Consolidated Financial Statements

Habitat for Humanity International, Inc.
Years Ended June 30, 2014 and 2013
With Report of Independent Auditors

Ernst & Young LLP

Building a better
working world

Habitat for Humanity International, Inc.

Consolidated Financial Statements

Years Ended June 30, 2014 and 2013

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Report of Independent Auditors

The Board of Directors
Habitat for Humanity International, Inc.

We have audited the accompanying consolidated financial statements of Habitat for Humanity International, Inc. (Habitat), which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements referred to above present fairly, in all material respects, the financial position of Habitat as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Restatement of 2013 Financial Statements

As discussed in Note 3 to the consolidated financial statements, the 2013 consolidated financial statements have been restated to correct an error in the presentation of the loans to microfinance institutions in the consolidated statement of cash flows. Our opinion is not modified with respect to this matter.

Ernst & Young LLP

November 25, 2014

Habitat for Humanity International, Inc.

Consolidated Statements of Financial Position

	June 30	
	2014	**2013**
Assets		
Cash and cash equivalents	**$ 40,495,983**	$ 31,668,340
Investments at fair value	**48,985,397**	46,247,332
Receivables:		
Contributions and grants, net	**40,226,070**	35,181,405
Affiliate notes, net	**37,068,527**	41,525,488
Due from affiliates, net	**14,679,269**	14,278,386
Loans to microfinance institutions, net	**23,340,000**	8,600,000
Mortgages receivable, net	**2,904,460**	2,898,819
Other, net	**3,208,077**	2,065,361
Total receivables	**121,426,403**	104,549,459
Inventories, net	**3,120,473**	2,087,293
Prepaids and other assets	**2,127,816**	1,686,255
Land, buildings, and equipment – net of accumulated depreciation and amortization	**7,985,468**	9,590,079
Total assets	**$ 224,141,540**	$ 195,828,758
Liabilities and net assets		
Accounts payable and accrued expenses	**$ 16,029,346**	$ 16,495,755
Program advances	**1,951,334**	3,277,837
Capitalized lease obligations payable	**1,157,101**	1,205,018
Due to affiliates	**4,934,897**	2,609,826
Notes payable	**26,869,503**	11,862,563
Annuity obligation	**8,041,334**	7,893,672
Investor notes payable	**40,810,154**	44,096,189
Total liabilities	**99,793,669**	87,440,860
Net assets:		
Unrestricted		
Controlling interests	**23,052,434**	17,852,223
Noncontrolling interests	**2,289,823**	1,425,421
	25,342,257	19,277,644
Temporarily restricted	**96,852,786**	87,743,946
Permanently restricted	**2,152,828**	1,366,308
Total net assets	**124,347,871**	108,387,898
Total liabilities and net assets	**$ 224,141,540**	$ 195,828,758

See accompanying notes.

Habitat for Humanity International, Inc.

Consolidated Statements of Activities and Changes in Net Assets

	Year Ended June 30, 2014				Year Ended June 30, 2013			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Revenues and gains								
Contributions	**$ 92,069,714**	**$ 68,135,714**	**$ 786,520**	**$ 160,991,948**	$ 90,393,262	$ 63,803,789	$ 7,732	$ 154,204,783
Contributed advertising - PSA's	**2,735,350**	**–**	**–**	**2,735,350**	7,167,944	–	–	7,167,944
Donations in kind, excluding PSA's	**28,414,262**	**28,975,488**	**–**	**57,389,750**	33,672,911	8,174,485	–	41,847,396
Government grants:								
NSP2	**–**	**–**	**–**	**–**	44,819,109	–	–	44,819,109
Government grants, excluding NSP2	**22,872,955**	**–**	**–**	**22,872,955**	29,411,626	–	–	29,411,626
Total government grants	**22,872,955**	**–**	**–**	**22,872,955**	74,230,735	–	–	74,230,735
Other income, net	**33,210,086**	**–**	**–**	**33,210,086**	35,314,152	–	–	35,314,152
Total revenues and gains	**179,302,367**	**97,111,202**	**786,520**	**277,200,089**	240,779,004	71,978,274	7,732	312,765,010
Satisfaction of program restrictions	**86,750,157**	**(86,750,157)**	**–**	**–**	102,139,538	(102,139,538)	–	–
Total revenues and gains	**266,052,524**	**10,361,045**	**786,520**	**277,200,089**	342,918,542	(30,161,264)	7,732	312,765,010
Expenses								
Program services:								
U.S. affiliates	**121,864,630**	**–**	**–**	**121,864,630**	192,479,410	–	–	192,479,410
International affiliates	**64,988,079**	**–**	**–**	**64,988,079**	63,055,175	–	–	63,055,175
Public awareness and education	**24,964,574**	**–**	**–**	**24,964,574**	29,348,293	–	–	29,348,293
Total program services	**211,817,283**	**–**	**–**	**211,817,283**	284,882,878	–	–	284,882,878
Supporting services:								
Fund-raising	**37,662,679**	**–**	**–**	**37,662,679**	36,804,463	–	–	36,804,463
Management and general	**11,111,892**	**–**	**–**	**11,111,892**	13,465,761	–	–	13,465,761
Total supporting services	**48,774,571**	**–**	**–**	**48,774,571**	50,270,224	–	–	50,270,224
Total expenses	**260,591,854**	**–**	**–**	**260,591,854**	335,153,102	–	–	335,153,102
Losses on contributions receivable	**–**	**1,252,205**	**–**	**1,252,205**	–	3,081,125	–	3,081,125
Total expenses and losses on contributions receivable	**260,591,854**	**1,252,205**	**–**	**261,844,059**	335,153,102	3,081,125	–	338,234,227
Change in net assets before non controlling interests	**5,460,670**	**9,108,840**	**786,520**	**15,356,030**	7,765,440	(33,242,389)	7,732	(25,469,217)
Purchase of interest by noncontrolling shareholders	**841,345**	**–**	**–**	**841,345**	1,425,421	–	–	1,425,421
Noncontrolling interest in subsidiary losses (profits)/losses	**(237,402)**	**–**	**–**	**(237,402)**	414,887	–	–	414,887
Change in net assets	**6,064,613**	**9,108,840**	**786,520**	**15,959,973**	9,605,748	(33,242,389)	7,732	(23,628,909)
Net assets at beginning of year	**19,277,644**	**87,743,946**	**1,366,308**	**108,387,898**	9,671,896	120,986,335	1,358,576	132,016,807
Net assets at end of year	**$ 25,342,257**	**$ 96,852,786**	**$ 2,152,828**	**$ 124,347,871**	$ 19,277,644	$ 87,743,946	$ 1,366,308	$ 108,387,898

See accompanying notes.

Habitat for Humanity International, Inc.

Consolidated Statements of Cash Flows

	Year Ended June 30	
	2014	**2013**
		(As Restated)
Operating activities		
Change in net assets	**$ 15,959,973**	$ (23,628,909)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	**2,687,709**	2,931,901
Net (gain) loss on disposal of land, buildings, and equipment	**72,259**	(10,950)
Program transfer of equipment to affiliates	**337,314**	–
Losses on contributions receivable	**1,252,205**	3,081,125
Losses (recoveries) on other receivables	**(113)**	1,005,354
Net realized and unrealized gains on investments	**(3,069,982)**	(5,340,675)
Support from the public restricted long-term investments	**(786,520)**	–
Recoveries of amounts due to affiliates	**–**	(2,369,623)
Changes in operating assets and liabilities:		
Decrease (increase) in receivables	**(7,402,617)**	18,594,036
Decrease (increase) in inventories	**(1,033,180)**	1,672,271
Decrease (increase) in prepaids and other assets	**(441,561)**	453,400
Decrease in accounts payable and accrued expenses	**(466,409)**	(2,019,119)
Decrease in program advances	**(1,326,503)**	(1,487,728)
Net cash provided by (used in) operating activities	**5,782,575**	(7,118,917)
Investing activities		
Purchases of investments	**(15,178,179)**	(22,606,276)
Proceeds from sales and maturities of investments	**15,510,096**	25,457,259
Loans to micro-finance institutions	**(14,740,000)**	(8,600,000)
Loans to affiliates	**(30,134,437)**	(24,385,858)
Repayments from affiliates	**34,148,018**	23,246,376
Purchases of land, buildings, and equipment	**(1,062,501)**	(1,158,041)
Proceeds from sale of land, buildings, and equipment	**315,331**	135,660
Net cash used in investing activities	**(11,141,672)**	(7,910,880)
Financing activities		
Principal repayments on capitalized lease obligations payable	**(793,418)**	(987,066)
Increase in due to affiliates	**2,539,145**	3,210,821
Payments on due to affiliates	**(214,074)**	(17,762)
Support from the public restricted long-term investments	**786,520**	–
Increase in annuity obligation	**770,429**	180,989
Payments of annuity obligation	**(622,767)**	(617,222)
Proceeds from line of credit	**19,000,000**	14,650,000
Payments on line of credit	**(19,000,000)**	(14,650,000)
Proceeds from issuance of notes payable	**25,558,642**	17,017,985
Payments on notes payable	**(13,837,737)**	(14,352,930)
Net cash provided by financing activities	**14,186,740**	4,434,815
Increase (decrease) in cash and cash equivalents	**8,827,643**	(10,594,982)
Cash and cash equivalents:		
Beginning of year	**$ 31,668,340**	$ 42,263,322
End of year	**$ 40,495,983**	$ 31,668,340
Supplemental disclosures		
Interest paid	**$ 2,199,617**	$ 2,091,118
Non-cash purchases of equipment through capital lease obligations	**$ 745,501**	$ 362,757

See accompanying notes.

Habitat for Humanity International, Inc.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2014

	U.S. Affiliates	International Affiliates	Public Awareness and Education	Total Program Services	Fund-Raising	Management and General	Total Supporting Services	Total
Program and house building transfers	$ 46,762,558	$ 27,871,543	$ 6,976,320	$ 81,610,421	$ –	$ –	$ –	$ 81,610,421
Program and house building transfers – NSP2	–	–	–	–	–	–	–	–
Donated contributed advertising – PSA's	–	–	2,735,350	2,735,350	–	–	–	2,735,350
Donated assets distributed, excluding PSA's	43,734,138	192,421	–	43,926,559	–	–	–	43,926,559
Salaries and benefits	19,786,335	24,136,151	9,356,730	53,279,216	8,716,578	5,855,860	14,572,438	67,851,654
Payroll tax expense	1,253,872	542,150	578,976	2,374,998	533,267	322,473	855,740	3,230,738
Professional services – direct mail	–	–	–	–	20,799,754	–	20,799,754	20,799,754
Professional services – other	1,645,157	3,014,316	1,302,862	5,962,335	2,609,539	608,163	3,217,702	9,180,037
Postage and freight	50,491	49,561	393,619	493,671	1,088,433	19,742	1,108,175	1,601,846
Travel	1,406,048	2,914,614	798,887	5,119,549	653,118	310,324	963,442	6,082,991
Printing	126,691	86,998	5,404	219,093	240,888	7,666	248,554	467,647
Service agreements and utilities	1,356,430	1,261,896	1,003,783	3,622,109	1,255,604	1,823,435	3,079,039	6,701,148
Insurance	884,596	280,480	219,691	1,384,767	204,835	230,293	435,128	1,819,895
Interest, service charges, and taxes	1,725,278	332,841	468,775	2,526,894	625,056	156,466	781,522	3,308,416
Office and equipment	779,276	1,429,739	388,921	2,597,936	197,959	982,478	1,180,437	3,778,373
Depreciation and amortization	761,608	721,337	272,832	1,755,777	468,901	463,031	931,932	2,687,709
Other	1,592,152	2,154,032	462,424	4,208,608	268,747	331,961	600,708	4,809,316
Total	$ 121,864,630	$ 64,988,079	$ 24,964,574	$ 211,817,283	$ 37,662,679	$ 11,111,892	$ 48,774,571	$ 260,591,854

See accompanying notes.

Habitat for Humanity International, Inc.

Consolidated Statement of Functional Expenses

Year Ended June 30, 2013

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

See accompanying notes.

1408-1305586

1. Organization and Purpose

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

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

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

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

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements as of and for the years ended June 30, 2014 and 2013, include the activities of:

- Habitat's area and regional offices
- Eleven national organizations that are registered as part of Habitat for Humanity International
- Habitat for Humanity, Inc. and Habitat for Humanity-Middle East, which are wholly owned subsidiaries
- Nadacia Foundation HFHI, Habitat for Humanity-Haiti, 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.

2. Summary of Significant Accounting Policies (continued)

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.

Investments

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

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

- As increases in permanently restricted net assets if the terms of the gift or relevant state law require that they be added back to the principal of the permanently restricted contributions.

- As decreases in unrestricted net assets when there are losses that reduce the fair value of the assets of endowment funds below the required level and as increases in unrestricted net assets when there are gains that restore the fair value of the assets of endowment funds to the required level.

- As increases (decreases) in temporarily restricted net assets, in all other cases.

Contributions Receivable

Contributions receivable that are expected to be collected in future years are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at their fair value based on the present value of their estimated future cash flows and are discounted at the rate applicable to the year in which the contribution was made. Conditional contributions receivable are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

2. Summary of Significant Accounting Policies (continued)

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, 2014 and 2013, conditional promises to give amounted to $4,344,817 and $924,888, respectively, and are not recorded in the consolidated financial statements.

FlexCAP Program

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

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

The real estate securing these mortgages is concentrated in the states of Florida (12%), California (12%) and Michigan (10%). The remaining balance is secured by real estate in cities located throughout the remaining United States, with no city comprising more than 5% of the balance.

Due From/To Affiliates

Due from affiliates consists primarily of non-interest-bearing, unsecured, demand notes from Habitat affiliates in the U.S. An allowance for estimated doubtful accounts is provided, as considered appropriate, based on identification of specific uncollectible receivables and a general reserve that is based on the method of payment by the affiliate and past payment experience. A majority of these loans originated with affiliates that are participating in the Self-help Homeownership Opportunity Program (SHOP) grant. Habitat treats 25% of the grant disbursements as a loan to affiliates that must be paid back to Habitat without interest. The Department of Housing and Urban Development (HUD) has determined that the proceeds from the loans to affiliates must be disbursed as an additional SHOP grant. Amounts loaned and

2. Summary of Significant Accounting Policies (continued)

collected under SHOP loans are reflected as a liability (due to affiliates) until these proceeds are appropriately redistributed or until the appropriate financial closeout report is submitted to HUD. During the year ending June 30, 2013, financial closeout reports were submitted and accepted by HUD for the SHOP program year 2008, allowing $2,369,623 of this balance to be recognized as other income in the consolidated statement of activities and changes in net assets. There were no SHOP programs closed out during the year ending June 30, 2014.

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.

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

Land, Buildings, Capital Leases, and Equipment

Land, buildings, capital leases, and equipment are recorded at acquisition cost, including costs necessary to get the asset ready for its intended use. Additionally, certain application

2. Summary of Significant Accounting Policies (continued)

development costs incurred to develop internal-use software are capitalized and amortized over the expected useful life of the software application. Depreciation expense and amortization expense of assets under capital leases are provided on a straight-line basis over the estimated useful lives of the respective assets, as follows:

Buildings	20–30 years
Furniture and equipment	5–10 years
Computer hardware and software	3 years
Vehicles	3–5 years

Charitable Gift Annuities

Habitat has a gift annuity program whereby it enters into irrevocable contracts with certain donors. Habitat agrees to make payments to donors at prescribed intervals over the life of the donor. The assets received are recorded at their fair value, and the related liability is recorded as an annuity obligation. Annuity obligations are recorded at the present value of expected future payments based on IRS mortality tables and the prevailing interest rate. A discount rate of 6% was used as of June 30, 2014. 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 $12,441,109 and $11,873,095 at June 30, 2014 and 2013, respectively.

Habitat is required to hold reserves related to the gift annuity program based on the laws in certain states in which the gifts are solicited. Such reserves totaled $9,942,375 and $9,662,247 at June 30, 2014 and June 30, 2013, 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.

2. Summary of Significant Accounting Policies (continued)

Net Assets

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

> Permanently restricted net assets consist of the principal amount of gifts that are required by donors to be permanently retained.
>
> Temporarily restricted net assets contain donor-imposed restrictions that permit Habitat to use or expend the donated assets as specified and are satisfied either by the passage of time or by actions of Habitat.
>
> Unrestricted net assets do not contain donor restrictions or the donor-imposed restrictions have expired.

Contributions

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

2. Summary of Significant Accounting Policies (continued)

Contributed Goods and Services

Advertising revenue related to contributed Public Service Announcements (PSAs) and associated expense in the amount of $2,735,350 and $7,167,944 has been recognized in the consolidated statements of activities and changes in net assets for the years ending June 30, 2014 and 2013, 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 and changes in net assets, totaled $819,570 and $683,697 for the years ended June 30, 2014 and 2013, respectively.

Program Services

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

Estimates in the Financial Statements

The preparation of consolidated financial statements, in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

2. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain amounts as previously reported have been reclassified in order to conform to the current year presentation. The reclassifications had no impact on the change in net assets as previously presented.

Fair Value Measurements

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

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

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

The following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in methodology from July 1, 2012.

Equity securities listed or traded on any national market or exchange are valued at the last sales price as of the close of the principal securities exchange on which such securities are traded. Such marketable securities are classified as Level 1 of the valuation hierarchy.

2. Summary of Significant Accounting Policies (continued)

Debt securities, other than money market instruments, are generally valued at the most recent bid price of the equivalent quoted yield for such securities (or those of comparable maturity, quality, and type). Debt securities are generally classified within Level 2 of the valuation hierarchy.

Fair Value of Financial Instruments

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

3. Restated Statement of Cash Flows

Habitat corrected the presentation of the loans to microfinance institutions in the June 30, 2013 consolidated statement of cash flows. Loans to microfinance institutions were previously included as a component of net cash provided by (used in) operating activities and should have been reflected as cash used in investing activities. There was no impact on Habitat's liquidity, changes in net assets or cash balance. The impact on the operating activities and investing activities sections of the 2013 consolidated statement of cash flows is shown below:

	As Originally Reported	**Adjustments**	**As Restated**
Net cash provided by (used in) operating activities	(15,718,917)	8,600,000	(7,118,917)
Net cash provided by (used in) investing activities	689,120	(8,600,000)	(7,910,880)

4. Investments

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

	2014	2013
Due in less than one year	**$ 1,093,321**	$ 993,843
Due in one to five years	**–**	–
Due in more than five years	**33,450,263**	32,443,976
	$ 34,543,584	$ 33,437,819

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

	2014	2013
Net increase in fair value of investments, including realized and unrealized gains and losses	**$ 3,069,982**	$ 5,340,675
Interest and dividend income	**82,163**	152,554

5. Fair Value Measurements

In accordance with ASC 820, Habitat measures cash and cash equivalents and marketable securities at fair value. At June 30, 2014, investments in marketable securities include $33,450,263 of auction rate securities, which are classified within Level 3 due to a lack of a liquid market for such securities. Management determined the value of these securities based on information regarding the quality of the security and the quality of the collateral, among other factors.

In accordance with the fair value hierarchy described above, the following tables show the fair value of Habitat's financial assets that are required to be measured at fair value at June 30, 2014 and 2013:

5. Fair Value Measurements (continued)

Description	Fair Value at June 30, 2014	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	**$ 969,241**	**$ 765,386**	**$ 203,855**	**$ –**
Bonds – U.S., state government, and corporate	**4,080**	**–**	**4,080**	**–**
Common stock and mutual funds	**3,254,780**	**3,254,780**	**–**	**–**
Commingled funds:				
Equity (stock) funds	**4,721,414**	**–**	**4,721,414**	**–**
Fixed income (bond) funds	**6,465,619**	**–**	**6,465,619**	**–**
Auction rate securities	**33,450,263**	**–**	**–**	**33,450,263**
Mortgage backed securities	**120,000**	**–**	**–**	**120,000**
Total investments	**$ 48,985,397**	**$ 4,020,166**	**$ 11,394,968**	**$ 33,570,263**

Description	Fair Value at June 30, 2013	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Certificates of deposit and other short-term investments	$ 990,117	$ 787,056	$ 203,061	$ –
Bonds – U.S., state government, and corporate	3,726	–	3,726	–
Common stock and mutual funds	2,258,287	2,258,287	–	–
Commingled funds:				
Equity (stock) funds	4,324,145	–	4,324,145	–
Fixed income (bond) funds	6,227,261	–	6,227,261	–
Auction rate securities	32,443,796	–	–	32,443,796
Total investments	$ 46,247,332	$ 3,045,343	$ 10,758,193	$ 32,443,796

5. Fair Value Measurements (continued)

The following table provides a reconciliation of the beginning and ending balances for assets measured at fair value using significant unobservable inputs (Level 3) as defined in ASC 820 at June 30, 2014:

Balance at July 1, 2013	**$ 32,443,796**
Purchases of Level 3 securities	**120,000**
Sales or redemptions out of Level 3	**(450,000)**
Net unrealized gains for the year ending June 30, 2014	**1,456,467**
Balance at June 30, 2014	**$ 33,570,263**

The following table provides a reconciliation of the beginning and ending balances for assets measured at fair value using significant unobservable inputs (Level 3) as defined in ASC 820 at June 30, 2013:

Balance at July 1, 2012	$ 28,504,052
Sales or redemptions out of Level 3	(240,780)
Net unrealized gains for the year ending June 30, 2012	4,180,524
Balance at June 30, 2013	$ 32,443,796

Marketable securities measured at fair value using Level 3 inputs consist of auction rate securities, certain mortgage-backed securities and debt investments. Auction rate securities would typically be measured using Level 2 inputs. The failure of such auctions, beginning in February 2008, and the lack of market activity and liquidity require the use of Level 3 inputs to determine the value.

Additionally, should Habitat have to sell the underlying securities prior to their maturity date or in a secondary market, the price received upon sale will be subject to prevailing market conditions. 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, 2014 and 2013 using a market comparables and/or discounted cash flow valuation approach. Under the market comparables approach, indications of fair value from the secondary market are used to estimate the discount from par value based on trading activity for similar securities. The discounted cash flow approach

5. Fair Value Measurements (continued)

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, 2014 and 2013, 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.

6. Contributions and Grants Receivable

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

	2014	2013
Contributions	**$ 42,101,809**	$ 35,769,698
Government grants	**1,557,672**	1,784,019
	43,659,481	37,553,717
Less unamortized discount	**2,197,941**	1,038,889
	41,461,540	36,514,828
Less allowance for uncollectibles	**1,235,470**	1,333,423
	$ 40,226,070	$ 35,181,405

These receivables are due as follows at June 30:

	2014	2013
Due in less than one year	**$ 26,898,683**	$ 27,576,174
Due in one to five years	**13,318,965**	7,605,231
Due in over five years	**8,422**	–
	$ 40,226,070	$ 35,181,405

Contributions receivable include in-kind amounts of $26,693,419 and $17,528,837 as of June 30, 2014 and 2013, respectively.

6. Contributions and Grants Receivable (continued)

Net contributions receivable includes two contributors in 2014 and one contributor in 2013, respectively, whose individual net outstanding contribution receivable is greater than 10% of the total net outstanding contributions receivable. At June 30, 2014 and 2013, the net contributions receivable associated with these gifts totaled $15,435,573 and $6,904,422, 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.

7. Loans to Microfinance Institutions

Loans to microfinance institutions at June 30, 2014, consist of interest bearing loans, with interest rates ranging from 6% to 7% per annum over terms of three to four years.

Future principal payments are as follows:

2015	$ 85,000
2016	4,338,333
2017	13,083,333
2018	5,833,334
	$ 23,340,000

No provision for loan impairment has been recorded in the accompanying consolidated financial statements. Due diligence has been performed by the fund manager in selecting the microfinance institutions to which these funds have been loaned, and all interest payments are current through the date of the financial statements. Therefore, an allowance for loan loss was not considered necessary at this time.

8. Due From Affiliates

Due from affiliates at June 30 consist of the following:

	2014	2013
SHOP grant	**$ 9,751,537**	$ 8,753,580
Capital Magnet Fund grant	**3,675,929**	2,693,207
SOSI receivable	**112,860**	1,023,622
Other	**1,690,220**	2,416,758
	15,230,546	14,887,167
Less allowance for uncollectibles	**551,277**	608,781
	$ 14,679,269	$ 14,278,386

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.

9. Land, Buildings, and Equipment

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

	2014	2013
Land	**$ 806,218**	$ 863,218
Buildings and leasehold improvements	**11,541,196**	11,700,338
Computer hardware and software	**10,761,724**	10,604,176
Computer hardware and software under capital leases	**8,114,127**	8,770,424
Furniture and equipment	**5,254,866**	5,117,169
Vehicles	**2,262,927**	3,021,175
	38,741,058	40,076,500
Less accumulated depreciation and amortization	**30,755,590**	30,486,421
	$ 7,985,468	$ 9,590,079

9. Land, Buildings, and Equipment (continued)

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

	2014	2013
Depreciation expense	**$ 1,893,223**	$ 1,944,154
Amortization expense on assets under capital leases	**$ 794,486**	$ 978,795
Accumulated amortization on capital leases	**$ 6,956,565**	$ 7,496,074
Unamortized computer software costs	**$ 204,054**	$ 514,731

10. Notes Payable

Notes payable at June 30 consist of the following:

	2014	2013
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 2.62% per annum, with the principal sum due in full no later than July 15, 2019	**$ 24,900,000**	$ 9,300,000
3.84% note payable to Calvert Social Investment Foundation, secured by $300,000 in Habitat's investment bond portfolio, interest payable in two semiannual installments, with principal due in full in May 2014	**–**	200,000
1.0% $250,000 construction note payable to The United Nations Habitat and Human Settlement Foundation, payable in quarterly installments of $12,500 through June 30, 2015, plus interest	**50,358**	91,554
Non-interest-bearing notes payable to affiliates upon completion of their accelerated asset recovery payable	**1,919,145**	2,271,009
	$ 26,869,503	$ 11,862,563

10. Notes Payable (continued)

Future principal payments are as follows:

2015	$ 115,367
2016	93,282
2017	106,080
2018	153,681
2019	370,193
Thereafter	26,030,900
	$ 26,869,503

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, the equity investors must provide $5,000,000 in guarantor letters of credit. These funds are then lent to micro-finance institutions in various countries around the world. At June 30, 2014, $3.5 million of capital has been contributed by the three equity members.

11. FlexCAP Program

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

2015	$ 8,458,594
2016	5,799,141
2017	5,735,517
2018	5,474,686
2019	4,757,964
Thereafter	10,584,252
	$ 40,810,154

Interest expense during the years ended June 30, 2014 and 2013, was $1,641,465 and $1,892,219, 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.

12. Temporarily Restricted Net Assets

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

	2014	2013
Geographically restricted	**$ 9,534,153**	$ 9,162,224
Restricted for mission-related projects	**11,731,169**	10,829,660
Restricted for the purchase of construction materials	**36,919,066**	34,354,676
Time restricted	**38,668,398**	33,397,386
	$ 96,852,786	$ 87,743,946

13. 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:

	2014	2013
Release of:		
Geographic restrictions	**$ 12,618,306**	$ 9,665,883
Restrictions for mission-related projects	**11,582,595**	16,204,763
Restrictions for the purchase of construction materials	**37,940,165**	50,160,644
Time restrictions	**24,609,091**	26,108,248
	$ 86,750,157	$ 102,139,538

14. Revenue From Government Grants

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

	2014	2013
NSP2	$ –	$ 44,819,109
SHOP	**12,082,915**	13,759,690
Capacity Build	**4,712,219**	6,427,487
AmeriCorps/Vista	**3,687,506**	3,770,799
Capital Magnet Fund	**1,129,652**	2,726,328
USAID	**238,255**	1,877,553
Centers for Disease Control and Prevention	**681,287**	403,642
Department of Energy	**307,307**	337,622
Other	**33,814**	108,505
	$ 22,872,955	$ 74,230,735

In 2010, Habitat received an award of $137,620,088 for Neighborhood Stabilization Program funds from HUD. These funds were used in seven target areas across five states. The revenue earned from this grant for the fiscal year ending June 30, 2013, was $44,819,109. These amounts are included in unrestricted revenue. Of this amount, there were transfers to the target affiliates of $43,306,713 in 2013. The financial close out on this program occurred on February 11, 2013, so there is no revenue or transfers related to this program included in the 2014 consolidated financial statements.

15. 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 $6,128,825 and $5,134,466 for the years ended June 30, 2014 and 2013, respectively.

Habitat provides through the Habitat for Humanity Retirement Plan (the Retirement Plan), a defined contribution retirement plan to eligible plan participants. There are three components to the plan: (1) participant contributions, (2) a Habitat match equal to 100% of the first 3% of wages contributed by participants, and (3) a discretionary annual contribution by Habitat

15. Employee Benefits (continued)

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 $798,847 and $755,618 for the years ended June 30, 2014 and 2013, respectively.

16. 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, 2014, future minimum rental payments under the operating and capital leases are as follows:

	Operating	Capital
2015	$ 2,055,043	$ 652,096
2016	1,986,031	459,843
2017	1,915,035	167,567
2018	1,954,822	12,526
2019	1,859,848	4,815
Thereafter	1,338,453	–
Total minimum payments	$ 11,109,230	1,296,847
Less amounts representing executory costs and interest		139,746
Present value of net minimum payments		$ 1,157,101

Rent expense under operating leases amounted to $1,640,039 and $1,661,491 for the years ended June 30, 2014 and 2013, respectively.

17. Affiliate Programs

International and U.S. national organizations and affiliates are independent, not-for-profit groups that are approved by regional, area, or national offices of Habitat and operate under an affiliation agreement with Habitat. All affiliates are encouraged to be self-supporting in their fund-raising efforts; however, Habitat also solicits contributions, both cash and in-kind, on behalf of its affiliates. While Habitat retains variance power in these contributions, the organization has transferred cash and donated assets totaling $125,536,980 and $196,292,070 in 2014 and 2013, respectively, to international and U.S. national organizations and affiliates.

17. Affiliate Programs (continued)

Some affiliates in developing countries, where severely limited resources constrain local fund-raising, receive the majority of their funding from Habitat. All U.S. affiliates are expected to contribute a portion of their unrestricted cash contributions to support Habitat work outside their own country. These contributions totaled $12,947,451 and $12,779,248 in 2014 and 2013, respectively.

18. Commitments

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

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

19. Related-Party Transactions

For the years ended June 30, 2014 and 2013, Habitat recorded $16,705,983 and $23,393,052 in contributions, respectively, and $14,101,753 and $12,974,580 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, 2014 and 2013, Habitat had $4,141,762 and $4,095,640 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.

20. Subsequent Events

Habitat has evaluated the need for adjustments and/or disclosure resulting from subsequent events in these consolidated financial statements through November 25, 2014, 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.

On August 22, 2014, Habitat entered into a $15,000,000 line of credit agreement with a bank. The line of credit is collateralized by Habitat's auction rate securities. All outstanding principal and interest will be due in full on February 28, 2015. As of November 25, 2014, Habitat had borrowed $3,000,000 under this line of credit.

21. 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, Habitat made an initial capital investment of $500,000 in MicroBuild India. This company was dormant from that time until the year ending June 30, 2013. Habitat added an additional $397,272 of capital on June 24, 2013, and $126,319 of capital on March 24, 2014. Habitat is a 50.97% owner in MicroBuild India.

21. Subsidiary and Related Entities' Statements of Financial Position and Statements of Activities (continued)

The statements of financial position of Habitat's subsidiary and related entities before elimination and consolidation entries as of June 30, 2014, are as follows:

	MicroBuild	MicroBuild India	Total
Assets			
Cash and cash equivalents	$ 4,553,781	$ 1,335,239	$ 5,889,020
Loans to micro-finance institutions, net	23,340,000	334,170	23,674,170
Other receivables and prepaids, net	416,095	30,568	446,663
Property and equipment, net	–	10,192	10,192
Total assets	$ 28,309,876	$ 1,710,169	$ 30,020,045
Liabilities and net assets			
Liabilities:			
Accounts payable and accrued expenses	$ 171,261	$ 11,067	$ 182,328
Loans payable	24,900,000	–	24,900,000
Total liabilities	25,071,261	11,067	25,082,328
Net assets:			
Retained earnings and members' equity:			
Retained earnings and members' equity	1,651,694	996,200	2,647,894
Minority interest	1,586,921	702,902	2,289,823
Total retained earnings and members' equity	3,238,615	1,699,102	4,937,717
Total liabilities and net assets	$ 28,309,876	$ 1,710,169	$ 30,020,045

21. Subsidiary and Related Entities' Statements of Financial Position and Statements of Activities (continued)

The statements of financial position of Habitat for Humanity International's subsidiary and related entities before elimination and consolidation entries as of June 30, 2013, are as follows:

	MicroBuild	MicroBuild India	Total
Assets			
Cash and cash equivalents	$ 2,018,147	$ 1,440,588	$ 3,458,735
Loans to micro-finance institutions, net	8,600,000	–	8,600,000
Other receivables and prepaids, net	525,320	14,651	539,971
Property and equipment, net	–	3,158	3,158
Total assets	$ 11,143,467	$ 1,458,397	$ 12,601,864
Liabilities and net assets			
Liabilities:			
Accounts payable and accrued expenses	$ 122,422	$ 12,723	$ 135,145
Loans payable	9,300,000	–	9,300,000
Total liabilities	9,422,422	12,723	9,435,145
Net assets:			
Retained earnings and members' equity:			
Retained earnings and members' equity	877,733	863,565	1,741,298
Minority interest	843,312	582,109	1,425,421
Total retained earnings and members' equity	1,721,045	1,445,674	3,166,719
Total liabilities and net assets	$ 11,143,467	$ 1,458,397	$ 12,601,864

21. Subsidiary and Related Entities' Statements of Financial Position and Statements of Activities (continued)

The statements of activities (income statements) for Habitat's subsidiary and related entities before elimination and consolidation entries for the year ended June 30, 2014 are as follows:

	MicroBuild	MicroBuild India	Total
Revenues and gains			
Gift-in-kind service income	$ 144,793	$ –	$ 144,793
Interest and other income, net	1,281,689	127,196	1,408,885
Total revenues and gains	1,426,482	127,196	1,553,678
Expenses			
Program services:			
Professional fees	356,360	8,691	365,051
Interest expense	386,415	–	386,415
Other expenses	212,387	90,006	302,393
Total program services	955,162	98,697	1,053,859
Supporting services:			
Fund-raising	–	2,560	2,560
Management and general	–	12,772	12,772
Total supporting services	–	15,332	15,332
Total expenses	955,162	114,029	1,069,191
Change in equity	$ 471,320	$ 13,167	$ 484,487

21. Subsidiary and Related Entities' Statements of Financial Position and Statements of Activities (continued)

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

	MicroBuild	MicroBuild India	Total
Revenues and gains			
Gift-in-kind service income	$ 234,973	$ –	$ 234,973
Interest and other income, net	315,403	45,952	361,355
Total revenues and gains	550,376	45,952	596,328
Expenses			
Program services:			
Professional fees	761,028	19,085	780,113
Interest expense	89,236	–	89,236
Other expenses	159,628	43,627	203,255
Total program services	1,009,892	62,712	1,072,604
Supporting services:			
Fund-raising	–	5,844	5,844
Management and general	319,439	44,302	363,741
Total supporting services	319,439	50,146	369,585
Total expenses	1,329,331	112,858	1,442,189
Change in equity	$ (778,955)	$ (66,906)	$ (845,861)

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

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