Consolidated Financial Statements and
Report of Independent Certified Public Accountants
and Single Audit Reports

Habitat for Humanity International, Inc.

Years ended June 30, 2018 and 2017

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![Grant Thornton]

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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The Board of Directors
Habitat for Humanity International, Inc.

We have audited the accompanying consolidated financial statements of **Habitat for Humanity International, Inc.** (Habitat) and its subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, cash flows, and functional expenses 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 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 of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Controller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Habitat'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 Habitat's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity International, Inc. at June 30, 2018 and 2017, 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.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

Columbia, South Carolina
November 16, 2018

Consolidated statements of financial position

June 30		2018		2017
Assets				
Cash and cash equivalents	$	103,741,554	$	75,566,336
Investments at fair value		98,561,936		44,642,595
Receivables:				
Contributions and grants, net		37,153,550		34,781,116
Affiliate notes, net		25,508,453		24,960,835
Due from affiliates, net		10,762,168		10,183,725
Loans to microfinance institutions, net		79,085,222		59,779,005
Institutional loans and mortgages receivable, net		761,712		724,433
Other, net		6,540,897		2,657,984
Total receivables		159,812,002		133,087,098
Inventories, net		9,092,131		2,553,991
Prepaids and other assets		9,112,035		6,452,354
Land, buildings, and equipment - net of accumulated depreciation and amortization		5,796,863		6,314,935
Total assets	$	386,116,521	$	268,617,309
Liabilities and net assets				
Accounts payable and accrued expenses	$	17,692,117	$	14,110,389
Program advances		35,463,013		6,750,482
Capitalized lease obligations payable		1,377,858		1,367,266
Due to affiliates		1,352,172		1,547,485
Notes payable, net of unamortized debt issuance costs		67,635,268		61,799,674
Charitable gift arrangements		6,585,388		6,591,856
Investor notes payable		25,386,478		23,683,927
Total liabilities		155,492,294		115,851,079
Net assets:				
Unrestricted:				
Controlling interests		90,625,446		49,069,493
Noncontrolling interests		6,833,888		5,176,537
		97,459,334		54,246,030
Temporarily restricted		130,594,965		96,053,981
Permanently restricted		2,569,928		2,466,219
Total net assets		230,624,227		152,766,230
Total liabilities and net assets	$	386,116,521	$	268,617,309

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

Consolidated statements of activities

	Year ended June 30, 2018				Year ended June 30, 2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and gains								
Contributions	$ 118,361,311	$ 121,687,048	$ 103,709	$ 240,152,068	$ 86,281,849	$ 70,989,521	$ 8,925	$ 157,280,295
Donated product, services and advertising	36,753,857	17,936,153	-	54,690,010	18,576,183	18,414,989	-	36,991,172
Government grants	16,235,118	-	-	16,235,118	16,598,327	-	-	16,598,327
Other income, net	38,857,994	-	-	38,857,994	44,824,727	-	-	44,824,727
Total revenues and gains	210,208,280	139,623,201	103,709	349,935,190	166,281,086	89,404,510	8,925	255,694,521
Net assets released from restrictions	104,991,794	(104,991,794)	-	-	100,841,499	(100,841,499)	-	-
Total revenues and gains	315,200,074	34,631,407	103,709	349,935,190	267,122,585	(11,436,989)	8,925	255,694,521
Expenses								
Program services:								
U.S. affiliates	117,431,398	-	-	117,431,398	109,244,968	-	-	109,244,968
International affiliates	68,781,273	-	-	68,781,273	61,625,713	-	-	61,625,713
Public awareness and education	28,047,094	-	-	28,047,094	25,666,307	-	-	25,666,307
Total program services	214,259,765	-	-	214,259,765	196,536,988	-	-	196,536,988
Supporting services:								
Fundraising	45,480,508	-	-	45,480,508	42,819,266	-	-	42,819,266
Management and general	12,965,872	-	-	12,965,872	12,502,016	-	-	12,502,016
Total supporting services	58,446,380	-	-	58,446,380	55,321,282	-	-	55,321,282
Total expenses	272,706,145	-	-	272,706,145	251,858,270	-	-	251,858,270
(Recoveries) Losses on contributions receivable	-	90,423	-	90,423	-	(189,156)	-	(189,156)
Total expenses and (recoveries) losses on contributions receivable	272,706,145	90,423	-	272,796,568	251,858,270	(189,156)	-	251,669,114
Change in net assets before non controlling interests	42,493,929	34,540,984	103,709	77,138,622	15,264,315	(11,247,833)	8,925	4,025,407
Purchase of interest by non controlling shareholders	735,000	-	-	735,000	1,512,959	-	-	1,512,959
Distributions to non controlling shareholders	(15,625)	-	-	(15,625)	(86,951)	-	-	(86,951)
Change in net assets	43,213,304	34,540,984	103,709	77,857,997	16,690,323	(11,247,833)	8,925	5,451,415
Net assets at beginning of year	54,246,030	96,053,981	2,466,219	152,766,230	37,555,707	107,301,814	2,457,294	147,314,815
Nets assets at end of year	$ 97,459,334	$ 130,594,965	$ 2,569,928	$ 230,624,227	$ 54,246,030	$ 96,053,981	$ 2,466,219	$ 152,766,230

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

Consolidated statements of functional expenses

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	$ 39,837,108	$ 32,829,009	$ 7,208,555	$ 79,874,672	$ -	$ -	$ -	$ 79,874,672
Donated products and advertising distributed	41,763,664	96,322	2,219,307	44,079,293	-	-	-	44,079,293
Salaries and benefits	24,298,510	23,626,866	11,050,435	58,975,811	11,696,838	7,288,573	18,985,411	77,961,222
Professional services	2,188,242	4,424,041	1,908,975	8,521,258	28,518,154	713,728	29,231,882	37,753,140
Travel	1,154,961	2,536,418	862,479	4,553,858	539,372	362,777	902,149	5,456,007
Interest, service charges, and taxes	1,429,666	820,745	1,296,025	3,546,436	899,746	139,834	1,039,580	4,586,016
Office expenses	4,229,670	2,476,904	2,187,925	8,894,499	2,856,494	3,479,764	6,336,258	15,230,757
Depreciation and amortization	527,205	433,045	188,861	1,149,111	329,669	323,939	653,608	1,802,719
Other	2,002,372	1,537,923	1,124,532	4,664,827	640,235	657,257	1,297,492	5,962,319
Total	$ 117,431,398	$ 68,781,273	$ 28,047,094	$ 214,259,765	$ 45,480,508	$ 12,965,872	$ 58,446,380	$ 272,706,145

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

Consolidated statements of functional expenses (cont'd)

For the year ended June 30, 2017:	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	$ 36,267,677	$ 27,791,310	$ 6,792,837	$ 70,851,824	$ -	$ -	$ -	$ 70,851,824
Donated products and advertising distributed	35,574,237	122,504	1,323,474	37,020,215	-	-	-	37,020,215
Salaries and benefits	23,509,210	21,559,346	10,157,583	55,226,139	10,410,750	6,957,108	17,367,858	72,593,997
Professional services	2,409,095	4,109,798	2,637,374	9,156,267	27,316,506	774,932	28,091,438	37,247,705
Travel	1,086,672	2,411,194	664,813	4,162,679	526,162	305,331	831,493	4,994,172
Interest, service charges, and taxes	1,285,017	541,223	912,545	2,738,785	673,213	139,621	812,834	3,551,619
Office expenses	4,477,556	2,407,782	2,268,459	9,153,797	2,945,591	3,420,927	6,366,518	15,520,315
Depreciation and amortization	672,819	491,078	241,025	1,404,922	415,812	334,745	750,557	2,155,479
Other	3,962,685	2,191,478	668,197	6,822,360	531,232	569,352	1,100,584	7,922,944
Total	$ 109,244,968	$ 61,625,713	$ 25,666,307	$ 196,536,988	$ 42,819,266	$ 12,502,016	$ 55,321,282	$ 251,858,270

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

Consolidated statements of cash flows

For the year ended June 30:	2018	2017
Operating activities		
Change in net assets	$ 77,857,997	$ 5,451,415
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,802,719	2,155,479
Net (gain) loss on disposal of land, buildings, and equipment	(84,413)	41,849
Losses (recoveries) on contributions receivable	90,423	(189,156)
Losses on loans to micro-finance institutions	406,312	149,757
Losses (recoveries) on other receivables	78,693	(69,081)
Net realized and unrealized losses (gains) on investments	3,128,756	(1,023,935)
Support from the public restricted for long-term investments	(103,709)	(8,925)
Net realized and unrealized (gain) loss on derivative instrument	(298,176)	1,702,339
Unrealized loss (gain) from foreign exchange fluctuations	281,740	(845,958)
Contribution of securities	(17,313,410)	-
Recoveries of amounts due to affiliates	(1,221,256)	(1,637,358)
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	(5,398,911)	9,801,150
Increase in inventories	(6,538,140)	(803,876)
Increase in prepaids and other assets	(2,731,140)	(2,688,138)
Increase (decrease) in accounts payable and accrued expenses	3,581,728	(224,552)
Increase in program advances	28,712,531	5,867,012
Net cash provided by operating activities	82,251,744	17,678,022
Investing activities		
Purchases of investments	(45,368,560)	(4,086,392)
Proceeds from sales and maturities of investments	5,633,873	4,320,087
Loans to micro-finance institutions	(31,883,619)	(28,082,633)
Repayments from micro-finance institutions	12,187,526	11,111,873
Loans to affiliates	(35,738,839)	(23,032,432)
Repayments from affiliates	33,549,947	27,770,315
Purchases of land, buildings, and equipment	(546,990)	(459,444)
Proceeds from sale of land, buildings, and equipment	144,044	142,156
Net cash used in investing activities	(62,022,618)	(12,316,470)
Financing activities		
Principal repayments on capitalized lease obligations payable	(777,744)	(867,126)
Increase in due to affiliates	1,367,992	1,883,464
Payments on due to affiliates	(342,049)	(566,635)
Support from the public restricted for long-term investments	103,709	8,925
Increase in annuity obligation	369,822	335,869
Payments of annuity obligation	(376,290)	(395,738)
Proceeds from issuance of notes payable	14,860,198	20,218,000
Payments on notes payable	(7,259,546)	(8,516,433)
Net cash provided by financing activities	7,946,092	12,100,326
Increase in cash and cash equivalents	28,175,218	17,461,878
Cash and cash equivalents, beginning of year	75,566,336	58,104,458
Cash and cash equivalents, end of year	$ 103,741,554	$ 75,566,336
Supplemental disclosures		
Interest paid	$ 2,517,138	$ 2,463,276
Non-cash purchases of equipment through capital lease obligations	$ 788,336	$ 912,696
Non-cash contribution of securities	$ 17,313,410	$ -

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

Notes to consolidated financial statements

1 Organization and Purpose

Driven by the vision that everyone needs a decent place to live, Habitat for Humanity International, Inc. (Habitat) 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, 2018 and 2017, include the activities of:

- Habitat's area and regional offices
- Eleven and twelve national organizations that are registered as part of Habitat for Humanity International as of June 30 2018 and 2017, respectively
- Habitat for Humanity, Inc. and Habitat for Humanity-Middle East, which are wholly owned subsidiaries
- MicroBuild I, LLC (MicroBuild) and Habitat Micro Build India Housing Finance Company Private Limited (MicroBuild India), in which Habitat effectively has control and an economic interest.

All material intercompany accounts and transactions have been eliminated.

Cash and Cash Equivalents

Habitat considers all highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents, with the exception of cash held for reinvestment which is included in investments. 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 $7,815,866 and $2,038,797 as of June 30, 2018 and 2017, respectively. As of June 30, 2018 and 2017, $25,517,531 and $23,785,787, 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 permanently restricted net assets if the terms of the gift or relevant state law require that they be added back to the principal of the permanently restricted contributions.
- As decreases in unrestricted net assets when there are losses that reduce the fair value of the assets of endowment funds below the required level and as increases in unrestricted net assets when there are gains that restore the fair value of the assets of endowment funds to the required level.
- As increases (decreases) in temporarily restricted net assets, in all other cases.

Contributions Receivable

Contributions receivable that are expected to be collected 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, 2018 and 2017, conditional promises to give amounted to $30,419,593 and $6,567,844, respectively, and are not recorded in the consolidated financial statements.

FlexCAP Program

Investor notes payable (see note 11) 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:

	2018	2017
Investor notes payable	2.8% to 6.0%	1.0% to 6.0%
Affiliate notes receivable	3.0% to 6.5%	1.0% 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 California (16%), North Carolina (16%) and Florida (14%). 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.

Further details of the FlexCAP program are included in Notes 11 and 20.

Due From/To Affiliates

Due from affiliates consists primarily of non-interest-bearing, unsecured, demand notes from Habitat affiliates in the U.S. An allowance for estimated doubtful accounts is provided, as considered appropriate, based on identification of specific uncollectible receivables and a general reserve that is based on the method of payment by the affiliate and past payment experience. A majority of these loans originated with affiliates that are participating in the Self-help Homeownership Opportunity Program (SHOP) grant. Habitat treats 25% of the grant disbursements as a loan to affiliates that must be paid back to Habitat without interest. The Department of Housing and Urban Development (HUD) has determined that the proceeds from the loans to affiliates must be disbursed as an additional SHOP grant. Amounts loaned and collected under SHOP loans are reflected as a liability (due to affiliates) until these proceeds are appropriately redistributed or until the appropriate financial closeout report is submitted to HUD. During the years ending June 30, 2018 and 2017, financial closeout reports were submitted and accepted by HUD for the SHOP program years 2014 (in the current year) and 2013 (in the prior year), allowing $1,221,256 and $1,637,358, respectively, 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.

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, net

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 statements of financial position. For the year ending June 30, 2018, a loss for obsolescence of $1,439,068 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. Annuity obligations are recorded at the present value of expected future payments based on the Annuity 2000 Table and the prevailing interest rate. The difference is classified as unrestricted contributions on the consolidated statements of activities. 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 $10,355,873 and $10,311,522 as of June 30, 2018 and 2017, respectively.

Habitat is required to hold reserves related to the gift annuity program based on the laws in certain states in which the gifts are solicited. Such reserves totaled $8,330,516 and $8,338,698 as of June 30, 2018 and 2017, respectively, and are included in gift annuity investments on the accompanying statements of financial position.

Program Advances

Program advances relate to cash received directly from government and nongovernmental agencies, not yet expended on the program. These amounts will be recognized as revenue as the expenses are incurred. As of June 30, 2018, Habitat has recorded a program advance of $26,700,000 from a single nongovernmental agency.

Net Assets

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

Permanently restricted net assets consist of the principal amount of gifts that are required by donors to be permanently retained.

Temporarily restricted net assets contain donor-imposed restrictions that permit Habitat to use or expend the donated assets as specified and are satisfied either by the passage of time or by actions of Habitat. Temporarily restricted net assets include the portion of perpetual endowment funds subject to a time restriction under an enacted version of the Georgia Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Unrestricted net assets do not contain donor restrictions or the donor-imposed restrictions have expired.

Contributions

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

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities and changes in net assets as a net assets released from restrictions.

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

Government Grants

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

Grant revenue on cost-reimbursement grants is recognized after the program expenditures have been incurred. As such, Habitat recognizes revenue and records a receivable for the reimbursement amount from the granting agency. Such grant programs are subject to independent audit under the Office of Management and Budget's (OMB's) Uniform Guidance (2 CFR 200), 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 $2,607,411 and $1,539,137 has been recognized in the consolidated statements of activities for the years ending June 30, 2018 and 2017, 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 $518,812 and $1,338,614 for the years ended June 30, 2018 and 2017, 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.

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, 2018 and 2017.

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 years ending June 30, 2018 and 2017, 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, 2018 and 2017, Habitat recorded losses from the remeasurement of the gift annuity obligation to fair value of $142,574 and $137,352, 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 investments, which are recorded at cost.

3 Investments

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

	2018	2017
Due in less than one year	$ 42,881,069	$ 1,671,063
Due in more than five years	31,524,080	30,267,935
	$ 74,405,149	$ 31,938,998

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

	2018	2017
Net (decrease) increase in fair value of investments, including realized and unrealized gains and (losses)	$ (3,128,756)	$ 1,023,935
Interest and dividend income	261,980	87,291
Total investment (losses) income	$ (2,866,776)	$ 1,111,226

4 Fair Value Measurements

In accordance with ASC 820, Habitat records cash and cash equivalents and marketable securities at fair value. As of June 30, 2018 and 2017, 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, 2018 and 2017:

	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	$ 42,840,069	$ 42,594,519	$ 245,550	$ -
Common stock and mutual funds	24,156,787	23,605,541	1,246	550,000
Auction rate securities	31,524,080	-	-	31,524,080
Mortgage-backed securities	41,000	-	-	41,000
	$ 98,561,936	$ 66,200,060	$ 246,796	$ 32,115,080
Derivative instruments:				
Forward foreign exchange contracts	$ (323,557)	$ -	$ (110,973)	$ (212,584)
Cross-currency interest rate swaps	(175,366)	-	(175,366)	-
Total derivative instruments	$ (498,923)	$ -	$ (286,339)	$ (212,584)
Liabilities:				
Charitable gift arrangements	$ (6,585,388)	$ -	$ -	$ (6,585,388)

	Fair Value at June 30, 2017	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Certificates of deposit and other short-term investments	$ 1,629,594	$ 1,379,039	$ 250,555	$ -
Common stock and mutual funds	12,703,597	12,702,487	1,110	-
Auction rate securities	30,267,935	-	-	30,267,935
Mortgage-backed securities	41,469	-	-	41,469
	$ 44,642,595	$ 14,081,526	$ 251,665	$ 30,309,404
Derivative instruments:				
Forward foreign exchange contracts	$ (47,428)	$ -	$ (47,428)	$ -
Cross-currency interest rate swaps	123,462	-	(122,739)	246,201
Total derivative instruments	$ 76,034	$ -	$ (170,167)	$ 246,201
Liabilities:				
Charitable gift arrangements	$ (6,591,856)	$ -	$ -	$ (6,591,856)

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 for the year ending June 30, 2018 and 2017:

	2018	2017
Balance at July 1	$ 30,309,404	$ 30,527,031
Purchases	550,000	-
Sales or redemptions	(400,469)	(308,531)
Net unrealized gains	1,656,145	90,904
Balance at June 30	$ 32,115,080	$ 30,309,404

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 as of June 30, 2018 and 2017:

	2018	2017
Balance at July 1	$ (6,591,856)	$ (6,651,725)
Additions to liabilities	(309,539)	(518,337)
Payments to annuitants	376,290	395,739
Terminations of liabilities	82,298	319,818
Net unrealized losses	(142,581)	(137,351)
Balance at June 30	$ (6,585,388)	$ (6,591,856)

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, 2018 and 2017, 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, 2018 and 2017, using a range of supportable market rates based upon an agreement with a reputable broker or purchaser to buy back these securities at the values stated.

5 Contributions and Grants Receivable

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

	2018	2017
Contributions	$ 39,113,893	$ 36,186,135
Government grants	1,221,680	1,810,878
	40,335,573	37,997,013
Less unamortized discount	(2,109,350)	(2,083,839)
	38,226,223	35,913,174
Less allowance for uncollectibles	(1,072,673)	(1,132,058)
	$ 37,153,550	$ 34,781,116

These receivables are due as follows as of June 30:

	2018	2017
Due in less than one year	$ 14,664,783	$ 16,172,761
Due in one to five years	22,488,767	18,608,355
	$ 37,153,550	$ 34,781,116

Contributions receivable include donated product amounts of $11,403,245 and $12,142,448 as of June 30, 2018 and 2017, respectively.

Net contributions receivable includes two contributors in 2018 one contributor in 2017 whose individual net outstanding contributions receivable are greater than 10% of the total net outstanding contributions receivable. As of June 30, 2018 and 2017, the net contributions receivable associated with these gifts totaled $16,648,122 and $13,396,781, 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. Through June 30, 2018, Habitat has received $9,479,804 from the donor.

6 Loans to Microfinance Institutions

Loans to Microfinance Institutions (MFI's) as of June 30, 2018, consist of interest bearing loans, with interest rates ranging from 4.75% to 16.46% per annum over terms of five years.

Future principal payments are as follows:

	Amount
2019	$ 21,562,195
2020	27,348,132
2021	21,088,285
2022	9,047,781
2023	4,026,696
	83,073,089
Add value of derivative instruments	(498,923)
Less unrealized loss for currency exchange fluctuations	(166,794)
Less allowance for uncollectibles	(3,322,150)
	$ 79,085,222

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, 2018 and 2017, all of MicroBuild's loans to microfinance institutions are with forty-four and thirty-six MFI's in twenty-seven and twenty-two countries, respectively. The following table shows countries with concentrations greater than 10% as of June 30, 2018 and 2017.

	2018	2017
India	17%	20%
Nicaragua	6%	11%

In the event that a microfinance institution is unable to repay its loan according to its original schedule, MicroBuild pursues collection and workout plans including interest only payments, reduced payments and/or moratorium on payments, depending on the individual microfinance institution's circumstances. It is MicroBuild's preference not to provide any concession which reduces the loan's yield; however, there are some situations that warrant discontinuing interest payments for a certain period of time. Generally, MicroBuild discontinues interest accrual for all loans on which collection of interest is not reasonably expected (i.e. once the obligor becomes six months' delinquent in paying its interest payments). Interest income on nonaccrual loans is recognized on a cash basis. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured. As of June 30, 2018 and 2017, MicroBuild had three and one loans of approximately $2,800,000 and $1,000,000, 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 ending June 30:

	2018	2017
Balance at beginning of year	$ 2,915,838	$ 2,800,000
Allowance for loan losses	423,249	149,757
Recovery of previous loan provision	(16,937)	-
Loan forgiveness	-	(33,919)
Balance at end of year	$ 3,322,150	$ 2,915,838

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, 2018 and 2017 is as follows:

	June 30, 2018	Percent of Portfolio	June 30, 2017	Percent of Portfolio
Investment in impaired loans	$ 4,604,051	6%	$ 3,003,426	5%
Allowance for loan losses on impaired loans	3,322,150	4%	2,915,838	5%
Remaining potential exposure, as of June 30	1,281,901	2%	87,588	0%

An additional $38,028 of principal payments have been received on these loans since June 30, 2018 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, 2018 and 2017 as follows:

Currency	2018	2017
U.S. Dollar	$ 41,505,987	$ 33,279,755
Indian Rupee	13,808,058	11,010,371
Euro	8,464,000	5,112,000
Georgian Lari	4,000,000	-
Moldovan Leu	2,425,900	-
Honduran Lempira	2,000,000	2,000,000
Colombian Peso	2,000,000	2,000,000
Guatemalan Quetzal	2,000,000	2,000,000
Jordanian Dinar	1,500,000	-
Kazakhstan Tenge	1,000,000	3,000,000
Sri Lankan Rupee	1,000,000	1,000,000
Peruvian New Sol	1,000,000	1,000,000
Dominican Peso	1,000,000	1,000,000
Kenyan Shilling	869,144	1,000,000
Costa Rican Colon	500,000	1,000,000
	$ 83,073,089	$ 63,402,126

7 Due From Affiliates

Due from affiliates as of June 30 consist of the following:

	2018	2017
SHOP grant	$ 6,599,541	$ 8,245,774
Advances for EU grants	1,865,223	323,816
Capital magnet fund grant	949,989	1,179,791
Note receivable from national organization	876,000	-
Other	1,450,212	1,416,426
	11,740,965	11,165,807
Less allowance for uncollectibles	(978,797)	(982,082)
	$ 10,762,168	$ 10,183,725

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

8 Land, Buildings, and Equipment

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

	2018	2017
Land	$ 713,887	$ 722,387
Buildings and leasehold improvements	11,947,846	12,054,151
Computer hardware and software	6,201,033	5,962,748
Computer hardware and software under capital leases	3,366,477	2,885,170
Furniture and equipment	3,414,220	3,463,043
Vehicles	2,237,452	2,305,072
	27,880,915	27,392,571
Less accumulated depreciation and amortization	(22,084,052)	(21,077,636)
	$ 5,796,863	$ 6,314,935

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

	2018	2017
Depreciation expense	$ 1,030,892	$ 1,289,049
Amortization expense on assets under capital leases	$ 771,827	$ 866,430
Accumulated amortization on capital leases	$ 1,991,354	$ 1,409,393
Unamortized computer software costs	$ 30,208	$ 115,008

9 Notes Payable

Notes payable as of June 30 consist of the following:

	2018	2017
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 in full no later than January 15, 2025	$ 65,500,000	$ 61,000,000
Non-interest bearing performance based note payable	1,000,000	-
Non-interest-bearing notes payable to affiliates upon completion of their FlexCap payable	724,157	1,055,429
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	729,373	-
	67,953,530	62,055,429
Less: unamortized debt issuance costs	(318,262)	(255,755)
Notes payable, net of unamortized debt issuance costs	$ 67,635,268	$ 61,799,674

Future principal payments are as follows:

		Amount
2019	$	361,383
2020		9,745,719
2021		16,904,317
2022		11,073,853
2023		25,185,217
Thereafter		4,683,041
	$	67,953,530

The note payable to A.K. Capital Finance Private Limited is 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, 2018, $20,500,000 had been drawn against this second loan agreement, $3,500,000 of additional capital has been contributed by Habitat and MetLife and $3,700,000 in guarantor letters of credit have been provided. As of June 30, 2018 and 2017, Habitat provided $8,700,000 and $6,800,000, 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:

		Amount
2019	$	3,943,801
2020		3,942,413
2021		3,511,641
2022		3,019,657
2023		982,818
Thereafter		9,986,148
	$	25,386,478

Interest expense during the years ended June 30, 2018 and 2017, was $892,610 and $900,835, respectively.

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

11 Temporarily Restricted Net Assets

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

	2018	2017
Geographically restricted	$ 13,434,126	$ 13,062,345
Programmatic restrictions for mission related projects	81,228,970	50,021,395
Time restricted	35,931,869	32,970,238
	$ 130,594,965	$ 96,053,981

12 Net Assets Released From Restrictions

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

	2018	2017
Release of:		
Geographic restrictions	$ 16,408,729	$ 14,015,577
Programmatic restrictions for mission related projects	63,417,247	57,522,040
Time restrictions	25,165,818	29,303,882
	$ 104,991,794	$ 100,841,499

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 ending June 30, 2018 and 2017, the activity of the project was as follows:

	2018	2017
Phase 1		
Committed by IKEA Foundation	$ 166,034	$ 5,999,818
Less: received for project	(93,297)	(5,609,408)
Less: direct mission support	(4,064)	(224,376)
Balance remaining on commitment	$ 68,673	$ 166,034
Released from restrictions	$ 172,128	$ 5,335,321

For the year ended June 30	2018	2017
Phase 2		
Committed by IKEA Foundation	$ 2,410,561	$ -
Less: received for project	(1,009,849)	-
Less: direct mission support	(40,628)	-
Balance remaining on commitment	$ 1,360,084	$ -
Released from restrictions	$ 45,880	$ -

On October 4, 2017, the IKEA Foundation committed contributions to fund a project to provide access to affordable, clean and reliable electricity for children for the first time in an off-grid location in Uganda. For the year ended June 30, 2018, the activity of the project was as follows:

		2018
Committed by IKEA Foundation	$	8,471,430
Less: received for project		(701,325)
Less: direct mission support		(28,053)
Balance remaining on commitment	$	7,742,052
Released from restrictions	$	115,194

13 Revenue From Government Grants

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

		2018		2017
SHOP	$	5,788,721	$	4,468,997
Capacity Build		4,358,432		5,807,493
AmeriCorps/Vista		4,963,554		4,797,344
USAID		1,124,411		1,524,493
Government grants per the consolidated statements of activities		16,235,118		16,598,327
Revenue earned and not expended		14,613		99,281
Total expenditures of federal awards	$	16,249,731	$	16,697,608

14 Employee Benefits

Full-time Habitat employees who elect to participate are provided health and death benefits through the Habitat for Humanity International Welfare Benefit Plan (the Plan). The Plan requires contributions by participants. Expenses incurred by Habitat in connection with the Plan, which is partially self-insured, were $6,878,157 and $6,010,521 for the years ended June 30, 2018 and 2017, respectively.

Habitat provides through the Habitat for Humanity Retirement Plan (the Retirement Plan), a defined contribution retirement plan to eligible plan participants. There are three components to the plan: (1) participant contributions, (2) a Habitat match equal to 100% of the first 4% of wages contributed by participants, and (3) a discretionary annual contribution by Habitat to each eligible participant's account. Participants are fully vested in Habitat's contributions after five years of service. Habitat's contributions to the Retirement Plan were $1,479,497 and $1,216,473 for the years ended June 30, 2018 and 2017, respectively.

15 Leases

Habitat leases certain fixed assets, including office space in Atlanta, Georgia and other locations, under operating and capital leases. Many of these lease agreements contain renewal clauses and yearly escalations in monthly rent payments. As of June 30, 2018, future minimum rental payments under the operating and capital leases are as follows:

	Operating	Capital
2019	$ 1,926,595	$ 754,191
2020	1,311,549	530,024
2021	438,692	226,481
2022	379,089	-
2023	290,819	-
Thereafter	1,909,277	-
Total minimum payments	$ 6,256,021	1,510,696
Less amounts representing executory costs and interest		(132,838)
Present value of net minimum payments		$ 1,377,858

Rent expense under operating leases amounted to $2,392,510 and $3,064,373 for the years ended June 30, 2018 and 2017, respectively.

16 Affiliate Programs

International and U.S. national organizations and affiliates are independent, not-for-profit groups that are approved by regional, area, or national offices of Habitat and operate under an affiliation agreement with Habitat. All affiliates are encouraged to be self-supporting in their fund-raising efforts; however, Habitat also solicits contributions, both cash and donated product, on behalf of its affiliates. While Habitat retains variance power in these contributions, Habitat has transferred cash and donated assets totaling $121,734,658 and $106,548,565 in 2018 and 2017, 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 $14,600,378 and $14,010,659 in 2018 and 2017, 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, 2018 and 2017 was $14,607,554 and $11,726,504.

17 Related-Party Transactions

For the years ended June 30, 2018 and 2017, Habitat recorded $19,343,301 and $6,660,946 in contributions, respectively, and $9,606,962 and $18,369,195 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, 2018 and 2017, Habitat had $9,724,298 and $12,925,671 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 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, 2018 and 2017, Habitat is a 74.79% and 50.97%, respectively, 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, 2018, are as follows:

	Micro Build	Micro Build India	Total
Assets			
Cash and cash equivalents	$ 3,167,015	$ 827,589	$ 3,994,604
Loans to micro-finance institutions, net	71,622,600	7,809,608	79,432,208
Other receivables and prepaids, net	1,277,128	369,197	1,646,325
Property and equipment, net	-	21,806	21,806
Total assets	$ 76,066,743	$ 9,028,200	$ 85,094,943
Liabilities and net assets			
Liabilities:			
Accounts payable and accrued expenses	$ 519,818	$ 12,154	$ 531,972
Derivative Instruments, at fair value	498,923	-	498,923
Loans payable	65,181,738	729,373	65,911,111
Total liabilities	66,200,479	741,527	66,942,006
Net assets:			
Retained earnings and members' equity:			
Retained earnings and members' equity	5,105,023	6,281,090	11,386,113
Minority interest	4,761,241	2,005,583	6,766,824
Total retained earnings and members' equity	9,866,264	8,286,673	18,152,937
Total liabilities and net assets	$ 76,066,743	$ 9,028,200	$ 85,094,943

The statements of financial position of Habitat's subsidiary and related entities before elimination and consolidation entries as of June 30, 2017, are as follows:

	Micro Build	Micro Build India	Total
Assets			
Cash and cash equivalents	$ 12,229,613	$ 2,860,856	$ 15,090,469
Loans to micro-finance institutions, net	54,767,084	5,011,921	59,779,005
Other receivables and prepaids, net	982,172	104,213	1,086,385
Property and equipment, net	-	28,570	28,570
Total assets	$ 67,978,869	$ 8,005,560	$ 75,984,429
Liabilities and net assets			
Liabilities:			
Accounts payable and accrued expenses	$ 502,078	$ (35,992)	$ 466,086
Deferred revenue	1,918	-	1,918
Loans payable	60,744,245	-	60,744,245
Total liabilities	61,248,241	(35,992)	61,212,249
Net assets:			
Retained earnings and members' equity:			
Retained earnings and members' equity	3,497,879	6,097,764	9,595,643
Minority interest	3,232,749	1,943,788	5,176,537
Total retained earnings and members' equity	6,730,628	8,041,552	14,772,180
Total liabilities and net assets	$ 67,978,869	$ 8,005,560	$ 75,984,429

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:

	Micro Build	Micro Build India	Total
Operating revenue:			
Interest and other income, net	$ 5,292,958	$ 553,063	$ 5,846,021
Provision for loan loss	(406,312)	(14,377)	(420,689)
Total operating revenue, net	4,886,646	538,686	5,425,332
Operating expenses:			
Program services:			
Professional fees	914,502	22,734	937,236
Interest expense	2,139,228	-	2,139,228
Other expenses	198,091	216,530	414,621
Total program services	3,251,821	239,264	3,491,085
Supporting services:			
Fundraising	-	8,653	8,653
Management and general	-	45,647	45,647
Total supporting services	-	54,300	54,300
Total operating expenses	3,251,821	293,564	3,545,385
Net income from operations	1,634,825	245,122	1,879,947
Non-operating gains and losses:			
Unrealized gain on derivative instrument	298,176	-	298,176
Unrealized loss from foreign exchange fluctuations	(281,740)	-	(281,740)
Non-operating loss, net	16,436	-	16,436
Net income	$ 1,651,261	$ 245,122	$ 1,896,383

The statements of activities (income statements) for Habitat's subsidiary and related entities before elimination and consolidation entries for the year ended June 30, 2017, are as follows:

	Micro Build	Micro Build India	Total
Operating revenue:			
Interest and other income, net	$ 4,236,204	$ 642,601	$ 4,878,805
Provision for loan loss	(149,757)	(12,510)	(162,267)
Total operating revenue, net	4,086,447	630,091	4,716,538
Operating expenses:			
Program services:			
Professional fees	718,719	18,148	736,867
Interest expense	1,863,263	-	1,863,263
Other expenses	148,461	156,255	304,716
Total program services	2,730,443	174,403	2,904,846
Supporting services:			
Fundraising	-	5,329	5,329
Management and general	-	39,452	39,452
Total supporting services	-	44,781	44,781
Total operating expenses	2,730,443	219,184	2,949,627
Net income from operations	1,356,004	410,907	1,766,911
Non-operating gains and losses:			
Unrealized loss on derivative instrument	(1,630,161)	-	(1,630,161)
Realized loss on derivative instrument	(72,178)	-	(72,178)
Unrealized gain from foreign exchange fluctuations	845,958	-	845,958
Non-operating loss, net	(856,381)	-	(856,381)
Net income	$ 499,623	$ 410,907	$ 910,530

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

19 FlexCAP Statements of Financial Position and Statements of Activities

The management of HFHI has set up a related entity, HFHI FlexCAP Lender LLC, (FlexCAP LLC) that received approval to operate as a community development financial institution (CDFI) subsequent to year-end. As a part of that approval process, FlexCAP LLC has to reflect the lending activities that currently exist related to the activity separately as a schedule in these consolidated financial statements.

The statements of financial position and statements of activities of Habitat's FlexCAP activities as of June 30, 2018 and for the year then ended, are as follows:

		2018
Assets		
Cash and cash equivalents	$	2,959,105
Loans to affiliates, net		26,415,693
Total assets	$	29,374,798
Liabilities and net assets		
Liabilities:		
Loans payable to investors and affiliate reserve	$	26,100,635
Total liabilities		26,100,635
Net assets:		
Unrestricted net assets		3,274,163
Total net assets		3,274,163
Total liabilities and net assets	$	29,374,798

		2018
Revenues and gains		
Interest income	$	1,137,968
Other income		107,072
Total revenues and gains		1,245,040
Expenses		
Program services:		
Interest expense		892,610
Compensation		221,177
Trustee fees		66,882
Professional services		114,249
Other expenses		21,649
Total expenses		1,316,567
Net decrease in net assets	$	(71,527)

20 Consolidating Statement of Financial Position

As of June 30, 2018, the consolidating statement of financial position of Habitat is as follows:

June 30, 2018	Habitat for Humanity International, Inc.	Affiliates	Eliminations	Consolidated
Assets				
Cash and cash equivalents	$ 91,779,391	$ 11,962,163	$ -	$ 103,741,554
Investments at fair value	98,191,865	370,071	-	98,561,936
Receivables:				
Contributions and grants, net	37,153,550	-	-	37,153,550
Affiliate notes, net	25,508,453	-	-	25,508,453
Due from affiliates, net	10,762,168	-	-	10,762,168
Loans to microfinance institutions, net	151,937	78,933,285	-	79,085,222
Institutional loans and mortgages receivable, net	-	761,712	-	761,712
Other, net	3,835,255	2,844,553	(138,911)	6,540,897
Total receivables	77,411,363	82,539,550	(138,911)	159,812,002
Inventories, net	8,917,084	175,047	-	9,092,131
Prepaids and other assets	14,651,723	182,488	(5,722,176)	9,112,035
Land, buildings, and equipment - net of accumulated depreciation and amortization	5,184,987	611,876	-	5,796,863
Total assets	$ 296,136,413	$ 95,841,195	$ (5,861,087)	$ 386,116,521
Liabilities and net assets				
Accounts payable and accrued expenses	$ 15,824,278	$ 1,867,839	$ -	$ 17,692,117
Program advances	34,656,833	806,180	-	35,463,013
Capitalized lease obligations payable	1,377,858	-	-	1,377,858
Due to affiliates	1,822,565	-	(470,393)	1,352,172
Notes payable, net of unamortized debt issuance costs	1,724,157	65,911,111	-	67,635,268
Charitable gift arrangements	6,585,388	-	-	6,585,388
Investor notes payable	25,386,478	-	-	25,386,478
Total liabilities	87,377,557	68,585,130	(470,393)	155,492,294
Net assets:				
Unrestricted:				
Controlling interests	75,593,963	20,422,177	(5,390,694)	90,625,446
Noncontrolling interests	-	6,833,888	-	6,833,888
	75,593,963	27,256,065	(5,390,694)	97,459,334
Temporarily restricted	130,594,965	-	-	130,594,965
Permanently restricted	2,569,928	-	-	2,569,928
Total net assets	208,758,856	27,256,065	(5,390,694)	230,624,227
Total liabilities and net assets	$ 296,136,413	$ 95,841,195	$ (5,861,087)	$ 386,116,521

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

21 Subsequent Events

On July 10, 2018, Microbuild drew an additional $11,000,000 from the second loan agreement with OPIC. Additionally, Microbuild made approximately $9,300,000 in program investments subsequent to year end.

On August 15, 2018, Habitat received $3,900,000 in proceeds from a non-interest bearing performance based note payable.

On July 18, 2018, Habitat received a $20,000,000 program advance from a nongovernmental agency.

Habitat has evaluated the need for adjustments and/or disclosure resulting from subsequent events in these consolidated financial statements through November 16, 2018, 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.

Single Audit Reports

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Amounts Transferred to Subrecipients	Total Expenditures
U.S. Agency for International Development				
USAID Foreign Assistance for Programs Overseas	98.001	N/A	$ 30,571	$ 864,114
Passed Through				
World Council of Credit Unions, Inc.	98.001	AID-521-15-00011	-	260,297
			30,571	1,124,411
U.S. Department of Housing and Urban Development				
Section 4 Capacity Building for Community Development and Housing	14.252	N/A	2,314,047	4,358,432
Self-Help Homeownership Opportunity Program	14.247	N/A	4,811,072	5,803,334
			7,125,119	10,161,766
U.S. Corporation for National and Community Service				
AmeriCorps National Direct	94.006	N/A	-	3,895,050
AmeriCorps VISTA	94.013	N/A	-	1,068,504
			-	4,963,554
Total expenditures of federal awards			$ 7,155,690	$ 16,249,731

Notes to Schedule of Expenditures of Federal Awards

For the year ended June 30, 2018

1 Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes the expenditures of Habitat under programs of the federal government for the year ended June 30, 2018. Because the Schedule presents only a selected portion of the operations of Habitat, it is not intended to and does not present the consolidated financial position, results of activities, changes in net assets, or cash flows of Habitat.

For purposes of the Schedule, federal awards include all grants and subgrant agreements entered into directly between Habitat and U.S. federal agencies and departments, as well as a not-for-profit for which Habitat is a sub-recipient, if any.

The information in the Schedule is presented on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. The information in the Schedule is presented in accordance with requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*.

2 Indirect cost rate

Habitat elected not to use the option of the 10% de minimis indirect cost rate covered in *2 U.S. Code of Federal Regulations* Part 200, Subpart E, *Cost Principles*.

3 Contingencies

Habitat's federal programs are subject to financial and compliance audits by grantor agencies, which, if instances of material noncompliance are found, may result in disallowed expenditures and affect Habitat's continued participation in specific programs. The amount, if any, of expenditures that may be disallowed by the grantor agencies cannot be determined at this time, although Habitat expects such amounts, if any, to be immaterial.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITNG STANDARDS*

To the Board of Directors of
Habitat for Humanity International, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Habitat for Humanity International, Inc. (Habitat), which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 16, 2018.

Internal control over financial reporting

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

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

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

Compliance and other matters

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

Intended purpose

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

Grant Thornton LLP

Columbia, South Carolina
November 16, 2018

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

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To the Board of Directors of
Habitat for Humanity International, Inc.

Report on compliance for each major federal program

We have audited the compliance of Habitat for Humanity International, Inc. (Habitat) with the types of compliance requirements described in the U.S. Office of Management and Budget's *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018. Habitat's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to Habitat's federal programs.

Auditor's responsibility

Our responsibility is to express an opinion on compliance for each of Habitat's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Habitat's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on each major federal program

In our opinion, Habitat complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on internal control over compliance

Management of Habitat is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Habitat's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Habitat's internal control over compliance.

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

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

The purpose of this Report on Internal Control Over Compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

Columbia, South Carolina
November 16, 2018

Schedule of Findings and Questioned Costs

For the year ended June 30, 2018

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued. **Unmodified**

Internal Control Over Financial Reporting

Material weakness identified? **No**

Significant deficiency identified not considered to be a material weakness? **None Reported**

Noncompliance material to the financial statements noted? **No**

Federal Awards

Type of auditor's report issued on compliance for major programs. **Unmodified**

Internal Control Over Major Programs

Material weakness identified? **No**

Significant deficiency identified not considered to be a material weakness? **None Reported**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

Identification of Major Programs

CFDA Numbers and name of federal program or cluster:
94.006 (AmeriCorps National Direct) and 94.013 (AmeriCorps VISTA)

Dollar threshold used to distinguish between type A and type B programs: **$750,000**

Auditee qualified as low risk auditee? **Yes.**

II. Financial Statement Findings

No matters reported.

III. Federal Award Findings and Questioned Costs

No matters reported.