THE HOUSING FUND, INC. AND SUBSIDIARIES

NASHVILLE, TENNESSEE

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

SEPTEMBER 30, 2020 AND 2019

THE HOUSING FUND, INC. AND SUBSIDIARIES

NASHVILLE, TENNESSEE

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

SEPTEMBER 30, 2020 AND 2019

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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, 2020 and 2019, 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
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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, 2020 and 2019, 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.

KraftCPAs PLLC

Nashville, Tennessee
March 5, 2021

THE HOUSING FUND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2020 AND 2019

	2020	2019
ASSETS		
Cash and cash equivalents	$ 7,208,559	$ 7,683,712
Cash and cash equivalents, designated for federal programs	1,927,456	1,641,432
Accounts receivable	123,902	117,743
Government grants receivable	22,158	22,158
Accrued interest on loans receivable	154,157	133,424
Loans receivable:		
Down payment assistance loans, net	7,260,606	6,192,306
Flood assistance loans, net	1,093,719	1,160,360
Development loans, net	8,362,441	5,935,047
Shared equity loans, net	1,556,465	1,506,208
Prepaid expenses and other assets	129,628	160,524
Tax, insurance and mortgage escrow reserves	289,682	314,059
Property, furniture and equipment, net	4,094,007	4,244,082
TOTAL ASSETS	$ 32,222,780	$ 29,111,055
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 463,965	$ 261,048
Accrued expenses	117,004	91,840
Flood contract payable	217,520	217,520
Mortgage loans payable - Laurel House Apartments, net	2,293,241	2,327,101
Notes payable - investment partners	16,570,668	13,778,340
TOTAL LIABILITIES	19,662,398	16,675,849
NET ASSETS		
Without donor restrictions	12,386,976	12,291,067
With donor restrictions	173,406	144,139
TOTAL NET ASSETS	12,560,382	12,435,206
TOTAL LIABILITIES AND NET ASSETS	$ 32,222,780	$ 29,111,055

See accompanying notes to consolidated financial statements.

THE HOUSING FUND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020			2019		
	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	$ 184,595	$ 32,949	$ 217,544	$ 633,330	$ 125,000	$ 758,330
Grants from private institutions	600,041	189,018	789,059	166,550	180,000	346,550
Revenues:						
Service and administrative fees	254,038	-	254,038	222,928	-	222,928
Rental income - Laurel House Apartments	498,259	-	498,259	330,164	-	330,164
Interest income:						
Loans	505,972	-	505,972	494,482	-	494,482
Other	65,402	-	65,402	11,133	-	11,133
Other	73,641	-	73,641	52,510	-	52,510
Net assets released from restriction	192,700	(192,700)	-	231,917	(231,917)	-
TOTAL SUPPORT AND REVENUES	2,374,648	29,267	2,403,915	2,143,014	73,083	2,216,097
EXPENSES						
Program services:						
Low-income housing assistance	1,237,563	-	1,237,563	1,077,268	-	1,077,268
Flood assistance programs	(57,210)	-	(57,210)	66,213	-	66,213
Laurel House Apartments	573,295	-	573,295	388,668	-	388,668
Supporting services:						
Management and general	525,091	-	525,091	261,887	-	261,887
TOTAL EXPENSES	2,278,739	-	2,278,739	1,794,036	-	1,794,036
CHANGE IN NET ASSETS	95,909	29,267	125,176	348,978	73,083	422,061
NET ASSETS - BEGINNING OF YEAR	12,291,067	144,139	12,435,206	10,509,035	71,056	10,580,091
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	$ 12,386,976	$ 173,406	$ 12,560,382	$ 12,291,067	$ 144,139	$ 12,435,206

See accompanying notes to consolidated financial statements.

THE HOUSING FUND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020					2019				
	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	Laurel House Apartments	Management and General	Total
Payroll and related costs	$ 454,540	$ 87,124	$ 46,241	$ 429,210	$ 1,017,115	$ 691,825	$ 81,888	$ 35,224	$ 162,527	$ 971,464
Provision (recovery) for uncollectible loans	3,100	(165,163)	-	-	(162,063)	(93,211)	(26,900)	-	-	(120,111)
Advertising	6,665	-	-	3,777	10,442	232	-	-	2,347	2,579
Bad debt	-	-	135	-	135	-	-	-	-	-
Community Home Rehabilitation	66,762	-	-	-	66,762	-	-	-	-	-
Community Recovery	166,733	-	-	-	166,733	-	-	-	-	-
Depreciation and amortization	19,929	3,399	146,560	11,138	181,026	16,772	2,769	110,421	7,578	137,540
Interest	277,914	-	22,891	-	300,805	237,955	-	28,298	-	266,253
Occupancy	73,363	14,040	43,523	21,619	152,545	25,595	4,889	-	12,203	42,687
Professional fees	65,242	-	35,238	158	100,638	48,815	-	34,635	32,568	116,018
Servicing fees	3,854	89	-	25,973	29,916	44,874	-	-	51	44,925
Repairs and maintenance	-	-	58,741	-	58,741	-	-	49,501	-	49,501
Property taxes	-	-	182,811	-	182,811	-	-	110,032	-	110,032
Office expense and miscellaneous	99,461	3,301	37,155	33,216	173,133	104,411	3,567	20,557	44,613	173,148
	$ 1,237,563	$ (57,210)	$ 573,295	$ 525,091	$ 2,278,739	$ 1,077,268	$ 66,213	$ 388,668	$ 261,887	$ 1,794,036

See accompanying notes to consolidated financial statements.

THE HOUSING FUND, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
OPERATING ACTIVITIES		
Change in net assets	$ 125,176	$ 422,061
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	166,359	126,541
Amortization of loan costs	14,667	10,999
Accrued interest added to notes payable - investment partners	(371)	53,291
Change in provision for uncollectible loans	(39,860)	(120,111)
Non-cash contribution: land grant from the Community Land Trust	-	(485,900)
Non-cash contribution: forgiveness of accrued interest and note payable - investment partners	(600,000)	(149,579)
(Increase) decrease in:		
Accounts receivable	(6,159)	22,827
Accrued interest on loans receivable	(20,733)	1,032
Prepaid expenses and other assets	30,896	11,701
Tax, insurance and mortgage escrow reserves	24,377	25,042
(Decrease) increase in:		
Accounts payable	202,917	(139,810)
Accrued expenses	25,164	14,488
Net adjustments	(202,743)	(629,479)
NET CASH USED IN OPERATING ACTIVITIES	(77,567)	(207,418)
INVESTING ACTIVITIES		
Acquisition of property, furniture and equipment	(16,284)	(39,247)
Down payment assistance loans made	(1,851,641)	(1,569,902)
Principal repayments on down payment assistance loans	716,403	1,108,085
Principal repayments on flood assistance loans	222,804	118,808
Development loans made	(4,426,165)	(2,620,745)
Principal repayments on development loans	1,949,406	3,891,407
Shared equity loans made	(164,820)	(90,709)
Principal repayments on shared equity loans	114,563	64,718
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(3,455,734)	862,415
FINANCING ACTIVITIES		
Principal payments on mortgage loans payable - Laurel House Apartments	(48,527)	(48,291)
Proceeds from notes payable - investment partners	4,817,025	3,010,000
Principal payments on notes payable - investment partners	(1,424,326)	(6,674)
NET CASH PROVIDED BY FINANCING ACTIVITIES	3,344,172	2,955,035
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(189,129)	3,610,032
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	9,325,144	5,555,302
TRANSFER IN OF CASH FROM LAUREL HOUSE 2001, L.P.	-	159,810
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 9,136,015	$ 9,325,144
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Flood assistance loans transferred to grantor	$ 25,341	$ 25,341
Debt forgiveness by investment partner	$ 600,000	$ 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	$ 285,374	$ 212,962

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. THF reports the general partnership interest of Laurel House at its $200,000 historical cost. 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. Effective December 31, 2018, The Housing Fund is 100% owner of Laurel House 2001, L.P. through its 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 years ended September 30, 2020 and 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"). 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, 2020 or 2019.

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

Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until the barrier(s) in the agreement are overcome.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Statement of Financial Position that sum to the total in the Statement of Cash Flows as of December 31:

	2020	2019
Cash and cash equivalents	$ 7,208,559	$ 7,683,712
Cash and cash equivalents, designated for federal programs	1,927,456	1,641,432
Cash, cash equivalents and restricted cash	$ 9,136,015	$ 9,325,144

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 2021 through 2024 and $8,554 for the year ending 2025.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 they create or enhance non-financial assets, or the donated service requires specialized skills, were performed by a donor who possesses such skills, and would have been purchased by the Agency if not donated. Such services are recognized at fair value as support and expense in the period the services are performed.

Other individuals volunteer their time and perform a variety of tasks that assist the Agency with program services and fundraising events. No amounts have been reflected in the consolidated financial statements for these donated services since the volunteer’s time does not meet the criteria for recognition under GAAP.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The community rehabilitation efforts were designed to help preserve home ownership by assisting with repairs for homes that had become unsafe to inhabit. The community recovery initiative was designed as a response to the Nashville, TN, tornado damage and COVID-19 relief efforts.

Subsequent to year end, THF launched the Housing Resiliency Fund. This program will make payments of property taxes on behalf of qualified residents living in certain zip codes. These payments are made directly to mortgage companies or to the local Trustee’s office in Nashville (if property taxes are not escrowed) to help offset increased property taxes.

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 October 1, 2019, THF adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)* and all subsequent amendments to the ASU (collectively, "ASC 606"), which supersedes most existing revenue recognition guidance and outlines a single comprehensive standard for revenue recognition across all industries. ASC 606 requires revenue to be recognized in an amount that reflects the considerations to which the entity expects to be entitled in an exchange of goods or services. The Agency adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of October 1, 2019. The Agency performed an analysis of revenue streams and transactions to determine in-scope applicability. The revenue streams considered in-scope for purposes of ASC 606 include most revenues associated with loan servicing revenue. The Agency recognizes revenues that fall within the scope of ASC 606 as it satisfies its obligation to the customer. The adoption of ASC 606 did not result in a material change to the accounting for any of the in-scope revenue streams; as such, the Agency did not record a cumulative effect adjustment.

On October 1, 2019, the Agency adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958*), as amended, as management believes the standard improves the usefulness and understandability of the Agency's financial reporting. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions and improved guidance to better distinguish between conditional and unconditional contributions. Analysis of various provisions of this standard resulted in no significant changes in the way the Agency recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent authoritative accounting guidance

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which makes narrow scope improvements to the standard for specific issues. In July 2018, the FASB also issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provided an additional transition option that allows companies to continue applying the guidance under the current lease standard in the comparative periods presented in the consolidated financial statements. ASU 2018-11 also provides lessors with a practical expedient, in certain circumstances, to not separate nonlease components from the associated lease component, similar to the expedient provided for lessees.

In December 2018, the FASB issued ASU 2018-20, *Narrow-Scope Improvements for Lessors*. This ASU provides an election for lessors to exclude sales and related taxes from consideration in the contract, requires lessors to exclude from revenue and expense lessor costs paid directly to a third party by lessees, and clarifies lessors' accounting for variable payments related to both lease and nonlease components. In March 2019, the FASB issued ASU 2019-01, *Leases (Topic 842)*: Codification Improvements, which addressed issues lessors sometimes encounter. Specifically, the ASU addresses issues related to (1) determining the fair value of the underlying asset by the lessor that are not manufacturers or dealers (generally financial institutions and captive finance companies), and (2) lessors that are depository and lending institutions, which should classify principal and payments received under sales-type and direct financing leases within investing activities in the cash flow statement. The ASU also exempts both lessees and lessors from having to provide the interim disclosures required by ASC 250-10-50-3 in the fiscal year in which an organization adopts the new leases standard.

An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The Agency expects to adopt the guidance retrospectively at the beginning of the period of adoption, October 1, 2022.

The new standard provides a number of practical expedients. The Agency intends to elect the practical expedients provided to lessors, including, in certain circumstances, to not separate nonlease components from the associated lease component, and to exclude sales and related taxes from consideration in the contract.

The Agency continues to assess the effect the guidance will have on its existing accounting policies and the financial statements. As the Agency's current leases are all one-year leases that run concurrent with each calendar year, there is no anticipated impact on the Agency's 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, 2020 and March 5, 2021, the date the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

NOTE 3 - 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:

	2020	2019
Cash and cash equivalents	$ 7,208,559	$ 7,683,712
Accounts receivable	123,902	117,743
Government grants receivable	22,158	22,158
Accrued interest on loans receivable	154,157	133,424
Current maturities on loans receivable	1,970,231	1,403,114
Total financial assets	9,479,007	9,360,151
Less amounts not available to be used within one year:		
Board designated for future lending	7,688,000	8,600,000
Security deposits held	15,197	15,550
Net assets with donor restrictions	173,406	144,139
Financial assets available to meet general expenditures over the next twelve months	$ 1,602,404	$ 600,462

NOTE 3 - LIQUIDITY AND AVAILABILITY (CONTINUED)

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 2021 include approximately $5,800,000 ($7,000,000 was projected for 2020) in development loans and $1,888,000 ($1,600,000 was projected for 2020) in consumer loans such as down payment assistance loans to qualifying individually. From the periods October 1, 2020 through January 31, 2021 and October 1, 2019 through January 31, 2020, THF has deployed approximately $3,100,000 in development and consumer loans.

NOTE 4 - 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:

	2020	2019
Interest-bearing loans with interest at rates from 2% to 8%, for terms of 5 to 30 years	$ 3,772,547	$2,900,194
Non-interest bearing loans that are payable upon the sale of the property	3,844,813	3,619,203
	7,617,360	6,519,397
Less: allowance for uncollectible loans	(356,754)	(327,091)
Total	$ 7,260,606	$ 6,192,306

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:	
2021	$ 275,642
2022	290,589
2023	297,988
2024	309,026
2025	317,127
Thereafter	2,282,175
	$ 3,772,547

NOTE 4 - 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:

	2020	2019
Interest-bearing loans with interest rate at 4%, requiring monthly payments for terms of 5 to 25 years	$ 82,830	$ 93,663
Non-interest bearing loans that are payable upon the sale of the property	1,375,452	1,587,423
	1,458,282	1,681,086
Less: allowance for uncollectible loans	(364,563)	(520,726)
Total	$ 1,093,719	$ 1,160,360

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:	
2021	$ 8,791
2022	7,934
2023	6,761
2024	5,581
2025	5,809
Thereafter	47,954
	$ 82,830

NOTE 4 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS (CONTINUED)

Development loans

Development loans consist of the following as of September 30:

	2020	2019
Loans to developers for the development of affordable housing and other community development projects, ranging from approximately $1,000 to $1,000,000 as of September 30, 2020 and 2019, 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.	$ 8,599,016	$ 6,122,257
Less: allowance for uncollectible loans	(236,575)	(187,210)
Total	$ 8,362,441	$ 5,935,047

Annual principal maturities of development loans are as follows:

Year ending September 30:	
2021	$ 1,685,798
2022	2,684,861
2023	159,261
2024	108,502
2025	69,687
Thereafter	3,890,907
	$ 8,599,016

NOTE 4 - 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:

	2020	2019
Non-interest bearing loans that are payable upon the sale of the property	$ 1,633,977	$ 1,583,688
Less: allowance for uncollectible loans	(77,512)	(77,480)
Total	$ 1,556,465	$ 1,506,208

Allowance for uncollectible loans

Activity in the allowance for uncollectible loans was as follows as of and for the year ended September 30, 2020:

	Down payment assistance	Flood assistance	Development	Shared equity
Allowance for uncollectible loans:				
Beginning balance	$ 327,091	$ 520,726	$ 187,210	$ 77,480
Charge-offs	(37,717)	-	-	-
Recoveries	67,380	9,000	-	-
Provisions for uncollectible loans	-	-	49,365	-
Recovery of provision for uncollectible loans	-	(165,163)	-	32
Ending balance	$ 356,754	$ 364,563	$ 236,575	$ 77,512
Ending balance: collectively evaluated for impairment	$ 356,754	$ 364,563	$ 174,325	$ 77,512
Ending balance: individually evaluated for impairment	$ -	$ -	$ 62,250	$ -

NOTE 4 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS (CONTINUED)

Allowance for uncollectible loans (continued)

	Down payment assistance	Flood assistance	Development	Shared equity
Loans:				
Ending balance	$ 7,617,360	$ 1,458,282	$ 8,599,016	$ 1,633,977
Ending balance: collectively evaluated for impairment	$ 7,617,360	$ 1,458,282	$ 8,350,016	$ 1,633,977
Ending balance: individually evaluated for impairment	$ -	$ -	$ 249,000	$ -

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	$269,420	$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	$ 187,209	$ 77,480
Ending balance: collectively evaluated for impairment	$ 327,091	$ 520,726	$ 124,960	$ 76,480
Ending balance: individually evaluated for impairment	$ -	$ -	$ 62,250	$ -

NOTE 4 - 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, 2019:

	Down payment assistance	Flood assistance	Development	Shared equity
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	$ -

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 25% is used for the entire portfolio of loans for the provision for loan losses.

NOTE 4 - 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

NOTE 4 - LOANS RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE LOANS (CONTINUED)

Allowance for uncollectible loans (continued)

Development loans, summarized by risk rating, are as follows:

	2020	2019
Rating 1	$ 1,530,881	$ 1,718,769
Rating 2	239,032	288,882
Rating 3	6,550,820	3,833,092
Rating 4	-	-
Rating 5	29,283	32,514
Rating X	249,000	249,000
	$ 8,599,016	$ 6,122,257

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 5 - 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. No interest is charged on impaired loans.

NOTE 5 - FAIR VALUE MEASUREMENTS (CONTINUED)

There have been no changes in the valuation methodologies used at September 30, 2020 and 2019.

The following table sets forth the Agency's assets measured at fair value on a nonrecurring basis at September 30, 2020 and 2019:

	Total reported value in the Consolidated Statements of Financial Position	Level 1	Level 2	Level 3
2020				
Impaired Loans (included in loans receivable)	$ 186,750	$ -	$ -	$ 186,750
Total assets at fair value	$ 186,750	$ -	$ -	$ 186,750
2019				
Impaired Loans (included in loans receivable)	$ 186,750	$ -	$ -	$ 186,750
Total assets at fair value	$ 186,750	$ -	$ -	$ 186,750

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, 2020 and 2019:

	Fair Value at September 30, 2020	Fair Value at September 30, 2019	Valuation Techniques	Significant Unobservable Inputs
Impaired Loans	$ 186,750	$ 186,750	Appraisal Present Value of Expected Future Cash Flows	Discounts for Costs to Sell and Marketability of Collateral Payment Streams and Discount Rate

NOTE 6 - PROPERTY, FURNITURE AND EQUIPMENT

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

	2020	2019
Leasehold improvements	$ 366,146	$ 366,146
Land	400,000	400,000
Land for the Community Land Trust program	485,900	485,900
Building and building improvements	5,320,568	5,320,568
Computer equipment	91,618	75,334
Furniture and fixtures	41,671	41,671
	6,705,903	6,689,619
Less: accumulated depreciation	(2,611,896)	(2,445,537)
Total	$ 4,094,007	$ 4,244,082

NOTE 7 - 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, 2020, no development has commenced on these properties.

NOTE 8 - MORTGAGE LOANS PAYABLE - LAUREL HOUSE APARTMENTS

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

	2020	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, 2020) 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 $3,500,000 at September 30, 2020.	$ 1,777,214	$ 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 $3,500,000 at September 30, 2020.	583,249	597,925
	2,360,463	2,408,988
Less: unamortized debt issuance costs	(67,222)	(81,887)
Mortgage loans payable-Laurel House Apartments, net of unamortized debt issuance costs	$ 2,293,241	$ 2,327,101

Annual principal maturities of the mortgage loans payable - Laurel House Apartments as of September 30, 2020 follows:

Year ending September 30:	
2021	$ 65,555
2022	66,072
2023	66,601
2024	67,144
2025	2,095,091
	$ 2,360,463

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, 2020.

NOTE 9 - NOTES PAYABLE - INVESTMENT PARTNERS

A summary of notes payable to financial institutions and other lenders as of September 30, 2020 and 2019 follows:

			2020				2019		
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
Citizens Bank		100,000	100,000	-	100,000	-	-	-	-
Individual lender		10,000	10,000	-	10,000	-	-	-	-
Regions Bank of Tennessee		3,700,000	3,700,000	-	3,700,000	-	3,700,000	-	3,700,000
SunTrust Bank		3,500,000	3,500,000	228,891	3,728,891	-	1,500,000	191,316	1,691,316
Pinnacle Bank		900,000	875,000	-	875,000	25,000	900,000	-	900,000
Synovus		350,000	350,000	-	350,000	-	350,000	-	350,000
Fifth Third Bank		650,000	-	-	-	650,000	650,000	-	650,000
GMAC Mortgage Company		300,000	-	-	-	300,000	-	-	-
F & M Bank	[1]	300,000	300,000	81,452	381,452	-	300,000	73,973	373,973
CapStar		1,250,000	1,250,000	-	1,250,000	-	1,250,000	-	1,250,000
First Horizon Bank		2,642,025	2,642,025	-	2,642,025	-	1,000,000	-	1,000,000
InsBank of Tennessee		150,000	-	-	-	150,000	150,000	50,503	200,503
Truxton Trust		600,000	600,000	15,667	615,667	-	600,000	12,846	612,846
Renasant Bank		100,000	100,000	34,822	134,822	-	100,000	32,179	132,179
Cumberland Bank and Trust	[1]	100,000	100,000	-	100,000	-	100,000	-	100,000
Legends Bank	[1]	100,000	-	-	-	-	100,000	-	100,000
First Financial Bank	[1]	100,000	100,000	34,811	134,811	-	100,000	31,523	131,523
FORTERA	[1]	25,000	-	-	-	25,000	25,000	-	25,000
First Farmers & Merchants Bank		500,000	500,000	-	500,000	-	500,000	-	500,000
Self Directed IRA Services and other		70,000	48,000	-	48,000	-	61,000	-	61,000
Total Notes Payable - Investment Partners			$ 16,175,025	$ 395,643	$ 16,570,668	$ 1,150,000	$ 13,386,000	$ 392,340	$ 13,778,340

1 - Funding available for Clarksville/Montgomery County, Tennessee operations.

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

NOTE 9 - NOTES PAYABLE - INVESTMENT PARTNERS (CONTINUED)

Loans from various financial institutions generally mature in one to ten years (maturities range from December 2020 - December 2029 as of September 30, 2020), 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 $54,724 in 2020, and $53,291 in 2019.

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

Year ending September 30:	
2021	$ 3,815,667
2022	2,683,798
2023	850,000
2024	1,838,203
2025	3,935,000
Thereafter	3,448,000
	$ 16,570,668

NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Community Land Trust Program	$ 86,673	$ 5,166
Financial endowment and emergency loans	3,085	7,750
Support of Pearl Cohn Cluster	6,500	73,262
Education and economic stability	-	20,750
Community recovery	33,500	-
COVID-19 assistance	43,648	-
Other purpose restrictions	-	37,211
	$ 173,406	$ 144,139

NOTE 11 - 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, 2020.

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:	
2021	$ 47,741
2022	47,741
2023	47,741
2024	15,871
	$ 159,094

On January 16, 2020, the Agency entered into a sublease agreement with the Urban League of Middle Tennessee. Terms of the sublease agreement require monthly payments of $4,667 and terminates January 31, 2021. Subsequent to termination of the sublease agreement, the Agency is continuing to sublease on a month to month basis.

NOTE 12 - 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 13 - RELATED PARTY TRANSACTIONS

Four of the Agency's board members are senior officers with financial institutions or other lenders with which the Agency has outstanding loans totaling $9,217,025 at September 30, 2020 (five board members totaling $9,290,000 at September 30, 2019).

NOTE 14 - 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 four developers comprised 45% of the total of such loans at September 30, 2020 (three developers comprised 50% in 2019).

NOTE 15 - 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 $15,006 and $15,803 for the years ended September 30, 2020 and 2019, respectively.

NOTE 16 - 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 (-0- in 2020). Payable to MDHA at September 30, 2020 and 2019 was $217,520.

NOTE 17 - PAYCHECK PROTECTION PROGRAM LOAN

On April 19, 2020, the THF was the recipient of a $142,025 loan under the Paycheck Protection Program ("PPP"). The PPP, established as a part of the Coronavirus Aid, Relief and Economic Security ("CARES") Act, provides for loans to small businesses to pay up to 24 weeks of payroll costs and benefits, interest on mortgages, rent and utilities. The funds are available in the form of a loan which is fully forgivable if at least 60% of the funds are used for payroll costs and other conditions are met. Any unforgiven funds will convert to a note with a 1.0% interest rate and payable over 24 months. As of the date these financial statements were available to be issued, the Agency has applied for forgiveness of the loan, but the amount of loan forgiveness has not been determined. If the loan is fully forgiven, the Agency will not be responsible for any payments, and the balance of the loan will be reclassified to grant income on the Consolidated Statements of Activities at the time forgiveness is granted. If only a portion of the loan is forgiven, or if the forgiveness application is denied, any remaining balance due on the loan must be repaid on or before the maturity date of the loan, including accrued interest.

NOTE 18 - COVID-19

On January 30, 2020, the World Health Agency declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus included restrictions on travel, quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries including the geographical area in which the Agency operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Agency, the Agency's leadership team continues to evaluate the evolving situation.

ADDITIONAL INFORMATION

THE HOUSING FUND, INC. AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2020

	The Housing Fund, Inc.	Laurel House Apartments GP, Inc.	Laurel House 2001, L.P.	Consolidating Entries	Consolidated
ASSETS					
Cash and cash equivalents, undesignated	$ 6,876,991	$ -	$ 331,568	$ -	$ 7,208,559
Cash and cash equivalents, designated for federal programs	1,927,456	-	-	-	1,927,456
Accounts receivable	123,141	-	61,622	(60,861)	123,902
Government grants receivable	22,158	-	-	-	22,158
Accrued interest on loans receivable	154,157	-	-	-	154,157
Down payment assistance loans receivable, net	7,260,606	-	-	-	7,260,606
Flood assistance loans receivable, net	1,093,719	-	-	-	1,093,719
Development loans receivable, net	8,362,441	-	-	-	8,362,441
Shared equity loans receivable, net	1,556,465	-	-	-	1,556,465
Prepaid expenses and other assets	127,844	-	1,784	-	129,628
Tax, insurance and mortgage escrow reserves	-	-	289,682	-	289,682
Property, furniture and equipment, net	612,573	-	3,481,434	-	4,094,007
Investment in subsidiary	1,857,702	-	-	(1,857,702)	-
Investment in limited partnership	-	200,000	-	(200,000)	-
TOTAL ASSETS	$ 29,975,253	$ 200,000	$ 4,166,090	$ (2,118,563)	$ 32,222,780
LIABILITIES					
Accounts payable	$ 282,925	$ -	$ 241,901	$ (60,861)	$ 463,965
Accrued expenses	117,004	-	-	-	117,004
Flood contract payable	217,520	-	-	-	217,520
Mortgage loans payable - Laurel House Apartments, net	-	-	2,293,241	-	2,293,241
Notes payable - investment partners	16,570,668	-	-	-	16,570,668
TOTAL LIABILITIES	17,188,117	-	2,535,142	(60,861)	19,662,398
NET ASSETS					
Without donor restrictions	12,613,730	200,000	1,630,948	(2,057,702)	12,386,976
With donor restrictions	173,406	-	-	-	173,406
TOTAL NET ASSETS	12,787,136	200,000	1,630,948	(2,057,702)	12,560,382
TOTAL LIABILITIES AND NET ASSETS	$ 29,975,253	$ 200,000	$ 4,166,090	$ (2,118,563)	$ 32,222,780

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 ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	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	$ 217,544	$ -	$ -	$ -	$ 217,544
Grants from private institutions	789,059	-	-	-	789,059
Revenues:					
Service and administrative fees	254,038	-	-	-	254,038
Rental income - Laurel House Apartments	-	-	498,259	-	498,259
Interest income:					
Loans	505,972	-	-	-	505,972
Other	65,402	-	-	-	65,402
Other	11,982	-	61,659	-	73,641
Gain on investment in subsidiaries	13,377	-	-	(13,377)	-
TOTAL SUPPORT AND REVENUES	1,857,374	-	559,918	(13,377)	2,403,915
EXPENSES					
Program services:					
Low-income housing assistance programs	1,237,563	-	-	-	1,237,563
Flood assistance programs	(57,210)	-	-	-	(57,210)
Laurel House Apartments	-	-	573,295	-	573,295
Supporting services:					
Management and general	525,091	-	-	-	525,091
TOTAL EXPENSES	1,705,444	-	573,295	-	2,278,739
CHANGE IN NET ASSETS	151,930	-	(13,377)	(13,377)	125,176
NET ASSETS - BEGINNING OF YEAR	12,635,206	200,000	1,644,325	(2,044,325)	12,435,206
NET ASSETS - END OF YEAR	$ 12,787,136	$ 200,000	$ 1,630,948	$ (2,057,702)	$ 12,560,382

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