



**HABITAT FOR HUMANITY OF
GREATER NASHVILLE**

FINANCIAL STATEMENTS

*As of and for the Years Ended June 30, 2018
and 2017*

And Report of Independent Auditor

HABITAT FOR HUMANITY OF GREATER NASHVILLE

TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR 1

FINANCIAL STATEMENTS

Statements of Financial Position2
Statements of Activities.....3-4
Statements of Functional Expenses5-6
Statements of Cash Flows7
Notes to the Financial Statements8-22

Report of Independent Auditor

The Board of Directors
Habitat for Humanity of Greater Nashville
Nashville, Tennessee

We have audited the accompanying financial statements of Habitat for Humanity of Greater Nashville (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Greater Nashville, as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Financial Statements

The financial statements of Habitat for Humanity of Greater Nashville as of June 30, 2017, were audited by other auditors whose report dated September 12, 2017, expressed an unmodified opinion on those statements.

Cherry Bekaert LLP

Nashville, Tennessee
September 27, 2018

HABITAT FOR HUMANITY OF GREATER NASHVILLE
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents, including escrow accounts of \$563,398 and \$541,197, respectively	\$ 6,565,929	\$ 5,556,638
Grants receivable	307,500	1,062,375
Sponsor and other receivables, net of allowance of \$54,804 and \$63,411, respectively	343,807	294,251
Real estate held for sale	256,028	107,789
Construction-in-progress - new homes	872,957	1,160,656
Property and equipment, net	8,474,345	8,460,758
Land held for development	1,999,644	1,448,779
Mortgage notes receivable, net of discounts of \$23,452,398 and \$22,543,816, respectively	30,060,094	29,215,232
New Markets Tax Credit ("NMTC") intangible assets, net	129,096	13,661
NMTC joint venture investment	2,757,331	1,530,506
NMTC joint venture cash	77,247	49,969
Inventory - ReStores and other	878,704	930,192
Other assets	449,419	557,044
Total Assets	<u>\$ 53,172,101</u>	<u>\$ 50,387,850</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 400,543	\$ 450,238
Deferred revenue	667,000	829,705
Escrow accounts	548,439	524,473
Notes payable, secured by mortgages, net of unamortized discount	16,719,044	15,484,796
Note payable, secured by Harding Place property	4,056,020	6,251,113
Notes payable, unsecured	343,768	402,091
NMTC joint venture note payable, net of issuance costs	3,525,934	1,861,051
Unearned revenue on mortgage loans	4,120,924	4,421,781
Total Liabilities	<u>30,381,672</u>	<u>30,225,248</u>
Net Assets:		
Unrestricted	9,505,365	7,960,634
Temporarily restricted	13,285,064	12,201,968
Total Net Assets	<u>22,790,429</u>	<u>20,162,602</u>
Total Liabilities and Net Assets	<u>\$ 53,172,101</u>	<u>\$ 50,387,850</u>

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

HABITAT FOR HUMANITY OF GREATER NASHVILLE
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018 (WITH COMPARATIVE TOTALS FOR 2017)

	2018			2017 Total
	Unrestricted	Temporarily Restricted	Total	
Support and Revenue:				
Transfers to homeowners	\$ 5,597,454	\$ -	\$ 5,597,454	\$ 6,094,827
Grant income	2,246,143	217,468	2,463,611	3,341,765
Contributions	2,668,427	175,000	2,843,427	2,684,624
ReStore sales	2,273,702	-	2,273,702	2,000,934
Mortgage loan discount amortization	1,109,873	-	1,109,873	1,264,279
Interest contributions	-	1,912,462	1,912,462	1,023,739
In-kind contributions	204,291	-	204,291	580,076
Other income	182,612	-	182,612	227,974
Gain on real estate held for sale	423,057	-	423,057	227,491
NMTC investment income	39,115	-	39,115	39,114
Interest income	10,437	-	10,437	10,319
	<u>14,755,111</u>	<u>2,304,930</u>	<u>17,060,041</u>	<u>17,495,142</u>
Net assets released from restrictions	1,221,834	(1,221,834)	-	-
Total Support and Revenue	<u>15,976,945</u>	<u>1,083,096</u>	<u>17,060,041</u>	<u>17,495,142</u>
Expenses:				
Program services	12,380,658	-	12,380,658	12,709,660
Supporting services	2,051,556	-	2,051,556	1,932,637
Total Expenses	<u>14,432,214</u>	<u>-</u>	<u>14,432,214</u>	<u>14,642,297</u>
Change in net assets	1,544,731	1,083,096	2,627,827	2,852,845
Net assets, beginning of year	7,960,634	12,201,968	20,162,602	17,309,757
Net assets, end of year	<u>\$ 9,505,365</u>	<u>\$ 13,285,064</u>	<u>\$ 22,790,429</u>	<u>\$ 20,162,602</u>

HABITAT FOR HUMANITY OF GREATER NASHVILLE
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017 (WITH COMPARATIVE TOTALS FOR 2016)

	2017			2016 Total
	Unrestricted	Temporarily Restricted	Total	
Support and Revenue:				
Transfers to homeowners	\$ 6,094,827	\$ -	\$ 6,094,827	\$ 4,759,774
Grant income	2,147,415	1,194,350	3,341,765	1,829,761
Contributions	2,334,624	350,000	2,684,624	2,167,808
ReStore sales	2,000,934	-	2,000,934	2,101,215
Mortgage loan discount amortization	1,264,279	-	1,264,279	980,438
Interest contributions	-	1,023,739	1,023,739	2,582,507
In-kind contributions	537,076	43,000	580,076	265,474
Other income	227,974	-	227,974	171,486
Gain on real estate held for sale	227,491	-	227,491	424,108
NMTC investment income	39,114	-	39,114	39,115
Interest income	10,319	-	10,319	9,605
	<u>14,884,053</u>	<u>2,611,089</u>	<u>17,495,142</u>	<u>15,331,291</u>
Net assets released from restrictions	2,030,195	(2,030,195)	-	-
Total Support and Revenue	<u>16,914,248</u>	<u>580,894</u>	<u>17,495,142</u>	<u>15,331,291</u>
Expenses:				
Program services	12,709,660	-	12,709,660	11,041,971
Supporting services	1,932,637	-	1,932,637	1,909,778
Total Expenses	<u>14,642,297</u>	<u>-</u>	<u>14,642,297</u>	<u>12,951,749</u>
Change in net assets	2,271,951	580,894	2,852,845	2,379,542
Net assets, beginning of year	5,688,683	11,621,074	17,309,757	14,930,215
Net assets, end of year	<u>\$ 7,960,634</u>	<u>\$ 12,201,968</u>	<u>\$ 20,162,602</u>	<u>\$ 17,309,757</u>

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

HABITAT FOR HUMANITY OF GREATER NASHVILLE
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	Program Services				Supporting Services				Total
	Construction	Homeowner Support and Educational Ministries	Discounts on Mortgage Originations	ReStore Operations	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Construction costs-new homes	\$ 5,000,116	\$ -	\$ -	\$ -	\$ 5,000,116	\$ -	\$ -	\$ -	\$ 5,000,116
Salaries and related expenses	762,336	619,385	-	1,131,658	2,513,379	886,381	425,003	1,311,384	3,824,763
Mortgage discounts	-	-	2,447,814	-	2,447,814	-	-	-	2,447,814
Interest and discount amortization	862,860	2,533	-	10,553	875,946	3,533	32,673	36,206	912,152
Office expenses	51,413	40,843	-	176,921	269,177	89,368	32,593	121,961	391,138
Depreciation	76,474	32,009	-	164,690	273,173	41,425	18,051	59,476	332,649
Lease expense	13,242	11,370	-	120,012	144,624	13,043	3,803	16,846	161,470
Legal and professional	39,703	29,466	-	2,504	71,673	1,390	76,518	77,908	149,581
Repairs and maintenance	83,690	31,899	-	19,101	134,690	4,369	1,661	6,030	140,720
Other	15,495	32,902	-	40,429	88,826	20,358	22,699	43,057	131,883
Taxes and insurance	39,675	13,658	-	47,170	100,503	18,298	7,061	25,359	125,862
Down payment assistance	-	119,194	-	-	119,194	-	-	-	119,194
Tithe to Habitat International	98,992	-	-	-	98,992	-	-	-	98,992
Recruiting and training	2,466	3,575	-	12,332	18,373	61,448	18,234	79,682	98,055
Printing and public relations	75	10,283	-	5,111	15,469	75,496	-	75,496	90,965
Travel, meals, and entertainment	2,033	6,901	-	10,296	19,230	62,854	7,347	70,201	89,431
Vehicle expenses	47,230	-	-	34,467	81,697	2,648	-	2,648	84,345
Bank and credit card fees	12,048	20	-	38,074	50,142	6,075	9,876	15,951	66,093
Special events	-	-	-	-	-	45,497	-	45,497	45,497
Small tools and equipment	29,522	337	-	6,541	36,400	4,854	410	5,264	41,664
Sponsor and volunteer appreciation	2,252	1,049	-	1,035	4,336	30,213	-	30,213	34,549
Advertising	-	900	-	9,418	10,318	11,007	-	11,007	21,325
NMTC amortization	-	-	-	-	-	-	17,370	17,370	17,370
Construction costs-reconstruction	5,631	-	-	-	5,631	-	-	-	5,631
Deconstruction	-	-	-	955	955	-	-	-	955
	<u>\$ 7,145,253</u>	<u>\$ 956,324</u>	<u>\$ 2,447,814</u>	<u>\$ 1,831,267</u>	<u>\$ 12,380,658</u>	<u>\$ 1,378,257</u>	<u>\$ 673,299</u>	<u>\$ 2,051,556</u>	<u>\$ 14,432,214</u>

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

HABITAT FOR HUMANITY OF GREATER NASHVILLE
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

	Program Services				Supporting Services				Total
	Construction	Homeowner Support and Educational Ministries	Discounts on Mortgage Originations	ReStore Operations	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Construction costs-new homes	\$ 3,717,514	\$ -	\$ -	\$ -	\$ 3,717,514	\$ -	\$ -	\$ -	\$ 3,717,514
Salaries and related expenses	713,446	657,868	-	1,020,290	2,391,604	888,248	363,937	1,252,185	3,643,789
Mortgage discounts	-	-	2,764,712	-	2,764,712	-	-	-	2,764,712
Construction costs-reconstruction	1,544,049	-	-	-	1,544,049	-	-	-	1,544,049
Interest and discount amortization	779,669	-	-	-	779,669	-	23,251	23,251	802,920
Lease expense	83,898	48,728	-	358,824	491,450	57,290	21,901	79,191	570,641
Office expenses	47,354	35,686	-	155,571	238,611	50,947	14,813	65,760	304,371
Legal and professional	29,458	66,522	-	2,272	98,252	2,370	78,715	81,085	179,337
Taxes and insurance	41,581	15,565	-	58,523	115,669	22,985	9,206	32,191	147,860
Depreciation	42,992	8,115	-	37,861	88,968	12,193	2,638	14,831	103,799
Tithe to Habitat International	101,881	-	-	-	101,881	-	-	-	101,881
Travel, meals, and entertainment	2,764	10,515	-	10,994	24,273	62,226	13,299	75,525	99,798
Repairs and maintenance	64,535	2,691	-	21,310	88,536	2,690	950	3,640	92,176
Recruiting and training	11,054	2,195	-	5,868	19,117	48,794	22,111	70,905	90,022
Vehicle expenses	42,421	-	-	38,451	80,872	191	-	191	81,063
Printing and public relations	172	8,012	-	9,647	17,831	60,651	-	60,651	78,482
Other	11,655	21,886	-	7,665	41,206	6,754	28,751	35,505	76,711
Special events	-	-	-	-	-	67,347	-	67,347	67,347
Bank and credit card fees	7,350	-	-	30,463	37,813	7,095	7,234	14,329	52,142
Small tools and equipment	32,049	757	-	14,956	47,762	3,077	-	3,077	50,839
Sponsor and volunteer appreciation	3,947	633	-	2,211	6,791	35,256	187	35,443	42,234
Advertising	2,069	919	-	6,299	9,287	11,225	-	11,225	20,512
NMTC amortization	-	-	-	-	-	-	6,305	6,305	6,305
Deconstruction	-	-	-	3,793	3,793	-	-	-	3,793
	<u>\$ 7,279,858</u>	<u>\$ 880,092</u>	<u>\$ 2,764,712</u>	<u>\$ 1,784,998</u>	<u>\$ 12,709,660</u>	<u>\$ 1,339,339</u>	<u>\$ 593,298</u>	<u>\$ 1,932,637</u>	<u>\$ 14,642,297</u>

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

HABITAT FOR HUMANITY OF GREATER NASHVILLE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,627,827	\$ 2,852,845
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Noncash grants	-	(713,009)
Noncash construction costs	-	1,188,348
Interest contributions	(1,912,462)	(1,023,739)
Transfers to homeowners	(2,970,404)	(3,362,662)
Depreciation and amortization	350,019	110,104
Gain on real estate held for sale	(423,057)	(227,491)
Mortgage loan discount amortization	(1,109,873)	(1,264,279)
Amortization of discount on notes payable and issuance costs	871,891	788,617
NMTC investment income allocation	(39,115)	(39,114)
Changes in operating assets and liabilities:		
Grants receivable	754,875	104,208
Sponsor and other receivables	(49,556)	(43,058)
Construction-in-progress	287,699	(269,343)
Land held for development	(550,865)	135,679
NMTC joint venture cash	(27,278)	19,319
Inventory - ReStores and other	51,488	(256,276)
Other assets	107,625	(269,735)
Accounts payable and accrued expenses	(49,695)	196,716
Deferred revenue	(162,705)	167,506
Escrow accounts	23,966	28,516
Net cash used in operating activities	<u>(2,219,620)</u>	<u>(1,876,848)</u>
Cash flows from investing activities:		
Improvements to real estate held for sale	(321,790)	(134,696)
Purchases of property and equipment	(347,933)	(5,170,971)
Proceeds from disposal of property	724,111	410,705
Mortgage payments received	2,807,055	3,011,143
NMTC joint venture investment	(1,207,410)	-
Acquisition of NMTC intangible assets	(131,108)	-
NMTC joint venture investment net distribution	19,700	14,302
Net cash provided by (used in) investing activities	<u>1,542,625</u>	<u>(1,869,517)</u>
Cash flows from financing activities:		
Proceeds from issuance of notes payable	4,434,974	5,675,729
Proceeds from NMTC note payable	1,715,000	-
Cash paid for debt issuance costs	(53,142)	(76,138)
Repayments on notes payable	(4,410,546)	(2,132,679)
Net cash provided by financing activities	<u>1,686,286</u>	<u>3,466,912</u>
Net increase (decrease) in cash and cash equivalents	1,009,291	(279,453)
Cash and cash equivalents at beginning of year	<u>5,556,638</u>	<u>5,836,091</u>
Cash and cash equivalents at end of year	<u>\$ 6,565,929</u>	<u>\$ 5,556,638</u>

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

HABITAT FOR HUMANITY OF GREATER NASHVILLE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 1—Organization and purpose

Habitat for Humanity of Greater Nashville (“Habitat”), a nonprofit corporation, was chartered by the state of Tennessee on March 25, 1985. Habitat is an affiliate of Habitat for Humanity International, Inc. (“Habitat International”), a nondenominational Christian nonprofit organization whose purpose is to create decent, affordable housing for those in need and to make decent shelter a matter of conscience with people everywhere. Although Habitat International assists with information resources, training, publications, prayer support, and in other ways, Habitat is primarily and directly responsible for its own operations.

Note 2—Summary of significant accounting policies

The financial statements of Habitat have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The significant accounting policies followed are described below.

Income Taxes – Habitat is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Therefore, no provision for income taxes has been made.

Habitat follows guidance that clarifies the accounting for uncertainty in income taxes recognized in an organization’s financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. Habitat has no tax penalties or interest reported in the accompanying financial statements. Habitat has no uncertain tax positions at June 30, 2018 and 2017.

Basis of Presentation – Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Habitat and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of Habitat and/or the passage of time. Temporarily restricted net assets at June 30, 2018 and 2017 consist of contributions received and receivable restricted for home construction, the purchase of land, and the unamortized discount on below market interest rate loans payable.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by Habitat. Habitat has no permanently restricted net assets at June 30, 2018 and 2017.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

Use of Estimates – The preparation of 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 financial statements, and the reported amounts of revenues and expenses and allocation of functional expenses during the reporting period. Actual results could differ from those estimates.

HABITAT FOR HUMANITY OF GREATER NASHVILLE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 2—Summary of significant accounting policies (continued)

Cash Equivalents – For purposes of the statements of cash flows, Habitat considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Home Sales and Mortgage Notes Receivable – Transfers to homeowners are recorded at the gross amount of payments to be received over the lives of the mortgage notes receivable. These mortgage payments do not include interest and, accordingly, the mortgages have been discounted at various interest rates based upon prevailing market rates at the inception of the mortgages. Discounts are amortized over the lives of the mortgages. The discounted value of mortgages at the time of sale is generally less than the home's fair market value. Therefore, management believes that losses resulting from non-payment of mortgages are not reasonably probable and, accordingly, no allowance for mortgage notes receivable has been recorded. Past due status is based on contractual terms of the mortgage notes receivable. At 120 days past due, the mortgage notes receivable become subject to foreclosure.

Unearned revenue on mortgage notes receivable represents the discounted value of non-interest bearing second and third mortgage loans issued on Habitat homes. The homeowner is required to sign one or more additional mortgages for the difference between the estimated fair market value of the home and the payable mortgage balances as of the transfer date. Certain of these mortgages are fully forgiven if the homeowner lives in the home for a certain period of time and complies with all other covenants and restrictions per the deed of trust. In the event the homeowner does not comply with these restrictions, the mortgage balance will be recognized as income at the time it is collected. Habitat generally does not foresee collection of the non-payable second and third mortgage loans except in the event of sale, refinance or foreclosure of the home.

Real Estate Held for Sale – Real estate assets acquired through or in lieu of loan foreclosure are recorded at fair value less estimated selling cost. Costs of property improvements are capitalized. Estimated gains at acquisition and net gains or losses realized on the sale are recorded in the statements of activities as gain on real estate held for sale.

Property and Equipment – Property and equipment is reported at cost at the date of purchase or at fair market value at the date of gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from three to thirty-nine years.

Land Held for Development – Land held for development consists of land and improvements to be utilized as lots for future Habitat homeowners. Costs incurred to improve land are capitalized when incurred. Interest incurred on related debt during the construction period is capitalized as incurred. The total allocated cost of each lot is charged to construction-in-progress upon commencement of building activities.

Inventory – Inventory consists primarily of donated home furnishings and building and home improvement materials which are sold in the ReStores. Habitat believes that the inventory of donated goods and materials does not possess an attribute that is easily measureable or verifiable with sufficient reliability to determine an inventory value at the time of donation. Accordingly, donated inventory is valued at zero prior to being offered for sale. At the end of its fiscal year, Habitat generally estimates the value of donated goods on hand and records the amount as merchandise inventory with corresponding adjustments to in-kind contributions.

Deferred Revenue – Deferred revenue consists of deposits received on conditional promises to give from sponsors of future home building and totaled \$667,000 and \$829,705 at June 30, 2018 and 2017, respectively.

HABITAT FOR HUMANITY OF GREATER NASHVILLE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 2—Summary of significant accounting policies (continued)

Revenue Recognition – Contributions are recognized as revenue when received. Contributed land and equipment are recorded at estimated fair value at the date of the donation. In-kind contributions (primarily construction materials and land for development) are recorded based on their estimated value on the date of receipt.

No amounts have been reflected in the financial statements for donated labor by unskilled volunteers as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to Habitat's program services.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using an interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met. Habitat determines an allowance for doubtful accounts based on historical experience, an assessment of economic conditions, and a review of subsequent collections.

ReStore sales are recognized as revenue at the time merchandise is transferred to the customer. Historically, sales returns have not been significant.

Grant Income – Grant funds are earned and reported as revenue when Habitat has incurred expenses in compliance with the specific restrictions of the grant agreement. Grant funds that are restricted for use in home construction are reflected as unrestricted revenue since these funds are generally received and spent during the same year.

Program Services – Program services include construction, ReStore operations, homeowner support and educational ministries, and the discounts on mortgage originations. The cost of home building is charged to program services upon transfer to the homeowner. Program services include the cost of new homes transferred, which have an average cost of \$135,138 and \$116,172 for the years ended June 30, 2018 and 2017, respectively.

Advertising – Advertising costs are charged to expense as incurred. Advertising expense totaled \$21,325 and \$20,512 for the years ended June 30, 2018 and 2017, respectively.

Debt Issuance Costs – Costs relating to the issuance of notes payable are amortized to interest expense over the term of the debt, using the straight-line method. The unamortized amount is presented as a reduction of long-term debt on the statements of financial position.

Functional Allocation of Expenses – The costs of providing program and supporting services have been reported on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Summarized Financial Information – The financial statements include certain 2016 summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Habitat's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

HABITAT FOR HUMANITY OF GREATER NASHVILLE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 2—Summary of significant accounting policies (continued)

Subsequent Events – Habitat evaluated subsequent events through September 27, 2018, when these financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

Future Pronouncements – In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under accounting standards generally accepted in the United States (“GAAP”) under which an entity should recognize revenue to depict 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. ASU 2014-09 will be effective for Habitat on July 1, 2019. Habitat is currently evaluating the effect of the implementation of this new standard.

In August 2016, the FASB issued a new accounting standard, ASU 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the statements of activities. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU will be effective for Habitat on July 1, 2018. Early adoption is permitted. Habitat is currently evaluating the effect that the standard will have on its financial statements and related disclosures.

In November 2016, the FASB issued a new accounting standard, ASU 2016-18, *Statement of Cash Flows: Restricted Cash (Topic 230)*, requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new standard will be effective for Habitat on July 1, 2019. Early adoption is permitted. Habitat is currently evaluating the effect that the standard will have on its financial statements and related disclosures.

Note 3—Grants receivable

A summary of grants receivable as of June 30 is as follows:

	2018	2017
Federal Home Loan Bank	\$ 212,500	\$ 770,000
Foundations and other	95,000	109,250
Metropolitan Development and Housing Agency	-	183,125
	<u>\$ 307,500</u>	<u>\$ 1,062,375</u>

HABITAT FOR HUMANITY OF GREATER NASHVILLE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 4—Unconditional promises to give

Habitat has included unconditional promises to give in sponsor and other receivables. Unconditional promises to give consist of the following at June 30:

	2018	2017
Unconditional promises to give	\$ 398,611	\$ 357,662
Less allowance for uncollectible contributions	(54,804)	(63,411)
Net unconditional promises to give	343,807	294,251
Less amounts receivable in less than one year, net	(293,807)	(224,251)
Receivable in one to five years, net	<u>\$ 50,000</u>	<u>\$ 70,000</u>

Note 5—Construction-in-progress – new homes

A summary of new home construction activity for 2018 is as follows:

	Number	Costs
New homes under construction, June 30, 2017	22	\$ 1,160,656
Additional costs incurred on beginning inventory		1,723,461
New homes started in 2018	43	2,988,956
New homes closed in 2018	(37)	(5,000,116)
New homes under construction, June 30, 2018	<u>28</u>	<u>\$ 872,957</u>

Note 6—Property and equipment

A summary of property and equipment as of June 30 is as follows:

	2018	2017
Land and land improvements	\$ 2,897,950	\$ -
Buildings	5,481,925	249,720
Office equipment	269,209	263,931
Leasehold improvements	55,944	226,421
Vehicles and trailers	463,367	404,379
Other	371,053	297,893
Construction-in-progress	-	7,994,262
	9,539,448	9,436,606
Less accumulated depreciation	(1,065,103)	(975,848)
	<u>\$ 8,474,345</u>	<u>\$ 8,460,758</u>

Construction in progress at June 30, 2017, included a 65,000 square-foot building on five acres of land and related renovations. Habitat consolidated all Davidson County operations in July 2017 at this location, including its ReStores, warehouses, and offices.

HABITAT FOR HUMANITY OF GREATER NASHVILLE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 7—Land held for development

Land held for development consists of real property and incurred development costs for the purpose of future home construction. Land held for development consists of the following by area at June 30:

	2018	2017
Park Preserve	\$ 1,419,272	\$ 1,020,631
Wilson County	201,595	178,471
Cheatham County	151,427	-
Dickson County	149,409	141,822
Antioch	77,941	107,855
	<u>\$ 1,999,644</u>	<u>\$ 1,448,779</u>

Note 8—Mortgage notes receivable

At June 30, 2018 and 2017, Habitat holds mortgage notes receivable totaling \$53,512,492 and \$51,759,048, respectively, at face value generally with original maturities of 30 years. The notes are non-interest bearing mortgages, payable in equal monthly installments, and are secured by deeds of trust on the properties. The notes have been discounted at various interest rates ranging from 4.5% to 9% over the lives of the mortgages. Mortgages are reported net of unamortized discount. Mortgage notes receivable and the related discount are summarized as follows at June 30:

	2018	2017
First mortgages	\$ 40,357,661	\$ 38,933,345
Second mortgages	11,808,052	11,424,004
Third mortgages	1,346,779	1,401,699
	53,512,492	51,759,048
Less unamortized discount	(23,452,398)	(22,543,816)
	<u>\$ 30,060,094</u>	<u>\$ 29,215,232</u>

Following is a table which includes an aging analysis of the recorded investment of past due mortgage notes receivable as of June 30:

	2018	2017
31-60 days past due	\$ 368,420	\$ 705,328
61-90 days past due	297,505	214,885
Greater than 90 days past due	252,817	295,356
Total past due	918,742	1,215,569
Current	52,593,750	50,543,479
	<u>\$ 53,512,492</u>	<u>\$ 51,759,048</u>

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 8—Mortgage notes receivable (continued)

Principal payments due on mortgage notes receivable are as follows:

Years Ending June 30,

2019	\$ 2,056,094
2020	2,106,182
2021	2,083,434
2022	2,064,476
2023	2,041,353
Thereafter (including non-paying second and third mortgages of \$5,892,421)	<u>43,160,953</u>
Notes receivable at face value	53,512,492
Less unamortized discount	<u>(23,452,398)</u>
	<u><u>\$ 30,060,094</u></u>

Note 9—New markets tax credit intangible assets

Habitat incurred \$44,136 in guarantor fees related to its New Markets Tax Credit (“NMTC”) financing in August 2012, to be amortized over seven years, the period to which the guarantee applies. Habitat incurred \$27,125 in guarantor fees, \$13,333 in audit fees, \$64,400 in asset management fees, and \$26,250 in consulting fees related to its NMTC financing in December 2017, to be amortized over seven years, the period to which the assets apply. The intangible assets represent fees paid to the third party administrator in the transaction, who is responsible for ensuring that Habitat performs and complies with all aspects of the transaction requirements.

As of June 30, the balances of NMTC intangible assets and accumulated amortization are as follows:

	<u>2018</u>	<u>2017</u>
Qualified active low income community business (QALICB) guarantor fee	\$ 71,261	\$ 44,136
CDE audit fee	13,333	-
Asset management fee	64,400	-
Consulting fee	<u>26,250</u>	<u>-</u>
Total intangible assets	175,244	44,136
Accumulated NMTC amortization	<u>(46,148)</u>	<u>(30,475)</u>
NMTC intangible assets, net	<u><u>\$ 129,096</u></u>	<u><u>\$ 13,661</u></u>

HABITAT FOR HUMANITY OF GREATER NASHVILLE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 10—New markets tax credit joint venture investment

In August 2012, Habitat invested, along with five other Habitat affiliates, in a joint venture, CCML Leverage II, LLC (“CCML”), to take advantage of NMTC financing. NMTC financing allows an entity to receive a loan or investment capital from outside investors, who will receive new markets tax credits to be applied against their federal tax liability. Habitat invested a combination of cash and construction in progress totaling \$1,430,134 for a 16.67% ownership stake, enabling it to secure a 15-year loan in the amount of \$1,880,000 payable to CCM Community Development XXVII, LLC (“CCM”), a community development entity. The loan proceeds were used solely for the purpose of constructing and selling qualified housing properties to low income residents.

The investment in joint venture is accounted for using the equity method and the carrying amount of the investment is increased for Habitat’s proportionate share of the joint venture’s earnings and decreased for Habitat’s proportionate share of the joint venture’s losses. The activity of the NMTC joint venture investment during the year ended June 30 is as follows:

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 1,530,506	\$ 1,505,694
Distributions received	(14,301)	(14,302)
Share of income	39,115	39,114
Ending balance	<u>\$ 1,555,320</u>	<u>\$ 1,530,506</u>

In December 2017, Habitat invested, along with five other Habitat affiliates, in a partnership, Harbor Habitat Leverage II, LLC (“HHL”), with 16.6667% ownership to take advantage of NMTC financing. Habitat invested a combination of cash and construction in progress totaling \$1,207,410, enabling it to secure a 20-year loan in the amount of \$1,715,000 payable to Harbor Community Fund XIII, LLC (“HCF”), a community development entity. The loan proceeds are to be used solely for the purpose of constructing and selling qualified housing properties to low income residents.

The investment in partnership is accounted for using the equity method and the carrying amount of the investment is increased for Habitat’s proportionate share of the joint venture’s earnings and decreased for Habitat’s proportionate share of the joint venture’s losses. The activity of the NMTC joint venture investment during the year ended June 30 is as follows:

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ -	\$ -
Capital contributed	1,207,410	-
Distributions received	(5,399)	-
Share of income	-	-
Ending balance	<u>\$ 1,202,011</u>	<u>\$ -</u>

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 11—Notes payable

	<u>2018</u>	<u>2017</u>
Notes payable to Tennessee Housing Development Agency, non-interest bearing, payable in monthly principal installments totaling \$83,910 (at June 30, 2018) with varying maturities through July 2048, secured by noninterest bearing first mortgages held by Habitat, with a discounted value of \$11,933,816. The notes have an undiscounted balance outstanding of \$21,958,701 and \$21,365,874 at June 30, 2018 and 2017, respectively. Discount rates ranging from 4.5% to 5.25% were applied to arrive at net present value of the notes payable at issuance. Contribution revenue of \$958,955 and \$919,248 has been recognized in 2018 and 2017, respectively, to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2018 and 2017 amounted to \$10,024,885 and \$9,804,287, respectively.	\$ 11,933,816	\$ 11,561,587
Notes payable to bank secured by mortgages receivable, noninterest bearing, payable in monthly principal installments totaling \$16,495, maturing at various times through December 2045. The notes have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding of \$4,045,367 and \$4,257,735 at June 30, 2018 and 2017, respectively. Contribution revenue of \$1,959,239 was recognized in 2016 to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2018 and 2017 amounted to \$1,600,012 and \$1,674,026, respectively.	2,445,355	2,583,709
Notes payable to Habitat International, non-interest bearing, payable in monthly principal installments ranging from \$170 to \$1,640 through December 2023.	243,768	302,091
Notes payable to The Housing Fund, Inc. secured by certain real property, non-interest bearing, payable in 120 to 180 equal monthly principal installments ranging from \$244 to \$617, through June 2030. The notes have been discounted using a rate of 4.5%. Contribution revenue of \$104,819 and \$104,491 was recognized in 2018 and 2017, respectively, to present the difference between the present value of the notes payable and their undiscounted balances of \$1,466,507 and \$1,505,332, at June 30, 2018 and 2017, respectively. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2018 and 2017 amounted to \$289,544 and \$213,338, respectively.	1,176,963	1,291,994

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 11—Notes payable (continued)

	<u>2018</u>	<u>2017</u>
Notes payable to bank secured by mortgages receivable, noninterest bearing, payable in monthly principal installments totaling \$2,020, maturing at various times through November 2047. The notes payable have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding at June 30, 2018 and 2017 of \$472,020 and \$59,344, respectively. Contribution revenue of \$176,360 and \$19,831 was recognized in 2018 and 2016, respectively, to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2018 and 2017 amounted to \$183,423 and \$11,838, respectively.	\$ 288,597	\$ 47,506
Notes payable to bank secured by mortgages receivable, noninterest bearing, payable in monthly principal installments totaling \$2,961, maturing at various times through July 2047. The notes have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding at June 30, 2018 of \$988,991. Contribution revenue of \$440,844 was recognized in 2018 to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2018 amounted to \$431,789.	557,202	-
Notes payable to bank secured by mortgages receivable, noninterest bearing, payable in monthly principal installments totaling \$1,757, maturing at various times through June 2047. The notes have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding at June 30, 2018 of \$543,926. Contribution revenue of \$231,484 was recognized in 2018 to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2018 amounted to \$226,815.	317,111	-
Note payable to bank, unsecured at a variable interest rate of 4% below prime (1.0% at June 30, 2018), maturing in April 2019.	100,000	100,000
Note payable to bank, secured by certain real property with a net book value of \$7,846,637 at June 30, 2018, at a variable interest rate of 4% below prime (1.0% at June 30, 2018), with a 20-year amortization maturing in October 2023.	4,056,020	6,251,113
	<u>\$ 21,118,832</u>	<u>\$ 22,138,000</u>

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 11—Notes payable (continued)

Notes payable are presented in the statements of financial position as follows at June 30:

	<u>2018</u>	<u>2017</u>
Notes payable, secured by mortgages, net of unamortized discount	\$ 16,719,044	\$ 15,484,796
Note payable, secured by Harding Place property	4,056,020	6,251,113
Notes payable, unsecured	<u>343,768</u>	<u>402,091</u>
	<u>\$ 21,118,832</u>	<u>\$ 22,138,000</u>

Future principal maturities of notes payable are as follows:

Years Ending June 30,

2019	\$ 1,944,707
2020	1,833,976
2021	1,822,947
2022	1,804,696
2023	1,778,669
Thereafter	<u>24,750,128</u>
Total principal maturities	33,935,123
Debt issuance costs	(59,823)
Amounts representing imputed interest	<u>(12,756,468)</u>
	<u>\$ 21,118,832</u>

Note 12—Line of credit

Habitat has a \$950,000 line of credit agreement with a bank bearing interest at the bank's index rate plus 1% (6% at June 30, 2018). The line of credit is secured by real estate. The line of credit has a maturity date of December 2018. At June 30, 2018 and 2017, no borrowings were outstanding under the line of credit agreement.

Note 13—New markets tax credit joint venture note payable

Habitat has a loan payable to CCM Community Development XXVII, LLC ("CCM"), a community development entity, dated August 31, 2012, as part of the NMTC transaction. It is a 15-year loan bearing interest at 0.76% with semi-annual interest-only payments commencing on November 10, 2012, and continuing until November 10, 2020. Principal and interest payments are to commence on November 10, 2020, due semi-annually to then fully amortize the principal balance over an eight-year period, maturing May 10, 2028.

The loan is secured by substantially all the assets acquired by Habitat from the project loan proceeds. The debt is associated with a put option feature under an option agreement between the joint venture's related parties that is expected to be exercised in 2020 that will effectively extinguish the liability from Habitat. The balance of the note payable at June 30, 2018 and 2017 is \$1,880,000, net of issuance costs of \$17,252 and \$18,949, respectively. Debt issuance costs of \$27,151 are being amortized to interest expense over the 15-year term of the loan.

HABITAT FOR HUMANITY OF GREATER NASHVILLE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 13—New markets tax credit joint venture note payable (continued)

Simultaneous with these transactions, CCML entered into an option agreement (the “Agreement”) with U.S. Bancorp Community Development Corporation (“USBCDC”), the federal tax credit investor, who is the sole-member of CCM CD 27 Investment Fund, LLC (the “Fund”), and the upstream effective owner of CCM. Under the terms of the Agreement, USBCDC is expected to put its ownership interest into the Fund for \$1,000, during the six-month put period beginning September 15, 2019.

Exercise of this option will effectively extinguish Habitat’s outstanding debt owed to the Fund. Habitat will recognize income on the forgiveness of debt in an amount approximating the difference in the book value of the investment and the debt. The investment and debt will then come off Habitat’s books. All entities including CCML Leverage II, LLC will then be dissolved effectively ending the structured financing deal.

Pursuant to the Agreement, Habitat is required to comply with the NMTC requirements as generally set forth in the Internal Revenue Code (“IRC”) Section 45D, including that Habitat maintain a separate part of business such that the separate business will qualify as a qualified active low-income community business as defined in IRC Section 45D. Only the separate part of business assets of Habitat was pledged as security under the agreement with CCM.

Habitat has a loan payable to Harbor Community Fund XIII, LLC (“HCF”), a community development entity, dated December 20, 2017, as part of a second NMTC transaction. It is a 20-year loan bearing interest at 0.70% with semi-annual interest-only payments commencing on June 5, 2018, and continuing until June 5, 2025. Principal and interest payments are to commence on June 5, 2025, due semi-annually to then fully amortize the principal balance over a 12-year period, maturing December 20, 2037.

The loan is secured by substantially all the assets acquired by Habitat from the project loan proceeds. The debt is associated with a put option feature under an option agreement between the partnership’s related parties that is expected to be exercised in 2025 that will effectively extinguish the liability from Habitat. The balance of the note payable at June 30, 2018, \$1,715,000, net of issuance costs of \$51,814. Debt issuance costs of \$53,142 are being amortized to interest expense over the 20-year term of the loan.

Simultaneous with these transactions, HHL entered into an option agreement (the “Option Agreement”) with U.S. Bancorp Community Development Corporation (“USBCDC”), the federal tax credit investor, who is the sole-member of Twain Investment Fund 296, LLC (the “Twain Fund”), and the upstream effective owner of HCF. Under the terms of the option agreement, USBCDC is expected to put its ownership interest into the Twain Fund for \$1,000, during the six month put period beginning December 20, 2024.

Exercise of this option will effectively extinguish Habitat’s outstanding debt owed to HCF. Habitat will recognize income on the forgiveness of debt in an amount approximating the difference in the book value of the investment and the debt. The investment and debt will then come off Habitat’s books. All entities including Habitat Harbor Leverage II, LLC, will then be dissolved effectively ending the structured financing deal.

Pursuant to the agreement, Habitat is required to comply with the NMTC requirements as generally set forth in the Internal Revenue Code Section 45D, including that Habitat maintain a separate part of business such that the separate business will qualify as a qualified active low-income community business as defined in IRC Section 45D. Only the separate part of business assets of Habitat was pledged as security under the agreement with HCF.

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 14—Temporarily restricted net assets

Temporarily restricted net assets consist principally of contributions restricted for future programs or improvements to existing programs. Significant components include the following at June 30:

	2018	2017
Unamortized discount on notes payable	\$ 12,756,468	\$ 11,703,489
Donor restricted contributions	419,117	421,154
Unconditional promises to give, net	109,479	77,325
	<u>\$ 13,285,064</u>	<u>\$ 12,201,968</u>

Note 15—Concentrations

Habitat maintains its cash in bank accounts that at times may exceed federally insured limits. Habitat has not experienced any losses in such accounts. Deposits are insured by the Federal Deposit Insurance Corporation (“FDIC”). Management believes Habitat is not exposed to any significant credit risk on its cash balances. Uninsured balances at June 30, 2018 and 2017 totaled \$1,086,588 and \$202,333, respectively.

Note 16—Commitments and contingencies

In connection with the development of Park Preserve, Edison Park and Hallmark subdivisions, Habitat has obtained letters of credit totaling \$1,590,000 and \$1,066,000 at June 30, 2018 and 2017, respectively, securing the completion of certain improvements. Habitat had no outstanding borrowings associated with these letters of credit at June 30, 2018 and 2017. The letters of credit expire through August 2019.

Habitat leases certain office and warehouse space and equipment under leasing arrangements classified as operating leases. Rent expense under such arrangements amounted to \$161,470 and \$570,641 for the years ended June 30, 2018 and 2017, respectively. A summary of future minimum rental payments as of June 30, 2018 is as follows:

Years Ending June 30,

2019	\$ 74,973
2020	25,121
2021	2,856
	<u>\$ 102,950</u>

From time to time, Habitat is involved in litigation. In the opinion of management, no current or threatened litigation will have a material effect on Habitat’s financial position or activities.

Note 17—In-kind contributions

In-kind contributions received by Habitat are recorded based on their estimated value on the date of receipt. A summary of in-kind contributions is as follows for the years ended June 30:

	2018	2017
Building supplies and home appliances	<u>\$ 204,291</u>	<u>\$ 580,076</u>

HABITAT FOR HUMANITY OF GREATER NASHVILLE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 17—In-kind contributions (continued)

Approximately 7,400 and 7,200 individuals contributed significant amounts of time to Habitat's activities during the years ended June 30, 2018 and 2017, respectively. The financial statements do not reflect the value of these services because they do not meet the recognition criteria prescribed by accounting principles generally accepted in the United States of America.

Note 18—The Housing Fund, Inc. Community Development Block Grant

Habitat entered into a grant and loan agreement with The Housing Fund, Inc. to acquire and rehabilitate homes which are located in areas that were impacted by the May 2010 floods in Nashville. The grant funds were provided by a Community Development Block Grant. Total funds available to Habitat under the agreement were not to exceed \$3,000,000 for Phase I. 70% of the funds received were in the form of a grant with the remaining 30% repayable under a 10 year note payable at 0% interest. Acquisition of properties required approval by The Housing Fund, Inc. prior to purchase. In 2015, Phase II of this grant and loan agreement with The Housing Fund, Inc. began, which allowed for funds not to exceed \$2,331,590. 60% of the funds received were in the form of a grant with the remaining 40% payable under a 15-year note payable at 0% interest. \$250,000 of Phase II funds were used to complete the rehabilitation of homes acquired under Phase I. Ten homes were transferred to qualified families during the year ended June 30, 2017.

Balances related to the agreement in the accompanying financial statements are as follows at June 30:

	<u>2018</u>	<u>2017</u>
Grants receivable	\$ -	\$ 183,125
Notes payable	1,176,963	1,291,994
Grant income	-	1,094,443

Note 19—Retirement plan

Habitat has a defined contribution retirement plan for its employees, which was established as a Simple IRA. As described in the plan document, substantially all full time employees are eligible to participate in the plan. Discretionary contributions may be made at the option of the board of directors. Habitat recognized retirement plan expense of \$62,815 and \$65,045 for the years ended June 30, 2018 and 2017, respectively.

Note 20—Supplemental cash flow information

The following is supplemental cash flow information required by accounting principles generally accepted in the United States of America.

Supplemental Cash Flow Information

	<u>2018</u>	<u>2017</u>
Interest paid	<u>\$ 21,889</u>	<u>\$ -</u>

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Note 20—Supplemental cash flow information (continued)

Supplemental Schedule of Noncash Investing and Financing Activities

	2018	2017
Issuance of non-interest bearing mortgage loans	\$ 5,418,218	\$ 6,127,374
Discount on non-interest bearing mortgage loans	<u>(2,447,814)</u>	<u>(2,764,712)</u>
Transfers to homeowners subject to non-interest bearing mortgage loans	<u>\$ 2,970,404</u>	<u>\$ 3,362,662</u>
Loans transferred to real estate held for sale	<u>\$ 127,503</u>	<u>\$ 91,092</u>
Purchase of property and equipment through issuance of note payable	<u>\$ -</u>	<u>\$ 2,936,000</u>
Additions to construction-in-progress - rehabilitation through deferred revenue and issuance of notes payable	<u>\$ -</u>	<u>\$ 109,891</u>
Donated lots included in deferred revenue	<u>\$ -</u>	<u>\$ 31,400</u>

Note 21—Related parties

At June 30, 2018 and 2017, Habitat owed notes payable, net of discounts, totaling approximately \$7,507,000 and \$9,051,000, respectively, to financial institutions which have executives who serve on Habitat’s board of directors.

Habitat receives voluntary contributions, house sponsorship funding, in-kind contributions, and volunteer labor from various board members and their companies throughout the year. Some professional services are also purchased from board members and their companies throughout the course of the year. None of these transactions are considered to be individually significant to Habitat’s financial statements.

Habitat annually remits a portion of its unrestricted contributions (excluding in-kind contributions) to Habitat International. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2018 and 2017, Habitat contributed \$98,992 and \$101,881, respectively, to Habitat International. At June 30, 2018 and 2017, the accompanying statements of financial position included tithe payable to Habitat International of \$45,278 and \$1,246, respectively.

Habitat has received Self-Help Homeownership Opportunity Program (“SHOP”) funds from Habitat International. 75% of the funds received were in the form of a grant with the remaining 25% repayable under non-interest bearing four-year notes payable. During the years ended June 30, 2018 and 2017, Habitat was granted \$246,806 and \$111,307, respectively, of SHOP funds of which \$-0- and \$93,750 is receivable at June 30, 2018 and 2017, respectively. At June 30, 2018 and 2017, the balances of the loans totaled \$243,768 and \$302,091, respectively.