477)
Balance at June 30, 2012	$ 28,504,052

Marketable securities measured at fair value using Level 3 inputs consist of auction rate securities, certain mortgage-backed securities and debt investments. 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 and could be lower than par value. 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, 2013 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, 2012, 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. Based on this assessment, Habitat has recorded valuation adjustments of $5,606,204 to lower the total investments balance to their fair value as of June 30, 2013.

5. Contributions and Grants Receivable

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

	2013	2012
Contributions	**$ 35,769,698**	$ 60,693,496
Government grants	**1,784,019**	1,558,538
	37,553,717	62,252,034
Less unamortized discount	**1,038,889**	2,967,974
	36,514,828	59,284,060
Less allowance for uncollectibles	**1,333,423**	2,570,349
	$ 35,181,405	$ 56,713,711

These receivables are due as follows at June 30:

	2013	2012
Due in less than one year	**$ 27,576,174**	$ 40,761,435
Due in one to five years	**7,605,231**	15,938,114
Due in over five years	**–**	14,162
	$ 35,181,405	$ 56,713,711

Contributions receivable include in-kind amounts of $17,528,837 and $39,260,158 as of June 30, 2013 and 2012, respectively.

Net contributions receivable includes one contributor in 2013 and 2012, respectively, whose individual net outstanding contribution receivable is greater than 10% of the total net outstanding contributions receivable. At June 30, 2013 and 2012, the net contributions receivable associated with these gifts totaled $6,904,422 and $14,482,221, 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. Due From Affiliates

Due from affiliates at June 30 consist of the following:

	2013	2012
SHOP grant	**$ 8,753,580**	$ 7,365,002
Capital Magnet Fund grant	**2,693,207**	–
SOSI receivable	**1,023,622**	–
Other	**2,416,758**	3,051,971
	14,887,167	10,416,973
Less allowance for uncollectibles	**608,781**	493,456
	$ 14,278,386	$ 9,923,517

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. Land, Buildings, and Equipment

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

	2013	2012
Land	**$ 863,218**	$ 913,418
Buildings and leasehold improvements	**11,700,338**	11,816,481
Computer hardware and software	**10,604,176**	10,738,362
Computer hardware and software under capital leases	**8,770,424**	8,438,804
Furniture and equipment	**5,117,169**	5,235,568
Vehicles	**3,021,175**	2,298,946
	40,076,500	39,441,579
Less accumulated depreciation and amortization	**30,486,421**	28,235,118
	$ 9,590,079	$ 11,206,461

7. Land, Buildings, and Equipment (continued)

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

	2013	2012
Depreciation expense	**$ 1,944,154**	$ 1,803,787
Amortization expense on assets under capital leases	**$ 978,795**	$ 1,145,189
Accumulated amortization on capital leases	**$ 7,496,074**	$ 6,548,416
Unamortized computer software costs	**$ 514,731**	$ 871,647

On July 1, 2012, Habitat entered into an asset purchase agreement for a ReStore in metro Atlanta, Georgia.

8. Notes Payable

Notes payable at June 30 consist of the following:

	2013	2012
Non-interest-bearing, unsecured notes payable to various individuals and organizations, payable principally on demand	**$ –**	$ 79,654
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 1.85% per annum, with the principal sum due in full no later than July 15, 2019	**9,300,000**	–
3.84% note payable to Calvert Social Investment Foundation, secured by $300,000 in Habitat's investment bond portfolio, interest payable in two semiannual installments, with principal due in full in May 2014	**200,000**	250,000
1.0% $250,000 construction note payable to The United Nations Habitat and Human Settlement Foundation, payable in quarterly installments of $12,500, plus interest	**91,554**	145,747
Non-interest-bearing notes payable to affiliates upon completion of their accelerated asset recovery payable	**2,271,009**	2,368,529
	$ 11,862,563	$ 2,843,930

8. Notes Payable (continued)

Future principal payments are as follows:

2014	$ 241,554
2015	416,245
2016	163,046
2017	127,373
2018	215,251
Thereafter	10,699,094
	$ 11,862,563

On June 22, 2012, MicroBuild, a company in which Habitat has a controlling interest, entered into a $45,000,000 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, the equity investors must provide $5,000,000 in guarantor letters of credit. These funds are then lent to micro-finance institutions in various countries around the world.

9. FlexCAP Program

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

2014	$ 7,633,465
2015	7,064,389
2016	6,128,014
2017	5,877,757
2018	14,247,072
Thereafter	3,145,492
	$ 44,096,189

Interest expense during the years ended June 30, 2013 and 2012, was $1,892,219 and $2,073,558, 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.

10. Temporarily Restricted Net Assets

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

	2013	2012
Geographically restricted	**$ 9,162,224**	$ 8,203,549
Restricted for mission-related projects	**10,829,660**	11,868,235
Restricted for the purchase of construction materials	**34,354,676**	45,759,378
Time restricted	**34,821,403**	55,155,173
	$ 89,167,963	$ 120,986,335

11. 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:

	2013	2012
Release of:		
Geographic restrictions	**$ 9,665,883**	$ 11,058,414
Restrictions for mission-related projects	**16,204,763**	15,080,189
Restrictions for the purchase of construction materials	**50,160,644**	58,281,392
Time restrictions	**26,108,248**	23,809,689
	$ 102,139,538	$ 108,229,684

12. Revenue From Government Grants

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

	2013	2012
NSP2	**$ 44,819,109**	$ 54,797,294
SHOP	**13,759,690**	10,215,995
Capacity Build	**6,427,487**	4,435,318
AmeriCorps/Vista	**3,770,799**	3,872,300
Capital Magnet Fund	**2,726,328**	36,553
USAID	**1,877,553**	3,494,023
Centers for Disease Control and Prevention	**403,642**	119,179
Department of Energy	**337,622**	342,503
Other	**108,505**	–
	$ 74,230,735	$ 77,313,165

In 2010, Habitat received an award of $137,620,088 for Neighborhood Stabilization Program funds from HUD. These funds are to be used in seven target areas across five states. The revenue earned from this grant for the fiscal years ending June 30, 2013 and 2012, was $44,819,109 and $54,797,294, respectively. These amounts are included in unrestricted revenue for the respective years. Of these amounts, there were transfers to the target affiliates of $43,306,713 and $52,581,288 in 2013 and 2012, respectively.

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 $5,134,466 and $6,213,898 for the years ended June 30, 2013 and 2012, 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 3% 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 $755,618 and $742,797 for the years ended June 30, 2013 and 2012, 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. At June 30, 2013, future minimum rental payments under the operating and capital leases are as follows:

	Operating	Capital
2014	$ 1,783,177	$ 737,781
2015	1,838,497	391,546
2016	1,746,781	218,797
2017	1,700,535	26,619
2018	1,520,214	–
Thereafter	352,439	–
Total minimum payments	$ 8,941,643	1,374,743
Less amounts representing executory costs and interest		169,725
Present value of net minimum payments		$ 1,205,018

Rent expense under operating leases amounted to $1,661,491 and $1,361,028 for the years ended June 30, 2013 and 2012, 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 in-kind, on behalf of its affiliates. While Habitat retains variance power in these contributions, the organization has transferred cash and donated assets totaling $196,292,070 and $184,612,654 in 2013 and 2012, respectively, to international and U.S. national organizations and affiliates.

During the years ending June 30, 2013 and 2012, there were program expenses incurred for the Haiti Disaster Recovery totaling $6,160,805 and $12,506,362, respectively. These amounts are reflected in the international affiliates column of the consolidated statements of functional expenses.

15. Affiliate Programs (continued)

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 $12,779,248 and $13,079,611 in 2013 and 2012, respectively.

16. 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.

17. Related-Party Transactions

For the years ended June 30, 2013 and 2012, Habitat recorded $23,393,052 and $1,597,009 in contributions, respectively, and $12,974,580 and $7,794,146 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, 2013 and 2012, Habitat had $4,095,640 and $9,524,203 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.

18. Subsequent Events

On July 16, 2013, Habitat entered into a $15,000,000 line of credit agreement with a bank. The line of credit is collateralized by Habitat's auction rate securities. All outstanding principal and interest will be due in full on February 28, 2014. As of November 8, 2013, Habitat had borrowed $11,000,000 under this line of credit.

On July 29, 2013, MicroBuild, a company in which Habitat has a controlling interest, borrowed an additional $7,600,000 under its loan agreement with OPIC. As of November 8, 2013, MicroBuild had lent an additional $6,900,000 to various micro-finance institutions.

19. Subsidiary and Related Entities' Statements of 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, Habitat made an initial capital investment of $500,000 in MicroBuild India. This company was dormant from that time until the year ending June 30, 2013. Habitat added an additional $397,272 of capital on June 24, 2013. Habitat is a 50.38% owner in MicroBuild India.

19. Subsidiary and Related Entities Statements of Position and Statements of Activities (continued)

The statements of position (balance sheets) of Habitat's subsidiary and related entities before elimination and consolidation entries as of June 30, 2013, are as follows:

	MicroBuild	MicroBuild India	Total
Assets			
Cash and cash equivalents	$ 2,018,147	$ 1,440,588	$ 3,458,735
Program investments in micro-finance institutions, at fair value	8,600,000	–	8,600,000
Other receivables, net	538,570	14,651	553,221
Property and equipment, net	–	3,158	3,158
Total assets	$ 11,156,717	$ 1,458,397	$ 12,615,114
Liabilities and net assets			
Liabilities:			
Accounts payable and accrued expenses	$ 89,422	$ 12,723	$ 102,145
Loans payable	9,300,000	–	9,300,000
Total liabilities	9,389,422	12,723	9,402,145
Net assets:			
Retained earnings and members' equity:			
Retained earnings and members' equity	923,983	863,565	1,787,548
Minority interest	843,312	582,109	1,425,421
Total retained earnings and members' equity	1,767,295	1,445,674	3,212,969
Total liabilities and net assets	$ 11,156,717	$ 1,458,397	$ 12,615,114

19. Subsidiary and Related Entities Statements of Position and Statements of Activities (continued)

The statements of activities (income statements) for Habitat's subsidiary and related entities before elimination and consolidation entries for the year ended June 30, 2013, are as follows:

	MicroBuild	MicroBuild India	Total
Revenues and gains			
Gift-in-kind service income	$ 234,973	$ –	$ 234,973
Interest and other income, net	361,653	45,952	407,605
Total revenues and gains	596,626	45,952	642,578
Expenses			
Program services:			
Professional fees	761,028	19,085	780,113
Interest expense	89,236	–	89,236
Other expenses	159,545	43,627	203,172
Total program services	1,009,809	62,712	1,072,521
Supporting services:			
Fund-raising	–	5,844	5,844
Management and general	–	44,302	44,302
Total supporting services	–	50,146	50,146
Total expenses	1,009,809	112,858	1,122,667
Change in equity	$ (413,183)	$ (66,906)	$ (480,089)

Gift-in-kind service income is included in donations in kind in the accompanying consolidated statements of activities and changes in net assets. Interest and other income are included in other income, net in the accompanying consolidated statements of activities and changes in net assets. 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.

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