# Consolidated Financial Statements

Habitat for Humanity International, Inc.
Years Ended June 30, 2012 and 2011
With Report of Independent Auditors

Ernst & Young LLP

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Habitat for Humanity International, Inc.

Consolidated Financial Statements

Years Ended June 30, 2012 and 2011

## Contents

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# Report of Independent Auditors

The Board of Directors
Habitat for Humanity International, Inc.

We have audited the accompanying consolidated statements of financial position of Habitat for Humanity International, Inc. (Habitat) as of June 30, 2012 and 2011, and the related consolidated statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of Habitat's management. 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. We were not engaged to perform an audit of Habitat's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Habitat as of June 30, 2012 and 2011, and the consolidated changes in their net assets and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

November 27, 2012

# Habitat for Humanity International, Inc.

## Consolidated Statements of Financial Position

| | June 30 | |
|---|---|---|
| | **2012** | **2011** |
| **Assets** | | |
| Cash and cash equivalents | **$ 42,263,322** | $ 70,440,559 |
| Investments at fair value | **43,757,640** | 45,853,262 |
| Receivables: | | |
| Contributions and grants, net | **56,713,711** | 57,769,402 |
| Affiliate notes, net | **44,966,201** | 43,264,179 |
| Due from affiliates, net | **9,923,517** | 9,225,362 |
| Mortgages receivable, net | **4,540,789** | 5,924,991 |
| Other, net | **1,346,274** | 1,793,737 |
| Total receivables | **117,490,492** | 117,977,671 |
| Inventories, net | **2,478,423** | 3,272,412 |
| Construction in progress | **1,281,141** | 695,601 |
| Prepaids and other assets | **2,059,086** | 2,247,806 |
| Land, buildings, and equipment – net of accumulated depreciation and amortization | **11,206,461** | 12,667,505 |
| | **$ 220,536,565** | $ 253,154,816 |
| **Liabilities and net assets** | | |
| Accounts payable and accrued expenses | **$ 18,514,874** | $ 20,076,469 |
| Program advances | **4,765,565** | 2,277,178 |
| Capitalized lease obligations payable | **1,829,327** | 2,348,112 |
| Due to affiliates | **1,786,390** | 2,603,903 |
| Notes payable | **2,843,930** | 3,381,747 |
| Annuity obligation | **8,329,905** | 7,477,512 |
| Investor notes payable | **50,449,767** | 50,718,529 |
| Total liabilities | **88,519,758** | 88,883,450 |
| Net assets: | | |
| Unrestricted | **9,671,896** | 25,586,136 |
| Temporarily restricted | **120,986,335** | 137,462,246 |
| Permanently restricted | **1,358,576** | 1,222,984 |
| Total net assets | **132,016,807** | 164,271,366 |
| | **$ 220,536,565** | $ 253,154,816 |

*See accompanying notes.*

# Habitat for Humanity International, Inc.

## Consolidated Statements of Activities and Changes in Net Assets

| | Year Ended June 30, 2012 | | | | Year Ended June 30, 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| **Revenues and gains** | | | | | | | | |
| Contributions | **$ 82,583,887** | **$ 58,938,272** | **$ 135,592** | **$ 141,657,751** | $ 88,167,179 | $ 68,835,239 | $ 405,085 | $ 157,407,503 |
| Contributed advertising - PSA's | **5,775,554** | **–** | **–** | **5,775,554** | 7,843,981 | – | – | 7,843,981 |
| Donations in kind, excluding PSA's | **16,450,841** | **35,014,419** | **–** | **51,465,260** | 13,302,388 | 16,914,177 | – | 30,216,565 |
| Government grants: | | | | | | | | |
| NSP2 | **54,797,294** | **–** | **–** | **54,797,294** | 37,310,319 | – | – | 37,310,319 |
| Government grants, excluding NSP2 | **22,515,871** | **–** | **–** | **22,515,871** | 26,008,019 | – | – | 26,008,019 |
| Total government grants | **77,313,165** | **–** | **–** | **77,313,165** | 63,318,338 | – | – | 63,318,338 |
| Other income, net | **23,335,034** | **–** | **–** | **23,335,034** | 28,551,513 | – | – | 28,551,513 |
| Total revenues and gains | **205,458,481** | **93,952,691** | **135,592** | **299,546,764** | 201,183,399 | 85,749,416 | 405,085 | 287,337,900 |
| Satisfaction of program restrictions | **108,229,684** | **(108,229,684)** | **–** | **–** | 121,451,308 | (121,451,308) | – | – |
| Total revenues and gains | **313,688,165** | **(14,276,993)** | **135,592** | **299,546,764** | 322,634,707 | (35,701,892) | 405,085 | 287,337,900 |
| **Expenses** | | | | | | | | |
| Program services: | | | | | | | | |
| U.S. affiliates | **176,744,355** | **–** | **–** | **176,744,355** | 159,833,807 | – | – | 159,833,807 |
| International affiliates | **73,391,385** | **–** | **–** | **73,391,385** | 82,463,243 | – | – | 82,463,243 |
| Public awareness and education | **27,168,400** | **–** | **–** | **27,168,400** | 26,197,990 | – | – | 26,197,990 |
| Total program services | **277,304,140** | **–** | **–** | **277,304,140** | 268,495,040 | – | – | 268,495,040 |
| Supporting services: | | | | | | | | |
| Fund-raising | **38,252,681** | **–** | **–** | **38,252,681** | 37,301,937 | – | – | 37,301,937 |
| Management and general | **14,045,584** | **–** | **–** | **14,045,584** | 13,717,040 | – | – | 13,717,040 |
| Total supporting services | **52,298,265** | **–** | **–** | **52,298,265** | 51,018,977 | – | – | 51,018,977 |
| Total expenses | **329,602,405** | **–** | **–** | **329,602,405** | 319,514,017 | – | – | 319,514,017 |
| Losses (recoveries) on contributions receivable | **–** | **2,198,918** | **–** | **2,198,918** | – | (189,860) | – | (189,860) |
| Total expenses and losses (recoveries) on contributions receivable | **329,602,405** | **2,198,918** | **–** | **331,801,323** | 319,514,017 | (189,860) | – | 319,324,157 |
| Change in net assets | **(15,914,240)** | **(16,475,911)** | **135,592** | **(32,254,559)** | 3,120,690 | (35,512,032) | 405,085 | (31,986,257) |
| Net assets at beginning of year | **25,586,136** | **137,462,246** | **1,222,984** | **164,271,366** | 22,465,446 | 172,974,278 | 817,899 | 196,257,623 |
| Net assets at end of year | **$ 9,671,896** | **$ 120,986,335** | **$ 1,358,576** | **$ 132,016,807** | $ 25,586,136 | $ 137,462,246 | $ 1,222,984 | $ 164,271,366 |

*See accompanying notes.*

# Habitat for Humanity International, Inc.

## Consolidated Statements of Cash Flows

| | Year Ended June 30 | |
|---|---|---|
| | **2012** | **2011** |
| **Operating activities** | | |
| Change in net assets | **$ (32,254,559)** | $ (31,986,257) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation and amortization | **2,948,976** | 3,045,866 |
| Net (gain) loss on disposal of land, buildings, and equipment | **42,859** | (22,786) |
| Losses (recoveries) on contributions receivable | **2,198,918** | (189,860) |
| Losses on other receivables | **904,663** | 1,020,736 |
| Net realized and unrealized (gains) losses on investments | **1,942,478** | (2,309,021) |
| Recoveries of amounts due to affiliates | **(2,823,049)** | (4,453,992) |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in receivables | **(472,969)** | 8,872,735 |
| (Increase) decrease in inventories | **793,989** | (1,842,054) |
| Increase in construction in progress | **(585,540)** | (649,523) |
| Decrease in prepaids and other assets | **188,720** | 211,554 |
| Increase (decrease) in accounts payable and accrued expenses | **(1,561,595)** | 846,374 |
| Increase in program advances | **2,488,387** | 2,277,178 |
| Net cash used in operating activities | **(26,188,722)** | (25,179,050) |
| **Investing activities** | | |
| Purchases of investments | **(65,676,262)** | (299,974,819) |
| Proceeds from sales and maturities of investments | **65,829,406** | 331,127,314 |
| Loans to affiliates | **(49,264,535)** | (49,932,863) |
| Repayments from affiliates | **47,121,102** | 43,515,573 |
| Purchases of land, buildings and equipment | **(1,029,080)** | (2,539,446) |
| Proceeds from sale of land, buildings and equipment | **119,508** | 120,021 |
| Net cash provided by (used in) investing activities | **(2,899,861)** | 22,315,780 |
| **Financing activities** | | |
| Principal repayments on capitalized lease obligations payable | **(1,140,004)** | (2,048,965) |
| Increase in due to affiliates | **2,163,062** | 1,777,232 |
| Payments on due to affiliates | **(157,526)** | (1,388,460) |
| Principal repayments on notes payable | **(379,967)** | (350,074) |
| Increase in annuity obligation | **1,442,077** | 310,802 |
| Payments of annuity obligation | **(589,684)** | (554,277) |
| Proceeds from issuance of investor notes payable | **20,686,764** | 19,346,214 |
| Payments on investor notes payable | **(21,113,376)** | (8,051,590) |
| Net cash provided by financing activities | **911,346** | 9,040,882 |
| Increase (decrease) in cash and cash equivalents | **(28,177,237)** | 6,177,612 |
| Cash and cash equivalents: | | |
| Beginning of year | **70,440,559** | 64,262,947 |
| End of year | **$ 42,263,322** | $ 70,440,559 |
| **Supplemental disclosures** | | |
| Interest paid | **$ 2,088,581** | $ 2,006,178 |
| Non-cash purchases of equipment through capital lease obligations | **$ 621,219** | $ 2,980,565 |

*See accompanying notes.*

# Habitat for Humanity International, Inc.

## Consolidated Statement of Functional Expenses

### Year Ended June 30, 2012

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

*See accompanying notes.*

# Habitat for Humanity International, Inc.

## Consolidated Statement of Functional Expenses

### Year Ended June 30, 2011

| | 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 | $ 65,338,292 | $ 40,005,608 | $ 4,497,494 | $ 109,841,394 | $ – | $ – | $ – | $ 109,841,394 |
| Program and house building transfers – NSP2 | 35,396,657 | – | – | 35,396,657 | – | – | – | 35,396,657 |
| Donated contributed advertising – PSA's | – | – | 7,843,981 | 7,843,981 | – | – | – | 7,843,981 |
| Donated assets distributed, excluding PSA's | 29,692,484 | 677,587 | – | 30,370,071 | – | – | – | 30,370,071 |
| Salaries and benefits | 17,930,833 | 25,303,944 | 8,012,200 | 51,246,977 | 8,618,631 | 7,633,396 | 16,252,027 | 67,499,004 |
| Payroll tax expense | 1,144,058 | 614,066 | 493,825 | 2,251,949 | 533,081 | 354,966 | 888,047 | 3,139,996 |
| Professional services – direct mail | – | – | – | – | 20,508,372 | – | 20,508,372 | 20,508,372 |
| Professional services – other | 1,361,107 | 2,830,316 | 1,326,262 | 5,517,685 | 2,471,095 | 906,447 | 3,377,542 | 8,895,227 |
| Postage and freight | 73,972 | 268,572 | 728,418 | 1,070,962 | 956,246 | 40,789 | 997,035 | 2,067,997 |
| Travel | 1,519,100 | 5,058,163 | 695,555 | 7,272,818 | 857,089 | 421,261 | 1,278,350 | 8,551,168 |
| Printing | 124,145 | 78,675 | 492,449 | 695,269 | 227,306 | 5,805 | 233,111 | 928,380 |
| Service agreements and utilities | 1,036,709 | 1,399,981 | 624,980 | 3,061,670 | 1,084,576 | 1,653,865 | 2,738,441 | 5,800,111 |
| Insurance | 723,573 | 294,582 | 178,798 | 1,196,953 | 172,075 | 189,959 | 362,034 | 1,558,987 |
| Interest, service charges, and taxes | 1,860,465 | 162,636 | 236,284 | 2,259,385 | 712,289 | 158,911 | 871,200 | 3,130,585 |
| Office and equipment | 570,754 | 1,808,428 | 403,803 | 2,782,985 | 208,310 | 1,103,470 | 1,311,780 | 4,094,765 |
| Depreciation and amortization | 876,567 | 826,913 | 314,014 | 2,017,494 | 563,398 | 464,974 | 1,028,372 | 3,045,866 |
| Other | 2,185,091 | 3,133,772 | 349,927 | 5,668,790 | 389,469 | 783,197 | 1,172,666 | 6,841,456 |
| Total | $ 159,833,807 | $ 82,463,243 | $ 26,197,990 | $ 268,495,040 | $ 37,301,937 | $ 13,717,040 | $ 51,018,977 | $ 319,514,017 |

*See accompanying notes.*

## 1. Organization and Purpose

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

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

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

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

## 2. Summary of Significant Accounting Policies

### Principles of Consolidation

The accompanying consolidated financial statements as of and for the years ended June 30, 2012 and 2011, include the activities of Habitat’s area and regional offices, twelve national organizations that are registered as part of Habitat for Humanity International, as well as the activities of Habitat for Humanity-Middle East, a wholly owned subsidiary, Nadacia Foundation HFHI, and Habitat for Humanity-Haiti, in which Habitat effectively has control and an economic interest. All material intercompany accounts and transactions have been eliminated.

### Cash and Cash Equivalents

Habitat considers all highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents.

## 2. Summary of Significant Accounting Policies (continued)

### Investments

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

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

### Contributions Receivable

Contributions receivable that are expected to be collected in future years are recorded at fair value. Contributions receivable are reflected net of an allowance for uncollectible amounts based on management's judgment and analysis of the creditworthiness of the donors, past payment experience, and other relevant factors and have been discounted at rates equivalent to the 10-year Treasury bill rate in effect at the date the contribution is made. In accordance with FASB ASC 820-10, management computed and booked an additional risk adjusted discount factor on the new cash and GIK pledge receivables recorded during the year.

Habitat does not recognize conditional promises to give as a receivable. Habitat recognizes a receivable only to the extent the condition has been satisfied. As of June 30, 2012 and 2011, conditional promises to give amounted to $2,412,000 and $3,924,500, respectively, and are not recorded in the consolidated financial statements.

### Accelerated Asset Recovery/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% to 6.5% over seven to ten years and are secured by mortgages held by those affiliates.

## 2. Summary of Significant Accounting Policies (continued)

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

The real estate securing these mortgages is concentrated in the states of Florida (15%), and Michigan (12%). The remaining balance is secured by real estate in cities located throughout the remaining United States, with no city comprising more than 6% of the balance.

### Due From/To Affiliates

Due from affiliates consists primarily of non-interest-bearing, unsecured, demand notes from Habitat affiliates in the U.S. An allowance for estimated doubtful accounts is provided, as considered appropriate, based on identification of specific uncollectible receivables and a general reserve that is based on the method of payment by the affiliate and past payment experience. A majority of these loans originated with affiliates that are participating in the Self-Help Home Ownership Program (SHOP) grant. Habitat treats 25% of the grant proceeds 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 close out report is submitted to HUD. During the year ending June 30, 2012, financial close out reports were submitted and accepted by HUD for the SHOP program year 2008, allowing $2,823,049 of this balance to be recognized as other income in the consolidated Statement 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 and, at times, are repaid based on prices of local commodities. In Asian countries, the mortgage receivable balances are discounted using a bank long-term lending rate in effect at the date the mortgage is issued.

## 2. Summary of Significant Accounting Policies (continued)

### Inventories

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

### Construction in Progress

Construction in progress represents materials, labor and other costs incurred for T-shelters and core houses being constructed in Haiti as part of the continuing response to the 2010 earthquake. An amount of $695,601 has been reclassified from inventories in the 2011 Consolidated Statement of Financial Position to conform to the 2012 presentation.

### Land, Buildings, Capital Leases, and Equipment

Land, buildings, capital leases, and equipment are recorded at acquisition cost, including costs necessary to get the asset ready for its intended use. Additionally, certain application development costs incurred to develop internal-use software are capitalized and amortized over the expected useful life of the software application. Depreciation expense and amortization expense of assets under capital leases are provided on a straight-line basis over the estimated useful lives of the respective assets, as follows:

| | |
|---|---|
| Buildings | 20 to 30 years |
| Furniture and equipment | 5 to 10 years |
| Computer hardware and software | 3 years |
| Vehicles | 3 to 5 years |

For capitalized leases, if the lease term specifies a transfer of ownership or bargain purchase option, then the useful life of the related asset is used (3 to 5 years). Otherwise, depreciation is based on the lease term.

### 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

**2. Summary of Significant Accounting Policies (continued)**

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 utilized as of June 30, 2012. 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 was $12,233,972 and $10,759,490 for the years ending June 30, 2012 and 2011, respectively.

**Program Advances**

Program advances relate to cash received directly from government and nongovernmental agencies, not yet expended on the program. These amounts will be recognized as revenue as the expenses are incurred. An amount of $2,277,178 has been reclassified from accounts payable and accrued expenses in the 2011 Consolidated Statement of Financial Position to conform to the 2012 presentation.

**Net Assets**

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

Permanently restricted net assets consist of the principal amount of gifts which 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.

## 2. Summary of Significant Accounting Policies (continued)

### Contributions

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

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

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

### Government Grants

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

### Contributed Goods and Services

During the years ended June 30, 2012 and 2011, a general advertising campaign targeting individuals to volunteer with their local affiliates was run. The total commercial value of these PSAs was $57.8 million and $78.4 million for the years ending June 30, 2012 and 2011, respectively. However, the majority of the value of the general campaign is received by local affiliates that are not consolidated by Habitat. As such, Habitat has estimated only 10% of the value of the general campaign is a contributed asset for Habitat.

Advertising revenue related to contributed Public Service Announcements (PSA's) for the campaigns and associated expense in the amount of $5.8 million and $7.8 million has been recognized in the Consolidated Statement of Activities for the years ending June 30, 2012 and 2011, respectively. Habitat has engaged a third party to assist in determining the value of the airings.

**2. Summary of Significant Accounting Policies (continued)**

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 $988,902 and $293,596 for the years ended June 30, 2012 and 2011, 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. Refunds of cash from partners are reflected as reductions of program service expense. Such refunds are generally at the discretion of Habitat and typically result from the repayment of mortgage loans by homeowners as received by the partners. For in-kind contributions, program services expenses are recorded upon delivery of in-kind transfers to the affiliate by Habitat or the donor.

**Estimates in the Financial Statements**

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

**Fair Value Measurements**

Habitat has adopted FASB ASC 820-10, 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

**2. Summary of Significant Accounting Policies (continued)**

in pricing an asset or liability. As a basis for considering such assumptions, FASB ASC 820-10 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 **–** Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 **–** Unobservable inputs which 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.

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

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

**Fair Value of Financial Instruments**

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

## 2. Summary of Significant Accounting Policies (continued)

### Subsequent Events

FASB ASC 855-10 requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. That is, whether that date represents the date the financial statements were issued or were available to be issued. Habitat has evaluated subsequent events for potential recognition and/or disclosure in these consolidated financial statements through November 15, 2012, the date that the consolidated financial statements were available to be issued.

### Reclassification

Certain amounts as previously reported have been reclassified in order to conform to the current year presentation.

## 3. Investments

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

| | **2012** | 2011 |
|---|---|---|
| Due in less than one year | **$ 1,786,337** | $ 1,707,559 |
| Due in one to five years | **–** | 434,202 |
| Due in more than five years | **29,435,289** | 33,004,366 |
| | **$ 31,221,626** | $ 35,146,127 |

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

| | **2012** | 2011 |
|---|---|---|
| Net increase (decrease) in fair value of investments, including realized and unrealized gains and losses | **$ (1,942,478)** | $ 2,309,021 |
| Interest and dividend income | **965,572** | 1,132,942 |

**4. Fair Value Measurements**

During the year ending June 30, 2012, it was noted that several funds of investments, known as commingled funds, held at State Street as part of the gift annuity program, as well as other debt security holdings held at Bank of America, were classified as Level 1 investments. These types of investments are generally classified within Level 2 of the valuation hierarchy.

To be consistent with appropriate guidance, $12,495,572 and $673,170 of securities classified as Level 1 in prior year were reclassified to Level 2 and 3, respectively.

In accordance with FASB ASC 820-10, Habitat measures cash and cash equivalents and marketable securities at fair value. At June 30, 2012, investments in marketable securities include $28,230,000 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 things.

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, 2012 and 2011:

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

## 4. Fair Value Measurements (continued)

| Description | Fair Value at June 30, 2011 | Quoted Market Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Cash and cash equivalents | $ 70,440,559 | $ 70,440,559 | $ – | $ – |
| Investments: | | | | |
| Certificates of deposit and other short term investments | 1,393,815 | 1,064,165 | 329,650 | – |
| Bonds – U.S., state government, and corporate | 1,003,500 | – | 330,330 | 673,170 |
| Common stock and mutual funds | 987,128 | 987,128 | – | – |
| Commingled funds (A): | | | | |
| Equity (stock) funds | 4,470,863 | – | 4,470,863 | – |
| Fixed income (bond) funds | 5,249,143 | – | 5,249,143 | – |
| Mortgage-backed securities | 2,796,313 | – | 2,115,586 | 680,727 |
| Auction rate securities | 29,952,500 | – | – | 29,952,500 |
| Total investments | 45,853,262 | 2,051,293 | 12,495,572 | 31,306,397 |
| Total cash and investments | $ 116,293,821 | $ 72,491,852 | $ 12,495,572 | $ 31,306,397 |

(A) Classification of these amounts was revised for being shown in Level 1 in the prior year to the current year presentation. Such revision is not considered material by management.

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 FASB ASC 820-10 at June 30, 2012:

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

Marketable securities measured at fair value using Level 3 inputs are comprised of auction rate securities and certain mortgage backed securities. Auction rate securities would typically be measured using Level 2 inputs. The failure of auction houses, beginning in February 2008, and the lack of market activity and liquidity requires the use of Level 3 inputs to determine the value.

**4. Fair Value Measurements (continued)**

Additionally, should Habitat have to sell the underlying securities prior to their maturity date or in a secondary market, the price received upon sale will be subject to prevailing market conditions and could be lower than par value. The underlying assets of the auction rate securities are collateralized primarily by the underlying assets of certain AAA, AA, and A-rated securities. Management assessed the value of these securities as of June 30, 2012 using a range of supportable market rates based upon an agreement with a reputable broker or purchaser to buy back these securities at the values stated. Based on this assessment, Habitat has recorded valuation adjustments of $9,820,000 to lower the total investments balance to their fair value as of June 30, 2012.

**5. Contributions and Grants Receivable**

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

| | **2012** | 2011 |
|---|---|---|
| Contributions | **$ 60,693,496** | $ 63,424,916 |
| Government grants | **1,558,538** | 1,304,864 |
| | **62,252,034** | 64,729,780 |
| Less unamortized discount | **2,967,974** | 4,364,184 |
| | **59,284,060** | 60,365,596 |
| Less allowance for uncollectibles | **2,570,349** | 2,596,194 |
| | **$ 56,713,711** | $ 57,769,402 |

These receivables are due as follows:

| | **2012** | 2011 |
|---|---|---|
| Due in less than one year | **$ 40,761,435** | $ 29,771,539 |
| Due in one to five years | **15,938,114** | 27,997,863 |
| Due in over five years | **14,162** | – |
| | **$ 56,713,711** | $ 57,769,402 |

Contributions receivable include in-kind amounts of $39,260,158 and $26,185,616 as of June 30, 2012 and 2011, respectively.

**5. Contributions and Grants Receivable (continued)**

Net contributions receivable includes one and three contributors in 2012 and 2011, respectively, whose individual net outstanding contribution receivable is greater than 10% of the total net outstanding contributions receivable. At June 30, 2012 and 2011, the net contributions receivable associated with these gifts totaled $14,482,221 and $21,370,780, respectively.

On October 1, 2008, a donor signed a gift agreement with Habitat for a legacy commitment of the residual value of his estate at time of death, not to exceed $100 million. This gift represents an unconditional promise and will be transferred to Habitat within five years of his death. Seventy percent (70%) of the gift is designated for unrestricted charitable purposes over a five year period, while the remaining thirty percent (30%) will fund a permanently restricted endowment. Due to uncertainties regarding the residual value of the estate at the donor's death, this gift has not been recognized in the consolidated financial statements.

**6. Due From Affiliates**

Due from affiliates at June 30 consist of the following:

| | **2012** | **2011** |
|---|---|---|
| Self-Help Home Ownership Program Grant | **$ 7,365,002** | $ 7,187,884 |
| Other | **3,051,971** | 2,952,676 |
| | **10,416,973** | 10,140,560 |
| Less allowance for uncollectibles | **493,456** | 915,198 |
| | **$ 9,923,517** | $ 9,225,362 |

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

## 7. Land, Buildings, and Equipment

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

| | 2012 | 2011 |
|---|---|---|
| Land | **$ 913,418** | $ 913,418 |
| Buildings and leasehold improvements | **11,816,481** | 11,791,168 |
| Computer hardware and software | **10,738,362** | 10,576,730 |
| Computer hardware and software under capital leases | **8,438,804** | 7,817,585 |
| Furniture and equipment | **5,235,568** | 5,137,250 |
| Vehicles | **2,298,946** | 2,160,828 |
| | **39,441,579** | 38,396,979 |
| Less accumulated depreciation and amortization | **28,235,118** | 25,729,474 |
| | **$ 11,206,461** | $ 12,667,505 |

Depreciation expense was $1,803,787 and $1,824,849 for the years ended June 30, 2012 and 2011, respectively. Amortization expense of assets under capital leases was $1,145,189 and $1,221,017 for the years ended June 30, 2012 and 2011, respectively. Accumulated amortization related to computer hardware and software under capital leases was $6,548,416 and $5,403,227 as of June 30, 2012 and 2011, respectively. Unamortized computer software costs were $871,647 and $1,084,499 as of June 30, 2012 and 2011, respectively.

**8. Notes Payable**

Notes payable at June 30 consist of the following:

| | **2012** | 2011 |
|---|---|---|
| Non-interest-bearing, unsecured notes payable to various individuals and organizations, payable principally on demand | **$ 79,654** | $ 283,438 |
| 3.84% note payable to Calvert Social Investment Foundation, secured by $200,000 in Habitat's investment bond portfolio, payable in five semiannual installments of $42,333 | **–** | 41,536 |
| 3.84% note payable to Calvert Social Investment Foundation, secured by $300,000 in Habitat's investment bond portfolio, payable in five semiannual installments of $63,500 | **250,000** | 300,000 |
| 1.0% $250,000 construction note payable to The United Nations Habitat and Human Settlement Foundation, payable in quarterly installments of $12,500, plus interest | **145,747** | 230,394 |
| Non-interest-bearing notes payable to affiliates upon completion of their accelerated asset recovery payable | **2,368,529** | 2,526,379 |
| | **$ 2,843,930** | $ 3,381,747 |

Future principal payments are as follows:

| | |
|---|---|
| 2013 | $ 375,418 |
| 2014 | 626,412 |
| 2015 | 50,000 |
| 2016 | 242,116 |
| 2017 | 239,526 |
| Thereafter | 1,310,458 |
| | $ 2,843,930 |

## 8. Notes Payable (continued)

The amount of future principal payments for 2012 includes $79,654 of non-interest-bearing, unsecured notes payable to various individuals and organizations, which are payable principally on demand. The amount actually demanded and repaid for such notes payable during the years ended June 30, 2012 and 2011, was $101,827 and $37,554, respectively. Additionally, $101,957 and $24,000, respectively, were converted to donations to Habitat.

## 9. Accelerated Asset Recovery/FlexCAP Program

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

| | |
|---|---|
| 2013 | $ 10,435,535 |
| 2014 | 6,825,745 |
| 2015 | 6,900,333 |
| 2016 | 5,916,715 |
| 2017 | 5,609,513 |
| Thereafter | 14,761,926 |
| | $ 50,449,767 |

Interest expense during the years ended June 30, 2012 and 2011, was $2,073,558 and $1,912,866, 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. Management believes they are in compliance with the covenants of investor notes payable.

## 10. Temporarily Restricted Net Assets

Temporarily restricted net assets are composed of the following at June 30:

| | **2012** | 2011 |
|---|---|---|
| Geographically restricted | **$ 8,203,549** | $ 6,717,844 |
| Restricted for mission-related projects | **11,868,235** | 14,868,842 |
| Restricted for the purchase of construction materials | **45,759,378** | 59,411,022 |
| Time restricted | **55,155,173** | 56,464,538 |
| | **$ 120,986,335** | $ 137,462,246 |

## 11. Net Assets Released From Restrictions

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

| | **2012** | 2011 |
|---|---|---|
| Release of: | | |
| Geographic restrictions | **$ 11,058,414** | $ 11,668,315 |
| Restrictions for mission-related projects | **15,080,189** | 19,075,800 |
| Restrictions for the purchase of construction materials | **58,281,392** | 67,662,764 |
| Release of time restrictions | **23,809,689** | 23,044,429 |
| | **$ 108,229,684** | $ 121,451,308 |

## 12. Revenue From Government Grants

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

| | **2012** | **2011** |
|---|---|---|
| Self-Help Home Ownership Program | **$ 10,215,995** | $ 8,129,322 |
| Capacity Build | **4,435,318** | 4,105,429 |
| AmeriCorps/Vista | **3,872,300** | 4,255,642 |
| USAID | **3,494,023** | 9,161,731 |
| Neighborhood Stabilization Program 2 | **54,797,294** | 37,310,319 |
| Department of Energy | **342,503** | 63,369 |
| Other | **155,732** | 292,526 |
| | **$ 77,313,165** | $ 63,318,338 |

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

**12. Revenue From Government Grants (continued)**

In 2010, Habitat received an award of $137,620,088 for Neighborhood Stabilization Program funds from the U.S. Department of Housing and Urban Development. These funds are to be used in seven target areas across five states. The revenue earned from this grant for the fiscal years ending June 30, 2012 and 2011, was $54,797,294 and $37,310,319, respectively. These amounts are included in unrestricted revenue for the respective years. Of these amounts, there were transfers to the target affiliates of $52,581,288 and $35,396,657 in 2012 and 2011, respectively.

**13. Employee Benefits**

Full-time Habitat employees who elect to participate are provided health and death benefits through the Habitat for Humanity International Welfare Benefit Plan (the Plan). The Plan requires contributions by participants. Expenses incurred by Habitat in connection with this plan, which is partially self-insured, were $6,213,898 and $6,080,516 for the years ended June 30, 2012 and 2011, respectively.

Habitat provides through the Habitat for Humanity Retirement Plan (the Retirement Plan), a defined contribution retirement plan to eligible plan participants. There are three components to the plan: (1) participant contributions, (2) a Habitat match equal to 100% of the first 3% of wages contributed by participants, and (3) a discretionary annual contribution by Habitat to each eligible participant’s account. Participants are fully vested in Habitat’s contributions after five years of service. Habitat’s contributions to the Retirement Plan were $742,797 and $694,970 for the years ended June 30, 2012 and 2011, respectively.

## 14. Leases

Habitat leases certain fixed assets, including office space in Atlanta, Georgia and other locations, under operating and capital leases. Many of these lease agreements contain renewal clauses and yearly escalations in monthly rent payments. At June 30, 2012, future minimum rental payments under the operating and capital leases are as follows:

| | Operating | Capital |
|---|---|---|
| 2013 | $ 1,663,688 | $ 1,022,041 |
| 2014 | 1,559,670 | 600,322 |
| 2015 | 1,535,889 | 263,240 |
| 2016 | 1,549,151 | 164,504 |
| 2017 | 1,605,699 | 26,620 |
| Thereafter | 1,726,577 | – |
| Total minimum payments | $ 9,640,674 | 2,076,727 |
| Less amounts representing executory costs and interest | | 247,400 |
| Present value of net minimum payments | | $ 1,829,327 |

Rent expense under operating leases amounted to $1,361,028 and $1,284,560 for the years ended June 30, 2012 and 2011, respectively.

## 15. Affiliate Programs

International and U.S. national organizations and affiliates–grassroots organizations of local people coming together to address local needs–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. Habitat has transferred cash and donated assets totaling $184,612,654 and $175,608,122 in 2012 and 2011, respectively, to international and U.S. national organizations and affiliates.

During the years ending June 30, 2012 and 2011, there were program expenses incurred for the Haiti Disaster Recovery totaling $12,506,362 and $22,932,153, respectively. These amounts are reflected in the International Affiliates column of the Consolidated Statements of Functional Expenses.

## 15. Affiliate Programs (continued)

Some affiliates in developing countries, where severely limited resources constrain local fund-raising, receive the majority of their funding from Habitat. All U.S. affiliates are expected to contribute a portion of their unrestricted cash contributions to support Habitat work outside their own country. These contributions totaled $13,079,611 and $13,210,827 in 2012 and 2011, respectively.

## 16. Commitments

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

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

## 17. Related-Party Transactions

For the years ended June 30, 2012 and 2011, Habitat recorded $1,597,009 and $8,477,359 in contributions, respectively, and $7,794,146 and $12,840,254 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, 2012 and 2011, Habitat had $9,524,203 and $8,327,877, of pledges receivable, respectively, from members of Habitat’s IBOD or from companies that they or their families represent.

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

**18. Subsequent Events**

On August 24, 2012, Habitat entered into a $10,000,000 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, 2013. As of November 27, 2012, Habitat had borrowed $7,900,000 under this line of credit.

On July 15, 2011, a limited liability company named MicroBuild I, LLC (MicroBuild) was formed. As of June 29, 2012, Habitat is a 51% owner of MicroBuild. The purpose of MicroBuild is to make loans to qualified microfinance institutions for the purpose of lending to housing projects in impoverished communities

On June 22, 2012, MicroBuild entered into a $45,000,000 loan agreement with Overseas Private Investment Corporation (OPIC), an agency of the United States of America. Habitat and its two partners in MicroBuild must match the remaining $5,000,000 for this $50,000,000 project. Additionally, Habitat is required to raise $5,000,000 in Guarantor Letters of Credit from donors. At June 30, 2012, no draws or other activity had taken place related to the loan. In July 2012, Habitat placed $765,000 of donor-restricted funds into MicroBuild as part of its initial investment, with the other partners contributing $735,000. As of November 27, 2012, $2,800,000 had been drawn from OPIC and $2,000,000 of that amount had been advanced to other microfinance institutions to be used for the purposes mentioned above.

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