

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

Habitat for Humanity International, Inc.

June 30, 2021 and 2020

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Habitat for Humanity International, Inc.

We have audited the accompanying consolidated financial statements of Habitat for Humanity International, Inc. (Habitat) (a nonprofit organization) and subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity International, Inc. and subsidiaries as of June 30, 2021 and 2020, and the results of their change in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Atlanta, Georgia
November 12, 2021

Habitat for Humanity International, Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In thousands)

June 30	2021	2020
Assets		
Cash and cash equivalents	\$ 95,033	\$ 130,474
Investments at fair value	220,408	112,275
Receivables:		
Contributions and grants, net	29,936	19,060
Affiliate notes, net	20,454	19,377
Due from affiliates, net	8,569	6,548
Loans to microfinance institutions, net	64,285	85,785
Institutional loans and mortgages receivable, net	525	507
Other, net	10,685	10,194
Total receivables	134,454	141,471
Inventories	11,363	12,823
Prepays and other assets	4,222	3,239
Land, buildings, and equipment - net of accumulated depreciation and amortization	10,919	14,949
Total assets	\$ 476,399	\$ 415,231
Liabilities and net assets		
Accounts payable and accrued expenses	\$ 31,855	\$ 24,783
Program advances	34,242	39,083
Capitalized lease obligations payable	1,102	1,425
Due to affiliates	1,565	1,022
Notes payable, net of unamortized debt issuance costs	70,366	79,228
Charitable gift annuities	6,832	6,878
Investor notes payable	25,413	18,342
Total liabilities	171,375	170,761
Net assets:		
Without donor restrictions:		
Controlling interests	161,136	125,781
Noncontrolling interests	9,054	9,203
	170,190	134,984
With donor restrictions	134,834	109,486
Total net assets	305,024	244,470
Total liabilities and net assets	\$ 476,399	\$ 415,231

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

Habitat for Humanity International, Inc.
CONSOLIDATED STATEMENTS OF ACTIVITIES
(In thousands)

	Year ended June 30, 2021			Year ended June 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and gains						
Contributions	\$ 130,670	\$ 129,073	\$ 259,743	\$ 119,504	\$ 80,123	\$ 199,627
Donated product, services and advertising	33,901	21,045	54,946	36,859	4,526	41,385
Government grants and subcontracts	17,557	-	17,557	13,802	-	13,802
Other income, net	29,389	-	29,389	32,972	-	32,972
Total revenues and gains	211,517	150,118	361,635	203,137	84,649	287,786
Net assets released from restrictions	124,134	(124,134)	-	98,275	(98,275)	-
Total revenues and gains	335,651	25,984	361,635	301,412	(13,626)	287,786
Expenses						
Program services:						
U.S. affiliates	139,109	-	139,109	115,095	-	115,095
International affiliates	70,489	-	70,489	78,527	-	78,527
Public awareness and education	17,507	-	17,507	19,288	-	19,288
Total program services	227,105	-	227,105	212,910	-	212,910
Supporting services:						
Fundraising	54,309	-	54,309	54,047	-	54,047
Management and general	19,031	-	19,031	19,458	-	19,458
Total supporting services	73,340	-	73,340	73,505	-	73,505
Total expenses	300,445	-	300,445	286,415	-	286,415
Losses on contributions receivable	-	636	636	-	382	382
Total expenses and losses on contributions receivable	300,445	636	301,081	286,415	382	286,797
Change in net assets	35,206	25,348	60,554	14,997	(14,008)	989
Net assets at beginning of year	134,984	109,486	244,470	119,987	123,494	243,481
Nets assets at end of year	\$ 170,190	\$ 134,834	\$ 305,024	\$ 134,984	\$ 109,486	\$ 244,470

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

Habitat for Humanity International, Inc.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

(In thousands)

For the year ended June 30, 2021:	U.S. Affiliates	International Affiliates	Public Awareness and Education	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total
Program and house building transfers	\$ 68,617	\$ 32,534	\$ 1,369	\$ 102,520	\$ -	\$ -	\$ -	\$ 102,520
Donated products and advertising distributed	30,101	4	730	30,835	-	-	-	30,835
Salaries and benefits	30,235	24,699	8,845	63,779	16,290	13,493	29,783	93,562
Professional services	2,635	4,493	2,560	9,688	32,373	1,436	33,809	43,497
Travel	28	352	7	387	16	52	68	455
Interest, service charges, and taxes	995	1,769	1,690	4,454	932	261	1,193	5,647
Office expenses	4,347	3,173	1,474	8,994	3,426	2,696	6,122	15,116
Depreciation and amortization	1,465	1,336	345	3,146	782	613	1,395	4,541
Other	686	2,129	487	3,302	490	480	970	4,272
Total	\$ 139,109	\$ 70,489	\$ 17,507	\$ 227,105	\$ 54,309	\$ 19,031	\$ 73,340	\$ 300,445

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

Habitat for Humanity International, Inc.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED

(In thousands)

For the year ended June 30, 2020:	U.S. Affiliates	International Affiliates	Public Awareness and Education	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total
Program and house building transfers	\$ 40,124	\$ 33,640	\$ 597	\$ 74,361	\$ -	\$ -	\$ -	\$ 74,361
Donated products and advertising distributed	32,580	5	4,935	37,520	-	-	-	37,520
Salaries and benefits	29,845	29,024	6,996	65,865	17,205	13,888	31,093	96,958
Professional services	2,565	4,883	1,718	9,166	30,933	1,465	32,398	41,564
Travel	1,090	1,761	264	3,115	571	476	1,047	4,162
Interest, service charges, and taxes	861	2,083	1,835	4,779	748	293	1,041	5,820
Office expenses	5,040	3,765	1,572	10,377	3,330	2,302	5,632	16,009
Depreciation and amortization	1,427	1,371	336	3,134	771	528	1,299	4,433
Other	1,563	1,995	1,035	4,593	489	506	995	5,588
Total	\$ 115,095	\$ 78,527	\$ 19,288	\$ 212,910	\$ 54,047	\$ 19,458	\$ 73,505	\$ 286,415

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

Habitat for Humanity International, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOW
(In thousands)

For the year ended June 30:	2021	2020
Operating activities		
Change in net assets	\$ 60,554	\$ 989
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,541	4,433
Net loss (gain) on disposal of land, buildings, and equipment	84	(308)
Transfer of fixed assets	2	9
Losses on contributions receivable	636	382
Losses on loans to micro-finance institutions	1,438	1,017
Losses (recoveries) on other receivables	220	(189)
Net realized and unrealized (gains) losses on investments	(14,073)	3,945
Support from the public restricted for long-term investments	(3)	(302)
Net realized and unrealized gain on derivative instrument	(97)	(2,199)
Unrealized (gain) loss from foreign exchange fluctuations	(109)	1,716
Contribution of securities	(5,943)	(4,432)
Changes in operating assets and liabilities:		
Increase (decrease) in receivables	(11,375)	11,851
Decrease in inventories	1,460	645
Increase in prepaids	(940)	(148)
Increase in accounts payable and accrued expenses	7,072	4,941
Decrease in program advances	(4,841)	(7,641)
Net cash provided by operating activities	38,626	14,709
Investing activities		
Purchases of investments	(162,606)	(143,036)
Proceeds from sales and maturities of investments	75,088	210,199
Loans to micro-finance institutions	(2,601)	(3,713)
Repayments from micro-finance institutions	22,264	21,565
Loans to affiliates	(32,736)	(23,982)
Repayments from affiliates	28,774	24,124
Purchases of land, buildings, and equipment	(283)	(8,040)
Proceeds from sale of land, buildings, and equipment	24	379
Net cash (used in) provided by investing activities	(72,076)	77,496
Financing activities		
Principal repayments on capitalized lease obligations payable	(657)	(795)
Increase in due to affiliates	1,208	1,652
Payments on due to affiliates	(665)	(2,769)
Support from the public restricted for long-term investments	3	302
Increase in annuity obligation	353	64
Payments of annuity obligation	(399)	(409)
Proceeds from issuance of notes payable	12,580	8,050
Payments on notes payable	(14,414)	(22,206)
Net cash used in financing activities	(1,991)	(16,111)
(Decrease) increase in cash and cash equivalents	(35,441)	76,094
Cash and cash equivalents, beginning of year	130,474	54,380
Cash and cash equivalents, end of year	\$ 95,033	\$ 130,474
Supplemental disclosures		
Interest paid	\$ 4,178	\$ 4,461
Non-cash purchases of equipment through capital lease obligations	\$ 334	\$ 430
Non-cash contribution of securities	\$ 5,943	\$ 4,432
Non-cash conversion of debt instruments to Equity investments	\$ 600	\$ -
Non-cash refinancing MFI loans	\$ 8,702	\$ 8,000

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

Habitat for Humanity International, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 1 - ORGANIZATION AND PURPOSE

Driven by the vision that everyone needs a decent place to live, Habitat for Humanity International, Inc. (Habitat) began in 1976 as a grassroots effort on a community farm in southern Georgia. The Christian housing organization has since grown to become a leading global non-profit working in local communities across all 50 states in the U.S. and in more than 70 countries. Families and individuals in need of a hand up partner with Habitat to build or improve a place they can call home. Habitat homeowners help build their own homes alongside volunteers and pay an affordable mortgage. Through financial support, volunteering or adding a voice to support affordable housing, everyone can help families achieve the strength, stability and self-reliance they need to build better lives for themselves. Through shelter, we empower. To learn more, visit habitat.org.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements as of and for the years ended June 30, 2021 and 2020, include the activities of:

- Habitat's area and regional offices
- Eleven national organizations that are registered as part of Habitat for Humanity International, Inc., as of June 30, 2021 and 2020, respectively
- Habitat for Humanity, Inc., Habitat Mortgage Solutions, Habitat for Humanity of Puerto Rico, LLC, and Habitat for Humanity-Middle East, which are wholly-owned subsidiaries
- MicroBuild I, LLC (MicroBuild) and Habitat Micro Build India Housing Finance Company Private Limited (MicroBuild India), in which Habitat effectively has control and an economic interest.

All material intercompany accounts and transactions have been eliminated in preparing the accompanying consolidated financial statements.

Cash and Cash Equivalents

Habitat considers all highly liquid investments with an original maturity of three months or less, when purchased, to be cash equivalents, with the exception of cash held for reinvestment which is included in investments. Habitat maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. Habitat has not experienced any losses in such accounts. Included in cash and cash equivalents is restricted cash of \$70,879,000 and \$38,058,000 as of June 30, 2021 and 2020, respectively. As of June 30, 2021, and 2020, \$38,083,000 and \$26,158,000, respectively, was held in banks outside of the United States, and these amounts are not covered by insurance.

Habitat for Humanity International, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

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 net assets with donor restrictions if the terms of the gift or relevant state law require that they be added back to the principal of the contributions with donor restrictions held in perpetuity.
- As decreases in net assets with donor restrictions when there are losses that reduce the fair value of the assets of endowment funds below the required level and as increases in net assets with donor restrictions when there are gains that restore the fair value of the assets of endowment funds to the required level.
- As increases (decreases) in net assets with donor restrictions, in all other cases.

Contributions Receivable

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at their fair value based on the present value of their estimated future cash flows and are discounted at the rate applicable to the year in which the contribution was made. The discount rates used reflect the assumptions about market risks that are not otherwise considered in the cash flows.

Habitat does not recognize conditional promises to give as receivables. Habitat recognizes a receivable only to the extent a condition has been satisfied. As of June 30, 2021 and 2020, conditional promises to give amounted to \$1,782,000 and \$11,261,000, respectively, and are not recorded in the accompanying 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 are payable over five to ten years. The proceeds received from investor notes payable were disbursed to those affiliates that signed affiliate notes receivable with Habitat. Affiliate notes receivable are collectible over five to ten years and are secured by mortgages held by those affiliates. The investor notes payable and affiliate notes receivable have interest rates ranging as follows:

	2021	2020
Investor notes payable	2.0% to 5.0%	2.6% to 5.0%
Affiliate notes receivable	3.1% to 5.5%	3.1% to 5.5%

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

The real estate securing these mortgages is concentrated in the states of North Carolina (17%), Washington (11%), and Florida (10%). The remaining balance is secured by real estate in cities located throughout the United States, with no city comprising more than 5% of the balance.

Habitat for Humanity International, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

Due From/To Affiliates

Due from affiliates consists primarily of non-interest-bearing, unsecured, demand notes from Habitat affiliates in the U.S. An allowance for estimated doubtful accounts is provided, as considered appropriate, based on identification of specific uncollectible receivables and a general reserve that is based on the method of payment by the affiliate and past payment experience. A majority of these loans originated with affiliates that are participating in the Self-help Homeownership Opportunity Program (SHOP) grant. Habitat treats 25% of the grant disbursements as a loan to affiliates that must be paid back to Habitat without interest. The Department of Housing and Urban Development (HUD) has determined that the proceeds from the loans to affiliates must be disbursed as an additional SHOP grant. Amounts loaned and collected under SHOP loans are reflected as a liability (due to affiliates) until these proceeds are appropriately redistributed or until the appropriate financial closeout report is submitted to HUD. During the year ending June 30, 2021, there were no additional funds redistributed or SHOP grants closed. During the year ended June 30, 2020, financial closeout reports were submitted and accepted by HUD for the SHOP program years 2015 and 2016, allowing \$2,394,000 of this balance to be recognized as other income in the 2020 consolidated statement of activities.

Other amounts due from affiliates consist of advances made to participating beneficiaries for European Union (EU) grants. The advances for EU grants are held as a receivable until the beneficiary provides satisfactory reporting of the program expenditures incurred, at which point the program transfer and related revenue is recognized.

Loans to Microfinance Institutions

Loans to microfinance institutions are recorded in the consolidated statements of financial position at their unpaid principal amounts. Interest income is accrued based on the outstanding principal amount and contractual terms of each individual loan. Interest is collected quarterly. Once a loan becomes six months delinquent in paying their obligations, interest is no longer accrued on that obligation until such time as the delinquency is cleared.

Allowance for Loan Losses

The allowance for loan losses is based on assessments of certain factors, including historical credit loss experience of similar type loans, MicroBuild's credit loss experience, the amount of past due and nonperforming loans, specific known risks, and current and anticipated economic, country, regulatory and interest rate conditions.

Evaluation of these factors involves subjective estimates and judgments that may change. Additions to the allowance for loan losses are provided through the consolidated statements of activities. Subsequent recoveries, if any, are credited to the allowance for loan losses.

Derivative Instruments

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

Habitat for Humanity International, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

Mortgages Receivable

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

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

Inventories

Inventories represent building materials and materials to be used in construction of Habitat houses or sold in Habitat affiliate ReStores. Donated product inventory is recorded at the fair value on the date of receipt, and such items are expensed as program services expense when used or shipped to U.S. affiliates, based upon the specific identification method. Purchased inventory is recorded at the lower of cost or market determined by the specific identification method. Inventory is recorded net of any allowance for obsolescence on the consolidated statements of financial position. For the years ended June 30, 2021 and 2020, a loss for obsolescence of \$486,000 and \$368,000, respectively, is included in the donated products and advertising distributed in the accompanying consolidated statements of functional expenses.

Land, Buildings, Capital Leases, and Equipment

Land, buildings, capital leases, and equipment over \$5,000 are recorded at acquisition cost for purchased items and fair value for contributed items, including costs necessary to get the asset ready for its intended use. Additionally, certain application development costs incurred to develop internal-use software are capitalized and amortized over the expected useful life of the software application. These costs are included in prepaids and other assets until they are placed in service. Depreciation and amortization of assets are provided on a straight-line basis over the estimated useful lives of the respective assets, as follows:

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

Charitable Gift Annuities

Habitat has a gift annuity program whereby it enters into irrevocable contracts with certain donors. Habitat agrees to make payments to donors at prescribed intervals over the life of the donor. The assets received are recorded at fair value, and the related liability is recorded as an annuity obligation. For the years ended June 30, 2021 and 2020, annuity obligations are recorded at the present value of expected future payments based on the 2012 Individual Annuity Reserving Table and the prevailing interest rate. 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 totaled \$11,538,000 and \$9,802,000 as of June 30, 2021 and 2020, respectively.

Habitat is required to hold reserves related to its gift annuity program based on the laws in certain states in which the gifts are solicited. Such reserves totaled \$8,643,000 and \$8,701,000 as of June 30, 2021 and 2020, respectively, and are included in investments at fair value on the accompanying statements of financial position.

Habitat for Humanity International, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

Program Advances

Program advances relate to cash received directly from government and nongovernmental agencies, not yet expended on the program. These amounts will be recognized as revenue as the expenses are incurred. As of June 30, 2021 and 2020, Habitat has recorded a program advance of \$30,092,000 and \$37,508,000, respectively, from a single nongovernmental agency. Additionally, as of June 30, 2021, Habitat has recorded a program advance of \$4,150,000 from a single governmental agency.

Net Assets

Habitat's revenues and gains are classified as net assets with donor restrictions and net assets without donor restrictions based on the existence or absence of donor-imposed restrictions. These classifications are defined as follows:

Net assets with donor restrictions are subject to donor-imposed restrictions. The restrictions can 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. Net assets with donor restrictions also contain the principal amount of gifts that are required by donors to be held permanently.

Net assets without donor restrictions 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 contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets or restricted as to time.

Certain grants and contracts from foundations and governmental entities are included in deferred revenue due to stipulations within the agreements that contain right of return of funds and barriers (as defined by ASU 2018-08) that make these contributions conditional. These funds are recognized as eligible costs are incurred.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Contributions with donor restrictions that are both received and released within the same year are recorded as an increase in net assets with donor restrictions and as a satisfaction of program restrictions.

Government Grants

Habitat receives funding from several federal financial assistance programs that supplement its traditional funding sources. Grant revenue on cost-reimbursement grants is recognized after the program expenditures have been incurred. As such, Habitat recognizes revenue and records a receivable for the reimbursement amount from the granting agency. Such grant programs are subject to independent audit under the Office of Management and Budget's (OMB's) Uniform Guidance (2 CFR 200), as well as review by grantor agencies. Such review could result in disallowance of expenditures under the terms of the grant or reductions in future grant funds. Based on prior experience, Habitat's management believes costs ultimately disallowed, if any, would not materially affect the consolidated financial statements.

Habitat for Humanity International, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

Contributed Services

Habitat produces and distributes public service television and radio announcements that focus attention on the programs Habitat provides. These Public Service Announcements (PSAs) are distributed to television stations and radio stations nationwide that then deliver the announcements to assist Habitat in its mission, free of charge. Habitat has contracted with independent outside agencies to track the date and time that each PSA displays and to estimate the fair value of the announcement based on the date, time, and market. Donated product revenue related to contributed PSAs and associated expense in the amount of \$730,000 and \$4,935,000 has been recognized in the consolidated statements of activities for the years ended June 30, 2021 and 2020, 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 would have needed to be purchased if not provided by donation, are recognized as revenue and expense. Such amounts, which are included in the accompanying consolidated statements of activities, totaled \$439,000 and \$526,000 for the years ended June 30, 2021 and 2020, respectively.

Program Services

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

Methods Used for Allocation of Expenses

The consolidated statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of Habitat are reported as expenses of those functional areas. A portion of management and general costs that benefit multiple functional areas have been allocated across program and other supporting services based on estimates of time and effort spent by staff and resources. Depreciation and amortization are allocated using an allocation developed based on a review of the assets in service compared to the functions they support.

Estimates in the Financial Statements

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

Income Taxes

Habitat is organized as a nonprofit corporation under the laws of the State of Georgia and is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and corresponding Georgia provisions. Donors of cash and/or property are entitled to the maximum charitable contribution deduction allowed by law. Habitat follows the guidance of Accounting Standards Codification (ASC) 740, Accounting for Income Taxes, related to uncertainties in income taxes, which prescribes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. There are no such uncertain tax positions for Habitat for the years ended June 30, 2021 and 2020.

Habitat for Humanity International, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

Fair Value Measurements

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

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Other inputs that are directly or indirectly observable in the marketplace.

Level 3 - Unobservable inputs that are supported by little or no market activity.

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

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the valuation methods as compared to the prior year.

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

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

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

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

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

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

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

Annuity obligations are recorded at fair value based on Level 3 inputs and other relevant market data based on the present value of the estimated future cash outflows. For the years ended June 30, 2021 and 2020, the assumptions used in the valuation of the annuity liability include mortality in accordance with the 2012 Individual Annuity Reserving Table and a discount rate of 6% for all annuities, compounded annually, net

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of expenses. These rates are commensurate with the risks associated with the ultimate payment of the obligation. For the years ended June 30, 2021 and 2020, Habitat recorded losses from the remeasurement of the gift annuity obligation to fair value of \$229,000 and \$138,000, included as other income in the accompanying consolidated statements of activities.

Fair Value of Financial Instruments

Habitat's financial instruments consist of cash and cash equivalents, investments, receivables, accounts payable and accrued expenses, capitalized lease obligations, notes payable, annuity obligations, and investor notes payable. Cash and cash equivalents, receivables, accounts payable and accrued expenses, capitalized lease obligations, notes payable, and investor notes payable are stated at cost, which approximates fair value. Investments and the annuity obligations are recorded at their fair values, except for the level 3 common stock and mutual fund investments, which are recorded at cost.

New Accounting Pronouncements

The FASB issued ASU 2016-02, *Leases (Topic 842)*, which replaces existing lease accounting guidance. The new guidance is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the balance sheet for all leases with the terms exceeding twelve months. The standard requires applying modified retrospective approach at the beginning of the earliest period presented with optional practical expedients. There will be an increase in assets and liabilities on the consolidated balance sheets of Habitat as a result of adoption to this standard due to recording of right-of-use assets and corresponding lease liabilities. The amount of that increase will depend on the lease portfolio at the time of the adoption. Habitat does not expect the adoption to have a material impact on net assets. *ASU 2020-05 Leases (Topic 842)* issued on June 30, 2020 extended the effective date for this standard to fiscal year ending June 30, 2023.

Effective July 1, 2020, Habitat adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* which requires entities to evaluate the accounting for transactions in which both parties directly receive commensurate value. Habitat revenue subject to Topic 606 includes registration fees and other fees charged for services associated with Habitat's programs and mission as well as rental income. Income from these sources, particularly registration fees associated with the Global Village program, were greatly reduced this year due to the COVID-19 pandemic. The adoption of this standard did not have a material impact on the accompanying consolidated financial statements. Income from contracts or other exchange transactions under ASC 606 represented \$15,489,000 of total revenue for the year ended June 30, 2021. This revenue is satisfied at a point of time or over a period of less than one year, and typically is satisfied within the same fiscal year.

Investments

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

	2021	2020
Due in less than one year	\$ 169,743	\$ 65,100
Due in more than five years	31,150	31,157
	<u>\$ 200,893</u>	<u>\$ 96,257</u>

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

	2021	2020
Net decrease/ increase in fair value of investments, including		
realized and unrealized gains (losses)	\$ 14,073	\$ (3,945)
Interest and dividend income	414	2,083
Total investment income (losses)	\$ 14,487	\$ (1,862)

NOTE 3 - FAIR VALUE MEASUREMENTS

In accordance with ASC 820, Habitat records cash and cash equivalents and marketable securities at fair value. As of June 30, 2021, and 2020, investments in marketable securities include auction rate securities, which are classified within Level 3 due to a lack of a liquid market for such securities. Management determined the value of these securities based on information regarding the quality of the security and the quality of the collateral, among other factors.

In accordance with the fair value hierarchy described above, the following tables present the fair value of Habitat's financial assets and liabilities that are required to be measured at fair value as of June 30, 2021 and 2020 (in thousands):

	Fair Value at June 30, 2021	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	\$ 169,744	\$ 169,590	\$ 154	\$ -
Common stock and mutual funds	19,514	14,875	2,583	2,056
Auction rate securities	31,150	-	-	31,150
	\$ 220,408	\$ 184,465	\$ 2,737	\$ 33,206
Derivative instruments:				
Forward foreign exchange contracts	\$ 98	\$ -	\$ 98	\$ -
Cross-currency interest rate swaps	1,302	-	(72)	1,374
Total derivative instruments	\$ 1,400	\$ -	\$ 26	\$ 1,374
Liabilities:				
Charitable gift annuities	\$ (6,832)	\$ -	\$ -	\$ (6,832)

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	Fair Value at June 30, 2020	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	\$ 65,100	\$ 64,843	\$ 257	\$ -
Common stock and mutual funds	16,018	13,530	1,488	1,000
Auction rate securities	31,157	-	-	31,157
	<u>\$ 112,275</u>	<u>\$ 78,373</u>	<u>\$ 1,745</u>	<u>\$ 32,157</u>
Derivative instruments:				
Forward foreign exchange contracts	\$ 700	\$ -	\$ 700	\$ -
Cross-currency interest rate swaps	1,576	-	(11)	1,587
Total derivative instruments	<u>\$ 2,276</u>	<u>\$ -</u>	<u>\$ 689</u>	<u>\$ 1,587</u>
Liabilities:				
Charitable gift annuities	\$ (6,878)	\$ -	\$ -	\$ (6,878)

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

The following table provides a reconciliation of the beginning and ending balances for assets measured at fair value using significant unobservable inputs (Level 3) as defined in ASC 820 as of June 30, 2021 and 2020 (in thousands):

	2021	2020
Balance at July 1	\$ 32,157	\$ 32,259
Purchases of assets	1,056	-
Sales or redemptions of assets	(150)	(358)
Net unrealized gains	143	256
Balance at June 30	<u>\$ 33,206</u>	<u>\$ 32,157</u>

The following table provides a reconciliation of the beginning and ending balances for liabilities measured at fair value using significant unobservable inputs (Level 3) as defined in ASC 820 for the years ending June 30, 2021 and 2020 (in thousands):

	2021	2020
Balance at July 1	\$ (6,878)	\$ (7,223)
Additions to liabilities	(363)	(203)
Payments to annuitants	399	409
Terminations of liabilities	239	277
Net unrealized losses	(229)	(138)
Balance at June 30	<u>\$ (6,832)</u>	<u>\$ (6,878)</u>

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

Auction rate securities require the use of Level 3 inputs to determine their value due to the lack of market activity and liquidity. Additionally, should Habitat have to sell the underlying securities prior to their maturity date or in a secondary market, the price received upon sale will be subject to prevailing market conditions.

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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, 2021 and 2020, using market comparables and/or discounted cash flow valuation approach. Under the market comparables approach, indications of fair value from the secondary market are used to estimate the discount from par value based on trading activity for similar securities. The discounted cash flow approach utilizes a discounted cash flow model in which the expected future cash flows of the Student Loan Auction Rate Securities are discounted back to the Measurement Date using a yield that compensates for illiquidity. Both 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, 2021 and 2020, 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.

NOTE 4 - CONTRIBUTIONS AND GRANTS RECEIVABLE, NET

Contributions and grants receivable, net, as of June 30 consist of the following (in thousands):

	2021	2020
Contributions	\$ 30,735	\$ 19,607
Government grants and subcontracts	982	776
	31,717	20,383
Less unamortized discount	(896)	(683)
	30,821	19,700
Less allowance for uncollectibles	(885)	(640)
	\$ 29,936	\$ 19,060

These receivables are due as follows as of June 30 (in thousands):

	2021	2020
Due in less than one year	\$ 20,081	\$ 15,324
Due in one to five years	9,855	3,736
	\$ 29,936	\$ 19,060

Contributions receivable include donated product amounts of \$17,767,000 and \$5,018,000 as of June 30, 2021 and 2020, respectively.

Net contributions receivable includes three contributors in 2021 and two contributors in 2020 whose individual net outstanding contributions receivable are greater than 10% of the total net outstanding contributions receivable. As of June 30, 2021, and 2020, the net contributions receivable associated with these gifts totaled \$11,517,000 and \$6,146,000, 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 an endowment with donor restrictions to be held in perpetuity. Due to uncertainties regarding the residual value of the estate at the donor's death, this gift has not been recognized in the consolidated financial statements. Through June 30, 2021, Habitat has received \$20,257,000 from this donor which has been recognized.

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On July 1, 2021, this donor committed an additional \$15,000,000 under an unconditional promise to give that was applied against this original gift. Then, on November 12, 2021, the donor formalized a commitment of an endowment gift that is still tied to the donor's estate in the amount of \$67,200,000 for the Terwilliger Center for Innovation in Shelter Fund. These gifts replace the original \$100,000,000 legacy gift.

NOTE 5 - LOANS TO MICROFINANCE INSTITUTIONS

Loans to microfinance institutions as of June 30, 2021, consist of interest-bearing loans, with interest rates ranging from 4.3% to 17.9% per annum over terms of over five years.

Future principal payments are as follows (in thousands):

	Amount
2022	\$ 43,480
2023	20,591
2024	2,033
2025	2,652
	68,756
Add value of derivative instruments	1,401
Less unrealized loss for currency exchange fluctuations	(2,067)
Less allowance for uncollectibles	(3,805)
	\$ 64,285

MicroBuild makes loans to micro-finance institutions that are working in developing foreign markets and may be subject to increased risks due to political and regulatory environments, and overall market and economic factors in those countries. These risks are magnified in countries with emerging markets, since these countries may have relatively unstable governments and less established markets and economies.

At June 30, 2021 and 2020, all of MicroBuild's loans to micro-finance institutions are with twenty-six and thirty-six micro-finance institutions in nineteen and twenty-five countries, respectively. As of June 30, 2021, and 2020, loans to micro-finance institutions in India comprised 15% and 18%, respectively, of the total outstanding portfolio.

In the event that a microfinance institution is unable to repay its loan according to its original schedule, MicroBuild pursues collection and workout plans including interest only payments, reduced payments and/or moratorium on payments, depending on the individual micro-finance institution's circumstances. It is MicroBuild's preference not to provide any concession which reduces the loan's yield; however, there are some situations that warrant discontinuing interest payments for a certain period of time. Generally, MicroBuild discontinues interest accrual for all loans on which collection of interest is not reasonably expected (i.e., once the obligor becomes six months delinquent in paying its interest payments). Interest income on nonaccrual loans is recognized on a cash basis. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured. As of June 30, 2021, and 2020, MicroBuild had one loan of approximately \$1,625,000 and three loans totaling \$2,450,000, respectively, which are greater than 180 days outstanding.

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Activity in the allowance for loan losses on loans to micro-finance institutions is as follows for the years ended June 30 (in thousands):

	2021	2020
Balance at beginning of year	\$ 2,596	\$ 2,539
Allowance for loan losses	1,378	2,116
Recovery of previous loan provision	(169)	(1,511)
Loan forgiveness	-	(548)
Balance at end of year	\$ 3,805	\$ 2,596

Under ASC Topic 310-10, Accounting by Creditors for Impairment of a Loan, a loan is considered impaired when, based on current information, it is probable that MicroBuild will not receive all amounts due in accordance with the contractual terms of the underlying loan agreement. The fair value of the loan is then compared with the recorded investment in the loan to determine whether or not a specific reserve is necessary.

The percentage of portfolio analysis for the impaired loans as of June 30, 2021 and 2020 is as follows (in thousands):

	June 30, 2021	Percent of Portfolio	June 30, 2020	Percent of Portfolio
Investment in impaired loans	\$ 5,193	8%	\$ 5,193	6%
Allowance for loan losses on impaired loans	3,652	5%	2,596	3%
Remaining potential exposure, as of June 30	1,541	2%	2,597	3%

MicroBuild makes loans in foreign currencies, subject to various limitations, to accommodate clients who do not have access to U.S. currency. The portfolio includes loans made in several foreign currencies as listed below with the U.S. Dollar (\$) equivalent as of June 30, 2021 and 2020 as follows (in thousands):

Currency	2021	2020
U.S. Dollar	\$ 30,391	\$ 34,493
Euro	7,042	10,647
Kazakhstan Tenge	7,000	7,000
Indian Rupee	10,079	13,934
Colombian Peso	4,000	4,000
Georgian Lari	-	4,000
Guatemalan Quetzal	3,000	4,000
Peruvian New Sol	2,000	3,000
Moldovan Leu	1,213	2,425
Honduran Lempira	1,625	2,251
Tunisian Dinar	1,406	1,406
Dominican Peso	1,000	1,000
Kenyan Shilling	-	869
	\$ 68,756	\$ 89,025

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NOTE 6 - DUE FROM AFFILIATES, NET

	2021		2020
SHOP grant	\$ 4,099	\$	4,755
Advances for EU grants	3,287		1,221
Capital magnet fund grant	57		89
Note receivable from national organization	167		-
Other	1,725		1,469
	9,335		7,534
Less allowance for uncollectibles	(766)		(986)
	\$ 8,569	\$	6,548

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.

NOTE 7 - AVAILABILITY OF FINANCIAL ASSETS

Habitat's financial assets available within one year as of June 30, 2021 and 2020 for general expenditure are as follows (in thousands):

	2021		2020
Cash and cash equivalents	\$ 95,033	\$	130,474
Investments	169,743		65,100
Receivables	20,081		15,324
Total financial assets available within one year	284,857		210,898
Less:			
Board designated for operating reserve unavailable to management without Board approval	(69,332)		(36,367)
Net assets with donor purpose restrictions	(102,953)		(88,278)
Program advances	(34,242)		(39,083)
Restricted cash	(1,548)		(1,691)
	\$ 76,782	\$	45,479

Habitat structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, Habitat maintains a line of credit in the amount of \$10,000,000 during the year ended June 30, 2021, which was available to be drawn upon, but was not drawn upon during the year. Further, Habitat maintains an operating reserve included as part of cash and cash equivalents on the accompanying consolidated statements of financial position.

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NOTE 8 - LAND, BUILDINGS, AND EQUIPMENT, NET

Land, buildings, and equipment, net, as of June 30 consist of the following (in thousands):

	2021	2020
Land	\$ 621	\$ 624
Buildings and leasehold improvements	14,368	15,266
Computer hardware and software	10,896	12,806
Computer hardware and software under capital leases	2,741	3,102
Furniture and equipment, other	4,991	5,408
Vehicles	2,297	2,243
	35,914	39,449
Less accumulated depreciation and amortization	(24,995)	(24,500)
	\$ 10,919	\$ 14,949

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

	2021	2020
Depreciation expense	\$ 3,885	\$ 3,643
Amortization expense on assets under capital leases	\$ 656	\$ 790
Accumulated amortization on capital leases	\$ 1,638	\$ 1,673
Unamortized computer software costs	\$ 334	\$ 2,447

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NOTE 9 - NOTES PAYABLE, NET

Notes payable, net, as of June 30 consist of the following (in thousands):

	2021	2020
Notes payable to U.S. International Development Finance Corporation (DFC)(formerly, OPIC) secured by letters of credit, payable in quarterly installments of interest only at rates ranging from 2.17% to 3.84% per annum, with the principal sum due in full no later than January 15, 2025	\$ 65,100	\$ 73,100
Non-interest bearing performance based note payable	4,900	4,900
Non-interest-bearing notes payable to affiliates upon completion of their FlexCap payable	27	171
Note payable to A.K. Capital Finance Private Limited, secured by the receivables of Microbuild India, payable in monthly installments of principal and variable interest based on the three month Marginal Cost of Fund Based Lending Rate (MCLR) of the State Bank of India (SBI) beginning July 1, 2018 with the final payment due April 16, 2021	-	195
Note payable to Nabsamruddhi Finance Limited, secured by the receivables of Microbuild India, payable in quarterly installments of principal and interest of 11% beginning February 28, 2019 with the final payment due November 30, 2022	260	429
Note payable to State Bank of India, secured by the receivables of Microbuild India, payable in monthly installments of principal and variable interest based on the one year MCLR of the SBI beginning April 30, 2019 with the final payment due February 28, 2022	267	392
Note payable to Tata Capital Financial Services Limited, secured by the receivables of Microbuild India, payable in monthly installments of principal and variable interest based on the Long Term Lending Rate less 7.75% beginning April 20, 2019 with the final payment due March 20, 2021	-	273
	70,554	79,460
Less unamortized debt issuance costs	(188)	(232)
Notes payable, net of unamortized debt issuance costs	\$ 70,366	\$ 79,228

Future principal payments are as follows (in thousands):

	Amount
2022	\$ 12,405
2023	9,218
2024	16,031
2025	15,500
2026	12,900
Thereafter	4,500
	\$ 70,554

The notes payable to A.K. Capital Finance Private Limited, Nabsamruddhi Finance Limited, State Bank of India, and Tata Capital Financial Services Limited are payable in the Indian Rupee (INR) and have been converted to United States Dollar (USD) for disclosure.

On June 22, 2012, MicroBuild, a limited liability company in which Habitat has a controlling interest, entered into a \$45,000,000 limited liability loan agreement with the U.S. International Development Finance Corporation (DFC - formerly OPIC), an agency of the United States. MicroBuild's three equity investors must match the remaining \$5,000,000 for this \$50,000,000 project. Additionally, Habitat must provide \$5,000,000 in guarantor letters of credit. These funds are then lent to microfinance institutions in various countries around the world. As of June 30, 2019, all of these commitments had been met by the three equity members, and the full amount had been drawn down from DFC.

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Additionally, on May 18, 2016, MicroBuild entered into a second \$45,000,000 loan agreement with DFC. One new investor was added during the year ended June 30, 2016. MicroBuild's equity members have committed to contribute the remaining \$5,000,000 for this \$50,000,000 project. Additionally, Habitat must provide \$5,000,000 in guarantor letters of credit for the full loan agreement. As of June 30, 2021, all of these commitments had been met by the equity members, and the full amount had been drawn down from DFC.

NOTE 10 - FLEXCAP PROGRAM

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

	Amount
2022	\$ 1,071
2023	1,351
2024	1,581
2025	1,433
2026	4,627
Thereafter	15,350
	<u>\$ 25,413</u>

Interest expense during the years ended June 30, 2021 and 2020, totaled \$835,000 and \$702,000, 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.

NOTE 11 - NET ASSETS

Net assets with donor restrictions consist of the following as of June 30 (in thousands):

	2021	2020
Geographically restricted	\$ 14,233	\$ 11,632
Programmatic restrictions for mission related projects	88,720	76,646
Time restricted	28,954	18,284
Endowment investment in perpetuity, the earnings thereon restricted to mission related projects	2,927	2,924
	<u>\$ 134,834</u>	<u>\$ 109,486</u>

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

	2021	2020
Release of:		
Geographically restricted	\$ 92,854	\$ 17,402
Programmatic restrictions for mission related projects	17,548	68,150
Time restrictions (collection of pledges)	13,732	12,723
	<u>\$ 124,134</u>	<u>\$ 98,275</u>

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On May 12, 2016, the IKEA Foundation committed contributions to fund a project to improve the health and well-being of families with children by stimulating an affordable, accessible and environmentally responsible housing demand and supply chain in India and Kenya. The project is being completed in two phases, and for the years ended June 30, 2021 and 2020 the activity of the project was as follows (in thousands):

	2021	2020
Phase 1		
Committed by IKEA Foundation	\$ 9	\$ 39
Less received for project	(9)	(29)
Less direct mission support	-	(1)
Balance remaining on commitment	\$ -	\$ 9
 Released from restrictions	 \$ 114	 \$ 30
 For the year ended June 30	 2021	 2020
Phase 2		
Committed by IKEA Foundation	\$ 495	\$ 1,360
Less received for project	(477)	(812)
Less direct mission support	(18)	(53)
Balance remaining on commitment	\$ -	\$ 495
 Released from restrictions	 \$ 252	 \$ 950

Net assets without donor restrictions consist of the following as of June 30 (in thousands):

	2021	2020
Undesignated controlling interests	\$ 91,804	\$ 89,414
Noncontrolling interests	9,054	9,203
Board designated for operating reserve unavailable to management without Board approval	69,332	36,367
	\$ 170,190	\$ 134,984

NOTE 12 - REVENUE FROM GOVERNMENT GRANTS AND SUBCONTRACTS

Federal awards received and expended for the years ended June 30 consist of the following (in thousands):

	2021	2020
SHOP	\$ 4,099	\$ 4,682
Capacity Build	7,383	4,616
Veterans Housing Rehabilitation and Modification Program	190	41
AmeriCorps/Vista	4,730	3,538
USAID	1,144	925
Government grants per the consolidated statements of activities	17,546	13,802
Decrease in revenues as a result of refunds to HUD on closed grants	11	102
Total expenditures of federal awards	\$ 17,557	\$ 13,904

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NOTE 13 - EMPLOYEE BENEFITS

Full-time Habitat employees who elect to participate are provided health and death benefits through the Habitat for Humanity International Welfare Benefit Plan (the Plan). The Plan requires contributions by participants. Expenses incurred by Habitat in connection with the Plan, which is partially self-insured, totaled \$9,288,000 and \$8,647,000 for the years ended June 30, 2021 and 2020, 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 6% 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 totaled \$2,763,000 and \$2,814,000 for the years ended June 30, 2021 and 2020, respectively.

NOTE 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. As of June 30, 2021, future minimum rental payments under the operating and capital leases are as follows (in thousands):

	Operating	Capital
2022	\$ 2,344	\$ 541
2023	2,035	371
2024	1,983	268
2025	2,006	58
2026	2,030	-
Thereafter	7,376	-
Total minimum payments	\$ 17,774	1,238
Less amounts representing executory costs and interest		(136)
Present value of net minimum payments		\$ 1,102

Rent expense under operating leases amounted to \$2,412,000 and \$2,371,000 for the years ended June 30, 2021 and 2020, respectively.

NOTE 15 - AFFILIATE PROGRAMS

International and U.S. national organizations and affiliates are independent, not-for-profit groups that are approved by regional, area, or national offices of Habitat and operate under an affiliation agreement with Habitat. All affiliates are encouraged to be self-supporting in their fundraising efforts; however, Habitat also solicits contributions, both cash and donated product, on behalf of its affiliates. While Habitat retains variance power in these contributions, Habitat has transferred cash and donated assets totaling \$131,256,000 and \$106,349,000 in 2021 and 2020, respectively, to international and U.S. national organizations and affiliates.

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Some affiliates in developing countries, where severely limited resources constrain local fundraising, 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's work outside their own country. These contributions totaled \$14,026,000 and \$10,664,000 in 2021 and 2020, respectively.

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

Habitat offers a program to U.S. Affiliates to guarantee certain bond issuances in the event of default by an affiliate. The total amount guaranteed by Habitat under the program at June 30, 2021 and 2020 was \$6,309,000 and \$9,983,000.

NOTE 16 - RELATED-PARTY TRANSACTIONS

For the years ended June 30, 2021 and 2020, Habitat recorded \$10,070,000 and \$24,150,000 in contributions, respectively, and \$13,403,000 and \$14,916,000 in pledge payments, respectively, from members of Habitat's International Board of Directors (IBOD) and Habitat's Officers or from companies that they or their families represent. As of June 30, 2021 and 2020, Habitat had \$11,650,000 and \$7,568,000 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 organization.

NOTE 17 - SUBSIDIARY AND RELATED ENTITIES' STATEMENTS OF FINANCIAL POSITION AND STATEMENTS OF ACTIVITIES

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

On March 25, 2011, MicroBuild India was formed. As of June 30, 2021 and 2020, Habitat is a 74.79% owner of MicroBuild India. The purpose of MicroBuild India is to make loans to qualified micro-finance institutions for the purpose of lending to housing projects in impoverished communities.

Habitat for Humanity International, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

The statements of financial position of Habitat's subsidiary and related entities before elimination and consolidation entries as of June 30, 2021 are as follows (in thousands):

	MicroBuild	MicroBuild India	Total
Assets			
Cash and cash equivalents	\$ 20,796	\$ 3,430	\$ 24,226
Loans to micro-finance institutions, net	56,445	5,791	62,236
Derivative instruments, at fair value	1,401	-	1,401
Other receivables and prepaids, net	1,237	297	1,534
Property and equipment, net	-	26	26
Total assets	\$ 79,879	\$ 9,544	\$ 89,423
Liabilities and net assets			
Liabilities:			
Accounts payable and accrued expenses	\$ 626	\$ 419	\$ 1,045
Loans payable	64,912	527	65,439
Total liabilities	65,538	946	66,484
Net assets:			
Retained earnings and members' equity:			
Retained earnings and members' equity	7,371	6,512	13,883
Minority interest	6,970	2,086	9,056
Total retained earnings and members' equity	14,341	8,598	22,939
Total liabilities and net assets	\$ 79,879	\$ 9,544	\$ 89,423

The statements of financial position of Habitat's subsidiary and related entities before elimination and consolidation entries as of June 30, 2020 are as follows (in thousands):

	MicroBuild	MicroBuild India	Total
Assets			
Cash and cash equivalents	\$ 10,595	\$ 859	\$ 11,454
Loans to micro-finance institutions, net	73,710	9,218	82,928
Derivative Instruments at fair value	2,276	-	2,276
Other receivables and prepaids, net	1,701	348	2,049
Property and equipment, net	-	17	17
Total assets	\$ 88,282	\$ 10,442	\$ 98,724
Liabilities and net assets			
Liabilities:			
Accounts payable and accrued expenses	\$ 774	\$ 545	\$ 1,319
Loans payable	72,868	1,289	74,157
Total liabilities	73,642	1,834	75,476
Net assets:			
Retained earnings and members' equity:			
Retained earnings and members' equity	7,523	6,522	14,045
Minority interest	7,117	2,086	9,203
Total retained earnings and members' equity	14,640	8,608	23,248
Total liabilities and net assets	\$ 88,282	\$ 10,442	\$ 98,724

Habitat for Humanity International, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

The statements of activities (income statements) for Habitat's subsidiary and related entities before elimination and consolidation entries for the year ended June 30, 2021 are as follows (in thousands):

	MicroBuild	MicroBuild India	Total
Operating revenue:			
Interest and other income, net	\$ 5,414	\$ 1,172	\$ 6,586
Provision for loan loss	(1,056)	(909)	(1,965)
Total operating revenue, net	4,358	263	4,621
Operating expenses:			
Program services:			
Professional fees	21	46	67
Interest expense	2,015	103	2,118
Other expenses	2,343	279	2,622
Total program services	4,379	428	4,807
Supporting services:			
Fundraising	-	-	-
Management and general	-	-	-
Total supporting services	-	-	-
Total operating expenses	4,379	428	4,807
Net loss from operations	(21)	(165)	(186)
Non-operating gains and losses:			
Unrealized (loss) and gain on derivative instrument	(782)	38	(744)
Unrealized gain from foreign exchange fluctuations	503	118	621
Non-operating (loss) gain, net	(279)	156	(123)
Net loss	\$ (300)	\$ (9)	\$ (309)

Habitat for Humanity International, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

The statements of activities (income statements) for Habitat's subsidiary and related entities before elimination and consolidation entries for the year ended June 30, 2020 are as follows (in thousands):

	MicroBuild	MicroBuild India	Total
Operating revenue:			
Interest and other income, net	\$ 6,950	\$ 1,507	\$ 8,457
Provision for loan loss	(605)	(4)	(609)
Total operating revenue, net	6,345	1,503	7,848
Operating expenses:			
Program services:			
Professional fees	1,244	42	1,286
Interest expense	3,519	198	3,717
Other expenses	161	416	577
Total program services	4,924	656	5,580
Supporting services:			
Fundraising	-	37	37
Management and general	-	175	175
Total supporting services	-	212	212
Total operating expenses	4,924	868	5,792
Net income from operations	1,421	635	2,056
Non-operating gains and losses:			
Unrealized gain on derivative instrument	2,199	-	2,199
Unrealized loss from foreign exchange fluctuations	(1,716)	(994)	(2,710)
Non-operating gain (loss), net	483	(994)	(511)
Net income (loss)	\$ 1,904	\$ (359)	\$ 1,545

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

Habitat for Humanity International, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 18 - CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

As of June 30, 2021, the consolidating statement of financial position of Habitat is as follows (in thousands):

June 30, 2021	Humanity International, Inc.	Affiliates	Eliminations	Consolidated
Assets				
Cash and cash equivalents	\$ 39,903	\$ 55,130	\$ -	\$ 95,033
Investments at fair value	219,543	865	-	220,408
Receivables:				
Contributions and grants, net	29,936	-	-	29,936
Affiliate notes, net	795	19,659	-	20,454
Due from affiliates, net	8,484	85	-	8,569
Loans to microfinance institutions, net	648	63,637	-	64,285
Institutional loans and mortgages receivable, net	-	525	-	525
Other, net	8,379	2,486	(180)	10,685
Total receivables	48,242	86,392	(180)	134,454
Inventories, net	11,279	84	-	11,363
Prepays and other assets	9,807	138	(5,723)	4,222
Land, buildings, and equipment - net of accumulated depreciation and amortization	10,486	433	-	10,919
Total assets	\$ 339,260	\$ 143,042	\$ (5,903)	\$ 476,399
Liabilities and net assets				
Accounts payable and accrued expenses	\$ 28,991	\$ 2,864	\$ -	\$ 31,855
Program advances	33,950	292	-	34,242
Capitalized lease obligations payable	1,102	-	-	1,102
Due to affiliates	1,745	82	(262)	1,565
Notes payable, net of unamortized debt issuance costs	4,927	65,439	-	70,366
Charitable gift annuities	6,832	-	-	6,832
Investor notes payable	75	25,338	-	25,413
Total liabilities	77,622	94,015	(262)	171,375
Net assets				
Without donor restrictions:				
Controlling interests	126,804	39,973	(5,641)	161,136
Noncontrolling interests		9,054	-	9,054
	126,804	49,027	(5,641)	170,190
With donor restrictions	134,834	-	-	134,834
Total net assets	261,638	49,027	(5,641)	305,024
Total liabilities and net assets	\$ 339,260	\$ 143,042	\$ (5,903)	\$ 476,399

“Affiliates” as used in the footnote presented above includes the following entities: eleven national organizations that are registered as part of Habitat, Habitat for Humanity, Inc., Habitat Mortgage Solutions, Habitat for Humanity - Middle East, MicroBuild, Habitat for Humanity of Puerto Rico, and MicroBuild India.

Habitat for Humanity International, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE 19 - SUBSEQUENT EVENTS

Habitat has evaluated the need for adjustments and/or disclosure resulting from subsequent events in these consolidated financial statements through November 12, 2021, 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, other than the matter discussed in the last paragraph of Note 4.