AUSTIN HABITAT FOR HUMANITY, INC.

Consolidated Financial Statements and Supplemental Information as of and for the Years Ended December 31, 2014 and 2013 and Independent Auditors' Report

MAXWELL & LOCKE & RITTER

AUSTIN HABITAT FOR HUMANITY, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Austin Habitat for Humanity, Inc.:

Report on Financial Statements

We have audited the accompanying consolidated financial statements of Austin Habitat for Humanity, Inc. and its affiliates, Austin Neighborhood Alliance for Habitat, Inc. and HomeBase Texas (nonprofit organizations) (collectively, the "Organization") which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities 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.

Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 consolidated financial position of the Organization as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying consolidating schedules of financial position and activities are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Maxwell Locke + Ritter LLP

Austin, Texas
May 21, 2015

AUSTIN HABITAT FOR HUMANITY, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,864,839	$ 1,001,899
Restricted cash	125,193	151,242
Marketable investments	378,492	1,139,235
Accounts receivable	390,688	452,853
Grants receivable	169,420	705,188
Mortgages receivable, current portion, net	350,075	292,909
ReStore inventory	513,059	394,454
Construction in progress	1,061,078	1,172,285
Prepaid expenses and other	1,279,054	251,422
Total current assets	7,131,898	5,561,487
LAND HELD FOR DEVELOPMENT	1,709,210	2,547,010
MORTGAGES RECEIVABLE, long-term portion, net	8,135,668	7,127,392
INVESTMENTS IN JOINT VENTURES	2,429,247	2,429,247
PROPERTY AND EQUIPMENT, net	5,685,298	365,276
INTANGIBLES, net	115,667	133,588
TOTAL ASSETS	$ 25,206,988	$ 18,164,000
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 297,762	$ 356,469
Accrued expenses	438,735	440,886
Loans payable - mortgages	1,027,357	729,549
Forgivable loans payable	1,329,100	2,311,890
Notes payable, current portion, net of discount	148,193	51,188
Total current liabilities	3,241,147	3,889,982
NOTES PAYABLE, long-term portion, net of discount	8,435,376	4,051,545
Total liabilities	11,676,523	7,941,527
NET ASSETS:		
Unrestricted	13,386,964	10,103,741
Temporarily restricted	121,570	118,732
Permanently restricted	21,931	-
Total net assets	13,530,465	10,222,473
TOTAL LIABILITIES AND NET ASSETS	$ 25,206,988	$ 18,164,000

See notes to consolidated financial statements.

AUSTIN HABITAT FOR HUMANITY, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES:				
Contributions and other:				
Contributions and grants	$ 4,419,025	54,857	450,000	4,923,882
Gain on sale of property and equipment	2,790,044	-	-	2,790,044
Partnership income	24,266	-	-	24,266
In-kind professional services and other	116,472	-	-	116,472
Investment income	17,332	-	-	17,332
Other revenue	498,367	-	1,931	500,298
Net assets released from restrictions	482,019	(52,019)	(430,000)	-
Total contributions and other	8,347,525	2,838	21,931	8,372,294
ReStore revenues:				
In-kind contributions of inventory	812,114	-	-	812,114
ReStore sales of donated inventory	812,114	-	-	812,114
Donated inventory expense	(812,114)	-	-	(812,114)
ReStore sales of purchased inventory	781,839	-	-	781,839
ReStore cost of goods sold	(456,768)	-	-	(456,768)
Total ReStore revenues, net	1,137,185	-	-	1,137,185
Low-cost housing revenues:				
Home sales	2,230,638	-	-	2,230,638
In-kind contributions of labor and construction materials	971,697	-	-	971,697
Total low-cost housing revenues	3,202,335	-	-	3,202,335
Total revenues and net assets released from restrictions	12,687,045	2,838	21,931	12,711,814
EXPENSES:				
Low-cost housing program	7,507,984	-	-	7,507,984
ReStore program	783,250	-	-	783,250
Fundraising	476,577	-	-	476,577
Management and general	636,011	-	-	636,011
Total expenses	9,403,822	-	-	9,403,822
CHANGE IN NET ASSETS	3,283,223	2,838	21,931	3,307,992
NET ASSETS, beginning of year	10,103,741	118,732	-	10,222,473
NET ASSETS, end of year	$ 13,386,964	121,570	21,931	13,530,465

See notes to consolidated financial statements.

AUSTIN HABITAT FOR HUMANITY, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

	Unrestricted	Temporarily Restricted	Total
REVENUES:			
Contributions and other:			
Contributions and grants	$ 3,896,217	121,538	4,017,755
Gain on sale of property and equipment	71,632	-	71,632
Partnership income	24,266	-	24,266
In-kind professional services and other	3,585	-	3,585
Investment income	549	-	549
Other revenue	313,754	-	313,754
Net assets released from restrictions	87,615	(87,615)	-
Total contributions and other	4,397,618	33,923	4,431,541
ReStore revenues:			
In-kind contributions of inventory	876,853	-	876,853
ReStore sales of donated inventory	876,853	-	876,853
Donated inventory expense	(876,853)	-	(876,853)
ReStore sales of purchased inventory	579,429	-	579,429
ReStore cost of goods sold	(318,550)	-	(318,550)
Total ReStore revenues, net	1,137,732	-	1,137,732
Low-cost housing revenues:			
Home sales	1,505,000	-	1,505,000
In-kind contributions of labor and construction materials	899,021	-	899,021
Total low-cost housing revenues	2,404,021	-	2,404,021
Total revenues and net assets released from restrictions	7,939,371	33,923	7,973,294
EXPENSES:			
Low-cost housing program	5,713,286	-	5,713,286
ReStore program	514,703	-	514,703
Fundraising	358,145	-	358,145
Management and general	482,196	-	482,196
Total expenses	7,068,330	-	7,068,330
CHANGE IN NET ASSETS	871,041	33,923	904,964
NET ASSETS, beginning of year	9,232,700	84,809	9,317,509
NET ASSETS, end of year	$ 10,103,741	118,732	10,222,473

See notes to consolidated financial statements.

AUSTIN HABITAT FOR HUMANITY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 3,307,992	$ 904,964
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Mortgages receivable discount	775,527	478,318
Amortization - mortgages receivable discount	(390,040)	(398,996)
Debt discount	(87,534)	(17,448)
Noncash interest expense	11,306	2,737
Depreciation expense	41,014	56,971
Amortization expense - intangibles	17,921	17,923
Unrealized gain on investments	(17,332)	(549)
Gain on sale of property and equipment	(2,987,608)	(71,632)
Changes in assets and liabilities that (used) provided cash:		
Accounts receivable	62,165	(260,650)
Grants receivable	535,768	(690,917)
Mortgages receivable	(1,450,929)	(632,464)
ReStore inventory	(118,605)	(103,973)
Construction in progress	111,207	(348,037)
Prepaid expenses and other	(1,027,632)	(87,104)
Land held for development	837,800	1,268,191
Accounts payable	(58,707)	329,890
Accrued expenses	(2,151)	46,509
Forgivable loans payable	(982,790)	(911,618)
Net cash used in operating activities	(1,422,628)	(417,885)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Restricted cash	26,049	26,488
Sales (purchases) of investments	760,743	(1,138,686)
Purchases of property and equipment	(5,552,573)	(39,668)
Dispositions of property and equipment	197,564	58,304
Proceeds from the sale of property and equipment	2,987,607	71,632
Net cash used in investing activities	(1,580,610)	(1,021,930)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds on notes payable	5,538,998	916,500
Payments on notes payable	(970,628)	(308,361)
Proceeds on loans payable - mortgages	297,808	261,080
Net cash provided by financing activities	4,866,178	869,219
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,862,940	(570,596)
CASH AND CASH EQUIVALENTS, beginning of year	1,001,899	1,572,495
CASH AND CASH EQUIVALENTS, end of year	$ 2,864,839	$ 1,001,899
Supplemental disclosure of cash flow information -		
Interest paid on notes payable	$ 149,973	$ 46,383

See notes to consolidated financial statements.

1. ORGANIZATION

Austin Habitat for Humanity, Inc. ("AHFH") is a nonprofit, affordable housing developer dedicated to the elimination of substandard housing in Austin, Texas. It is affiliated with Habitat for Humanity International, Inc. ("HFHI") based in Americus, Georgia. AHFH was incorporated in 1985 under the laws of the State of Texas. While adhering to the policies and procedures prescribed by HFHI, AHFH exists as a separate corporation with its own Board of Directors. Local policies, strategies, operations, and fundraising are the responsibility of each U.S. Habitat affiliate.

Austin Neighborhood Alliance for Habitat, Inc., (the "Alliance") is a non-profit corporation formed to support AHFH. The Alliance is certified by the Austin Housing Finance Corporation as a Community Housing Development Organization ("CHDO"). The Alliance receives federal financial assistance to acquire land and develop infrastructure for homes.

HomeBase Texas ("HomeBase") is a non-profit corporation that provides affordable homeownership opportunities to homeowners that meet a higher family income threshold than those served by AHFH. During 2014, HomeBase became a Community Development Financial Institution ("CDFI") as certified by the U.S. Department of the Treasury. This certification allows HomeBase access to financial and technical award assistance from the CDFI Fund through the CDFI Program to support an organization's established community development financing programs.

The Alliance's and HomeBase's financial statements are consolidated into the financial statements of AHFH because AHFH has control over and an economic interest in the Alliance and HomeBase. AHFH and its affiliates, the Alliance and HomeBase are collectively referred to as the Organization.

To be considered for home ownership, families must be low-income families who demonstrate a need for better housing, an ability to make mortgage payments, and a willingness to work in partnership with AHFH. The partnership consists, in part, of each family completing 300 hours of "sweat equity" and meeting monthly mortgage payments. AHFH acquires the land, finds and qualifies the families, raises the funding, finds and supervises construction volunteers, builds the houses, and funds the mortgages. Houses are sold at no profit and with no interest on the mortgage. By policy of HFHI, AHFH may accept government support for land, infrastructure improvements and construction.

AHFH also operates a ReStore in Austin. The ReStore program provides access to quality building materials, new and used, to economically disadvantaged people to help them create a better human habitat in which to live and work. The ReStore receives donated materials, purchases liquidation materials and sells them.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The consolidated financial statements are presented in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") as defined by the Financial Accounting Standards Board Accounting Standards Codification.

Classification of Net Assets - The consolidated financial statements report information regarding the Organization's consolidated financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified as follows:

Unrestricted net assets **-** These types of net assets are not subject to donor-imposed stipulations. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Temporarily restricted net assets **-** These types of net assets are subject to donor imposed stipulations, which limit their use by the Organization to a specific purpose and/or the passage of time.

Permanently restricted net assets **-** These types of net assets are subject to donor-imposed stipulations, which require them to be maintained permanently by the Organization.

Use of Estimates - The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Measurements - The Organization measures and discloses fair value measurements in accordance with the authoritative literature. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 **-** Inputs based on quoted market prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 **-** Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 **-** Unobservable inputs that reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach **-** uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach **-** uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach **-** uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Cash and Cash Equivalents - The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Restricted Cash - As a condition of the loan agreements with HFHI-SA NMTC VI, LLC and CCM Community Development XXVII, LLC, the holders of the promissory notes AHFH secured through its investment in two New Market Tax Credit ("NMTC") programs (see Note 8), AHFH established separate bank accounts for a segregated portion of the business, which are under the control of the lenders and in which the lenders have a lien and a security interest. The accounts are for the benefit of the lenders and are maintained and administered for the lenders for the purpose of receiving and disbursing certain amounts related to the NMTC transactions.

Marketable Investments - Investments are carried at fair market value based on quoted market prices. Any changes in market value are reported in the statements of activities as unrealized gains or losses.

Accounts Receivable - Accounts receivable are recorded at the amount the Organization expects to collect on outstanding balances. The Organization has not recorded an allowance for uncollectible receivables at December 31, 2014 or 2013 because management estimates all balances to be collectible.

Grants Receivable - Grants receivable are recorded at the amount the Organization expects to receive from grantors. No allowance for uncollectible grants receivable has been recorded as, historically, the Organization has not experienced material uncollectible amounts.

Home Sales and Mortgages Receivable - Home sales represent the sale to qualified families of houses built in Austin, Texas by the Organization. Homes are sold at cost when possible and the sales are financed by the Organization utilizing non-interest bearing 15 to 35 year mortgages due in monthly installments from the families. The mortgages are secured by the underlying real estate and are carried at the unpaid principal balances. The Organization obtains a deed of trust for any difference between the agreed-upon purchase price and the current fair value of the property. This difference, referred to as "the equity", is payable to the Organization should the homeowner sell the property before the mortgage is paid off or if the home is foreclosed and sold in the open market.

The mortgages receivable are discounted based upon prevailing market interest rates for low-income housing at the inception of the mortgages. The financing discounts are amortized and reflected as revenue when mortgage payments are collected, which is included net of discount on mortgages expense within the low-cost housing program. The present value discount on mortgages for homes sold is shown as discount on mortgages expense within the low-cost housing program.

The Organization monitors the mortgages on a monthly basis and considers all mortgages to be collectible, thus no allowance for loan losses has been recorded. The Organization maintains a partner relationship with the mortgagees ("partner families"). However, the Organization will consider foreclosure proceedings on any delinquent accounts if the partner family ceases to have the ability to pay and make payments on the mortgage or no longer has a willingness to partner with the Organization. At December 31, 2014 and 2013, the Organization had no investment in foreclosed loans.

ReStore Inventory - ReStore inventory consists of donated building materials and purchased building materials available for sale. Donated inventory is recorded as in-kind contributions of inventory at fair value when received based on estimated sales value. Purchased inventory is stated at the lower of cost or market determined by the first-in, first-out method. As donated inventory is sold, the Organization records donated inventory expense.

Construction in Progress - Construction in progress represents home construction and land costs incurred on incomplete homes in progress and completed homes not yet conveyed to the recipient family. Construction in progress is expensed to cost of homes sold expense within the low-cost housing program when the home is transferred to the recipient family.

Investments in Joint Ventures - In November 2011, AHFH invested, along with eleven other Habitat affiliates, in a joint venture named HFHI-SA Leverage IX, LLC with 4.82% ownership to take advantage of NMTC financing. In July 2012, AHFH participated in a second NMTC transaction along with eleven other Habitat affiliates. As a result of this transaction, AHFH acquired a 9.09% ownership in a joint venture named CCML Leverage II, LLC. Since AHFH has no ability to influence the operating or financial policies of HFHI-SA Leverage IX, LLC and CCML Leverage II, LLC, the cost method is used to account for these investments. Under that method, AHFH records income only to the extent of distributions received. For each of the years ended December 31, 2014 and 2013, AHFH received $24,266 in distributions. These distributions are reported in the consolidated statements of activities as partnership income.

Property and Equipment - Property and equipment consists of land, buildings, and equipment. Property and equipment additions are recorded at cost if purchased or estimated fair value if donated less accumulated depreciation. The Organization capitalizes all additions over $1,000 and expenses maintenance and repairs that do not improve or extend the useful lives of the respective assets. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. Estimated useful lives are three to five years for computer equipment; five years for building improvements, software and vehicles; three to seven years for tools and construction equipment; and twenty to forty years for completed houses and buildings.

Intangibles - The Organization incurred structuring fees for the investments in the joint ventures and guarantee fees and closing costs for the loans to finance these investments and construction costs when transactions originated. The structuring and guarantee fees are being amortized over seven years and the loan closing costs are being amortized over sixteen years.

Impairment of Long-Lived Assets and Intangible Assets Subject to Amortization - Long-lived assets subject to amortization are reviewed for impairment whenever events or circumstances indicate that the amount recorded may not be recoverable. An impairment loss is recognized by the amount in which the carrying amount of the asset exceeds fair value, if the carrying amount of the asset is not recoverable.

Loans Payable - Mortgages - The Texas Department of Housing and Community Affairs Department ("TDHCA") administers the Owner-Builder Loan Program, also known as the Texas Bootstrap Loan Program ("Bootstrap Program"). The Bootstrap Program is a self-help housing construction program that provides the owners and builders of very low-income families an opportunity to purchase or refinance real property on which to build new housing or repair their existing homes through "sweat equity." Owner builder's household income may not exceed 60% of Area Median Family Income. The Bootstrap Program loans payable are discounted based upon prevailing market interest rates at the inception of the mortgage. The financing discounts are amortized and reflected as expense when the mortgage payments are paid.

Forgivable Loans Payable - The Organization receives financial assistance for land acquisition and development costs for homes from the City of Austin, administered through the CHDO Program of the Austin Housing Finance Corporation ("AHFC") and from other grantors. Under the terms of agreements entered into with AHFC and other grantors, funds are provided to the Organization in the form of forgivable loans. The agreements provide for the forgivable loan to be secured by deeds of trust on the land acquired under the agreement. The loan under each agreement is forgiven upon the successful conveyance to eligible buyers of all the homes included in the agreement, subject to certain conditions. Amounts received are reflected as forgivable loans payable until all conditions necessary to secure the forgiveness of the debt are met, at which time the forgivable loans are recognized as grant revenue. Forgivable loans payable represent amounts received under agreements with AHFC and other grantors for which all conditions necessary to secure the forgiveness of the debt had not yet been met.

Contribution Revenue - All contributions are recorded at their fair value and are considered to be available for operations of the Organization unless specifically restricted by the donor. Unconditional promises to give cash and other assets are reported as temporarily restricted net assets, if they are received with donor stipulations that limit the use of donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or restricted purpose is accomplished, the related temporarily restricted net assets are reclassified to unrestricted net assets. This is reported in the consolidated statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire within the fiscal year in which the contributions are received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Government Grant Revenue - The Organization receives funding from governmental financial assistance programs that supplement its traditional funding sources. The awards provide for reimbursement of qualifying costs incurred, as defined in the underlying award agreements. The Organization recognizes revenue from these awards as services are rendered and expenses are incurred.

In-Kind Service Contributions - A substantial number of volunteers have made significant contributions of their time to the Organization's program and supporting services. Donated services are recognized as contributions if the services (1) create or enhance non-financial assets, or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Under those criteria volunteer time to construct homes is recognized as contribution revenue and capitalized as construction in progress. When homes are transferred to recipient families, construction in progress is recorded as component of cost of homes sold within the low-cost housing program. Professional services are also reflected under those criteria and are recognized as in-kind professional services revenue and professional services expense in the period received.

Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Federal Income Taxes - The Organization is a nonprofit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except with respect to any unrelated business income. The Organization did not incur any tax liabilities due to unrelated business income during the years ended December 31, 2014 or 2013. The Organization files Form 990 tax returns in the U.S. federal jurisdiction, and is subject to routine examinations of its returns; however, there are no examinations currently in progress. The fiscal year 2011 and subsequent tax years remain subject to examination by the Internal Revenue Service.

Recently Issued Accounting Pronouncements - In April 2014, the FASB issued ASU No. 2014-08, *Presentation of Financial Statements and Property, Plant, and Equipment - Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, which amended the reporting requirements for discontinued operations in ASC 205-20, *Presentation of Financial Statements - Discontinued Operations*, and limits discontinued operations reporting to a disposal of a component or a group of components of an entity in which the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when certain events occur. The standard is effective for disposals that occur within fiscal years beginning after December 15, 2014 and is to be applied prospectively. Due to the change in requirements for reporting discontinued operations, presentation and disclosure of future disposal transactions may be different than under current standards.

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, which supersedes the revenue recognition requirements in ASC 605 *Revenue Recognition* and most industry-specific guidance included in the ASC. The standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard is effective for fiscal years beginning after December 15, 2017, and is to be applied retrospectively, with early application permitted for fiscal years beginning after December 15, 2016. The Organization is in the process of evaluating the impact the new standard will have on its financial statements.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements - Going Concern*, which provides guidance about management's responsibility to evaluate on an annual basis whether there is substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are available to be issued and to provide certain related footnote disclosures. The standard is effective for fiscal years ending after December 15, 2016, and due to the change in requirements for reporting, presentation and disclosure of future evaluations of the entity's ability to continue as a going concern may be different than under current standards.

In April 2015, the FASB issued ASU No. 2015-03, *Interest-Imputation of Interest (Subtopic 835 30) - Simplifying the Presentation of Debt Issuance Costs*, which amended the presentation of debt issuance costs and requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts, rather than as a deferred charge presented as an asset. The recognition and measurement guidance for debt issuance costs was not affected by this amendment and the guidance will be applied retrospectively to each balance sheet presented with applicable disclosures for a change in accounting principle upon adoption. The standard is effective for fiscal years beginning after December 15, 2015 and early adoption is permitted. Due to the change in requirements for reporting debt issuance costs, presentation and disclosure of debt issuance costs will be different than under current standards.

3. CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, marketable investments and receivables. The Organization places its cash and cash equivalents with a limited number of high quality financial institutions and may exceed the amount of insurance provided on such deposits. Management believes no significant risk exists with respect to cash and cash equivalents. Investments do not represent a significant concentration of credit risk due to the diversification of the Organization's portfolio among instruments and issues. However, investment securities, including money market funds, are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the statement of financial position. The Organization does not maintain collateral for its receivables and does not believe significant risk exists at December 31, 2014 or 2013.

4. MARKETABLE INVESTMENTS

Marketable investments are stated at fair value using the market approach. The inputs used to determine the fair value of mutual funds were considered Level 1 and the inputs used to determine the fair value of government bonds were considered Level 2 in the fair value hierarchy. Marketable investments consisted of the following at December 31:

	2014	2013
Mutual funds	$ 363,778	$ 357,278
Government bonds	14,714	781,957
Total	$ 378,492	$ 1,139,235

5. RELATED PARTY TRANSACTIONS AND AFFILIATIONS

Board contributions for the years ended December 31, 2014 and 2013 were $49,075 and $34,070, respectively.

The Organization operates within a covenant agreement with HFHI. The Organization tithes to support HFHI's international homebuilding work. Tithes to HFHI totaled $76,650 and $48,000 for the years ended December 31, 2014 and 2013, respectively.

The United States Department of Housing and Urban Development ("HUD") has awarded grants to HFHI under the Self-Help Home Ownership Program ("SHOP") for land acquisition and infrastructure improvements for houses. Grant funds are passed through by HFHI directly to participating U.S. affiliates in the form of a 75% grant and 25% loan. Notes payable to HFHI under SHOP arrangements totaled $51,365 and $26,125 at December 31, 2014 and 2013, respectively, and are included in notes payable in the consolidated statements of financial position.

During 2014, architectural services for the Organization's new headquarters and ReStore location were provided by a related party, pro-bono. Fair value of services provided during the year ended December 31, 2014 were $95,200, and were recorded as in-kind professional fees in the consolidated statement of activities.

6. MORTGAGES RECEIVABLE

Mortgages receivable consisted of the following at December 31:

	2014	2013
Mortgages receivable	$ 13,800,809	$ 12,143,849
Financing discount based on imputed interest at rates ranging from 4% to 8%	(5,315,066)	(4,723,548)
	$ 8,485,743	$ 7,420,301

Mortgages receivable were valued using the income approach and inputs were considered Level 2 under the fair value hierarchy. Future mortgage payments scheduled to be collected at December 31, 2014 are as follows:

2015	$ 872,760
2016	751,762
2017	738,679
2018	729,405
2019	712,036
Thereafter	9,996,167
Total	$ 13,800,809

7. RESTORE INVENTORY

ReStore inventory consisted of the following at December 31:

	2014	2013
Donated goods	$ 155,000	$ 155,000
Purchased materials	358,059	239,454
	$ 513,059	$ 394,454

8. INVESTMENTS IN JOINT VENTURES

AHFH participated in NMTC programs in November 2011 and in July 2012. The programs, administered by the U.S. Department of the Treasury, provide funds from outside investors to eligible organizations for investment in qualified low-income community investments. Outside investors receive new markets tax credits to be applied against their federal tax liability. Programs compliance requirements included creation of promissory notes and investments in qualified community development entities ("CDE or sub-CDE"). Tax credit recapture is required if compliance requirements are not met over a seven-year period after each transaction settlement date.

In November 2011, AHFH invested $1,000,044 in HFHI-SA Leverage IX, LLC and secured a 16-year loan in the amount of $1,320,965 payable to the sub-CDE named HFHI-SA NMTC VI, LLC (see Note 11). The loan proceeds are to be used solely for the purpose of constructing and selling qualified housing properties to low income residents. The loan requires semi-annual interest only payments until November 15, 2019 at 0.75%. Commencing November 15, 2019, semi-annual principal payments are due through maturity date of November 13, 2027. The loan is secured by substantially all the assets acquired by AHFH from the project loan proceeds. As part of the NMTC program, 99.98% of the interest payments will be refunded to the Organization on a semi-annual basis.

In November 2019, HFHI-SA Investment Fund VI, LLC (the "Fund"), the effective owner of HFHI-SA NMTC VI, LLC (holder of the promissory note due from AHFH), is expected to exercise a put option. Under the terms of the put option agreement, HFHI-SA Leverage IX, LLC is expected to purchase the ownership interest of the Fund. Exercise of the option will effectively allow AHFH to extinguish its outstanding debt owed to the Fund.

In July 2012, AHFH invested $1,431,009 in CCML Leverage II, LLC and secured a 16-year loan in the amount of $1,880,000 payable to the sub-CDE named CCM Community Development XXVII, LLC (see Note 11). The loan proceeds are to be used solely for the purpose of constructing and selling qualified housing properties to low income residents. The loan requires semi-annual interest only payments until August 10, 2019 at 0.76%. Commencing August 10, 2019, semi-annual principal payments are due through maturity date of July 26, 2028. The loan is secured by substantially all the assets acquired by AHFH from the project loan proceeds. As part of the NMTC program, 99.99% of the interest payments will be refunded to the Organization on a semi-annual basis.

In August 2019, CCM CD 27 Investment Fund, LLC (the "Fund"), the effective owner of CCM Community Development XXVII, LLC (holder of the promissory note due from AHFH), is expected to exercise a put option. Under the terms of the put option agreement, CCML Leverage II, LLC is expected to purchase the ownership interest of the Fund. Exercise of the option will effectively allow AHFH to extinguish its outstanding debt owed to the Fund.

The investments in the joint ventures are recorded at fair value using the cost approach. These investments are measured at fair value on a recurring basis using significant unobservable inputs (Level 3). At December 31, 2014 and 2013, the balance in these joint ventures was $2,249,247. There were no additional investments during the years ended December 31, 2014 and 2013.

9. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2014	2013
Land	$ 3,112,588	$ 176,225
Building and improvements	2,547,504	399,668
Equipment	414,261	403,854
Trucks	245,074	245,074
Total	6,319,427	1,224,821
Accumulated depreciation	(634,129)	(859,545)
Property and equipment, net	$ 5,685,298	$ 365,276

10. INTANGIBLES

Intangibles consisted of the following at December 31:

	2014	2013
Loan closing costs	$ 72,042	$ 72,042
Structuring fees	49,801	49,801
Guarantee fees	44,137	44,137
Total	165,980	165,980
Accumulated amortization	(50,313)	(32,392)
Intangibles, net	$ 115,667	$ 133,588

11. DEBT

Notes payable consisted of the following at December 31:

	2014	2013
Non-interest bearing, unsecured notes payable to HFHI under SHOP grants, due in monthly installments through 2019.	$ 51,365	$ 26,125
Unamortized discount based on imputed interest rates averaging 4.0%.	(1,952)	(1,952)
	49,413	24,173
Mortgage note payable to a bank, due in monthly installments of $3,139 plus interest at a variable rate (3.0% at December 31, 2014 and 2013) through 2017, secured by ReStore's land and building, paid in full during August 2014	-	892,306
Unamortized discount	-	(14,711)
	-	877,595
Promissory note to HFHI-SA NMTC VI, LLC, semi-annual interest only payments until November 15, 2019 at 0.75% followed by semi-annual principal payments due through maturity date of November 13, 2027, secured by substantially all the assets acquired by AHFH from the NMTC project loan proceeds.	1,320,965	1,320,965
Promissory note to CCM Community Development XXVII, LLC, semi-annual interest only payments until August 10, 2019 at 0.76% followed by semi-annual principal payments due through maturity date of July 26, 2028, secured by substantially all the assets acquired by AHFH from the NMTC project loan proceeds.	1,880,000	1,880,000
Promissory note to a bank, due in monthly installments of $28,662 fixed principal and interest at a fixed rate (3.82% at December 31, 2014) through 2039, secured by ReStore's land and building.	5,435,436	-
Unamortized discount	(102,245)	-
	5,333,191	-
	8,583,569	4,102,733
Current portion	(148,193)	(51,188)
Long-term portion	$ 8,435,376	$ 4,051,545

The Organization had an available $525,000 revolving line of credit with a bank which expired November 1, 2014. The line provided for a variable rate of interest (3.25% at December 31, 2013), and was secured by deposits with financial institutions, marketable securities, accounts receivable, inventory, and equipment, and is cross-collateralized with the mortgage note payable. There was no outstanding balance at December 31, 2013.

The line of credit, notes payable and promissory note contain certain financial covenants, including requirements for liquidity, earnings, and fixed charge coverage. The agreements also contain additional conditions limiting indebtedness, capital expenditures, and various other covenants as defined in the agreements. Failure to comply with the covenants could result in the debt being called by the lenders.

For the years ended December 31, 2014 and 2013, interest incurred on debt and charged to expense was $57,547 and $46,383, respectively. Future maturities of debt at December 31, 2014 are as follows:

2015	$ 148,193
2016	147,348
2017	156,840
2018	162,625
2019	3,369,557
Thereafter	4,599,006
Total	$ 8,583,569

12. LETTERS OF CREDIT

The Organization entered into letters of credit with financial institutions totaling $84,230 and $168,875 at December 31, 2014 and 2013, respectively, pursuant to subdivision construction agreements with the City of Austin. The letters of credit expire in 2015 and specify that drafts may be drawn by the City of Austin Watershed Protection and Development Review Department. There have been no amounts drawn under these letters of credit.

13. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at December 31:

	2014	2013
Caldwell Chapter	$ 85,613	$ 60,454
UT Campus Chapter	35,958	31,778
Onion Creek Floods	-	26,500
	$ 121,571	$ 118,732

14. PERMANENTLY RESTRICTED NET ASSETS

During the year ended December 31, 2014, HomeBase was awarded a total of $450,000, in capital fund grants by the U.S. Department of the Treasury's Community Development Financial Institution ("CDFI"). These funds were awarded to establish and maintain a capital fund for the establishment of a CDFI network to provide below market financing to developers of affordable housing and a loan loss reserve. Under the terms of the agreement, loan repayments must be returned to the capital fund to ensure its perpetuity; thus, these funds have been accounted for as permanently restricted. In October 2014, HomeBase issued a $430,000, 3% interest bearing loan to AHFH. This loan, to be repaid in monthly installments of principal and interest, matures on October 1, 2039. Loan proceeds and repayments were eliminated upon consolidation. Should HomeBase fail to comply with any of the terms of the agreement, or become defunct, the remaining grant funds, proceeds, and the loan and capital projects portfolios representing the uses of these funds shall revert back to CDFI.

15. RETIREMENT PLAN

The Organization sponsors a 401(k) plan that covers substantially all employees. The Organization's contributions to the plan for the years ended December 31, 2014 and 2013 were $91,067 and $58,023, respectively.

16. LEASE COMMITMENTS

The Organization leases office space, a construction warehouse, telephone equipment, and a copier under operating leases. Lease expense under these leases totaled $164,663 and $125,915, respectively, for the years ended December 31, 2014 and 2013. Future minimum lease payments under the leases at December 31, 2014 are as follows:

2015	$ 299,398
2016	11,903
2017	3,744
	$ 315,045

17. CONTINGENCIES

The Organization receives government grants for specific purposes that are subject to review and audit by government agencies. The Organization is also funded by grants and contracts that are subject to review and audit by the grantor agencies. These contracts have certain compliance requirements and, should audits by the government or grantor agencies disclose any areas of substantial noncompliance, the Organization may be required to refund any disallowed costs.

On October 31, 2013, HomeBase entered into a $1,250,000 forgivable loan agreement with Westgate Momark L.L.C. ("Momark"), a private developer, to acquire land and develop no fewer than 50 afforable new housing units to be sold to low and moderate-income buyers. The forgivable loan was funded by the AHFC. The loan proceeds were transferred to Momark who is responsible for developing the housing units; therefore, this forgivable loan is not recorded on HomeBase's financials statements. HomeBase retains joint liability with Momark for the forgivable loan, which matures on February 28, 2016 and accrues no interest. In the event Momark fails to meet the forgivable loan requirements, HomeBase is still responsible for ensuring the completion of the project.

18. FEDERAL INCOME TAXES

The Organization is subject to federal income taxes on unrelated business income, which consists of ReStore sales of purchased materials. As of December 31, 2014 and 2013, the Organization has incurred cumulative net operating losses of approximately $1,365,000 and $1,245,000, respectively, for federal income tax purposes from the Organization's activity. The net operating losses may be used to offset future taxable unrelated business income. If not utilized, these net operating losses would expire in the years 2022 through 2034. The net change in the total valuation allowance for the years ended December 31, 2014 and 2013 was $40,800 and $15,300, respectively. A full valuation allowance has been recorded as utilization is uncertain.

19. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 21, 2015 (the date the consolidated financial statements were available to be issued).

The Organization's $525,000 revolving line of credit that expired on November 1, 2014 was renewed in April 2015 with a $2,000,000 credit limit. Effective April 2016, the credit limit is reduced to $1,500,000. The line of credit matures on April 2017. No amounts have been drawn as of the date of the report.

SUPPLEMENTAL INFORMATION

AUSTIN HABITAT FOR HUMANITY, INC.

SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014

	2014					2013
	Low-Cost Housing	ReStore	Fundraising	Management and General	Total	Total
Salaries	$ 1,033,011	328,174	202,452	290,835	1,854,472	1,655,033
Fringe benefits	194,129	73,888	37,981	48,499	354,497	301,745
Payroll taxes	88,523	30,373	19,063	24,770	162,729	140,801
Advertisements	13,556	24,611	98,291	21,478	157,936	131,885
Office expenses	52,051	29,635	14,529	14,727	110,942	104,203
Information technology	14,199	6,237	2,673	3,051	26,160	56,304
Occupancy	114,521	117,775	17,478	23,602	273,376	169,873
Travel	27,625	19,449	1,593	1,421	50,088	75,330
Conferences, conventions, and meetings	2,919	3,272	2,168	1,988	10,347	10,843
Interest expense	16,112	5,694	4,247	20,189	46,242	43,647
Tithe to HFHI	76,650	-	-	-	76,650	48,000
Depreciation and amortization	28,382	4,854	2,523	23,176	58,935	74,893
Insurance	51,353	23,123	6,756	7,339	88,571	72,838
Warranty work	18,488	-	-	-	18,488	38,390
Tools and equipment	19,340	-	-	-	19,340	29,192
Service fees	88,767	107,840	58,777	18,637	274,021	54,842
NMTC transaction fees	26,049	-	-	-	26,049	26,487
Dues and subscriptions	7,464	7,412	7,028	7,681	29,585	35,714
Home Repair program	599,215	913	-	15,412	615,540	565,449
Discount on mortgages, net	385,487	-	-	-	385,487	79,322
Cost of homes sold	4,611,104	-	-	-	4,611,104	3,236,884
Other expense	39,039	-	1,018	113,206	153,263	116,655
Total functional expenses	$ 7,507,984	783,250	476,577	636,011	9,403,822	7,068,330

AUSTIN HABITAT FOR HUMANITY, INC.

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
DECEMBER 31, 2014

	Austin Habitat for Humanity, Inc.	Austin Neighborhood Alliance for Habitat, Inc.	HomeBase Texas	Eliminations	Total
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 1,890,089	240	974,510	-	2,864,839
Restricted cash	125,193	-	-	-	125,193
Marketable investments	378,492	-	-	-	378,492
Accounts receivable	16,517	-	374,171	-	390,688
Grants receivable	169,420	-	-	-	169,420
Mortgages receivable, current portion, net	350,075	-	-	-	350,075
Intercompany receivable	634,414	4,894,520	428,069	(5,957,003)	-
ReStore inventory	513,059	-	-	-	513,059
Construction in progress	1,061,078	-	-	-	1,061,078
Prepaid expenses and other	1,278,651	-	403	-	1,279,054
Total current assets	6,416,988	4,894,760	1,777,153	(5,957,003)	7,131,898
LAND HELD FOR DEVELOPMENT	1,709,210	-	-	-	1,709,210
MORTGAGES RECEIVABLE, long-term portion, net	8,135,668	-	-	-	8,135,668
INVESTMENTS IN JOINT VENTURES	2,429,247	-	-	-	2,429,247
PROPERTY AND EQUIPMENT, net	5,685,298	-	-	-	5,685,298
INTANGIBLES, net	115,667	-	-	-	115,667
TOTAL ASSETS	$ 24,492,078	4,894,760	1,777,153	(5,957,003)	25,206,988
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Accounts payable	$ 200,447	-	97,315	-	297,762
Accrued expenses	140,055	-	298,680	-	438,735
Intercompany payable	5,949,966	-	7,037	(5,957,003)	-
Loans payable - mortgages	1,027,357	-	-	-	1,027,357
Forgivable loans payable	1,112,540	216,560	-	-	1,329,100
Notes payable, current portion, net	148,193	-	-	-	148,193
Total current liabilities	8,578,558	216,560	403,032	(5,957,003)	3,241,147
NOTES PAYABLE, long-term portion, net	8,435,376	-	-	-	8,435,376
Total liabilities	17,013,934	216,560	403,032	(5,957,003)	11,676,523
NET ASSETS:					
Unrestricted	7,334,643	4,678,200	1,374,121	-	13,386,964
Temporarily restricted	121,570	-	-	-	121,570
Permanently restricted	21,931	-	-	-	21,931
Total net assets	7,478,144	4,678,200	1,374,121	-	13,530,465
TOTAL LIABILITIES AND NET ASSETS	$ 24,492,078	4,894,760	1,777,153	(5,957,003)	25,206,988

AUSTIN HABITAT FOR HUMANITY, INC.

CONSOLIDATING SCHEDULE OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

	Austin Habitat for Humanity, Inc.	Austin Neighborhood Alliance for Habitat, Inc.	HomeBase Texas	Eliminations	Total
REVENUES:					
Contributions and other:					
Contributions and grants	$ 3,584,165	583,587	756,130	-	4,923,882
Gain on sale of property and equipment	2,790,044	-	-	-	2,790,044
Partnership income	24,266	-	-	-	24,266
In-kind professional services and other	116,472	-	-	-	116,472
Investment income	15,185	-	2,147	-	17,332
Other revenue	374,044	-	340,707	(214,453)	500,298
Total contributions and other	6,904,176	583,587	1,098,984	(214,453)	8,372,294
ReStore revenues:					
In-kind contributions of inventory	812,114	-	-	-	812,114
ReStore sales of donated inventory	812,114	-	-	-	812,114
Donated inventory expense	(812,114)	-	-	-	(812,114)
ReStore sales of purchased inventory	781,839	-	-	-	781,839
ReStore cost of goods sold	(456,768)	-	-	-	(456,768)
Total ReStore revenues, net	1,137,185	-	-	-	1,137,185
Low-cost housing revenues:					
Home sales	2,230,638	-	-	-	2,230,638
In-kind contributions of labor and construction materials	971,697	-	-	-	971,697
Total low-cost housing revenues	3,202,335	-	-	-	3,202,335
Total revenues	11,243,696	583,587	1,098,984	(214,453)	12,711,814
EXPENSES:					
Low-cost housing program	7,486,184	441	21,359	-	7,507,984
ReStore program	783,250	-	-	-	783,250
Fundraising	476,577	-	-	-	476,577
Management and general	532,152	100,532	217,780	(214,453)	636,011
Total expenses	9,278,163	100,973	239,139	(214,453)	9,403,822
CHANGE IN NET ASSETS	1,965,533	482,614	859,845	-	3,307,992
NET ASSETS, beginning of year	5,512,611	4,195,586	514,276	-	10,222,473
NET ASSETS, end of year	$ 7,478,144	4,678,200	1,374,121	-	13,530,465