THE HOUSING FUND, INC. AND SUBSIDIARIES

NASHVILLE, TENNESSEE

CONSOLIDATED FINANCIAL STATEMENTS,
ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT

SEPTEMBER 30, 2019 AND 2018

THE HOUSING FUND, INC. AND SUBSIDIARIES

NASHVILLE, TENNESSEE

CONSOLIDATED FINANCIAL STATEMENTS, ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT

SEPTEMBER 30, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Housing Fund, Inc. and Subsidiaries
Nashville, Tennessee

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of The Housing Fund, Inc., a Tennessee not-for-profit corporation, and subsidiaries (collectively, the "Agency") which comprise the consolidated statements of financial position as of September 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

KraftCPAs PLLC • Certified Public Accountants and Consultants
555 Great Circle Road • Nashville, TN 37228 • phone: 615-242-7351 • fax: 615-782-4271 • kraftcpas.com

OPINION

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Agency as of September 30, 2019 and 2018, 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 audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. 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.

Kraft CPAs PLLC

Nashville, Tennessee
February 14, 2020

THE HOUSING FUND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 7,683,712	$ 4,081,106
Cash and cash equivalents, designated for federal programs	1,641,432	1,474,196
Accounts receivable	117,743	70,989
Government grants receivable	22,158	22,158
Accrued interest on loans receivable	133,424	134,456
Loans receivable:		
Down payment assistance loans, net	6,192,306	5,718,489
Flood assistance loans, net	1,160,360	1,277,609
Development loans, net	5,935,047	7,123,498
Shared equity loans, net	1,506,208	1,481,217
Prepaid expenses and other assets	160,524	154,916
Tax, insurance and mortgage escrow reserves	314,059	-
Property, furniture and equipment, net	4,244,082	132,727
Investment in limited partnership	-	200,000
TOTAL ASSETS	$ 29,111,055	$ 21,871,361
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 261,048	$ 99,755
Accrued expenses	91,840	77,352
Flood contract payable	217,520	242,861
Mortgage loans payable - Laurel House Apartments, net	2,327,101	-
Notes payable - investment partners	13,778,340	10,871,302
TOTAL LIABILITIES	16,675,849	11,291,270
NET ASSETS		
Without donor restrictions	12,291,067	10,509,035
With donor restrictions	144,139	71,056
TOTAL NET ASSETS	12,435,206	10,580,091
TOTAL LIABILITIES AND NET ASSETS	$ 29,111,055	$ 21,871,361

See accompanying notes to consolidated financial statements.

THE HOUSING FUND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019			2018		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
SUPPORT AND REVENUES						
Public support:						
Federal, state and local government grants	$ 633,330	$ 125,000	$ 758,330	$ 116,306	$ 125,000	$ 241,306
Grants from private institutions	166,550	180,000	346,550	11,330	45,000	56,330
Revenues:						
Service and administrative fees	222,928	-	222,928	167,297	-	167,297
Rental income - Laurel House Apartments	330,164	-	330,164	-	-	-
Interest income:						
Loans	494,482	-	494,482	463,144	-	463,144
Other	11,133	-	11,133	1,319	-	1,319
Other	52,510	-	52,510	37,080	-	37,080
Net assets released from restriction	231,917	(231,917)	-	98,944	(98,944)	-
TOTAL SUPPORT AND REVENUES	2,143,014	73,083	2,216,097	895,420	71,056	966,476
EXPENSES						
Program services:	1,077,268	-	1,077,268	1,292,661	-	1,292,661
Flood assistance programs	66,213	-	66,213	73,276	-	73,276
Laurel House Apartments	388,668	-	388,668	-	-	-
Supporting services:						
Management and general	261,887	-	261,887	190,191	-	190,191
TOTAL EXPENSES	1,794,036	-	1,794,036	1,556,128	-	1,556,128
CHANGE IN NET ASSETS	348,978	73,083	422,061	(660,708)	71,056	(589,652)
NET ASSETS - BEGINNING OF YEAR	10,509,035	71,056	10,580,091	11,169,743	-	11,169,743
LAUREL HOUSE 2001, L.P. - TRANSFER OF INTEREST, NET OF AMOUNT OWNED BY LAUREL HOUSE GP, INC.	1,433,054	-	1,433,054	-	-	-
NET ASSETS - END OF YEAR	$ 12,291,067	$ 144,139	$ 12,435,206	$ 10,509,035	$ 71,056	$ 10,580,091

See accompanying notes to consolidated financial statements.

THE HOUSING FUND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019					2018			
	Program Services			Supporting Services		Program Services		Supporting Services	
	Low-Income Housing Assistance	Flood Assistance	Laurel House Apartments	Management and General	Total	Low-Income Housing Assistance	Flood Assistance	Management and General	Total
Payroll and related costs	$ 691,825	$ 81,888	$ 35,224	$ 162,527	$ 971,464	$ 752,830	$ 83,631	$ 110,350	$ 946,811
Provision for uncollectible loans	(93,211)	(26,900)	-	-	(120,111)	(7,215)	(24,800)	-	(32,015)
Advertising	232	-	-	2,347	2,579	21	-	8,782	8,803
Bad debt	-	-	-	-	-	5,250	-	-	5,250
Depreciation and amortization	16,772	2,769	110,421	7,578	137,540	16,846	2,449	2,081	21,376
Interest	237,955	-	28,298	-	266,253	358,903	-	-	358,903
Occupancy	25,595	4,889	-	12,203	42,687	65,398	8,702	7,397	81,497
Professional fees	48,815	-	34,635	32,568	116,018	15,083	-	27,575	42,658
Servicing fees	44,874	-	-	51	44,925	17,343	29	-	17,372
Repairs and maintenance	-	-	49,501	-	49,501	-	-	-	-
Property taxes	-	-	110,032	-	110,032	-	-	-	-
Office expense and miscellaneous	104,411	3,567	20,557	44,613	173,148	68,202	3,265	34,006	105,473
	$ 1,077,268	$ 66,213	$ 388,668	$ 261,887	$ 1,794,036	$ 1,292,661	$ 73,276	$ 190,191	$ 1,556,128

See accompanying notes to consolidated financial statements.

THE HOUSING FUND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
OPERATING ACTIVITIES		
Change in net assets	$ 422,061	$ (589,652)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	126,541	21,376
Amortization of loan costs	10,999	-
Accrued interest added to notes payable - investment partners	53,291	53,813
Change in provision for uncollectible loans	(120,111)	(32,015)
Bad debt expense	-	5,250
Non-cash contribution: land grant from the Community Land Trust	(485,900)	-
Non-cash contribution: forgiveness of accrued interest and note payable - investment partners	(149,579)	
(Increase) decrease in:		
Accounts receivable	22,827	(66,807)
Government grants receivable	-	228,667
Accrued interest on loans receivable	1,032	6,044
Prepaid expenses and other assets	11,701	(12,458)
Tax, insurance and mortgage escrow reserves	25,042	-
(Decrease) increase in:		
Accounts payable	(139,810)	19,027
Accrued expenses	14,488	3,255
Deferred revenue	-	(1,836)
Net adjustments	(629,479)	224,316
NET CASH USED IN OPERATING ACTIVITIES	(207,418)	(365,336)
INVESTING ACTIVITIES		
Acquisition of property, furniture and equipment	(39,247)	(829)
Down payment assistance loans made	(1,569,902)	(864,634)
Principal repayments on down payment assistance loans	1,108,085	944,949
Principal repayments on flood assistance loans	118,808	72,512
Development loans made	(2,620,745)	(2,147,314)
Principal repayments on development loans	3,891,407	2,642,862
Shared equity loans made	(90,709)	(122,328)
Principal repayments on shared equity loans	64,718	78,153
NET CASH PROVIDED BY INVESTING ACTIVITIES	862,415	603,371
FINANCING ACTIVITIES		
Principal payments on mortgage loans payable - Laurel House Apartments	(48,291)	-
Proceeds from notes payable - investment partners	3,010,000	-
Principal payments on notes payable - investment partners	(6,674)	(2,575,044)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	2,955,035	(2,575,044)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,610,032	(2,337,009)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	5,555,302	7,892,311
TRANSFER IN OF CASH FROM LAUREL HOUSE 2001, L.P.	159,810	-
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 9,325,144	$ 5,555,302
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Flood assistance loans transferred to grantor	$ 25,341	$ 27,312
Debt forgiveness by investment partner	$ 149,579	$ -
Assets and liabilities acquired from transfer in of Laurel House 2001, L.P.	$ 1,473,244	$ -
Contribution of land from Community Land Trust	$ 485,900	$ -
ADDITIONAL CASH FLOW INFORMATION:		
Interest paid	$ 212,962	$ 364,947

See accompanying notes to consolidated financial statements.

NOTE 1 - GENERAL

The Housing Fund, Inc. ("THF") was organized in 1996 as a Tennessee not-for-profit corporation. Its stated mission is to "provide resources and creative leadership to help individuals and communities create and maintain affordable and healthy places in which low to moderate income people live". THF is designated as a Community Development Financial Institution ("CDFI") by the U.S. Department of Treasury. In addition, THF is one of the nonprofit agencies involved in a joint effort of private and public sectors established to provide the "We Are Home" program, which is designed to fill gaps that exist for homeowners by providing financing for the repairs of homes damaged by the May 2010 flood in Nashville and surrounding counties.

During 2002, Laurel House Apartments GP, Inc. ("Laurel House GP") was organized as a for-profit corporation and is a wholly-owned subsidiary of THF. Laurel House GP owns 1/10 of 1% as general partner of Laurel House 2001, L.P., a limited partnership that was also organized in 2002. Laurel House 2001, L.P. acquired certain real estate for the construction and operation of Laurel House Apartments (the "Laurel House project"), a 48-apartment unit development, with parking availability, 10,000 square feet of retail space, and offices for THF. The Laurel House project was funded in part through a Tax Increment Financing loan ("TIF"), provided by THF, in the amount of $700,000. Additional funding for the Laurel House project came from proceeds of the sale of federal low-income housing tax credits. The general partnership interest of Laurel House in the limited partnership was reported by THF at its $200,000 historical cost through December 31, 2018. Effective December 31, 2018, the limited partners of Laurel House 2001, L.P. transferred their 99.99% ownership interest directly to The Housing Fund, Inc, as a condition of the original partnership agreement (see Note 3). Effective December 31, 2018, The Housing Fund is 100% owner of Laurel House 2001, L.P. through is 1/10 of 1% ownership held by Laurel House GP and 99.99% ownership held directly.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The accompanying consolidated financial statements for the year ended September 30, 2019, include the accounts of The Housing Fund, Inc. and its subsidiaries: Laurel House Apartments GP, Inc. and Laurel House 2001, L.P. (collectively the "Agency"). The accompanying consolidated financial statements for the year ended September 30, 2018, include the accounts of The Housing Fund, Inc and its subsidiary: Laurel House Apartments GP, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of presentation

The accompanying consolidated financial statements present the financial position and change in net assets of the Agency on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Resources are classified as net assets without donor restrictions and net assets with donor restrictions, based on the existence or absence of donor-imposed restrictions as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Agency's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Agency or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Agency did not have any net assets with donor restrictions that are perpetual in nature as of September 30, 2019 or 2018.

Donor/grantor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Consolidated Statements of Activities.

Contributions and support

The Agency also receives grant revenue from federal, state and local agencies. Grant revenue is recognized in the period a liability is incurred for eligible expenditures under the terms of the grant. Grant funds received prior to expenditure are recorded initially as deferred revenue.

The Agency reports any gifts of equipment or materials as unrestricted support unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as restricted support. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Rental income

Rental income from residential apartments is recognized as rent becomes due. Rental payments received in advanced are deferred until earned.

Rental income from retail leases is recognized on the straight-line basis over the life of the leases. The excess of rental income recognized over the amount received is included in Accounts Receivable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal loan awards

Federal awards received by the Agency that include an obligation to repay loaned amounts back to the awarding agency are included in notes payable until such amounts are repaid by the Agency. Federal loan awards are considered expended when the loan disbursements are made to eligible recipients.

Cash and cash equivalents and designated cash

Cash and cash equivalents include demand deposits and money market funds with banks. Cash equivalents also include bank certificates of deposit that can be liquidated without significant penalty or restriction (including accrued interest).

Cash and cash equivalents designated for federal programs consists of discretely managed accounts maintained to comply with contractual requirements imposed by grantors and may be used only for the purpose of funding loans.

Accounts receivable and government grants receivable

Accounts receivable and government grants receivable are deemed to be fully collectible by management. No allowance for bad debts is considered necessary.

Allowance for uncollectible loans

The allowance for uncollectible loans is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using historical loan loss experience, the nature and volume of the portfolio, information about specific borrower situations, estimated collateral values, and current economic conditions. The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired. The general component is based on historical loss experience adjusted for current factors. The entire allowance is available for any loan that, in management's judgment, should be charged off.

A loan receivable is considered impaired when, based on current information, it is probable that all amounts of principal and interest due will not be collected according to the terms of the loan agreement. The allowance for uncollectible loans is established by charges to program services expense and is maintained at an amount which management believes adequate to absorb losses on existing loans. Uncollectible loans are charged to the allowance account in the period such determination is made. Recoveries of the allowance for uncollectible loans due to repayment of loans is recorded as income in the period of recovery.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, furniture and equipment

Property, furniture and equipment are reported at cost at the date of purchase, or at estimated fair value at the date of gift to the Agency. The Agency's policy is to capitalize purchases with a cost of $200 or more and an estimated useful life greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets as follows: 20 years or the life of the lease, if shorter, for leasehold improvements, 10-40 years for building and building improvements, 3 years for computer equipment and 5-7 years for furniture and fixtures.

Debt issuance costs

Debt issuance costs are presented on the Consolidated Statements of Financial Position as a direct reduction from the carrying amount of the related mortgage loans payable - Laurel House Apartments. Amounts are amortized on a straight-line basis over the term of the related mortgage and included in amortization expense on the Consolidated Statements of Functional Expenses. Amortization of loans costs will be $14,667 per year for the years ending 2020 through 2024, and $8,552 for the year ending 2025.

Income taxes

THF qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

THF files a U.S. Federal Form 990 for organizations exempt from income tax, U.S. Federal Form 990-T for organizations exempt from income tax with unrelated business income and a Tennessee Franchise and Excise tax return. Laurel House GP is a for-profit corporation and files a Federal Form 1120 and a Tennessee Franchise and Excise tax return. Laurel House 2001, L.P. is a partnership and files a Federal Form 1065. Laurel House 2001, L.P. files a certificate of exemption from Tennessee Franchise and Excise tax.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing THF's, Laurel House GP's and Laurel House 2001, L.P.'s income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying consolidated financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-kind contributions

Donated facilities and materials are recorded as gifts in the period received at estimated fair value, if there is an objective and measurable basis for determining such value.

Donated services are recognized if the services (a) create or enhance non-financial assets; or (b) require specialized skills, are performed by people with those skills, and would have been otherwise purchased by the Agency. Such services are recognized at estimated fair value as support and expense in the period the services are performed.

Program and supporting services

The following programs and supporting services are included in the accompanying consolidated financial statements:

Low-income housing assistance - includes a down payment assistance-lending program, a community development loan program and a shared equity homeownership program designed to assist low to moderate income individuals in acquiring or maintaining their primary residence and to assist not-for-profit and for-profit developers in increasing the supply of decent and affordable housing for low and moderate income individuals throughout Tennessee.

Flood assistance - includes a flood assistance-lending program designed to assist homeowners in the repair of homes damaged by the May 2010 flood, and to finance the acquisition, repair, and sale of flood-impacted properties by Habitat for Humanity. Nashville’s “We Are Home” program is a joint effort of Nashville’s private and public sectors, including the Community Foundation of Middle Tennessee, local financial institutions, nonprofit organizations, and the Metropolitan Government of Nashville and Davidson County. The “We Are Home” program is designed to fill gaps that exist for homeowners after taking into account individual assistance provided by the Federal Emergency Management Agency (“FEMA”) and the Small Business Administration (“SBA”) by providing financial assistance in the form of low-interest loans, grants and due-on-sale loans.

Laurel House Apartments - is a 48-unit apartment rental development, with low-income requirements for residents, located in Nashville, Tennessee, with parking availability and approximately 12,000 square feet of retail space.

Management and general - includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program or fund-raising activity, including costs associated with providing coordination and articulation of the Agency’s program strategy, business management, general recordkeeping, budgeting and related purposes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of functional expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated amount more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

The expenses that are allocated include payroll and related costs, advertising, depreciation and amortization, occupancy, professional fees, office expense and miscellaneous and are allocated on the basis of estimated time and effort expended on those activities or programs.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with GAAP 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 during the reporting period. Accordingly, actual results could differ from those estimates.

Adoption of new accounting pronouncement

On August 18, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Additionally, ASU 2016-14 requires all not-for-provide entities to present expenses by their natural and functional expense classification. The ASU is effective for the Agency in 2019, and accordingly, the Agency has adjusted the presentation of these consolidated financial statements. The ASU has been applied retrospectively to all periods presented.

Recent authoritative accounting guidance

In May 2014, the FASB issued ASU 2014-09 *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Agency is currently evaluating the effect that the updated standard will have on the consolidated financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent authoritative accounting guidance (continued)

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify the account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Early adoption is permitted. The Agency is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. In October 2019, the FASB voted to delay the effective date of the standard to fiscal years beginning after December 15, 2020, including interim periods within those financial years. The agency is currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. ASU 2016-15 will be effective for the Agency on October 1, 2019. ASU 2016-15 requires a retrospective transition method. However, if it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. This standard will not have a material impact on the Agency's consolidated statement of cash flows.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 will be effective for annual periods beginning after December 15, 2018. ASU 2016-18 must be applied using a retrospective transition method with early adoption permitted. The Agency is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent authoritative accounting guidance (continued)

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement* (Topic 820): *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement,* which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. An entity is permitted to early adopt any removed or modified disclosures and delay adoption of the additional disclosures until their effective date. The Agency is currently evaluating the impact of this new standard on its consolidated financial statements.

Events occurring after reporting date

The Agency has evaluated events and transactions that occurred between September 30, 2019 and February 14, 2020, the date the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

NOTE 3 - TRANSFER OF LAUREL HOUSE 2001, L.P. PARTNERSHIP INTEREST

As described in Note 1, Laurel House 2001, L.P. is a limited partnership (the “Partnership”) formed for the purpose of acquiring, developing and operating Laurel House Apartments (the “Project”). The Partnership received an allocation of federal low-income housing tax credits pursuant to Internal Revenue Code Section 42, which regulates the use of the property as to occupant eligibility and unit gross rent, among other requirements. The Project’s sole building must meet the provisions of these regulations during each of 15 consecutive years in order to remain qualified to receive the credits. In addition, Laurel House 2001, L.P. is required to utilize the housing complex as low-income housing pursuant to Internal Revenue Code Section 42 until 2034.

The partnership agreement assigned the low-income housing tax credits to the limited partner during the tax credit payment period. Effective December 31, 2018, pursuant to the provisions in the original partnership agreement, along with a 2018 amendment to the agreement, The Housing Fund, Inc. was assigned and transferred the partnership interest of the limited partners. The Housing Fund, Inc. now owns 100% of the partnership through their direct ownership from the limited partners and the ownership of Laurel House GP, Inc, the general partner. Due to the provisions in the original partnership agreement which allowed for the assignment of the low-income housing tax credits to the limited partner, and the future assignment of their partnership interest to The Housing Fund, Inc., the accounts of Laurel House 2001, L.P. have been brought in at their historical cost as of December 31, 2018 and are consolidated in the September 30, 2019 financial statements.

NOTE 3 - TRANSFER OF LAUREL HOUSE 2001, L.P. PARTNERSHIP INTEREST (CONTINUED)

The following summarizes the assets and liabilities transferred in on December 31, 2018:

Cash	$ 159,810
Accounts receivable	69,581
Tax, insurance and mortgage escrow reserves	339,101
Prepaid expenses and other assets	17,309
Property, furniture and equipment, net	3,712,749
Accounts payable	(301,103)
Mortgage loans payable	(2,364,393)
Net transfer to The Housing Fund, Inc.	$ 1,633,054

NOTE 4 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position, comprise the following as of September 30, 2019:

Cash and cash equivalents	$ 7,683,712
Accounts receivable	117,743
Government grants receivable	22,158
Accrued interest on loans receivable	133,424
Current maturities on loans receivable	1,403,114
Total financial assets	9,360,151
Less amounts not available to be used within one year:	
Board designated for fiscal year 2020 lending	8,600,000
Security deposits held	15,550
Net assets with donor restrictions	144,139
Financial assets available to meet general expenditures over the next twelve months	$ 600,462

In fiscal year 2020, The Housing Fund, Inc. plans to utilize unrestricted funds to support the preservation and creation of affordable housing and provide down payment assistance to low- and moderate-income communities. Lending projections for fiscal year 2020 include $7,000,000 in development loans and $1,600,000 in consumer loans such as down payment assistance loans to qualifying individually. From October 1, 2019 through January 31, 2020, THF has deployed approximately $3,100,000 in development and consumer loans.

NOTE 5 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS

Down payment assistance loans

Down payment assistance loans, secured by a second deed of trust on the applicable properties, are made to homebuyers from unrestricted funds. These loans range from $1,000 to $35,000 and consist of the following as of September 30:

	2019	2018
Interest-bearing loans with interest at rates from 2% to 8%, for terms of 5 to 30 years	$ 2,900,194	$2,452,281
Non-interest bearing loans that are payable upon the sale of the property	3,619,203	3,572,918
	6,519,397	6,025,199
Less: allowance for uncollectible loans	(327,091)	(306,710)
Total	$ 6,192,306	$ 5,718,489

Annual principal maturities of down payment assistance loans (excluding the loans that are due upon the sale of the property) are as follows:

Year ending September 30:

2020	$ 205,825
2021	250,811
2022	256,411
2023	259,331
2024	213,027
Thereafter	1,714,789
	$ 2,900,194

NOTE 5 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS (CONTINUED)

Flood assistance loans

Flood assistance loans, secured by the repaired property through a second or third deed of trust, are made to homeowners through federal grants. These loans range from approximately $1,000 to $55,000 and consist of the following as of September 30:

	2019	2018
Interest-bearing loans with interest rate at 4%, requiring monthly payments for terms of 5 to 25 years	$ 93,663	$ 123,496
Non-interest bearing loans that are payable upon the sale of the property	1,587,423	1,701,739
	1,681,086	1,825,235
Less: allowance for uncollectible loans	(520,726)	(547,626)
Total	$ 1,160,360	$ 1,277,609

Annual principal maturities of flood assistance loans (excluding the loans that are due upon the sale of the property) are as follows:

Year ending September 30:	
2020	$ 7,449
2021	9,346
2022	8,078
2023	6,868
2024	5,579
Thereafter	56,343
	$ 93,663

NOTE 5 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS (CONTINUED)

Development loans

Development loans consist of the following as of September 30:

	2019	2018
Loans to developers for the development of affordable housing, ranging from approximately $1,000 to $1,000,000 as of September 30, 2019 ($13,000 to $1,070,000 as of September 30, 2018), for terms of 0 to 180 months, with interest at rates from 0% to 8%; used to finance construction of single-family homes for sale and rental units in low to moderate income neighborhoods and other community development projects. Principal and interest are payable at the earlier of maturity or the date the project is sold.	$ 6,122,257	$ 7,392,919
Less: allowance for uncollectible loans	(187,210)	(269,421)
Total	$ 5,935,047	$ 7,123,498

Annual principal maturities of development loans are as follows:

Year ending September 30:	
2020	$ 1,189,840
2021	2,611,130
2022	1,577,764
2023	159,261
2024	108,213
Thereafter	476,049
	$ 6,122,257

NOTE 5 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS (CONTINUED)

Shared equity loans

Shared equity loans are offered through a homeownership program, "Our House", to provide qualified homebuyers with funds up to 25% of the home's purchase price. Shared equity loan principal plus a portion of the home's appreciation are repayable upon the sale of home by borrower; however, these loans are assumable by future buyers eligible under the shared equity program. Funds disbursed to borrowers are recorded at cost. Borrowers agree to certain restrictions on their use and resale of the property. Shared equity loans consist of the following as of September 30:

	2019	2018
Non-interest bearing loans that are payable upon the sale of the property	$ 1,583,688	$ 1,557,697
Less: allowance for uncollectible loans	(77,480)	(76,480)
Total	$ 1,506,208	$ 1,481,217

NOTE 5 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS (CONTINUED)

Allowance for uncollectible loans

Activity in the allowance for uncollectible loans was as follows as of and for the year ended September 30, 2019:

	Down payment assistance	Flood assistance	Development	Shared equity
Allowance for uncollectible loans:				
Beginning balance	$ 306,710	$ 547,626	$ 269,421	$ 76,480
Charge-offs	(18,107)	-	-	-
Recoveries	50,488	-	-	-
Provisions for uncollectible loans	-	-	-	1,000
Recovery of provision for uncollectible loans	(12,000)	(26,900)	(82,211)	-
Ending balance	$ 327,091	$ 520,726	$ 187,210	$ 77,480
Ending balance: collectively evaluated for impairment	$ 327,091	$ 520,726	$ 124,960	$ 77,480
Ending balance: individually evaluated for impairment	$ -	$ -	$ 62,250	$ -
Loans:				
Ending balance	$ 6,519,397	$ 1,681,086	$ 6,122,257	$ 1,583,688
Ending balance: collectively evaluated for impairment	$ 6,519,397	$ 1,681,086	$ 5,873,257	$ 1,583,688
Ending balance: individually evaluated for impairment	$ -	$ -	$ 249,000	$ -

NOTE 5 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS (CONTINUED)

Allowance for uncollectible loans (continued)

Activity in the allowance for uncollectible loans was as follows as of and for the year ended September 30, 2018:

	Down payment assistance	Flood assistance	Development	Shared equity
Allowance for uncollectible loans:				
Beginning balance	$308,113	$579,700	$272,421	$74,580
Charge-offs	(63,529)	(13,727)	-	-
Recoveries	68,241	6,453	-	-
Provisions for uncollectible loans	-	-	-	1,900
Recovery of provision for uncollectible loans	(6,115)	(24,800)	(3,000)	-
Ending balance	$ 306,710	$ 547,626	$ 269,421	$ 76,480
Ending balance: collectively evaluated for impairment	$ 306,710	$ 547,626	$ 140,208	$ 76,480
Ending balance: individually evaluated for impairment	$ -	$ -	$ 129,213	$ -
Loans:				
Ending balance	$ 6,025,199	$ 1,825,235	$ 7,392,919	$ 1,557,697
Ending balance: collectively evaluated for impairment	$ 6,025,199	$ 1,825,235	$ 6,032,781	$ 1,557,697
Ending balance: individually evaluated for impairment	$ -	$ -	$ 1,360,138	$ -

The Agency's policies relevant to each loan portfolio's allowance for uncollectible loans are as follows:

Down payment assistance loans - The Agency reserves approximately 5% of the total loan portfolio. The allowance for uncollectible loans is calculated at the end of each quarter based on outstanding loan balances.

Flood assistance loans - For loans to owner occupied single family homes a reserve of 30% is used for the entire portfolio of loans for the provision for loan losses.

NOTE 5 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS (CONTINUED)

Allowance for uncollectible loans (continued)

Development loans - The Agency utilizes a risk rating system to monitor the credit quality of the Agency's development loan portfolio. Loans are assigned level 1-5 or X based on the following risk rating descriptions:

Rating	**Percent Reserved**	**Description**
1	1%	At least 4 of the following: • Experienced developer, proven track record in property type • Strong financial sponsorship given risks • Successful prior business with THF • Collateral is a THF first mortgage and located in middle TN • Loan made with no exceptions to policy
2	2%	All of the following: • Experienced developer, proven track record in property type • Adequate financial sponsorship given risk • Collateral may be something other than THF first mortgage • Loan made with no more than one exception to policy
3	3%	• Developer has limited experience in property type, and/or little experience with THF • Experienced developer with property type, THF loan in subordinate position • Adequate financial strength given level of experience • Collateral real estate, but may be outside Middle TN • Loan may have an exception to policy with compensating factors
4	4%	• New developer • Developer with limited experience with THF having a subordinate lien position
5	5%	Watchlist: Existing loan relationships that have a level of heightened risk to THF, Borrower is responsive and proactive in addressing risk(s)
X	Individually determined	Borrower is either not responsive to THF concern or ineffective in managing heightened risk. THF sets reserve based on anticipated loss

Shared equity loans - The Agency reserves approximately 5% of the total loan portfolio. The allowance for uncollectible loans is calculated at the end of each quarter based on outstanding loan balances.

NOTE 6 - FAIR VALUE MEASUREMENTS

The Agency classifies its assets based on a hierarchy consisting of: Level 1 (assets valued using quoted prices from active markets for identical assets), Level 2 (assets not traded on an active market but for which observable market inputs are readily available), and Level 3 (assets valued based on significant unobservable inputs). The asset's or liability's fair value measurement level with the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value on a non-recurring basis:

Impaired Loans - A loan is considered impaired when collection of all principal and interest payments in accordance with the contractual terms of the loan agreement is not probable. Individually identified impaired loans are measured based on the present value of expected payments using the loan's original effective rate as the discount rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. If the recorded investment in the impaired loan exceed the measure of fair value, a valuation allowance may be established as a component of the allowance for loan losses. Impaired loans are recorded as nonrecurring Level 3 of the valuation hierarchy.

There have been no changes in the valuation methodologies used at September 30, 2019 and 2018.

The following table sets forth the Agency's assets measured at fair value on a nonrecurring basis at September 30, 2019 and 2018:

	Total reported value in the Consolidated Statements of Financial Position	Level 1	Level 2	Level 3
2019				
Impaired Loans (included in loans receivable)	$ 186,750	$ -	$ -	$ 186,750
Total assets at fair value	$ 186,750	$ -	$ -	$ 186,750
2018				
Impaired Loans (included in loans receivable)	$ 1,230,925	$ -	$ -	$1,230,925
Total assets at fair value	$ 1,230,925	$ -	$ -	$1,230,925

NOTE 6 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents additional quantitative information about assets measured at fair value on a non-recurring basis and for which we have utilized Level 3 inputs to determine fair value at September 30, 2019 and 2018:

	Fair Value at September 30, 2019	Fair Value at September 30, 2018	Valuation Techniques	Significant Unobservable Inputs
Impaired Loans	$ 186,750	$ 1,230,925	Appraisal Present Value of Expected Future Cash Flows	Discounts for Costs to Sell and Marketability of Collateral Payment Streams and Discount Rate

NOTE 7 - PROPERTY, FURNITURE AND EQUIPMENT

Property, furniture and equipment consist of the following as of September 30:

	2019	2018
Leasehold improvements	$ 366,146	$ 366,146
Land	400,000	-
Land for the Community Land Trust program	485,900	-
Building and building improvements	5,263,565	-
Computer equipment	75,334	68,101
Furniture and fixtures	98,674	41,671
	6,689,619	475,918
Less: accumulated depreciation	(2,445,537)	(343,191)
Total	$ 4,244,082	$ 132,727

NOTE 8 - COMMUNITY LAND TRUST PROGRAM

During the year ended September 30, 2019, The Housing Fund, Inc. received land parcels from the Metropolitan Government of Nashville to establish a Community Land Trust program in Nashville, Tennessee. The Community Land Trust program will make homes affordable to qualifying families by entering a land lease agreement with the homeowner to reduce the initial housing prices. Upon subsequent sale of the home, the homeowner agrees to limit their proceeds to enable other qualifying families to purchase at affordable prices. As of September 30, 2019, no development has commenced on these properties.

NOTE 9 - MORTGAGE LOANS PAYABLE - LAUREL HOUSE APARTMENTS

Mortgage loans payable - Laurel House Apartments consists of the following as of September 30, 2019:

Mortgage payable to a financial institution, payable in monthly principal payments of $3,761, plus interest at a variable rate (1% at September 30, 2019) through March 2025 with a final balloon payment of $1,562,837 due April 2025; secured by substantially all the Laurel House 2001, L.P. assets which had a net book value of approximately $3,600,000 at September 30, 2019.	$ 1,811,063
Mortgage payable to a financial institution payable in monthly principal payments of $2,886 plus interest at the rate of 2.5% per annum through March 2025 with a final balloon payment of $407,444 due April 2025; secured by substantially all the Laurel House 2001, L.P. assets which had a net book value of approximately $3,600,000 at September 30, 2019.	597,925
	2,408,988
Less: unamortized debt issuance costs	(81,887)
Mortgage loans payable-Laurel House Apartments, net of unamortized debt issuance costs	$ 2,327,101

Annual principal maturities of the mortgage loans payable - Laurel House Apartments as of September 30, 2019 follows:

Year ending September 30:	
2020	$ 65,052
2021	65,555
2022	66,072
2023	66,601
2024	67,144
Thereafter	2,078,564
	$ 2,408,988

The mortgage agreements require the maintenance of certain financial and non-financial covenants. The Agency was in compliance with all covenants as of September 30, 2019.

NOTE 10 - NOTES PAYABLE - INVESTMENT PARTNERS

A summary of notes payable to financial institutions and other lenders as of September 30, 2019 and 2018 follows:

			2019				2018		
Institutional Lenders		Original Issues	Principal Balance Drawn	Accrued Interest	Total Balance	Amount Available To Be Drawn	Principal Balance Drawn	Accrued Interest	Total Balance
U. S. Bank	2	$2,000,000	$ 2,000,000	$ -	$ 2,000,000	$ -	$ 2,000,000	$ -	$2,000,000
Regions Bank of Tennessee		3,700,000	3,700,000	-	3,700,000	-	1,700,000	-	1,700,000
SunTrust Bank		1,500,000	1,500,000	191,316	1,691,316	-	1,500,000	161,756	1,661,756
Pinnacle Bank		900,000	900,000	-	900,000	-	600,000	-	600,000
Synovus		350,000	350,000	-	350,000	-	350,000	-	350,000
Fifth Third Bank		650,000	650,000	-	650,000	-	650,000	-	650,000
GMAC Mortgage Company		300,000	-	-	-	-	100,000	47,545	147,545
F & M Bank	1	300,000	300,000	73,973	373,973	-	300,000	66,640	366,640
CapStar		1,250,000	1,250,000	-	1,250,000	-	1,250,000	-	1,250,000
First Horizon Bank		1,000,000	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000
InsBank of Tennessee		150,000	150,000	50,503	200,503	-	150,000	45,613	195,613
Truxton Trust		600,000	600,000	12,846	612,846	-	400,000	12,846	412,846
Renasant Bank		100,000	100,000	32,179	132,179	-	100,000	29,587	129,587
Cumberland Bank and Trust	1	100,000	100,000	-	100,000	-	100,000	-	100,000
Legends Bank	1	100,000	100,000	-	100,000	-	100,000	-	100,000
First Financial Bank	1	100,000	100,000	31,523	131,523	-	100,000	28,315	128,315
FORTERA	1	25,000	25,000	-	25,000	-	25,000	-	25,000
First Farmers & Merchants Bank		500,000	500,000	-	500,000	-	-	-	-
Self Directed IRA Services and other		70,000	61,000	-	61,000	-	54,000	-	54,000
Total Notes Payable - Investment Partners			$ 13,386,000	$ 392,340	$ 13,778,340	$ -	$ 10,479,000	$ 392,302	$ 10,871,302

1 - Funding available for Clarksville/Montgomery County, Tennessee operations.
2 - Includes $250,000 funding available for Clarksville/Montgomery County, Tennessee operations.

NOTE 10 - NOTES PAYABLE - INVESTMENT PARTNERS (CONTINUED)

Loans from various financial institutions generally mature in one to ten years (maturities range from December 2019 - December 2028 as of September 30, 2019), accrue interest at rates from 0% to 4.75% annually, and are unsecured and subordinated. Certain loans contain automatic extension provisions that can renew indefinitely. Some loans permit the accrued interest to be added to the principal balance annually; the other loans require the interest to be paid monthly, quarterly or annually. Accrued interest added to principal balances amounted to $53,291 in 2019, and $53,813 in 2018.

Annual principal maturities of notes payable - investment partners are as follows:

Year ending September 30:	
2020	$ 2,600,000
2021	2,000,000
2022	3,461,012
2023	600,000
2024	1,860,003
Thereafter	3,257,325
	$ 13,778,340

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at September 30:

	2019	2018
Community Land Trust Program	$ 5,166	$ 61,056
Financial endowment and emergency loans	7,750	10,000
Support of Pearl Cohn Cluster	73,262	-
Education and economic stability	20,750	-
Other purpose restrictions	37,211	-
	$ 144,139	$ 71,056

NOTE 12 - LEASES

Laurel House 2001, L.P.'s residential apartments are leased to tenants for one-year terms. On February 18, 2001, the Partnership entered into two 20-year, triple net leases for the 12,000 square feet of retail space. The Housing Fund, Inc. rents approximately 4,300 square feet of the retail space, rental income and expense between the entities is eliminated in the consolidated financial statements. The retail leases provide for scheduled rent increases every five years and include two, five-year renewal options. The lease terms began June 1, 2004. The excess of rental income recognized on a straight-line basis over the amount received is included in accounts receivable and amounted to $60,309 at September 30, 2019.

Future minimum rental receipts to be received under the retail leases, excluding the amount from The Housing Fund, Inc., are as follows:

Year ending September 30:	
2020	$ 47,741
2021	47,741
2022	47,741
2023	47,741
2024	31,827
	$ 222,791

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The Agency has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in disallowance of expenditures, management believes that any required reimbursements would not be significant. Accordingly, no provision has been made for any potential reimbursements to the grantor.

Laurel House 2001, L.P. is required to utilize the housing complex as low-income housing pursuant to Internal Revenue Code Section 42 until 2034.

NOTE 14 - RELATED PARTY TRANSACTIONS

Five of the Agency's board members are senior officers with financial institutions or other lenders with which the Agency has outstanding loans totaling $9,290,000 at September 30, 2019 (four board members totaling $5,300,000 at September 30, 2018).

NOTE 15 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Agency to concentrations of credit risk consist of cash and cash equivalents and loans receivable. Loans receivable are widely dispersed throughout Middle Tennessee to mitigate credit risk.

The Agency maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. The Agency's cash balance, from time to time, may exceed statutory limits. The Agency has not experienced any losses in such accounts and considers this to be a normal business risk.

The Agency also maintains cash and cash equivalents in an investment account at a brokerage company. This investment consists of a money market fund. Generally, the balance is not insured by the FDIC or any other governmental agency and is subject to investment risk, including the risk of loss of principal. Investors are provided limited protection by the Securities Investor Protection Corporation ("SIPC"), which provides protection to investors in certain circumstances such as fraud or failure of the institution. Coverage is limited to $500,000. The SIPC does not insure against market risk.

Outstanding development loans to three developers comprised 50% of the total of such loans at September 30, 2019 (five developers comprised 62% in 2018).

NOTE 16 - CONTRACTED SERVICES AND EMPLOYEE BENEFIT PLANS

Contracted services

The Housing Fund Inc.'s staff is employed under a Professional Employer Organization ("PEO") agreement with LBMC Employment Partners and reports solely to the Agency's Board of Directors. The Agency reimburses LBMC Employment Partners for the salaries and related fringe benefits, which include Social Security and Medicare taxes, insurance and employee benefit plan costs.

Laurel House 2001, L.P. contracts with a management company to manage the property. Laurel House 2001, L.P. reimburses the management company for certain employee salaries. In additional, managements fees of 5% of gross revenue collected are paid to the management company.

Employee benefit plans

All staff members of The Housing Fund, Inc. are eligible to participate in the LBMC Employment Partners, LLC 401(k) Profit Sharing Plan with a match of 100% of the first 3% of contributions and 50% of the next 2% of contributions. Total contributions amounted to $15,803 and $16,212 for the years ended September 30, 2019 and 2018, respectively.

NOTE 17 - FLOOD CONTRACT TERMINATION

On May 20, 2010 THF entered into an agreement with MDHA to administer the “We Are Home” program. Under the agreement, THF was allowed up to $2,300,000 in grant funds from MDHA to provide flood repair assistances to homeowners impacted by the May 2010 floods in Nashville. Termination provisions under the agreement allow for MDHA to terminate the agreement any time, at the convenience of MDHA, by a notice in writing from MDHA to THF specifying the effective day thereof, at least thirty days before the effective date of such termination. Program income provisions under the agreement allowed for THF to use loan proceeds and repayments for future eligible activities. Therefore, a liability was not recorded at the time of the original agreement. On January 13, 2015, MDHA notified THF that they elected to terminate the contract without cause effective April 30, 2015. At the time of contract termination, there was $1,048,716 in flood assistance loans held by THF that would be returned to MDHA. A flood contract payable was recorded on the Consolidated Statement of Financial Position for the amount to be returned to MDHA. During the year ended September 30, 2019, THF transferred cash proceeds collected on loans of $25,341 to the MDHA ($27,312 during the year ended September 30, 2018). Payable to MDHA at September 30, 2019, was $217,520 ($242,861 at September 30, 2018).

ADDITIONAL INFORMATION

THE HOUSING FUND, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2019

	The Housing Fund, Inc.	Laurel House Apartments GP, Inc.	Laurel House 2001, L.P.	Consolidating Entries	Consolidated
ASSETS					
Cash and cash equivalents, undesignated	$ 7,515,988	$ -	$ 167,724	$ -	$ 7,683,712
Cash and cash equivalents, designated for federal programs	1,641,432	-	-	-	1,641,432
Accounts receivable	114,248	-	64,356	(60,861)	117,743
Government grants receivable	22,158	-	-	-	22,158
Accrued interest on loans receivable	133,424	-	-	-	133,424
Down payment assistance loans receivable, net	6,192,306	-	-	-	6,192,306
Flood assistance loans receivable, net	1,160,360	-	-	-	1,160,360
Development loans receivable, net	5,935,047	-	-	-	5,935,047
Shared equity loans receivable, net	1,506,208	-	-	-	1,506,208
Prepaid expenses and other assets	155,707	-	4,817	-	160,524
Tax, insurance and mortgage escrow reserves	-	-	314,059	-	314,059
Property, furniture and equipment, net	630,755	-	3,613,327	-	4,244,082
Investment in subsidiary	1,844,325	-	-	(1,844,325)	-
Investment in limited partnership	-	200,000	-	(200,000)	-
TOTAL ASSETS	$ 26,851,958	$ 200,000	$ 4,164,283	$ (2,105,186)	$ 29,111,055
LIABILITIES					
Accounts payable	$ 129,052	$ -	$ 192,857	$ (60,861)	$ 261,048
Accrued expenses	91,840	-	-	-	91,840
Flood contract payable	217,520	-	-	-	217,520
Mortgage loans payable - Laurel House Apartments, net	-	-	2,327,101	-	2,327,101
Notes payable - investment partners	13,778,340	-	-	-	13,778,340
TOTAL LIABILITIES	14,216,752	-	2,519,958	(60,861)	16,675,849
NET ASSETS					
Without donor restrictions	12,491,067	200,000	1,644,325	(2,044,325)	12,291,067
With donor restrictions	144,139	-	-	-	144,139
TOTAL NET ASSETS	12,635,206	200,000	1,644,325	(2,044,325)	12,435,206
TOTAL LIABILITIES AND NET ASSETS	$ 26,851,958	$ 200,000	$ 4,164,283	$ (2,105,186)	$ 29,111,055

THE HOUSING FUND, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2018

	The Housing Fund, Inc.	Laurel House Apartments GP, Inc.	Consolidating Entries	Consolidated
ASSETS				
Cash and cash equivalents, undesignated	$ 4,081,106	$ -	$ -	$ 4,081,106
Cash and cash equivalents, designated for federal programs	1,474,196	-	-	1,474,196
Accounts receivable	70,989	-	-	70,989
Government grants receivable	22,158	-	-	22,158
Accrued interest on loans receivable	134,456	-	-	134,456
Down payment assistance loans receivable, net	5,718,489	-	-	5,718,489
Flood assistance loans receivable, net	1,277,609	-	-	1,277,609
Development loans receivable, net	7,123,498	-	-	7,123,498
Shared equity loans receivable, net	1,481,217	-	-	1,481,217
Prepaid expenses and other assets	154,916	-	-	154,916
Property, furniture and equipment, net	132,727	-	-	132,727
Investment in subsidiary	200,000	-	(200,000)	-
Investment in limited partnership	-	200,000	-	200,000
TOTAL ASSETS	$ 21,871,361	$ 200,000	$ (200,000)	$ 21,871,361
LIABILITIES				
Accounts payable	$ 99,755	$ -	$ -	$ 99,755
Accrued expenses	77,352	-	-	77,352
Flood contract payable	242,861	-	-	242,861
Notes payable - investment partners	10,871,302	-	-	10,871,302
TOTAL LIABILITIES	11,291,270	-	-	11,291,270
NET ASSETS				
Without donor restrictions	10,509,035	200,000	(200,000)	10,509,035
With donor restrictions	71,056	-	-	71,056
TOTAL NET ASSETS	10,580,091	200,000	(200,000)	10,580,091
TOTAL LIABILITIES AND NET ASSETS	$ 21,871,361	$ 200,000	$ (200,000)	$ 21,871,361

THE HOUSING FUND, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	The Housing Fund, Inc.	Laurel House Apartments GP, Inc.	Laurel House 2001, L.P.	Consolidating Entries	Consolidated
SUPPORT AND REVENUES					
Public support:					
Federal, state and local government grants	$ 758,330	$ -	$ -	$ -	$ 758,330
Grants from private institutions	346,550	-	-	-	346,550
Revenues:					
Service and administrative fees	222,928	-	-	-	222,928
Rental income - Laurel House Apartments	-	-	363,974	(33,810)	330,164
Interest income:					
Loans	494,482	-	-	-	494,482
Other	11,133	-	-	-	11,133
Other	27,328	-	35,965	(10,783)	52,510
Gain on investment in subsidiaries	11,271	-	-	(11,271)	-
TOTAL SUPPORT AND REVENUES	1,872,022	-	399,939	(55,864)	2,216,097
EXPENSES					
Program services:					
Low-income housing assistance programs	1,104,024	-	-	(26,756)	1,077,268
Flood assistance programs	70,672	-	-	(4,459)	66,213
Laurel House Apartments	-	-	388,668	-	388,668
Supporting services:					
Management and general	275,265	-	-	(13,378)	261,887
TOTAL EXPENSES	1,449,961	-	388,668	(44,593)	1,794,036
CHANGE IN NET ASSETS	422,061	-	11,271	(11,271)	422,061
NET ASSETS - BEGINNING OF YEAR	10,580,091	200,000	-	(200,000)	10,580,091
LAUREL HOUSE 2001, L.P. - TRANSFER OF INTEREST	1,633,054	-	1,633,054	(1,833,054)	1,433,054
NET ASSETS - END OF YEAR	$ 12,635,206	$ 200,000	$ 1,644,325	$ (2,044,325)	$ 12,435,206

THE HOUSING FUND, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	The Housing Fund, Inc.	Laurel House Apartments GP, Inc.	Consolidating Entries	Consolidated
SUPPORT AND REVENUES				
Public support:				
Federal, state and local government grants	$ 241,306	$ -	$ -	$ 241,306
Grants from private institutions	56,330	-	-	56,330
Revenues:				
Service and administrative fees	167,297	-	-	167,297
Interest income:				
Loans	463,144	-	-	463,144
Other	1,319	-	-	1,319
Other	37,080	-	-	37,080
TOTAL SUPPORT AND REVENUES	966,476	-	-	966,476
EXPENSES				
Program services:				
Low-income housing assistance programs	1,292,661	-	-	1,292,661
Flood assistance programs	73,276	-	-	73,276
Supporting services:				
Management and general	190,191	-	-	190,191
TOTAL EXPENSES	1,556,128	-	-	1,556,128
CHANGE IN NET ASSETS	(589,652)	-	-	(589,652)
NET ASSETS - BEGINNING OF YEAR	11,169,743	200,000	(200,000)	11,169,743
NET ASSETS - END OF YEAR	$ 10,580,091	$ 200,000	$ (200,000)	$ 10,580,091