Consolidated Financial Statements and
Report of Independent Certified Public Accountants

Habitat for Humanity International, Inc.

Years ended June 30, 2017 and 2016

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
Habitat for Humanity International, Inc.

We have audited the accompanying consolidated financial statements of **Habitat for Humanity International, Inc.** (Habitat), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to 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. as of June 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Atlanta, Georgia
November 17, 2017

Consolidated statements of financial position

June 30	2017	2016
Assets		
Cash and cash equivalents	$ 75,566,336	$ 58,104,458
Investments at fair value	44,642,595	43,852,355
Receivables:		
Contributions and grants, net	34,781,116	44,872,124
Affiliate notes, net	24,960,835	27,342,514
Due from affiliates, net	10,183,725	12,447,301
Loans to microfinance institutions, net	59,779,005	43,814,383
Institutional loans and mortgages receivable, net	724,433	751,284
Other, net	2,657,984	2,175,666
Total receivables	133,087,098	131,403,272
Inventories, net	2,553,991	1,750,115
Prepaids and other assets	6,452,354	3,926,664
Land, buildings, and equipment - net of accumulated depreciation and amortization	6,314,935	7,273,327
Total assets	$ 268,617,309	$ 246,310,191
Liabilities and net assets		
Accounts payable and accrued expenses	$ 14,110,389	$ 14,334,941
Program advances	6,750,482	883,470
Capitalized lease obligations payable	1,367,266	1,321,696
Due to affiliates	1,547,485	1,868,014
Notes payable, net of unamortized debt issuance costs	61,799,674	46,459,501
Charitable gift arrangements	6,591,856	6,651,725
Investor notes payable	23,683,927	27,476,029
Total liabilities	115,851,079	98,995,376
Net assets:		
Unrestricted:		
Controlling interests	49,069,493	34,168,855
Noncontrolling interests	5,176,537	3,386,852
	54,246,030	37,555,707
Temporarily restricted	96,053,981	107,301,814
Permanently restricted	2,466,219	2,457,294
Total net assets	152,766,230	147,314,815
Total liabilities and net assets	$ 268,617,309	$ 246,310,191

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

Consolidated statements of activities

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and gains								
Contributions	$ 86,281,849	$ 70,989,521	$ 8,925	$ 157,280,295	$ 96,626,861	$ 83,293,662	$ 303,472	$ 180,223,995
Donations in kind, including PSA' s	18,576,183	18,414,989	-	36,991,172	12,446,500	24,479,746	-	36,926,246
Government grants	16,598,327	-	-	16,598,327	17,870,220	-	-	17,870,220
Other income, net	44,824,727	-	-	44,824,727	41,122,180	-	-	41,122,180
Total revenues and gains	166,281,086	89,404,510	8,925	255,694,521	168,065,761	107,773,408	303,472	276,142,641
Net assets released from restrictions	100,841,499	(100,841,499)	-	-	89,721,269	(89,721,269)	-	-
Total revenues and gains	267,122,585	(11,436,989)	8,925	255,694,521	257,787,030	18,052,139	303,472	276,142,641
Expenses								
Program services:								
U.S. affiliates	109,244,968	-	-	109,244,968	110,364,534	-	-	110,364,534
International affiliates	61,625,713	-	-	61,625,713	56,795,890	-	-	56,795,890
Public awareness and education	25,666,307	-	-	25,666,307	24,795,065	-	-	24,795,065
Total program services	196,536,988	-	-	196,536,988	191,955,489	-	-	191,955,489
Supporting services:								
Fundraising	42,819,266	-	-	42,819,266	41,751,631	-	-	41,751,631
Management and general	12,502,016	-	-	12,502,016	11,858,765	-	-	11,858,765
Total supporting services	55,321,282	-	-	55,321,282	53,610,396	-	-	53,610,396
Total expenses	251,858,270	-	-	251,858,270	245,565,885	-	-	245,565,885
(Recoveries) Losses on contributions receivable	-	(189,156)	-	(189,156)	-	2,810,255	-	2,810,255
Total expenses and (recoveries) losses on contributions receivable	251,858,270	(189,156)	-	251,669,114	245,565,885	2,810,255	-	248,376,140
Change in net assets before non controlling interests	15,264,315	(11,247,833)	8,925	4,025,407	12,221,145	15,241,884	303,472	27,766,501
Purchase of interest by non controlling shareholders	1,512,959	-	-	1,512,959	727,419	-	-	727,419
Distributions to non controlling shareholders	(86,951)	-	-	(86,951)	(41,007)	-	-	(41,007)
Change in net assets	16,690,323	(11,247,833)	8,925	5,451,415	12,907,557	15,241,884	303,472	28,452,913
Net assets at beginning of year	37,555,707	107,301,814	2,457,294	147,314,815	24,648,150	92,059,930	2,153,822	118,861,902
Nets assets at end 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

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

Consolidated statements of functional expenses

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 assets distributed, including PSA's	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 functional expenses (cont'd)

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

Consolidated statements of cash flows

For the year ended June 30:	2017	2016
Operating activities		
Change in net assets	$ 5,451,415	$ 28,452,913
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,155,479	2,275,615
Net loss on disposal of land, buildings, and equipment	41,849	58,327
(Recoveries) losses on contributions receivable	(189,156)	2,810,255
Losses on loans to micro-finance institutions	149,757	605,836
Recoveries on other receivables	(69,081)	(39,301)
Net realized and unrealized gains on investments	(1,023,935)	(347,578)
Support from the public restricted for long-term investments	(8,925)	(303,472)
Net realized and unrealized loss (gain) on derivative instrument	1,702,339	(877,102)
Unrealized (gain) loss from foreign exchange fluctuations	(845,958)	732,225
Recoveries of amounts due to affiliates	(1,637,358)	(1,330,202)
Changes in operating assets and liabilities:		
Decrease (increase) in receivables	9,801,150	(12,906,813)
Increase in inventories	(803,876)	(266,062)
Increase in prepaids and other assets	(2,688,138)	(2,179,441)
Decrease in accounts payable and accrued expenses	(224,552)	(5,183,430)
Increase (Decrease) in program advances	5,867,012	(372,240)
Net cash provided by operating activities	17,678,022	11,129,530
Investing activities		
Purchases of investments	(4,086,392)	(6,210,761)
Proceeds from sales and maturities of investments	4,320,087	5,803,856
Loans to micro-finance institutions	(28,082,633)	(12,847,400)
Repayments from micro-finance institutions	11,111,873	6,182,511
Loans to affiliates	(23,032,432)	(25,945,592)
Repayments from affiliates	27,770,315	32,804,603
Purchases of land, buildings, and equipment	(459,444)	(1,271,536)
Proceeds from sale of land, buildings, and equipment	142,156	23,952
Net cash used in investing activities	(12,316,470)	(1,460,367)
Financing activities		
Principal repayments on capitalized lease obligations payable	(867,126)	(845,050)
Increase in due to affiliates	1,883,464	2,050,965
Payments on due to affiliates	(566,635)	(39,887)
Support from the public restricted for long-term investments	8,925	303,472
Increase (decrease) in annuity obligation	335,869	590,185
Payments of annuity obligation	(395,738)	(384,979)
Proceeds from issuance of notes payable	20,218,000	14,907,100
Payments on notes payable	(8,516,433)	(10,897,683)
Net cash provided by financing activities	12,100,326	5,684,123
Increase in cash and cash equivalents	17,461,878	15,353,286
Cash and cash equivalents, beginning of year	58,104,458	42,751,172
Cash and cash equivalents, end of year	$ 75,566,336	$ 58,104,458
Supplemental disclosures		
Interest paid	$ 2,463,276	$ 2,166,938
Non-cash purchases of equipment through capital lease obligations	$ 912,696	$ 722,588

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 more than 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, 2017 and 2016, include the activities of:

- Habitat's area and regional offices
- Thirteen and ten national organizations that are registered as part of Habitat for Humanity International as of June 30 2017 and 2016, 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 $2,038,797 and $1,970,442 at June 30, 2017 and 2016, respectively. At June 30, 2017 and 2016, $23,785,787 and $18,765,679, 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, 2017 and 2016, conditional promises to give amounted to $6,567,844 and $9,593,326, respectively, and are not recorded in the consolidated financial statements.

FlexCAP Program

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

For FlexCAP issuances prior to June 30, 2015, Habitat required that each of its affiliates post a cash reserve equal to one quarter of the annual debt service to safeguard against nonpayment by the affiliate. The reserve funds are invested in money market funds or certificates of deposit and are recorded as cash and cash equivalents and investments in the consolidated statements of financial position.

The real estate securing these mortgages is concentrated in the states of California (14%) and Florida (17%). The remaining balance is secured by real estate in cities located throughout the remaining United States, with no city comprising more than 5% of the balance.

Further details of the FlexCAP program are included in Note 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, 2017 and 2016, financial closeout reports were submitted and accepted by HUD for the SHOP program years 2013 (in the current year) and 2012 (in the prior year), allowing $1,637,358 and $1,330,202, respectively, of this balance to be recognized as other income in the consolidated statements of activities.

Loans to Microfinance Institutions

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

Allowance for Loan Losses

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

Derivative Instruments

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

Mortgages Receivable

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

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

Inventories

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

Land, Buildings, Capital Leases, and Equipment

Land, buildings, capital leases, and equipment 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 under capital leases are provided on a straight-line basis over the estimated useful lives of the respective assets, as follows:

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

Charitable Gift Annuities

Habitat has a gift annuity program whereby it enters into irrevocable contracts with certain donors. Habitat agrees to make payments to donors at prescribed intervals over the life of the donor. The assets received are recorded at their fair value, and the related liability is recorded as an annuity obligation. Annuity obligations are recorded at the present value of expected future payments based on the Annuity 2000 Table and the prevailing interest rate. The difference is classified as unrestricted contributions on the consolidated statements of activities and changes in net assets. Habitat maintains charitable gift annuities in a separate portfolio, and the assets are invested in accordance with applicable state laws. Total cash and investments held in the gift annuity portfolio were $10,311,522 and $9,791,849 at June 30, 2017 and 2016, 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 $8,338,698 and $8,414,432 at June 30, 2017 and 2016, respectively, and are included in gift annuity investments on the accompanying statements of financial position.

Program Advances

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

Net Assets

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

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

Contributions

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

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

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

Government Grants

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

Grant revenue on cost-reimbursement grants is recognized after the program expenditures have been incurred. As such, Habitat recognizes revenue and records a receivable for the reimbursement amount from the granting agency. Such grant programs are subject to independent audit under the Office of Management and Budget's (OMB's) Uniform Guidance (2 CFR 200), 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 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 public service announcement displays and to estimate the fair value of the announcement based on the date, time, and market. Donations in kind revenue related to contributed Public Service Announcements (PSAs) and associated expense in the amount of $1,539,137 and $1,344,474 has been recognized in the consolidated statements of activities for the years ending June 30, 2017 and 2016, 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 $1,338,614 and $813,005 for the years ended June 30, 2017 and 2016, respectively.

Program Services

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

Estimates in the Financial Statements

The preparation of consolidated financial statements, in conformity with accounting principles generally accepted in the United States 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, 2017 and 2016.

Fair Value Measurements

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

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

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

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

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

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

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

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

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

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

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

Annuity obligations are recorded at fair value based on Level 3 inputs and other relevant market data based on the present value of the estimated future cash outflows. For the years ending June 30, 2017 and 2016, 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, 2017 and 2016, Habitat recorded losses from the remeasurement of the gift annuity obligation to fair value of $137,352 and $981, 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.

New Accounting Pronouncements

In April 2015, FASB issued ASU No. 2015-03, Interest-Imputation of Interest (Subtopic 835-30). The amendments in this ASU require that debt issuance costs related to a recognized debt liability be presented in the statements of financial position as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. The amendments in this ASU are effective for fiscal years beginning after December 31, 2015, with early adoption permitted. Management has adopted this ASU for the year ended June 30, 2017 and retrospectively adopted this ASU for the year ended June 30, 2016.

3 Investments

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

	2017	2016
Due in less than one year	$ 1,671,063	$ 1,423,871
Due in more than five years	30,267,935	30,427,031
	$ 31,938,998	$ 31,850,902

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

	2017	2016
Net increase in fair value of investments, including realized and unrealized gains and losses	$ 1,023,935	$ 347,578
Interest and dividend income	87,291	125,311
Total investment income	$ 1,111,226	$ 472,889

4 Fair Value Measurements

In accordance with ASC 820, Habitat records cash and cash equivalents and marketable securities at fair value. At June 30, 2017 and 2016, 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 at June 30, 2017 and 2016:

	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)

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

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

The following table provides a reconciliation of the beginning and ending balances for assets measured at fair value using significant unobservable inputs (Level 3) as defined in ASC 820 at June 30, 2017 and 2016:

	2017	2016
Balance at July 1	$ 30,527,031	$ 30,835,472
Sales or redemptions out of Level 3	(308,531)	(559,470)
Net unrealized gains for the year ending June 30, 2016	90,904	251,029
Balance at June 30	$ 30,309,404	$ 30,527,031

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

Auction rate securities would typically be measured using Level 2 inputs. The failure of such auctions, beginning in February 2008, and the lack of market activity and liquidity require the use of Level 3 inputs to determine the value. Additionally, should Habitat have to sell the underlying securities prior to their maturity date or in a secondary market, the price received upon sale will be subject to prevailing market conditions. The underlying assets of the auction rate securities are collateralized primarily by the underlying assets of certain AAA, AA, and A-rated securities. Management assessed the value of the auction rate securities as of June 30, 2017 and 2016, 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, 2017 and 2016, using a range of supportable market rates based upon an agreement with a reputable broker or purchaser to buy back these securities at the values stated.

5 Contributions and Grants Receivable

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

	2017	2016
Contributions	$ 36,186,135	$ 47,337,995
Government grants	1,810,878	1,578,270
	37,997,013	48,916,265
Less unamortized discount	(2,083,839)	(2,512,518)
	35,913,174	46,403,747
Less allowance for uncollectibles	(1,132,058)	(1,531,623)
	$ 34,781,116	$ 44,872,124

These receivables are due as follows at June 30:

	2017	2016
Due in less than one year	$ 16,172,761	$ 27,511,905
Due in one to five years	18,608,355	17,360,219
	$ 34,781,116	$ 44,872,124

Contributions receivable include in-kind amounts of $12,142,448 and $18,078,682 as of June 30, 2017 and 2016, respectively.

Net contributions receivable includes one contributor in 2017 and 2016 whose individual net outstanding contributions receivable are greater than 10% of the total net outstanding contributions receivable. At June 30, 2017 and 2016, the net contributions receivable associated with these gifts totaled $13,396,781 and $15,137,474, 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, 2017, Habitat has received $6,592,842 from the donor.

6 Loans to Microfinance Institutions

Loans to microfinance institutions at June 30, 2017, consist of interest bearing loans, with interest rates ranging from 5% to 21.89% per annum over terms of over five years.

Future principal payments are as follows:

	Amount
2018	$ 17,064,870
2019	16,877,824
2020	15,776,853
2021	7,684,130
2022	2,999,551
Due in over 5 years	2,998,898
	63,402,126
Add value of derivative instruments	76,034
Less unrealized loss for currency exchange fluctuations	(783,317)
Less allowance for uncollectibles	(2,915,838)
	$ 59,779,005

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, 2017 and 2016, all of MicroBuild's loans to microfinance institutions are with thirty-six and thirty MFI's in twenty-two and twenty countries, respectively. The following table shows countries with concentrations greater than 10% as of June 30, 2017 and 2016.

	2017	2016
Nicaragua	11%	11%
India	11%	7%
Cambodia	8%	11%
Peru	4%	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, 2017, MicroBuild had one loan of approximately $1,000,000 that is 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:

	2017	2016
Balance at beginning of year	$ 2,800,000	$ 2,198,834
Allowance for loan losses	149,757	601,166
Loan forgiveness	(33,919)	-
Balance at end of year	$ 2,915,838	$ 2,800,000

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.

	June 30, 2017	Percent of Portfolio	June 30, 2016	Percent of Portfolio
Investment in impaired loans	$ 3,003,426	5%	$ 3,649,841	8%
Allowance for loan losses on impaired loans	2,915,838	5%	2,800,000	6%
Remaining potential exposure, as of June 30, 2017	87,588	0%	849,841	2%

An additional $49,249 of principal payments have been received on these loans since June 30, 2017 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, 2017 and 2016 as follows:

Currency	2017	2016
U.S. Dollar	$ 33,279,755	$ 32,566,508
Indian Rupee	5,998,450	2,999,551
Kazakhstan Tenge	3,000,000	2,000,000
Zambian Kwacha	-	1,500,000
Euro	5,112,000	1,097,400
Sri Lankan Rupee	1,000,000	1,000,000
Peruvian New Sol	1,000,000	1,000,000
Kenyan Shilling	1,000,000	1,000,000
Costa Rican Colon	1,000,000	1,000,000
Honduran Lempira	2,000,000	-
Dominican Peso	1,000,000	-
Colombian Peso	2,000,000	-
Guatemalan Quetzal	2,000,000	-
	$ 58,390,205	$ 44,163,459

7 Due From Affiliates

Due from affiliates at June 30 consist of the following:

	2017	2016
SHOP grant	$ 8,245,774	$ 9,991,968
Capital magnet fund grant	1,179,791	2,017,573
SOSI receivable	400,250	305,364
Other	1,339,992	1,014,615
	11,165,807	13,329,520
Less allowance for uncollectibles	(982,082)	(882,219)
	$ 10,183,725	$ 12,447,301

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

8 Land, Buildings, and Equipment

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

	2017	2016
Land	$ 722,387	$ 722,387
Buildings and leasehold improvements	12,054,151	12,088,251
Computer hardware and software	5,962,748	7,866,892
Computer hardware and software under capital leases	2,885,170	4,066,870
Furniture and equipment	3,463,043	3,916,719
Vehicles	2,305,072	2,281,199
	27,392,571	30,942,318
Less accumulated depreciation and amortization	(21,077,636)	(23,668,991)
	$ 6,314,935	$ 7,273,327

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

	2017	2016
Depreciation expense	$ 1,289,049	$ 1,426,441
Amortization expense on assets under capital leases	$ 866,430	$ 849,174
Accumulated amortization on capital leases	$ 1,409,393	$ 2,753,014
Unamortized computer software costs	$ 115,008	$ 273,245

9 Notes Payable

Notes payable at June 30 consist of the following:

	2017	2016
Notes payable to Overseas Private Investment Corporation (OPIC), secured by letters of credit, payable in quarterly installments of interest only at rates ranging from 1.48% to 2.97% per anunum, with the principal sum due in full no later than Ocotber 15, 2023	$ 61,000,000	$ 45,000,000
Notes payable to Atlantic Capital Bank, secured by an interest in the ReStore Support Group loans to affiliates, payable in quarterly installments of various amounts through September 30, 2018, including interest rates randing from 3.39% to 3.52%	-	309,086
Non-interest-bearing notes payable to affiliates upon completion of their FlexCap payable	1,055,429	1,252,674
Less: unamortized debt issuance costs	(255,755)	(102,259)
	$ 61,799,674	$ 46,459,501

Future principal payments are as follows:

	Amount
2018	$ 171,338
2019	164,238
2020	9,505,410
2021	15,700,847
2022	11,073,853
Thereafter	25,439,743
	$ 62,055,429

On June 22, 2012, MicroBuild, a limited liability company in which Habitat has a controlling interest, entered into a $45,000,000 limited liability loan agreement with OPIC, an agency of the United States. MicroBuild's three equity investors must match the remaining $5,000,000 for this $50,000,000 project. Additionally, Habitat must provide $5,000,000 in guarantor letters of credit. These funds are then lent to microfinance institutions in various countries around the world. At June 30, 2017, all of these commitments had been met by the three equity members, and the full amount had been drawn down from OPIC.

Additionally, on May 18, 2016, MicroBuild entered into a second $45,000,000 loan agreement with OPIC. One new investor was added. MicroBuild's equity members have committed to contribute the remaining $5,000,000 for this $50,000,000 project. Additionally, Habitat must provide $5,000,000 in guarantor letters of credit for the full loan agreement. As of June 30, 2017, $16,000,000 had been drawn against this second loan agreement,$2,000,000 of additional capital has been contributed by Habitat and MetLife and $1,800,000 in guarantor letters of credit have been provided. As of June 30, 2017 and 2016, Habitat provided $6,800,000 and $5,000,000, 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
2018	$ 4,391,461
2019	3,916,467
2020	3,639,130
2021	3,050,288
2022	2,468,732
Thereafter	6,217,849
	$ 23,683,927

Interest expense during the years ended June 30, 2017 and 2016, was $900,835 and $1,126,609, respectively.

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

11 Temporarily Restricted Net Assets

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

	2017	2016
Geographically restricted	$ 13,062,345	$ 11,260,719
Restricted for mission related projects	12,701,013	13,200,566
Restricted for the purchase of construction materials	37,320,385	39,546,675
Time restricted	32,970,238	43,293,854
	$ 96,053,981	$ 107,301,814

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:

	2017	2016
Release of:		
Geographic restrictions	$ 14,015,577	$ 10,706,268
Restrictions for mission related projects	11,694,206	13,498,455
Restrictions for the purchase of construction materials	45,827,834	40,647,903
Time restrictions	29,303,882	24,868,643
	$ 100,841,499	$ 89,721,269

On May 12, 2016, the IKEA Foundation committed $5,999,818 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. During the fiscal year ended June 30, 2017, Habitat received $5,609,408 from the IKEA Foundation for this project, recorded as temporarily restricted contributions in the statements of activities. Habitat released $5,335,321 from restrictions during the fiscal year ending June 30, 2017 based on satisfaction of purpose restrictions. Additionally, $224,376 of direct mission support was received through June 30, 2017, recognized as unrestricted funds to be used by the supporting functions of Habitat. The balance remaining on the commitment at June 30, 2017 is $166,034.

13 Revenue From Government Grants

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

	2017	2016
SHOP	$ 4,468,997	$ 6,388,161
Capacity Build	5,807,493	4,390,233
AmeriCorps/Vista	4,797,344	4,729,320
Capital Magnet Fund	-	59,346
USAID	1,524,493	1,720,234
Centers for Disease Control and Prevention	-	560,398
Other	-	22,528
Government grants per the consolidated statements of activities	16,598,327	17,870,220
Revenue earned and not expended	99,281	92,027
Total expenditures of federal awards	$ 16,697,608	$ 17,962,247

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 $6,010,521 and $7,070,311 for the years ended June 30, 2017 and 2016, 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 $1,216,473 and $1,239,439 for the years ended June 30, 2017 and 2016, respectively.

15 Leases

Habitat leases certain fixed assets, including office space in Atlanta, Georgia and other locations, under operating and capital leases. Many of these lease agreements contain renewal clauses and yearly escalations in monthly rent payments. At June 30, 2017, future minimum rental payments under the operating and capital leases are as follows:

	Operating	Capital
2018	$ 2,330,278	$ 699,857
2019	1,999,309	475,694
2020	1,240,929	249,922
2021	395,537	100,407
2022	349,782	-
Thereafter	169,299	-
Total minimum payments	$ 6,485,134	1,525,880
Less amounts representing executory costs and interest		(158,614)
Present value of net minimum payments		$ 1,367,266

Rent expense under operating leases amounted to $3,064,373 and $2,435,454 for the years ended June 30, 2017 and 2016, respectively.

16 Affiliate Programs

International and U.S. national organizations and affiliates are independent, not-for-profit groups that are approved by regional, area, or national offices of Habitat and operate under an affiliation agreement with Habitat. All affiliates are encouraged to be self-supporting in their fund-raising efforts; however, Habitat also solicits contributions, both cash and in-kind, on behalf of its affiliates. While Habitat retains variance power in these contributions, Habitat has transferred cash and donated assets totaling $106,548,565 and $104,154,637 in 2017 and 2016, 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 $14,010,659 and $13,799,339 in 2017 and 2016, 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, 2017 and 2016 was $11,726,504 and $11,768,799.

17 Commitments

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 Habitat. To the extent that actual costs exceed the planned costs, Habitat may need to provide additional resources to meet the terms of the contracts.

18 Related-Party Transactions

For the years ended June 30, 2017 and 2016, Habitat recorded $6,660,946 and $6,241,878 in contributions, respectively, and $18,369,195 and $13,486,452 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, 2017 and 2016, Habitat had $12,925,671 and $20,505,216 of pledges receivable, respectively, from members of Habitat's IBOD or from companies that they or their families represent.

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

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

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

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

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

	Micro Build	Micro Build India	Total
Assets			
Cash and cash equivalents	$ 7,288,126	$ 807,868	$ 8,095,994
Loans to micro-finance institutions, net	41,514,557	2,299,827	43,814,384
Other receivables and prepaids, net	778,738	60,339	839,077
Property and equipment, net	-	31,979	31,979
Total assets	$ 49,581,421	$ 3,200,013	$ 52,781,434
Liabilities and net assets			
Liabilities:			
Accounts payable and accrued expenses	$ 324,717	$ 9,390	$ 334,107
Due to Habitat for Humanity International	41,007	-	41,007
Loans payable	44,897,741	-	44,897,741
Total liabilities	45,263,465	9,390	45,272,855
Net assets:			
Retained earnings and members' equity:			
Retained earnings and members' equity	2,202,158	1,898,656	4,100,814
Minority interest	2,115,798	1,291,967	3,407,765
Total retained earnings and members' equity	4,317,956	3,190,623	7,508,579
Total liabilities and net assets	$ 49,581,421	$ 3,200,013	$ 52,781,434

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) gain on derivative instrument	(1,630,161)	-	(1,630,161)
Realized loss on derivative instrument	(72,178)	-	(72,178)
Unrealized loss from foreign exchange fluctuations	845,958	-	845,958
Non-operating loss, net	(856,381)	-	(856,381)
Net income	$ 499,623	$ 410,907	$ 910,530

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

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

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

20 FlexCAP Statements of Financial Position and Statements of Activities

The management of HFHI has set up a related entity, HFHI FlexCAP Lender LLC, (FlexCAP LLC) that 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, 2017 and for the year then ended, are as follows:

		2017
Assets		
Cash and cash equivalents	$	2,854,974
Loans to affiliates, net		26,087,536
Total assets	$	28,942,510
Liabilities and net assets		
Liabilities:		
Loans payable to investors and affiliate reserve	$	24,739,356
Total liabilities		24,739,356
Net assets:		
Unrestricted net assets		4,203,154
Total net assets		4,203,154
Total liabilities and net assets	$	28,942,510

		2017
Revenues and gains		
Interest income	$	1,191,591
Other income		78,449
Total revenues and gains		1,270,040
Expenses		
Program services:		
Interest expense		900,922
Compensation		165,425
Trustee fees		68,550
Professional services		23,859
Other expenses		12,770
Total expenses		1,171,526
Net increase in net assets	$	98,514

21 Subsequent Events

On October 6, 2017, Habitat secured a line of credit of in the amount of $5,000,000 for a 12 month term.

Habitat has evaluated the need for adjustments and/or disclosure resulting from subsequent events in these consolidated financial statements through November 17, 2017, 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.